

# **TÜRKİYE KALKINMA BANKASI A.Ş.**



## **ANNUAL REPORT 2007**

2007 ANNUAL REPORT OF TÜRKİYE KALKINMA BANKASI A.Ş. HAS BEEN PUBLISHED WITHIN THE FRAMEWORK OF "REGULATION RELATING TO THE PRINCIPLES AND PROCEDURES FOR PREPARING AND PUBLISHING ANNUAL REPORT IN THE BANKING SECTOR" PUBLISHED IN THE OFFICIAL GAZETTE NO. 26333 DATED 01.11.2006 WHICH WAS ARRANGED BY THE BANKING REGULATION AND SUPERVISION AGENCY IN ACCORDANCE WITH THE ARTICLES 40 AND 93/4 OF THE BANKING LAW NO. 5411.



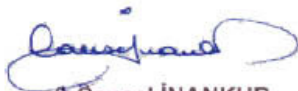
Abdullah ÇELİK  
Chairman  
and  
CEO



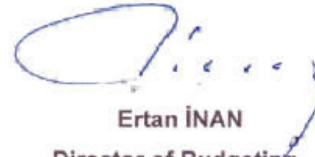
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# **INTRODUCTION**

## ANNUAL REPORT

### Favorable Opinion

To the General Assembly of  
Türkiye Kalkınma Bankası A.Ş.;

We have been appointed to audit the annual report of Türkiye Kalkınma Bankası A.Ş. dated 31/12/2007. The annual report is the responsibility of the Bank management. Our responsibility as the independent audit firm is to present and opinion on the audited annual report.

Our audit has been conducted according to the legislations concerning the basis and procedures for the preparation and presentation of annual audit report and independent audit principles set out by the Banking Law #5411. These legislations require the planning and conducting of the audit to provide reasonable assurance that the annual report is free of material misstatement. We believe our audit presents a reasonable basis for our opinion.

In our opinion, the information presented in the accompanying annual report present, in all material aspects, the information concerning the financial position as of 31/12/2007 of Türkiye Kalkınma Bankası A.Ş. according to the basis and procedures stated in the legislations in effect due to the 40<sup>th</sup> article of the Banking Law #5411 and includes the summarized Board of Directors report and our independent audit opinion, and complies with the information presented in the audited financial statements.

Ankara, 01.04.2008

REHBER  
Bağımsız Denetim ve  
Yeminli Mali Müşavirlik A.Ş.

  
Alper ŞİMŞEK  
Chief Executive Auditor

#### MERKEZ

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## **VISION OF THE BANK**

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As a leading institution of development and sustainable growth, the vision of the Bank is;

- to support investments on the basis of region, sector and technology, to finance them efficiently and quickly,
- to support investors by strengthening and encouraging them , in addition to giving technical assistance

to become a development and investment bank at the international level.

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## **MISSION OF THE BANK**

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In accordance with the purpose of achieving development and sustainable growth, the mission of the Bank is;

- to support investments of the enterprises incorporated as joint-stock companies by lending loans secured from national – international resources, to participate in leader/model firms,
  - to provide technical assistance for investors,
  - to contribute to the improvement of the capital markets,
- to increase employment, income and welfare levels.

AS A DEVELOPMENT AND INVESTMENT BANK, THE BANK IS  
AIMING AT;

- FINANCING ENVIRONMENTAL INVESTMENTS,
- RESPECTING ENVIRONMENTALLY - CONSCIOUS INVESTMENTS  
ESPECIALLY IN INDUSTRY, TOURISM AND ENERGY SECTORS,

CONTRIBUTING ENVIRONMENTAL POLICIES WHICH ARE INDISPENSABLE  
FACTORS OF SUSTAINABLE GROWTH

## SELECTED FINANCIAL INFORMATION FOR THE PERIOD

### MAIN INDICATORS

Thousand YTL

|                          | 2007    |
|--------------------------|---------|
| Total Assets             | 817.806 |
| External Sources         | 359.710 |
| Equities                 | 458.096 |
| Free Capital             | 390.868 |
| Total Revenues           | 138.143 |
| Total Expenditures       | 83.879  |
| Tax Paid(-)              | 11.176  |
| Profit /Loss             | 43.088  |
| Total Assets Million USD | 707     |



## **HISTORY IN BRIEF**

Türkiye Kalkınma Bankası A.Ş. (TKB) (Development Bank of Turkey), originally founded as State Industry and Laborer Investment Bank (DESİYAB) in 1975, has occupied an important place in the development process of Turkey so far. The bank's establishment procedures and activities were re-arranged in 1983. Later on the bank's title was changed as "Türkiye Kalkınma Bankası A.Ş." in 1988, enabling the bank to finance other sectors in addition to the industry as well. Following the takeover of the Turkish Tourism Bank Corp. in 1989, tourism sector was brought into the scope.

The Law No. 4456, redefining the rules and working principles of the bank, was entered into force in 1999. The bank, supervised by the Prime Ministry, has been functioning as a development and investment institution under the rules of private law except those matters regulated by its own Law No. 4456.

## CAPITAL AND SHAREHOLDING

| SHAREHOLDERS                 | EXISTING CAPITAL SHARE |               |
|------------------------------|------------------------|---------------|
|                              | (YTL)                  | (%)           |
| UNDERSECRETARIAT OF TREASURY | 158.530.446,43         | 99.08         |
| OTHERS (*)                   | 1.469.553,57           | 0.92          |
| <b>TOTAL</b>                 | <b>160.000.000,00</b>  | <b>100.00</b> |

(\*) Includes all real and legal entities and the number of shareholders is not known, as the shares held by these shareholders are traded at İstanbul Stock Exchange

The Chairman and Members of the Board of Directors, Statutory Auditors and the Deputy General Directors have no shareholding in the Bank's capital.

## **MESSAGE FROM THE CHAIRMAN**

The year 2007 was a year of global risks stemmed from the international markets, however, for the Bank, which has been operating to achieve the development and sustainable growth for 33 years, it was a year of enhancement of the activities in terms of quantity, quality and a successful financial performance.

The economic environment formed due to the structural reforms implemented after the 2001 crisis, the disciplines in public finance and the monetary policy for price stability, led to an average annual growth of 6.9% during the period of 2002-2007. In this period, private consumer expenditures and investments were the dominant factors in the growth of the economy.

If a calculation is made taking into account the balance of payments figures; during 2002-2007 period while the net direct inflow of capital to Turkey was USD 52 billion and portfolio investments amount was USD 31 billion, net other investments which were mainly loans obtained from abroad amounted to USD 80 billion. For this reason, the effects of the loan shortage in global markets and contraction in direct foreign investments will be more specific than the effects of portfolio investments. In this conjecture, the Bank's function of reaching the resources of international finance institutions and directing them to project financing has gained a greater importance compared to other periods. In conformity with our aim to increase the effectiveness; while we are trying to reach and obtain the credit facilities from the global markets, on the other hand by using these funds, we are trying to increase our role in financing the investments.

Realizing sustainable growth and increasing employment will possibly be accomplished by new investments in services, industry and energy sectors. When taking into account the financial needs of investments and the structure of Turkish Commercial Banking System (which is based on short term funds) together; the Bank's function of allocating long and medium term loans to investments gains importance. With its accelerated function to fund investments, the Bank performed successfully in 2007 and hence, its loan capacity increased by 44 % in USD basis compared to the previous year. The Loan balance which was USD 239 million by the end of 2006, rose to USD 344 million and the loan allocation which was USD 97 million in the year 2006, increased to USD 147 million in 2007. In addition to

increasing its loan capacity, the Bank continued its efforts to solve the loans under follow up and received USD 7 million in 2006 and USD 19 million in 2007 from these loans. On the other hand, I would like to mention that a reserve account has been formed for 96% of the loans under follow-up.

In 2007 different applications have been put into practice for the improvement of the Bank's lending activities. One of these is the Apex banking application. The main part of the Bank's resources consists of loans obtained from international institutions for financing real sector. As according to our Establishment Law the Bank can only lend loans to joint stock companies, with Apex banking application, it was aimed to finance especially SMEs in form of limited companies and to allocate more of the Bank's funds to finance real sector. In this regard, the Bank has started Apex banking with YTL 20 million of its own resources and is planning to continue this activity further.

Another application for the enlargement of our loan capacity, is related with the studies going on between Undersecretariat of Treasury and Housing Development Administration (TOKİ) concerning the transfer of funds of the Council of European Development Bank to social housing projects of TOKİ. Moreover, negotiations are going on to obtain resources to finance energy and environmental investments.

On the other hand, our restructuring activities are going on to improve our lending function by shortening our lending process. In this context, the period between the loan application and loan allocation has been decreased by half compared to previous years. Our aim is to decrease this period further and thus increase the efficiency of the lending activities for both the Bank and the clients. Moreover, the studies continue related with the loan rating method in the context of usage of new and efficient models in the lending activities. As a first step of this study, a system for rating firms at the stage of enquiry has been started.

The Bank committed to participate "Istanbul Venture Capital Initiative" IVCI having a initial capital of Euro 150 million which was founded under the leadership of European Investment Fund, in the context of its belief in the importance of the improvement of risk capital sector to be an instrument to finance innovative real sector investments. This initiative has started to operate after the completion of legal, operational and organizational processes.

The Bank will continue its activities to be a development and investment bank at the international level, to support investments on the basis of region, sector and technology, to finance them efficiently and quickly, to encourage and strengthen entrepreneurs by giving them technical assistance, via by its qualified personnel and know-how in the coming years.

By this occasion, I would like to thank at first stage to our main shareholder Undersecretariat of Treasury and other shareholders for their support to reach the goal of the development and sustainable growth of the Turkish economy; to our clients for their trust shown to us; to the staff contributed to the Development of the Bank so far, whom I believe will do so at an increasing rate in the years ahead.

**Abdullah ÇELİK**  
**Chairman and CEO**

## **DEVELOPMENTS IN THE WORLD AND IN THE TURKISH ECONOMY**

### **DEVELOPMENTS IN THE WORLD ECONOMY**

The global economy continued to expand in the first half of 2007 and the growth rate was over 5%. China accelerated its growth process and with its growth rate of 11.5 % that was realized in the first half of the year, it provided the biggest contribution to the global growth for the first time in its history. Indian and Russian economies also continued to have strong growth trends. The forecast that the Chinese economy will grow by 10 percent in 2008, shows that also in the future period, this country shall be the one to give the greatest contribution to global expansion. Therefore, at a period of slow down in the advanced economies, the improvement and resurgence in world's industrial production, is mainly due to the dynamism in the emerging markets.

In USA, which is still the biggest economy of the world, the growth rate for 2007 was realized at the level of 2.2% and it is estimated that this level will be difficult to preserve for 2008. If we look over the advanced economies of the world, the economic growth in Euro-zone and Japan have slowed down starting from the second quarter of the year. Under these circumstances, it is estimated that as of 2007, the growth performance realized by Euro-zone have stayed at the level of 2.6% and the estimate for 2008 have been lowered to 1.6%. Japanese economy estimated to expand by 1.9% for 2007, is expected to have a growth rate of 1.5% for 2008. For United Kingdom which grew by approximately 2.6 % in 2007, the estimate for 2008 stayed at 2.3%. As of the end of 2007, it is estimated that growth in world economy have been realized in the environs of 4.9 percent. The strong local demand prevailing in the developing countries is said to be the main factor to determine growth of the world economy in 2008. For the year 2008, the growth of world economy is estimated to be a little less compared to 2007; to be realized in the environs of 4.1 percent.

In the last months of 2007, inflation was managed to be under control in advanced economies but the rising food prices continue to have their pressure over increasing inflation. The core inflation at USA slowed down gradually and declined till 2 percent, especially due to the slow- down in rents' increase. 2007 inflation in Euro-Zone,

remained generally under 2 percent, although increases in energy and food prices in September forced it a little. In Japan, prices stayed at the same level as of the previous year.

On one hand, inflation reached top levels in many developing country and emerging markets. The main reason for this development was the strong increase in local demand and the increasing food prices that gained more weight in consumer price indices. On the other hand, during the last periods of 2007, oil prices reached new top levels especially with the triggering of the rise in demand and geopolitical worries.

Towards the last period of the year, the conditions in global loan markets became much more volatile. The loan conditions tightened more, as increasing concerns about the fallout in the US high-risk mortgage market, led to a decline in yields on securities collateralized with such loans as well as other high-risk securities. Though relatively less than the turbulence exercised in global markets previously, emerging markets had also been affected without delay from these unfavourable developments.

Before the last financial turbulence, central banks around the world generally implemented tight monetary policy to cut down the inflationist pressures from the beginning. However, central banks at different countries, though their inflationist effects, are expected to stay away from monetary restrictions. It is expected that this policy will contribute the growth of world economy in 2008.

The major currencies have largely continued trends observed since early 2006. US Dollar has continued to weaken although its real effective value is still estimated to be above its medium-term fundamental level. Though Euro has appreciated, it continues to be in the range that is consistent with macroeconomic parameters. On the other hand, Japanese Yen rebounded at the last months of 2007 but remained undervalued relative to medium-term macroeconomic parameters. The Chinese currency Renminbi has continued to gain value gradually against the US Dollar and on real effective basis but China's current account surplus has widened further and its international reserves reached high levels. Other emerging market economies have exercised strong foreign currency inflows, raising both from current accounts

and capital accounts. The currencies of emerging markets though had weakened during July and August had recovered afterwards.

The world trade had increased in July and August at the average of 3 percent, compared to the second quarter of 2007. But the forecasts are that the expansion in world trade capacity at the end of 2007, compared to 2006 would contract by 2.2 percent, and would be realized as 7.4 percent and in 2008 an additional 0.5 percent decrease would be exercised in this slowdown. It is estimated that the world trade prices in US Dollars had increased 6.4 percent in 2007 and this increase would only be at 3.3 percent level in 2008.

The reduction of unemployment, continues to be a field of challenge for both developed and underdeveloped countries. In 2007, unemployment continues to be at its highest level, in Middle-East and North Africa with rates of 11.8 % and 10.9% respectively, Latin America and Caribbean, Middle and Southeast Europe (non EU) and CIS countries with the rate of 8.5 % followed the above said region. According to OECD's standardized unemployment rates statistics, at the end of the third quarter of 2007, while unemployment rate in Euro zone had reached 7.3 percent, it was realized at the level of 4.7 percent in USA and 4.0 percent in Japan.

It is thought that the world economy would not easily protect its strong growth trend of the last periods. The high profits of enterprises, employment increase and increasing international trade during the growth periods were the positive aspects of growth. But the turbulences in financial markets at the last period, had clouded the expectations for 2008 and the fundamental macroeconomic parameters had to be revised.



## **DEVELOPMENTS IN THE TURKISH ECONOMY**

The global drought and its negative effects especially to agriculture sector, determined the performance of the Turkish economy in 2007. The production decrease, the slowdown of the economic growth; as a consequence the increase in prices which led to fundamental macro parameters such as inflation to reach over the targets, caused failure in the expected performance of 2007.

Turkish economy, at the third quarter of 2007 had recorded only a growth of 2 percent which was quite under the expectations. When the growth rates of the last years are evaluated, we see that this rate is the lowest for the period coming after the second quarter of 2002. Whereas, for the first nine months period, increases in Gross National Product (GNP) and Gross Domestic Product (GDP) compared to the same period of the previous year were 4.0 and 3.8 percent respectively. The underperformance of the economy at the third quarter of the year originated from the domestic demand's moderate increase and the contraction in agricultural sector. Taking into account these observations, it is estimated that GDP had increased by 4.7 percent by the end of 2007 and would be in the environs of 4.9 percent as of 2008.

Annual inflation had started to decline after the second quarter of 2007 and realized as 8.6 percent for the first six months period. For the first nine months of the year, the slowdown in the increase of prices for services, drew attention. While the durable goods prices decreased in this period, non-durable goods prices increase was at the rate resembling the previous year. While, Consumer Price Index (CPI) raised annually by 8.4 percent at 2007, Producer Price Index (PPI) increase reached to 5.9 percent. On the other hand, the increase in CPI which is the basis for inflation definition, by the end of 2008, with 70 percent probability is targeted to be realized between 4.1 percent and 6.9 percent at the average of 5.5 percent.

The Central Bank had continued to implement the open inflation targeting regime during 2007 which had started from the beginning of 2006. On the other hand, another implementation of the Central Bank that continued during 2007 was the floating currency regime. At the end of the first nine months, being one of the Central

Bank's fundamental liabilities main items "the currency issued" had increased by 2.7 percent and reached to YTL 26.1 billion. Compared to the previous year end, the M1, M2 and M2Y money supplies (using the old definition as of the beginning of October) recorded 6.2, 15.0 and 10.5 percent increases respectively. Though there was an increase in sight saving deposits, the decrease in sight commercial deposits and the currency in circulation at limited levels played an important role in the increase in M1 money supply to stay limited.

Unemployment like in most developing countries, affects Turkey deeply. Between 2002 and 2006 while the economy expanded annually by average 7.2 percent in real terms, total employment increased annually at average of 0.7 percent. As of October 2007, compared to the same period of the previous year, unemployment rate increased by 0.4 points reaching 9.7 percent. This rate is expected to be reflected without much difference to the year end statistics. In the frame of programme targets, parallel to growth and investment magnitudes foreseen for the year 2008, it is estimated that the employment would increase by 425 thousand and the unemployment rate to be 9.6 percent.

In spite of the turbulence experienced in global markets and the over valuation of YTL, export, protected its strong trend during most of 2007. On the other hand, in the last months a buoyancy was observed in imports though the increase realized was under the exports. According to the last data while exports recorded an increase of 25.3 percent, imports recorded 21.8 percent and the foreign trade deficit with an increase of 16.3 percent reached to USD 62.8 billion. So in 2007, the ratio of exports as to imports had reached to 63.0 percent. In conformity with the increase in world trade, the foreign trade volume of Turkey that was over USD 225 billion at the end of 2006, had reached to USD 277.1 billion in 2007, with an increase of 23.1 percent compared to the previous year. Imports constituted 61.3 percent of this volume.

The continuously increasing current account deficit is one of the main challenges of the Turkish economy. According to the last published Balance of Payment statistics, the current account deficit at January-November 2007 period, compared to the same period of the previous year, increased by 11.6 percent and reached from USD 29.3

billion to USD 32.8 billion . By the end of 2007 the current account deficit is expected to reach a level of 7.5 percent of GDP. When we look over the finance of the current account deficit for the period January-November 2007, the net capital entry in the finance accounts was USD 31.1 billion and this consisted of direct investments in the amount of USD 14.7 billion, net portfolio investments in the amount of USD110 million and other investments (commercial and cash loans and deposits) in the amount of USD 23.1 billion.

The Central Government Budget giving a surplus of YTL 2.6 billion as of November 2007, had a deficit of YTL 4.2 billion at December 2007 and the budget deficit realized annually reached to YTL 13.9 billion. Taking into consideration that the target for the year end budget deficit was YTL 16.8 billion, the cumulative budget deficit was observed to be its 82.5 percent. On the other hand, at December, non-interest balance had also YTL 2.4 billion deficit. As of the end of December the cumulative non-interest surplus (34.8 billion YTL) was 96.5 percent of the YTL 36.1 billion whole year target.

When the banking sector data were evaluated in yearly basis, it can be seen that the deposit and loan volumes were expanded in real terms in 2007. While the deposits volume expanded by 15.7 percent, the expansion in loan volume reached to 28.9 percent. Due to the devaluation of foreign currency basket by 12.6 percent last year, the increase in foreign currency loans stayed at the level of 20.1 percent, on the contrary YTL loans increased by 32.2 percent.

The expectations for 2008, is closely related with the course of global economy and the political environment. The negative global financial conditions can seriously affect the direct and indirect capital flows to countries having current account deficits like Turkey. In an indirect manner, possible interest increase and fluctuations in foreign currencies, will negatively affect the costs of real sector and with the tightness in external markets will make a pressure over the economic growth and export. On the other hand, if the global conditions turn out to be positive, expectations are that the Turkish economy will again start to expand though the current account deficit will remain to be a field of challenge, the capital movements will accelerate and to reach the inflation target will need some time.

## **THE SCOPE OF ACTIVITIES AND ITS POSITION IN THE BANKING SECTOR**

The Bank's objectives, according to the Law No. 4456 that sets establishment, are to extend loans and participate, based on the criteria of profitability and efficiency and to provide funding and operational support to joint stock companies, to channel domestic and international savings into investments for development purposes, to contribute the improvement of the capital market, to finance domestic, foreign and joint venture investments and to carry out all kinds of development and investment banking operations for the development of Turkey.

Pursuant to the Bank's Foundation Law, the scope of activities, for the achievement of its objectives, are ;

1. The Bank can extend medium and long-term cash and non-cash loans in terms of Turkish Lira and foreign currency, and execute lending operations on the basis of profit sharing and leasing. It can guarantee and act as an intermediary for national and foreign individuals and institutions after receiving the necessary collaterals.
2. The Bank can purchase and sell all types of securities and issue bond guarantees.
3. The Bank can carry out researches, project evaluation and education activities by its own or by others; extend technical assistance. The Bank can take precautions to ensure the efficient operation of companies with which it has financial relations.
4. The Bank can extend loans to companies; participate in national and international companies; carry out rehabilitation, improvement, and consolidations if necessary. The Bank can establish companies under its leadership; can purchase, sell or repurchase share certificates, and issue profit guarantees.
5. The Bank can carry out all kinds of exchange operations like import, export and invisible transactions, and hold foreign currency positions.
6. The Bank can act as an insurance agent.
7. The Bank can establish branches and representative offices at home and abroad provided that the necessary permissions are obtained.
8. The Bank can cooperate with national and international financial institutions and it can be a member of these institutions.

9. The Bank can obtain resources from national and international financial institutions and from money and capital markets.
10. The Bank takes measures to spread industrial property rights to public at large.
11. The Bank uses its resources in accordance with the targets and principles of the development plans and annual programs.
12. The Bank carries out every kind of development and investment banking operations in order to achieve its objectives.
13. The Bank can buy/sell, rent out/rent every kind of movable and immovable properties; can establish pledges, mortgages, usufruct, easements, encumbrances on immovable properties and all other rights in favor of or against the Bank.
14. The Bank can take all types of security against the loans it extends, including chattel mortgage, commercial pledge and other mortgages.

Currently, the Bank extends credits on the basis of project evaluation. The Bank also determines the nature of guarantees on project basis. The Bank does not extend loans to individual clients pursuant to its Foundation Law. The maximum amount of the loan that can be extended to institutional clients is established at the project evaluation stage, by taking into consideration the size of the investment, the ratio of equity/external resources (subject to minimum/maximum limits imposed by the current legislation) and the resource structure of the Bank. The Bank whose main function may be defined as project-based financing of investments, carries out other banking transactions and activities as well.

Total number of employees of the Bank are 695 by end of 2007. The Bank consists of the General Directorate and the Istanbul branch office which started to operate in 2007.

## TBS, DIB and TKB: Financial-Functional Performance (2002-2007/9 Period)

| (% Shares)                                  | TBS     |         |         |         |         | DIB   |       |       |        |        | TKB   |       |       |       |       |
|---|---------|---------|---------|---------|---------|-------|-------|-------|--------|--------|-------|-------|-------|-------|-------|
|   | 2003    | 2004    | 2005    | 2006    | 2007    | 2003  | 2004  | 2005  | 2006   | 2007   | 2003  | 2004  | 2005  | 2006  | 2007  |
| <b>Liquid Assets</b>                        | 35.9    | 34.2    | 36.9    | 34.8    | 32.3    | 38.9  | 41.4  | 41.7  | 42.3   | 43.0   | 37.7  | 43.7  | 48.3  | 49.0  | 41.9  |
| <b>Loans</b>                                | 26.9    | 32.7    | 32.0    | 44.0    | 49.4    | 48.3  | 47.1  | 46.4  | 47.0   | 47.6   | 43.9  | 41.2  | 40.8  | 37.7  | 48.7  |
| Loans Under Follow-up(Net)/Loans            | 1.5     | 0.8     | 0.5     | 0.4     | 0.5     | 0.4   | 0.4   | 0.2   | 0.1    | 0.1    | 6.1   | 6.5   | 0.0   | 0.0   | 0.7   |
| <b>Other Assets</b>                         | 37.1    | 33.2    | 25.2    | 21.2    | 18.4    | 12.8  | 11.6  | 11.9  | 10.7   | 9.4    | 18.5  | 15.0  | 10.9  | 13.2  | 9.5   |
| <b>Total Assets</b>                         | 100     | 100     | 100     | 100     | 100     | 100   | 100   | 100   | 100    | 100    | 100   | 100   | 100   | 100   | 100   |
| (% Shares)                                  |         |         |         |         |         |       |       |       |        |        |       |       |       |       |       |
| <b>External Resources</b>                   | 85.8    | 85.0    | 86.5    | 88.1    | 87.0    | 59.2  | 54.6  | 51.4  | 50.7   | 52.6   | 26.6  | 24.3  | 33.1  | 39.2  | 44.0  |
| Deposits/Ext. Res.                          | 72.5    | 73.4    | 70.8    | 69.9    | 70.6    | 0.0   | 0.0   | 0.0   | 0.0    | 0.0    | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   |
| Loans Received/Ext. Res.                    | 12.1    | 13.0    | 15.8    | 16.1    | 14.1    | 53.0  | 52.4  | 55.7  | 56.6   | 51.8   | 28.1  | 30.8  | 53.9  | 52.0  | 59.9  |
| Other Ext. Res../Ext. Res.                  | 6.7     | 6.8     | 6.6     | 7.2     | 9.0     | 34.1  | 34.3  | 35.2  | 34.8   | 37.2   | 71.9  | 69.2  | 46.1  | 48.0  | 40.1  |
| <b>Shareholders Equity</b>                  | 14.2    | 15.0    | 13.5    | 11.9    | 13.0    | 40.8  | 45.4  | 48.6  | 49.3   | 47.4   | 73.4  | 75.7  | 66.9  | 60.8  | 56.5  |
| <b>Total Liabilities</b>                    | 100     | 100     | 100     | 100     | 100     | 100   | 100   | 100   | 100    | 100    | 100   | 100   | 100   | 100   | 100   |
| Net Profit for the period / Total Assets(%) | 2.2     | 2.1     | 1.4     | 2.3     | 2.6     | 4.3   | 2.8   | 5.3   | 4.8    | 4.6    | -18   | 3.5   | 3.8   | 17.7  | 5.3   |
| FX Assets/FX Liabilities (%)                | 87.8    | 90.1    | 88.6    | 87.7    | 84.3    | 108.8 | 108.0 | 96.4  | 94.6   | 80.7   | 360.7 | 300.2 | 144.3 | 117.7 | 108.8 |
| Real Assets Growth(%)                       | 17.4    | 22.7    | 29.5    | 25.9    | 16.4    | 8.8   | 10.3  | 13.6  | 19.3   | 23.1   | -4.3  | 20.6  | 33.3  | 28.1  | -7.5  |
| Interest Margin (Million USD)               | 8.080   | 13.192  | 13.639  | 15.099  | 22.470  | 855   | 758   | 628   | 689    | 1.001  | 31    | 34    | 26    | 45    | 72    |
| FX Margin (Million USD)                     | 1.171   | 342     | 553     | -1.201  | 1.434   | 16    | -22   | 17    | -91    | -33    | -0.6  | 2     | -4    | 8     | -3    |
| Total Assets (Million USD)                  | 173.209 | 229.319 | 295.846 | 355.513 | 501.531 | 7.367 | 8.476 | 9.589 | 10.918 | 16.290 | 310   | 389   | 491   | 632   | 707   |
| <b>Shares in Assets (%)</b>                 |         |         |         |         |         | 4.11  | 3.70  | 3.24  | 3.07   | 3.25   | 4.18  | 4.57  | 5.36  | 5.76  | 4.33  |

(\*) 2003 and 2004 statistics are based on purchasing power as of 31.12.2004 whereas those of 2005, 2006 and 2007 are current values.

When we examine the table, the most basic indicator regarding the performance of both the Turkish Banking system and the development and investment banks is the trend of real assets growth rate. It can be observed that as from 2003, the Turkish banking system's growth rate accelerated. The growth recorded to be moderate since 2003, had ceased its acceleration in the last two years (2006 and 2007) and was realized at the level of 16.4 percent in 2007. The development and investment banks on the other hand, had increased their growth rates after the economic crisis period and their growth rate reached to 23.1 percent in 2007. To the contrary of the Development and investment banks' improvement trend, the Bank had shown a floating growth during 2002-2007 period. In 2005 and 2006 the Bank with its 33.3 and 28.1 percent growth rates respectively, had recorded above both the banking system and the development and investment banks. Especially in 2006 with the sale of one of its participation, the assets volume that was expanded at a rate of 28.1 percent temporarily, had contracted by 7.5 percent after the transfer of the dividend to the main shareholder Undersecretariat of Treasury in 2007. To eliminate the temporary developments when we compare the average growth rates of the last 3 years, the 18.0 percent growth rate of the Bank can be said to be parallel with the 18.6 percent of the Development and investment banks group.

Profitability vice, the Turkish Banking system's increasing performance had continued in 2007. Compared to the Turkish Banking system the development and investment banks group that are more profitable in general, realized profitability in the levels of 4.8 and 4.6 percent for the years 2006 and 2007 respectively. The Bank's profitability as of 2006 had reached to 17.7 percent recorded to be the highest and so realized an utmost profitability level compared to the whole sector. In 2007, the Bank with its 5.3 percent profitability rate had performed over, both the banking system and the development and investment banks.

The share of loans in total assets which is the indicator of functional performance, while being under the average of the banking system in 2006, realized nearly at equal levels as of 2007. When we compare with the development and investment banks group, while the Bank had a percentage under the group in 2006, the rate realized over the group's average in 2007.

In the following period, due to the negative global developments; limitations in lending opportunities and probable interest rate increases will be reflected to the banking system as an increase in fund costs. In this frame, it is obvious that the banking system will face difficulties in the placement of these high cost funds. Both the increase in costs and the shrinkage of the loan portfolio due to recession and problems in the loan collections, it is probable that the loan follow-up ratios will increase.

The last point to be emphasized in this matter, is that in the banking system the loan demand of the real sector determines the demand side of loan placements. From this point of view the situation is that, during last years the banking system is facing difficulties in stimulating loan demand, irrelevant from the global crisis. The main reason is, in the growing economy by approximately 7 percent during the last five years, due to the consumption expenditures with high growth rates, the loan portfolio had been formed mainly from consumer loans. The problem arises from especially the growth acceleration rate to decrease because of the consumer expenditures slow down, so though the banks decrease their interest rates they can not get sufficient consumer loan demand. From this aspect we can say that the consumer expenditures in Turkey are more sensitive to income decreases than prices. While this situation urges to reach the growth target, on the other hand it is observed that during recent periods the banking system, as long as its resource composition is convenient directs its resources to medium and long term real sector financing.

In this structure, the distinguishing characteristic of the development and investment banks and TKB stems from their share of loans in total assets that have been higher than that of the system's average. At the same time, when taking into account the Bank working intensively with international development and investment banks, it is obvious that it will be less effected from the probable cost increases compared to the system in general. The Bank with the transfer of the profit to the Undersecretariat of Treasury arising from the sale of Erdemir securities and participations, had increased the share of loans in the percentage of its assets. Moreover, the fact that loans consisted of medium and long term loans, in contrast to the short term structure of the loans in the overall sector, means that the loans extended by development and



investment banks and the Bank, played an effective role predominantly in financing the real sector. Yet, although the high share of loans in assets, for development and investment banks can be said to be a positive development in financing real investments in the Turkish economy, the share of development and investment banks in the sector is limited with 3.3 percent and the Bank's share is only 4.3 percent of the development and investment banks as of the end of 2007. However, the positive developments during the last two years, indicates a promising outlook especially nowadays when there is an urgent need for financing medium and long term investments.

## **THE ACTIVITIES OF THE BANK IN 2007**

### **LENDING PRACTICES**

The first step of providing financial support and guidance as a mission assumed by Development Bank of Turkey (Türkiye Kalkınma Bankası) under the development efforts of the country begins with the evaluation of loan applications for investment initiatives.

If any firm requesting a loan from the Bank is found to have fulfilled the necessary requirements and if a positive opinion is formed about the firm as a result of the investigation activities, then a project evaluation report is prepared by carrying out a comprehensive examination of the technical, economic and financial aspects of the projects covered by the loan application.

The Bank extends middle – long term investment, operational and also short term loans from its own resources and foreign resources to the firms in industrial, services, and energy sectors which are found to be acceptable after project evaluation. The Bank provides financial supports to the firms incorporated as joint stock companies on the basis of profitability and efficiency.

For any investment project to be financed, the result of investigation about the company and the results of technical, economic and financial evaluations regarding the project must be positive. In order to provide finance from a specific fund to any firm incorporated as joint stock company, the project in question must meet the requirements set out in the decree or the communiqué governing the operation of the fund; if a loan is to be provided from another financial institution, the project must satisfy the conditions sought by the institution concerned as well as the conditions established under general agreement. In order for any tourism firm incorporated as a joint stock company to borrow any loans from the Bank, it must obtain a Tourism Investment Certificate from the Ministry of Culture and Tourism of the Republic of Turkey.

## **Loan Marketing**

In 2007, the lending activities, that were accelerated in order to improve marketing and client relations, aiming the Bank's presentation and growth of Bank's portfolio in an intensive competition exercised in the banking sector, were as follows:

.The client- focused studies continued and clients were visited personally

.According to the protocol signed with Turkish Union of Chambers and Stock Exchange (TOBB), the Bank participated to KOBİF- Information expositions that were held in different cities under the organization of TOBB

.The Bank attended to the sector assemblies meetings of TOBB, to give detailed information to the members from different sectors about the loan resources and their utilization conditions.

.In cooperation with the Chambers of Industry and Commerce and Directorates of Organized Industrial Zones, regional loan information meetings were held.

.Information about the Bank's loans were provided by the continuous contacts with the existing clients.

.The Bank participated to 22 expositions in 20 cities.

.Presentations were held at sectors and regions determined by the Bank about its loan resources and their utilization conditions.

As a result of these activities 147 firms made loan applications in the total amount of YTL 710.000.000 .

## **Project Appraisal**

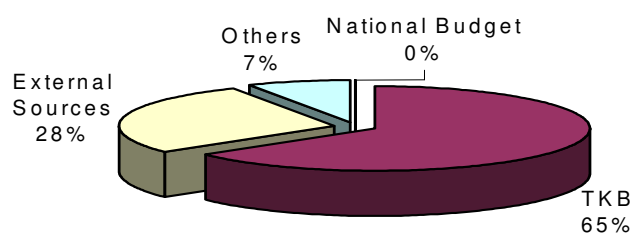
A total of 158 projects were evaluated in 2007 of which 113 were on industrial investments, whereas 45 were on tourism, services and energy.

In addition to the project evaluation reports, 127 progress payment reports, 133 expert appraisal reports were prepared in 2007.

## PROJECT APPRAISAL

| NUMBER OF PROJECTS                           | SOURCES OF FINANCE      |             |                        |        |       |
|--|-------------------------|-------------|------------------------|--------|-------|
|  | NATIONAL BUDGET SOURCED | TKB SOURCED | FOREIGN CURRENCY LOANS | OTHERS | TOTAL |
| APPLICATIONS TRANSFERRED FROM PRECEDING YEAR | 2                       | 19          | 24                     | 12     | 57    |
| CURRENT APPLICATIONS                         | 2                       | 85          | 37                     | 13     | 137   |
| TOTAL NUMBER OF PROJECTS                     | 4                       | 104         | 61                     | 25     | 194   |
| EVALUATED                                    | 3                       | 90          | 49                     | 16     | 158   |
| - Report Prepared                            | 0                       | 49          | 21                     | 6      | 76    |
| - Rejected                                   | 3                       | 41          | 28                     | 10     | 82    |
| TRANSFERRED TO THE NEXT YEAR                 | 1                       | 14          | 12                     | 9      | 36    |

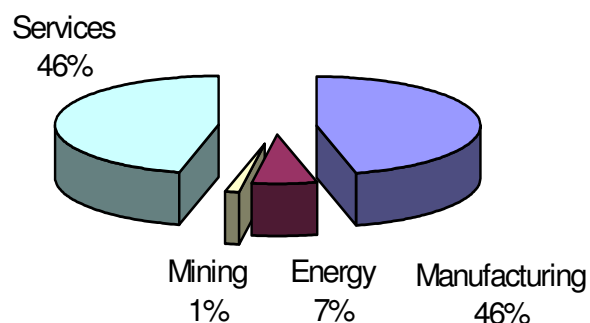
## BREAKDOWN OF PROJECTS BY SOURCES



## SECTORAL BREAKDOWN OF PROJECTS APPRAISED

(Number)

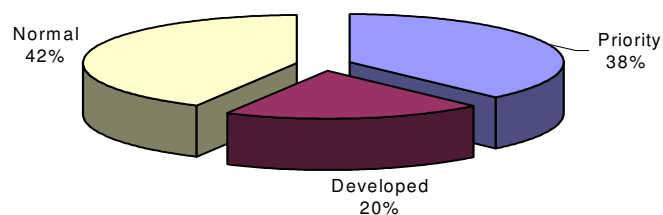
| SECTORS              | PROJECTS APPRAISED |
|----------------------|--------------------|
| I. MINING            | 1                  |
| II. MANUFACTURING    | 35                 |
| . Consumer Goods     | 12                 |
| . Intermediate Goods | 23                 |
| . Investment Goods   | 0                  |
| III. SERVICES        | 35                 |
| . Tourism            | 22                 |
| . Health             | 9                  |
| . Education          | 4                  |
| . Other              | 0                  |
| IV. ENERGY           | 5                  |
| <b>TOTAL</b>         | <b>76</b>          |



## PROVINCIAL BREAKDOWN OF PROJECTS APPRAISED

(Number)

| PROVINCES        | INDUSTRY  | TOURISM   | ENERGY   | HEALTH   | EDUCATION | TOTAL     |
|------------------|-----------|-----------|----------|----------|-----------|-----------|
| DEVELOPED        | 8         | 5         | -        | -        | 2         | 15        |
| NORMAL           | 17        | 9         | 1        | 4        | 1         | 32        |
| PRIORITY REGIONS | 11        | 8         | 4        | 5        | 1         | 29        |
| <b>TOTAL</b>     | <b>36</b> | <b>22</b> | <b>5</b> | <b>9</b> | <b>4</b>  | <b>76</b> |



## REGIONAL BREAKDOWN OF PROJECTS APPRAISED

| REGIONS               | (Number)  |           |          |          |           | TOTAL     |
|-----------------------|-----------|-----------|----------|----------|-----------|-----------|
|                       | INDUSTRY  | TOURISM   | ENERGY   | HEALTH   | EDUCATION |           |
| ISTANBUL              | 3         | 2         | -        | -        | 1         | 6         |
| WESTERN MARMARA       | 1         | 1         | -        | 2        | -         | 4         |
| AEGEAN REGION         | 7         | 3         | -        | 1        | -         | 11        |
| EASTERN MARMARA       | 7         | 1         | -        | 1        | -         | 9         |
| WESTERN ANATOLIA      | 5         | 2         | -        | 1        | -         | 8         |
| MEDITERRANEAN         | 3         | 5         | -        | -        | 1         | 9         |
| CENTRAL ANATOLIA      | 3         | 3         | 2        | -        | -         | 8         |
| WESTERN BLACK SEA     | 1         | -         | 1        | -        | 2         | 4         |
| EASTERN BLACK SEA     | 1         | -         | 2        | 2        | -         | 5         |
| NORTHEASTERN ANATOLIA | 1         | 1         | -        | -        | -         | 2         |
| MIDDLEASTERN ANATOLIA | 1         | 2         | -        | 1        | -         | 4         |
| SOUTHEASTERN ANATOLIA | 3         | 2         | -        | 1        | -         | 6         |
| <b>TOTAL</b>          | <b>36</b> | <b>22</b> | <b>5</b> | <b>9</b> | <b>4</b>  | <b>76</b> |

## Loans

In 2007, the Bank continued to allocate and disburse loans to industrial, tourism, services and energy projects compatible with the national development targets.

The Bank allocated short, medium and long-term loans amounting to YTL.215.930 thousand to 78 companies; signed loan agreements worth a total of YTL.173.831 thousand with 60 companies and disbursed loans in the amount of YTL.188.027 thousand to 90 companies in 2007.

Of the loan disbursements realized in 2007; 41% was for the investments in industry, 34% in tourism, 11% in other services and 14% in energy sectors.

## DISBURSEMENTS OF LOANS BY SOURCES

|                             |                | (Thousand YTL) |
|-----------------------------|----------------|----------------|
|                             | 2006           | 2007           |
| <b>ALLOCATIONS</b>          | <b>188.862</b> | <b>215.930</b> |
| MEDIUM AND LONG TERM LOANS  | 179.672        | 212.206        |
| TKB (YTL)                   | 61.234         | 108.871        |
| TKB ( Foreign Currency)     | 782            | 139            |
| Non-cash Loans              | 250            |                |
| KOF-II                      |                | 265            |
| Foreign Currency Loans (*)  | 116.496        | 102.931        |
| National Budget Loans       | 910            |                |
| -Loans for SMEs             | 910            |                |
| -Regional Development Loans |                |                |
| -TRNC Loan                  |                |                |
| - Other Budget Loans        |                |                |
| SHORT TERM LOANS            | 9.190          | 3.724          |
| TKB                         |                |                |
| Eximbank                    | 9.190          | 3.724          |
| <b>CONTRACTS</b>            | <b>106.074</b> | <b>173.831</b> |
| MEDIUM AND LONG TERM LOANS  | 99.826         | 168.802        |
| TKB (YTL)                   | 31.101         | 70.500         |
| TKB (Foreign Currency)      |                | 6.040          |
| KOF-II                      |                | 165            |
| Foreign Currency Loans (*)  | 67.381         | 92.097         |
| National Budget Loans       | 1.344          |                |
| -Loans for SMEs             | 1.344          |                |
| -Regional Development Loans |                |                |
| -TRNC Loan                  |                |                |
| - Other Budget Loans        |                |                |
| SHORT TERM LOANS            | 6.248          | 5.029          |
| TKB                         |                | 3.234          |
| Eximbank                    | 6.248          | 1.795          |
| <b>DISBURSEMENTS</b>        | <b>137.141</b> | <b>188.027</b> |
| MEDIUM AND LONG TERM LOANS  | 111.931        | 151.773        |
| TKB (YTL)                   | 15.534         | 46.305         |
| TKB (Foreign Currency)      | 1.279          | 1.993          |
| KOF-II                      |                | 83             |
| Foreign Currency Loans (*)  | 34.729         | 82.755         |
| Eximbank (Medium Term)      | 31.435         | 10.433         |
| National Budget Loans       | 28.954         | 10.204         |
| -Loans for SMEs             | 2.856          | 582            |
| -Regional Development Loans | 441            | 237            |
| -TRNC Loan                  | 25.657         | 9.385          |
| - Other Budget Loans        |                |                |
| SHORT TERM LOANS            | 25.210         | 36.254         |
| TKB                         | 1.872          | 1.840          |
| Eximbank                    | 23.338         | 34.414         |

(\*)Foreign Currency Loans: KfW, IDB, UBS AG (Swiss Bank), AKA, EIB, CEB, World Bank.

## DISBURSEMENTS OF LOANS BY REGIONS

| REGIONS               | (Thousand YTL) |            |                |            |
|-----------------------|----------------|------------|----------------|------------|
|                       | 2006           |            | 2007           |            |
|                       | DISBURSEMENT   | %          | DISBURSEMENT   | %          |
| İSTANBUL              | 1.369          | 1          | 1.800          | 1          |
| WESTERN MARMARA       | 160            | -          | 8.565          | 5          |
| AEGEAN REGION         | 56.733         | 51         | 37.060         | 21         |
| EASTERN MARMARA       | 12.654         | 11         | 24.505         | 14         |
| WESTERN ANATOLIA      | 3.175          | 3          | 15.059         | 8          |
| MEDITERRANEAN         | 8.707          | 8          | 25.921         | 15         |
| CENTRAL ANATOLIA      | 387            | -          | 3.737          | 2          |
| WESTERN BLACK SEA     | 1.599          | 2          | 3.006          | 2          |
| EASTERN BLACK SEA     | 14.683         | 13         | 34.144         | 19         |
| NORTHEASTERN ANATOLIA | 2.254          | 2          | 1.328          | 0          |
| MIDDLEASTERN ANATOLIA | 60             | -          | 430            | 0          |
| SOUTHEASTERN ANATOLIA | 9.703          | 9          | 23.087         | 13         |
| <b>TOTAL</b>          | <b>111.484</b> | <b>100</b> | <b>178.642</b> | <b>100</b> |
| TRNC(*)               | 25.657         |            | 9.385          |            |
| <b>TOTAL</b>          | <b>137.141</b> |            | <b>188.027</b> |            |

(\*) Turkish Republic of Northern Cyprus

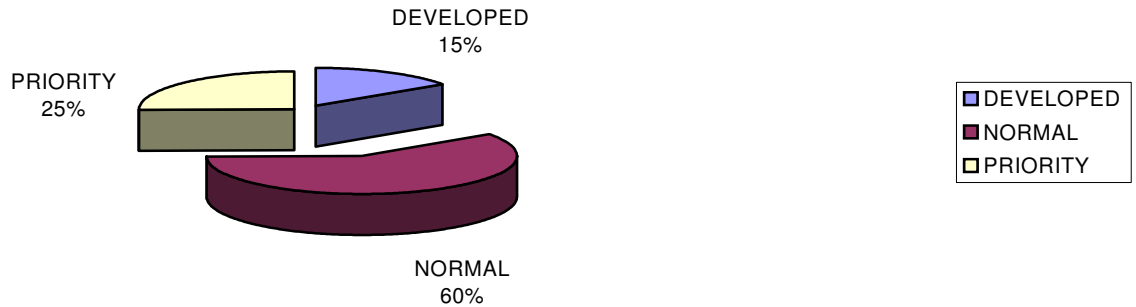
Loan disbursements made by the Bank in 2007, YTL.9.385 thousand was disbursed to investments in the Turkish Republic of Northern Cyprus (TRNC). Out of disbursements amounting to YTL.178.642 thousand, 21% was for Aegean Region, 19% for Eastern Black Sea, 14% for Eastern Marmara ,13% for South East Anatolia and 15% for Mediterranean Region.

## DISBURSEMENTS OF LOANS BY PROVINCES

| PROVINCES               | (Thousand YTL) |            |                |            |
|-------------------------|----------------|------------|----------------|------------|
|                         | 2006           |            | 2007           |            |
|                         | DISBURSEMENT   | %          | DISBURSEMENT   | %          |
| DEVELOPED               | 18.860         | 17         | 27.165         | 15         |
| NORMAL                  | 71.455         | 64         | 106.107        | 60         |
| PRIORITY IN DEVELOPMENT | 21.169         | 19         | 45.370         | 25         |
| <b>TOTAL</b>            | <b>111.484</b> | <b>100</b> | <b>178.642</b> | <b>100</b> |
| TRNC                    | 25.657         |            | 9.385          |            |
| <b>TOTAL</b>            | <b>137.141</b> |            | <b>188.027</b> |            |



#### DISBURSEMENTS OF LOANS BY PROVINCES IN 2007

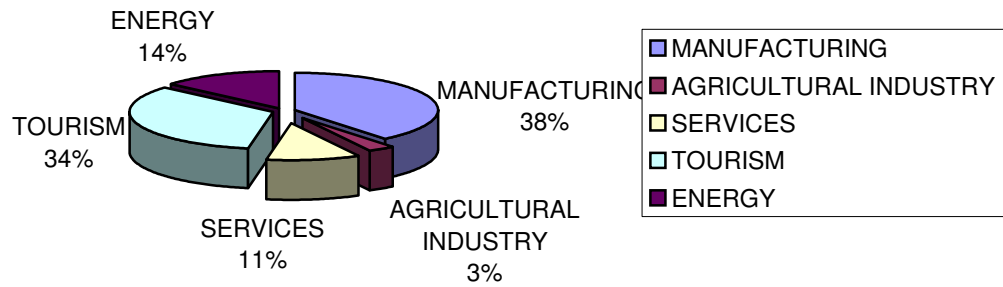


Of the loan payments realized in 2007; YTL.27.165 thousand (15%) was disbursed for the investments in developed regions, YTL.106.107 thousand (60%) in normal regions and YTL.45.370 thousand (25%) in priority regions.

#### DISBURSEMENTS OF LOANS BY SECTORS

| SECTORS                 | (Thousand YTL) |            |                |            |
|-------------------------|----------------|------------|----------------|------------|
|                         | 2006           |            | 2007           |            |
|                         | DISBURSEMENT   | %          | DISBURSEMENT   | %          |
| I-AGRICULTURAL INDUSTRY | 279            | -          | 5.735          | 3          |
| II- MANUFACTURING       | 70.776         | 51         | 73.582         | 38         |
| III- TOURISM            | 49.182         | 36         | 63.306         | 34         |
| IV- SERVICES            | 9.162          | 7          | 19.746         | 11         |
| V- ENERGY               | 7.742          | 6          | 25.658         | 14         |
| <b>TOTAL</b>            | <b>137.141</b> | <b>100</b> | <b>188.027</b> | <b>100</b> |

## DISBURSEMENTS OF LOANS BY SECTORS IN 2006



Out of the loans paid out in 2007, YTL.5.735 thousand (3%) was disbursed for the investments in agro-industries, YTL.73.582 thousand (38%) in manufacturing, YTL.63.306 thousand (34%) in tourism, YTL.19.746 thousand (11%) other services, YTL. 25.658 thousand (14%) in energy sector.

### Monitoring of Loans

In relation with the allocated, disbursed, delayed and restructured loans; by following up the financial data of clients up to the collection and liquidation period regularly, in case of necessity by monitoring the clients in their own-locations and by preparing monitoring reports, the bank had monitored 193 firms in 2007.

### EQUITY PARTICIPATIONS

The policy and applications that started since 1990, concerning liquidation of the participations that were no longer able to perform their economic and commercial functions or did not attain their foundation objectives, through the block sale and/or common sale, continued in 2007.

In this concept, Emiray Emirlikler Anadolu Yatırım AŞ continued to be in the liquidation process, and all of the nominal shares amounting to YTL 59.7 thousand of VAN-ET Entegre ET Sanayi ve Ticaret AŞ firm had been sold in İstanbul Stock Exchange to terminate the participation relation.

Furthermore, within this year with aim of contributing the development of risk capital and private capital investments, the Board of Directors of the Bank had taken a resolution to participate with Euro 10 million to “Istanbul Venture Capital Initiative” IVCI which is founded under the leadership of European Investment Fund, and this amount had been committed by the Bank.

The number of equity participations are 12 as of December 31<sup>st</sup>, 2007; of which three are multi-shareholder and/or publicly held companies, one is a basic industrial enterprise (TEMSAN) and eight (including IVCI) are not publicly held ones.

As of the end of 2007; the Bank’s share (payment to the participations) in twelve companies has increased by 5.62 percent compared to 2006. The commitment – payment difference in the end of 2007 originates from the commitment made to IVCI.

#### EQUITY PARTICIPATIONS

(Thousand YTL)

| COMPANY                  | AUTHORIZED CAPITAL | REGISTERED-ISSUED CAPITAL |               | PARTICIPATION (%) | TOTAL PARTICIPATION |
|--------------------------|--------------------|---------------------------|---------------|-------------------|---------------------|
|                          |                    | TOTAL                     | FUNDS         |                   |                     |
| ACISELSAN                | 3.000              | 602                       | 309           | 77                | 462                 |
| ARICAK                   | 0                  | 500                       | 0             | 99                | 496                 |
| EMIRAY                   | 0                  | 10                        | 0             | 10                | 1                   |
| K.Y.MENKUL DEĞ.          | 0                  | 5.000                     | 68            | 100               | 5.000               |
| MAKSAN                   | 1.525              | 1.525                     | 1.500         | 31                | 475                 |
| TAKASBANK                | 0                  | 60.000                    | 12.856        | 0.4               | 242                 |
| TEŞ.DES.AJ.AN.           | 0                  | 0                         | 0             | 20                | 0                   |
| TÜR-SAN A.Ş.             | 0                  | 5                         | 0             | 18                | 1                   |
| TÜRK SUUDİ HOLD.         | 0                  | 5.800                     | 5.574         | 25                | 1.432               |
| YOZGAT OTEL              | 0                  | 96                        | 48            | 4                 | 4                   |
| <b>TOTAL</b>             | <b>4.525</b>       | <b>73.538</b>             | <b>20.355</b> | <b>11</b>         | <b>8.113</b>        |
| TEMSAN                   | 0                  | 10.000                    | 10            | 0                 | 1                   |
| iVCi(Ist. Risk Ser.Gir.) | 0                  | 255.780                   | 0             | 7                 | 17.052              |
| <b>GRAND TOTAL</b>       | <b>4.525</b>       | <b>339.318</b>            | <b>20.365</b> | <b>7</b>          | <b>25.166</b>       |

The total capital of 10 companies in which the Bank participated was YTL.73.538,23 thousand (YTL.20.355,26 thousand was funded from the appreciation fund) as of December 31<sup>st</sup>, 2007, with the exception of TEMSAN and IVCI. The Bank’s shares in the mentioned companies amounted to YTL. 8.113,31 thousand and the average participation rate is 11,03 percent. Of the ten equity participations, one is currently in the process of liquidation and three are non-operating.

## DISTRIBUTION OF EQUITY PARTICIPATIONS BY PROVINCES

| PROVINCES    | NUMBER OF COMPANIES | INVESTMENT<br>(Thousand YTL) | EMPLOYMENT | CAPITAL<br>(Thousand YTL) | BANK'S PARTICIPATION         |            |                              |
|--------------|---------------------|------------------------------|------------|---------------------------|------------------------------|------------|------------------------------|
|              |                     |                              |            |                           | COMMITMENT<br>(Thousand YTL) | %          | AVERAGE PARTICIPATION<br>(%) |
| DEVELOPED    | 5                   | 59.071                       | 213        | 70.810                    | 6.675                        | 82         | 9                            |
| NORMAL       | 2                   | 19.277                       | 44         | 1.102                     | 959                          | 12         | 87                           |
| PRIORITY     | 3                   | 14.711                       | 166        | 1.626                     | 479                          | 6          | 29                           |
| <b>TOTAL</b> | <b>10</b>           | <b>93.059</b>                | <b>423</b> | <b>73.538</b>             | <b>8.113</b>                 | <b>100</b> | <b>11</b>                    |

Note: Temsan and IVCI are excluded.

## REGIONAL BREAKDOWN OF EQUITY PARTICIPATIONS

| REGIONS                | NUMBER OF COMPANIES | INVESTMENT<br>(Thousand YTL) | EMPLOYMENT | CAPITAL<br>(Thousand YTL) | BANK'S PARTICIPATION         |            |                              |
|------------------------|---------------------|------------------------------|------------|---------------------------|------------------------------|------------|------------------------------|
|                        |                     |                              |            |                           | COMMITMENT<br>(Thousand YTL) | %          | AVERAGE PARTICIPATION<br>(%) |
| ISTANBUL               | 4                   | 59.071                       | 213        | 70.810                    | 6.675                        | 82         | 9                            |
| WESTERN MARMARA        |                     |                              |            |                           |                              |            |                              |
| AEGEAN REGION          | 2                   | 19.277                       | 44         | 1.102                     | 959                          | 12         | 87                           |
| EASTERN MARMARA        |                     |                              |            |                           |                              |            |                              |
| WESTERN ANATOLIA       | 1                   | 0                            | 0          | 0                         | 0                            | 0          | 0                            |
| MEDITERRANEAN          |                     |                              |            |                           |                              |            |                              |
| CENTRAL ANATOLIA       | 1                   | 2.797                        | 5          | 96                        | 4                            | 0          | 4                            |
| WESTERN BLACK SEA      |                     |                              |            |                           |                              |            |                              |
| EASTERN BLACK SEA      |                     |                              |            |                           |                              |            |                              |
| NORTHEASTERN ANATOLIA  |                     |                              |            |                           |                              |            |                              |
| MIDDLEEASTERN ANATOLIA | 1                   | 11.914                       | 161        | 1.525                     | 474                          | 6          | 3                            |
| SOUTHEASTERN ANATOLIA  | 1                   | 0                            | 0          | 5                         | 1                            | 0          | 20                           |
| <b>TOTAL</b>           | <b>10</b>           | <b>93.059</b>                | <b>423</b> | <b>73.538</b>             | <b>8.113</b>                 | <b>100</b> | <b>11</b>                    |

Note: Temsan and IVCI are excluded.

The most intensive region where the Bank's participations are located is İstanbul with 4 firms, the following region is Aegean Region with 2 firms. The Bank has one participation in each of Central-East Anatolia, Central Anatolia, South-east Anatolia, and West Anatolia regions.

Out of 10 participations 3 are operating in manufacturing and 7 in services sectors. The firms in the manufacturing sector, one is in consumer goods, one is in intermediate goods and the other is in investment goods sub-sectors.

## SECTORAL BREAKDOWN OF EQUITY PARTICIPATIONS

| SECTORS              | NUMBER OF COMPANIES | INVESTMENT (Thousand YTL) | EMPLOYMENT | CAPITAL (Thousand YTL) | BANK'S PARTICIPATION      |     |                           |
|----------------------|---------------------|---------------------------|------------|------------------------|---------------------------|-----|---------------------------|
|                      |                     |                           |            |                        | COMMITMENT (Thousand YTL) | %   | AVERAGE PARTICIPATION (%) |
| I.MINING             |                     |                           |            |                        |                           |     |                           |
| II. MANUFACTURING    | 3                   | 15.112                    | 205        | 2.132                  | 937                       | 12  | 44                        |
| A.CONSUMER GOODS     | 1                   | 0                         | 0          | 5                      | 1                         | 0   | 20                        |
| B.INTERMEDIATE GOODS | 1                   | 3.198                     | 44         | 602                    | 462                       | 6   | 76                        |
| C.INVESTMENT GOODS   | 1                   | 11.914                    | 161        | 1.525                  | 474                       | 6   | 31                        |
| III. SERVICES        | 7                   | 77.947                    | 218        | 71.406                 | 7.176                     | 88  | 10                        |
| TOTAL                | 10                  | 93.059                    | 423        | 73.538                 | 8.113                     | 100 | 11                        |

Note: Tamsan and IVCI are excluded..

## RESOURCE DEVELOPMENT

### Shareholders' Equity

The Bank's issued capital is 160 million in conformity with the Board of Directors resolution dated 25.04.2006 n0.2005-07-01/076. The Undersecretariat of Treasury holds 99,08 percent of the Bank's capital, while the remaining portion is traded in İstanbul Stock Exchange. The following table shows the capital and shareholding structure of the Bank.

### BANK'S CAPITAL AND SHAREHOLDING

| SHAREHOLDERS' NAME           | CAPITAL SHARE         |               |
|------------------------------|-----------------------|---------------|
|                              | (YTL)                 | (%)           |
| UNDERSECRETARIAT OF TREASURY | 158.530.446,43        | 99.08         |
| OTHERS (*)                   | 1.469.553,57          | 0.92          |
| <b>TOTAL</b>                 | <b>160.000.000,00</b> | <b>100.00</b> |

(\*) Includes all real and legal entities and the number of shareholders are not known due to the shares held by these shareholders are traded at İstanbul Stock Exchange.

### External Resources

The resource development activities carried out in 2007 are summarized below:

- ◆ To meet the needs of the investors the Bank has continued to allocate funds that were obtained within a limit from UBS AG of Switzerland and the Islamic Development Bank and without limits from Aka Bank of Germany for financing machinery and equipment imports of investors. By the end of

2007, TKB's available loan limit from these resources was equivalent to USD 29,7 million .

- ◆ A “Renewable Energy Project” loan amounting to USD 200 million was provided by the World Bank with a view to increasing the electrical energy production by the private sector from renewable energy sources in order to contribute and diversify the energy production of the country. The Bank acted as an intermediary for USD 50 million portion of the loan, of which USD 29.117.232 was allocated and USD 13.125.776 million was disbursed by the Bank as of the end of 2007.
- ◆ Within the frame of European Investment Bank (EIB) loans as of the end of 2007, EIB Global IV Loan amounting to Euro 18.4 million and EIB Global SME Loan amounting to Euro 29 million was totally allocated to firms.
- ◆ Within the framework of the activities aiming to provide new resources, as a continuation of EIB Global IV and EIB Global V, an agreement of “SME Development loan finance “ was signed on 19.07.2007 at Luxembourg in the amount of Euro 40 million. Within the efforts for the allocation, an amount of Euro 29.008.298 was allocated to nine firms.
- ◆ The loan limit allocated to the Bank by the Council of Europe Development Bank (CEB) was Euro 44,6 million and the loan disbursed reached a total amount of Euro 43.489.190 as of the end of 2007.
- ◆ EIB had announced that a Euro 200 million loan facility to be used for energy and environment projects in Turkey should be ready for disbursement by the beginning of 2008 and our Bank and TSKB were assigned to be intermediary banks. However, the related agreement hasn't been signed yet.
- ◆ The Bank had started studies with the aim of being an intermediary for the loan to be obtained from European Council Development Bank's resources under the guarantee of the Undersecretariat of Treasury within the frame of financing social housing. The negotiations with the related institutions and

work for obtaining resources to finance SMEs from European Council Development Bank are going on.

- ◆ Evaluations for enabling French Development Agency (FDA) loan to be disbursed within “Apex banking” were made and invitation letters were sent to potential intermediary banks for their offers.
- ◆ The ICO SME Loan planned to be obtained from the Spanish Government had been cancelled by Undersecretariat of Treasury.
- ◆ In relation with SELP II programme which the Bank is one of the beneficiaries , the technical aid bid had been finalised and on 30<sup>th</sup> November 2007 an agreement was signed between “ Frankfurt School of Finance and Management” as the Technical consultant and the Central Finance and Tender Unit. Studies have been started with consultant firm authorities.
- ◆ Within the framework of disbursement of Bank’s own resources to manufacturer SMEs operating at OSTİM and İvedik Organized Industry Region in the form of operation and/or investment loans via commercial banks using Apex Banking method; a loan agreement was signed with Garanti Bankası AŞ and the funds started to be transferred within January 2008.
- ◆ Regarding provision of domestic resources, the Bank acts as an intermediary within the framework of Legislation for State Supports of Investments and Legislation for Incentives of SMEs. In this scope, the Bank mediates for the loan incentives provided to the investments related with R&D, Environmental Protection, Regional Development, to SMEs, and to the investments in TRNC. A total resource transfer of YTL.30.359.564 was claimed from the Budget Appropriation for Investment Incentives in 2007. Together with the pending amount claimed in 2006, YTL.10.229.493 was transferred by the Undersecretariat of Treasury within the same period.
- ◆ The Bank acts as an intermediary for the pre-shipment export credits provided to Turkish exporters, within the pre-set limit provided by Turkish Eximbank. The limit of the pre-shipment loan in foreign currency obtained

from Eximbank was raised from USD 30 million to USD 33 million. and as YTL. from YTL 6 million to YTL.7 million.

- ◆ In 2007, a total amount of YTL.70.963 thousand debt was repaid by the Bank, consisting of YTL.58.810 thousand of external and YTL.12.153 thousand of domestic borrowings.

## **FUND MANAGEMENT AND CAPITAL MARKET OPERATIONS**

The Bank's YTL cash assets are generally invested in the Interbank Money Market of the Central Bank of Turkey, in the Public Sector Debt Securities (PSDS), and in the banks. Foreign currencies are placed in the domestic and external markets with convenient interest rates.

Developments in the domestic and foreign stock and money markets were closely followed by taking account of loan placements and loan collections targeted by the Bank as well as risk-returns, in line with the exchange rate and monetary policies established by the CBRT; efforts were made to carry out interest, foreign currency and liquidity risk management effectively with market tools and maturity diversification, creating profit opportunities arising at appropriate times and under appropriate conditions.

In 2007, compared to 2006 the total transaction volume of the Bank, in YTL Interbank Money Markets (CBT interbank and interbank) increased by 38% and the share of the interest income realized as 65 percent of the total interest income.

The composition of the assets managed constituted from, YTL by 60.9 % that was placed in money markets; foreign currency by 4,2 %; fixed income securities by 33% and investment funds by 1.9%.

In 2007, as a new step to diversify products in securities markets activities, the Bank started to act as an agency for Kalkınma Yatırım Menkul Değerler AŞ ( Development Investment Securities) which is our Bank's participation, by giving broker services in repurchase, investment fund, buying selling PSDS transactions besides in the transactions in İstanbul Stock Exchange market for stocks and futures and options.

A profit of YTL.1.559 thousand was obtained from capital market transactions where the volume of transactions amounted to YTL.365.434 thousand in 2007.



## **RESEARCH**

### **Economic and Social Researches**

In the year 2007; the raw data related with the performance of manufacturing industry obtained from Turkish Statistics Institute had been rearranged and transferred to the Bank's data files to be used by all units of the Bank and the social-economic developments in the world and in Turkey had been followed up and evaluated periodically for the preparation of Brief Report of Economic Developments (Issued biweekly) being the main studies, the following studies related with the world and Turkish economy and manufacturing industry had been realized.

- Food products and beverage manufacturing
- Tobacco products manufacturing
- Textile products manufacturing
- Clothing manufacturing; Fur processing and dyeing
- Tanning and Processing of Leather; Suitcase, Handbag, Saddles and Shoes Production manufacturing
- Wood and cork products manufacturing (except furniture), straw and plaiting products manufacturing
- Paper and paper products manufacturing
- Publishing and printing and reproduction of recorded media
- Manufacturing of coke coal ,refined petroleum products and nuclear fuel
- Manufacturing of chemicals and chemical products
- Manufacturing of rubber and plastic products
- Manufacturing of non metallic mineral products
- Manufacturing of basic metals
- Fabricated metal goods industry, except machinery and equipment
- Manufacturing machinery and equipment n.e.c ( not classified)
- Manufacturing office, accounting and computing machinery
- Manufacturing of electrical machinery and equipment n.e.c
- Manufacturing of radio, television, communication equipment and apparatus
- Manufacturing of medical, precision and optical instruments, clocks and watches
- Manufacturing of motor vehicles, trailers and semi-trailers
- Manufacturing of other transport vehicles
- Manufacturing of furniture; other manufacturing unclassified

- The structural analysis of the Turkish Manufacturing Industry and the evaluation of performance by sectors ( 22 main sectors)
- Strategic development report of Bozcaada
- Strategic development report of Hatay
- The evaluation of the probability of loss from the financial crisis: a early warning system for developing countries markets.
- Micro Finance
- Mortgage
- Financing infrastructure investments

### **Technological Monitoring**

For monitoring the subjects like, industrial and services sectors and technology related to them, machinery and equipment, product, service and operational expenses throughout the country and the world, and to provide information and documents, fulfilling the compose of archives and aiming to form a data bank, below mentioned monitoring reports were completed by the bank.

- Ready-Made concrete sector Report,
- Packed water sector report
- Hydroelectric power plants research report
- Ceramics sector report
- Environmental problems regulations and technologies for sustainable development report
- Hydrogen technologies research report
- Geothermal energy sector report
- Caravan sector report
- Nanotechnology Research Report,
- Jojoba research report
- The restoration of historical buildings used for tourism purposes
- Principles of preparing evaluation (expertise) reports
- Emission trade and volunteering carbon market report
- Seafaring and ship building sector report
- Biotechnology research report
- Mechatronics Research report

- Flexible and rapid production processes and technologies research report

Additionally, 15 presentations and seminars were held within and outside the Bank, 12 evaluation and expertise reports and 15 incentive certificate completion expertise report had been completed. One pre-feasibility and one feasibility report had been prepared.

## **TRAINING AND PUBLIC RELATIONS**

Training activities have been carried out, with the aim of increasing efficiency and effectiveness of the Bank's operations during the year.

Vocational training programs were arranged for the Bank employees mainly by experts and/or lecturers provided from universities and public institutions/organizations and when necessary the Bank's employees participated in training sessions, organized at home and abroad. In this scope, 960 people benefited from 72 training activities.

As for the public relations functions, the Bank's activities such as Turkish Folk Music Chorus, Turkish Art Music Chorus and Art Gallery continued throughout the year. On the other hand, the Bank's personnel participation was realized within the framework of cultural and artistic activities.

Furthermore, within the framework of the "Law on the Right to be informed" numbered 4982, ensuring to attain any information and documents from public organizations and institutions and arranging the related procedure; 268 applications requesting information were replied in 2007. In relation with the circular of Prime Ministry numbered 2006/3, published in the Official Gazette on January 20<sup>th</sup>, 2006, numbered 26055, concerning BİMER (Prime Ministry, Communication Center) – application of directly transfer to the Prime Ministry System, five applications were replied and necessary information were transferred to the Prime Ministry through the said system.

## **R&D PRACTICES RELEVANT TO NEW SERVICES AND ACTIVITIES**

Our Bank besides financing effectively and rapidly with high quality the investments in regional, sectoral and technological basis, by supporting the entrepreneurs technically, targets a vision of being an international development and investment bank. Aiming at the target, in 2006, after a study titled “The Distribution By Sub-Sectors Of The Manufacturing Industry By The Classification Of Level 2 Of Statistical Regional Units ” related with the analysis of the structural characteristic and the competitiveness of manufacturing industry was made, others were made for 120 industrial sub-sector titled “Evaluation of Industrial Sector in relation with its Competitiveness in Foreign Trade Area” and on 965 manufacturing sub-sector basis “Evaluation of Industrial Sector Products in relation with their Competitiveness in Foreign Trade Area” .

In 2007, being the continuation and the complementary study for the ones made in 2006 “ The Structural Analysis of Turkish Manufacturing Industry and Evaluation of Performance by Sectors” had been completed where manufacturing industry and its 22 sub-sectors performance had been evaluated by both at horizontal cross section and by time series data. In this study where the evaluation of the sectors were made in macro basis according to the same criteria set, the performances of sectors were given as by themselves and in comparison with the manufacturing industry and/or with other sectors. So, besides the competitiveness of manufacturing industry in foreign trade and its spatial diffusion, a general evaluation of the performance by past periods and by sub sectors had been obtained. Furthermore, the performance levels of 22 sub sectors of manufacturing industry which was analyzed one by one had been ranked accordingly within a selected criteria.

The Bank’s participation to SELP-II (Small entrepreneur loan programme) project which will be implemented using European Union resources, is under consideration. SELP-II is a fund constituted by development finance organizations such as EU Commission, KfW, Council of European Development Bank and French Agency, The financial needs of SMEs that are operating in the specified priority regions for development at Turkey, will be covered by the resources maintained from this fund by the intermediary banks. At the beginning, this fund will be managed by German Development Bank ( Kreditanstalt für Wiederaufbau, KfW) and the management will be transferred to our Bank afterwards.

APEX banking applications that can be defined as funding through intermediary banks had been accelerated and the first pilot scheme started to be applied in OSTİM and İvedik Organized Industry region. Furthermore, studies are going on for the allocation the loan facility in the amount of EURO 20.000.000 obtained from French Development Agency (AFD) within the same concept.

***MANAGEMENT AND CORPORATE  
GOVERNANCE PRACTICES***

## BANK MANAGEMENT

### BOARD OF DIRECTORS

The Bank's Board of Directors consist of 7 members including the CEO and 6 members elected by the General Assembly among the shareholders. The term for the members of the Board of Directors is three years. Any member whose term of office ends may be reelected. In the event of any vacancy in membership before expiration of the term, the provision of the Turkish Code of Commerce applies.

| NAME AND SURNAME | TITLE  | DATE OF ASSIGNMENT | EDUCATION   | PROFESSIONAL EXPERIENCE  |
|------------------|--|--------------------|---|--|
| Abdullah ÇELİK   | Chairman and General Director                      | 19/12/2005         | <ul style="list-style-type: none"> <li>- BA-Economics Middle East Tech. Uni. Ankara/Turkey 1991</li> <li>- Business Admin. Old Dominion Un. USA 1999</li> </ul> | <ul style="list-style-type: none"> <li>- Min.of Finance, General Directorate of National Real Estate 1991-1992</li> <li>- MF.European Union Department Asst. Expert 1992-1992</li> <li>- Certified Bank Auditors, Chief Auditor 1992-2003</li> <li>- Board of Certified Bank Auditors Vice-Chairman 2003-2004</li> <li>- Banking Reg.and Sup.Agency(BRSA) Head of Enterprises II Dept 2004-2005</li> </ul> |
| Osman KARA       | Member of the Board of Directors (Acting Chairman) | 28/04/2003         | <ul style="list-style-type: none"> <li>- BA-Business Admin. Ankara Uni.Ankara/Turkey 1976</li> </ul>  | <ul style="list-style-type: none"> <li>- TÖBANK Inspector 1977-1989</li> <li>- Albaraka Türk Branch Director (Retired) 1989-2001</li> </ul>  |
| Mehmet UNCU      | Member of the Board of Directors                   | 28/04/2003         | <ul style="list-style-type: none"> <li>- BA-Public Admin. Hacettepe Uni.Ankara/Turkey 1990</li> </ul>   | <ul style="list-style-type: none"> <li>- Ministry of Finance, Accounting Chief Controller 1991-2006</li> <li>- Ministry of Health, Inspector 2006-</li> </ul>  |

| NAME AND SURNAME      | TITLE                            | DATE OF ASSIGNMENT | EDUCATION   | PROFESSIONAL EXPERIENCE   |
|-----------------------|----------------------------------|--------------------|---|---|
| Asım ALTUN            | Member of the Board of Directors | 01/05/2007         | - BA-Business Admin. Accounting ALTIA 1974  | - Ministry of Industry and Technology Official 1974-1976<br>- Ministry of Industry and Technology Controller 1976-1985<br>- Ministry of Industry and Technology Chief Controller 1985-1998<br>- Free Accountant Financial Consultant 1998-<br>- Turkish Manure. Industry Member Of the Board of Directors 2003-2005   |
| Nedret Şerif ÇAKIRSOY | Member of the Board of Directors | 01/03/2007         | - BS-Mech.Engr.Middle East Tech. Uni.Ankara/Turkey 1992<br>- MS-Mech.Engr.Middle East Tech. Uni.Ankara/Turkey 1995<br>- MBA-General International Management Vlerick Leuven Gent Management School 2002 | - Middle East Tech.Uni. Research Personnel 1992-1996<br>- Undersecretariat of Treasury, General Directorate of Incentives and Practices, Asst.Expert 1996-1999<br>- Undersecretariat of Treasury, General Directorate of Incentives and Practices, Expert 1999-2001<br>- Undersecretariat of Treasury, General Directorate of Incentives and Insurance, Expert 2002-2004<br>- Undersecretariat of Treasury, General Directorate of Incentives and Insurance, Branch Director 2004-2007<br>- Undersecretariat of Treasury, General Directorate of Incentives and Insurance, Dept. Head 2007- |
| Hakan TOKAÇ           | Member of the Board of Directors | 01/05/2007         | -BA- Finance Faculty of Political Sciences Uni. of Ankara/Turkey 1994<br>- MBA University of Illinois 2002  | - General Directorate of Security, Dept. of Foreigners, Asst. Superintendent 1994-1996<br>- Undersecretariat of Customs, General Directorate of Customs, Asst. Expert 1996-1997<br>- Undersecretariat of Treasury, Directorate Of Public Finans. Asst. Expert 1997-2000<br>- Undersecretariat of Treasury, Directorate Of Public Finance Expert 2000-2004<br>- SPO Center of Training and Youth Programs Coordinator of Budget  |



|                   |                                     |            |   |  |   |
|-------------------|-------------------------------------|------------|---|--|---|
| Ömer Faruk ÖZTÜRK |                                     |            |   | And Finance<br>- Undersecretariat of Treasury General<br>Directorate of Public Finance<br>Strategical Development Dept.<br>(Acting) Head<br>- Undersecretariat of Treasury<br>General Directorite of Finance<br>Asst. General Director | 2004-2006<br><br><br><br>2006-2007<br><br>2007-               |
|                   | Member of the<br>Board of Directors | 17/05/2005 | - Work Economy and Industrial<br>Relations Political Sciences<br>Uni.of Ankara/Turkey<br>1994 | - Ministry of Finance. Asst. Expert<br>- Asst.General Director<br>ÖZTAY TEKSTİL A.Ş.<br>- Asst. Coordinator<br>MERCEK HOLDİNG A.Ş.<br>- Accounting Director<br>RUMELİ TELEKOM A.Ş.<br>- Personnel Dept. Head<br>TURKISH AIRLINES       | 1995-2000<br><br>2000-2004<br>2004-2005<br>2005-2005<br>2005- |

The following members of the Board of Directors, had served their terms of the Office; Prof.DR.M.Kemalletin CONKAR between 29.04.2003 and 30.04.2007, Halil İbrahim AKÇA between 28.04.2003 and 30.04.2007, Ramazan KARDEŞ between 07.07.2004 and 30.04.2007, and Muhittin ADIGÜZEL 07.07.2004 and 30.04.2007 respectively.

Law No:4456 on the bank's Foundation and Articles of Association provide that the Board of Directors should meet at least twice a month with an absolute majority of its members. At least 24 meetings are held annually. The Board may adopt as many interim decisions as necessary. Interim decisions should be taken unanimously. Fifty-one percent of the members must be present for any board meeting to be held.

The Board of Directors held 26 meetings in 2007. 22 interim decisions were taken during the year.

## THE BOARD OF AUDITORS

The term of office of the Board of Directors is three years. Those whom, term of office expires may be reelected. In the event of any vacancy in membership before expiration of the term, the provisions of Turkish Commercial Code applies.

| NAME AND SURNAME        | TITLE  | DATE OF ASSIGNMENT | EDUCATION   | PROFESSIONAL EXPERIENCE  |
|-------------------------|--------|--------------------|---|--|
| <b>Esat Kaya TURGAY</b> | Member | 30/11/1999         | - BS-Civil Eng. 1958<br>Istanbul Tech.Uni.<br>İstanbul/Turkey             | - Gen.Direct. of Highways<br>Directorate of 5 <sup>th</sup> Region<br>Civil Engineer 1958-1959<br>- Gaziantep Municipality, Technical<br>Works Directorate/Director 1960-1963<br>- Gaziantep, Direct. Public Works<br>Civil Eng. /Director 1963-1966<br>- Engineering/ Self Employed 1966-1973<br>- Gaziantep Municipality/Mayor 1973-1980<br>- Self Employed Engr./Site Chief/<br>Technical Coordinator 1980-<br>- Ministry of Finance, Chief Revenue<br>Controller 1993- |
| <b>Hasan AYDIN</b>      | Member | 02/07/2004         | - Public Administration, Political<br>Sciences, Istanbul Uni./Turkey 1989 | - Ministry of Finance, General<br>Directorate of Revenues<br>Chief Controller 1993-2008  |
| <b>Mustafa ÇOLAK</b>    | Member | 30/04/2007         | - Finance, Political Sciences<br>Ankara Uni.Ankara/Turkey 1997            | - Ministry of Finance General<br>Director of National Realty 1993-1995<br>- Ministry of Finance, Board of<br>Inspection Financial Inspector 1998-2006<br>- Ministry of Finance, Dept.Head 2006-  |

Erkan DURDU between 23.06.2005 and 26.03.2007, and Asım ALTUN between 27.03.2007 and 01.03.2007 had served their terms of office as members of the Board of Auditors.

## THE AUDIT COMMITTEE

| NAME AND SURNAME | TITLE                            | DATE OF ASSIGNMENT | EDUCATION  | PROFESSIONAL EXPERIENCE  |
|------------------|----------------------------------|--------------------|--|--|
| Hakan TOKAÇ      | Member of the Board of Directors | 01/05/2007         | -BA- Finance Faculty of Political Sciences Uni. Of Ankara/Turkey 1994<br>- MBA University of Illinois 2002 | - General Directorate of Security, Dept. of Foreigners, Asst. Superintendent 1994-1996<br>- Undersecretariat of Customs, General Directorate of Customs, Asst. Expert 1996-1997<br>- Undersecretariat of Treasury, Directorate Of Public Finans. Asst. Expert 1997-2000<br>- Undersecretariat of Treasury, Directorate Of Public Finance Expert 2000-2004<br>- SPO Center of Training and Youth Programs Coordinator of Budget And Finance 2004-2006<br>- Undersecretariat of Treasury General Directorate of Public Finance Strategical Development Dept. (Acting) Head 2006-2007<br>- Undersecretariat of Treasury General Directorate of Finance Asst. General Director 2007- |
| Osman KARA       | Member of the Board of Directors | 28/04/2003         | - BA-Business Admin. Ankara Uni.Ankara/Turkey 1976   | - TÖBANK Inspector 1977-1989<br>- Albaraka Türk Branch Director (Retired) 1989-2001  |

Upon resignation of the head of the Audit Committee Mehmet UNCU on 29.11.2007, Hakan TOKAÇ was elected in his place.

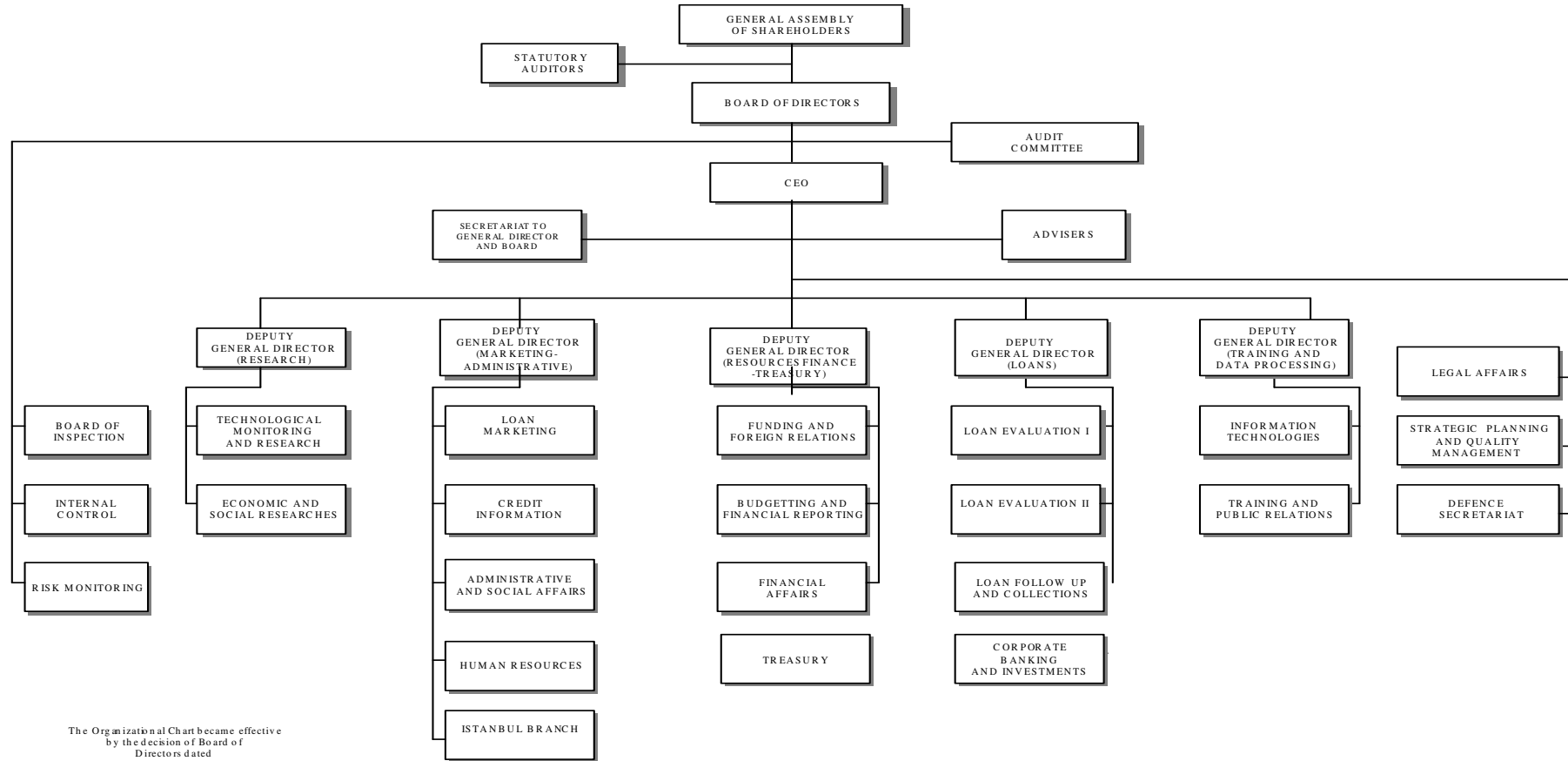
## DIRECTORS RESPONSIBLE FOR THE INTERNAL SYSTEMS

| NAME AND SURNAME  | TITLE                       | DATE OF ASSIGNMENT | EDUCATION   | PROFESSIONAL EXPERIENCE  |
|-------------------|-----------------------------|--------------------|---|--|
| Özkan AKCAN       | Head of Board of Inspectors | 06/09/2006         | BA-Public Finance<br>Istanbul Uni./Turkey<br>1988   | -Etibank/Asst.Inspector 1990-1993<br>-Etibank/Inspector 1993-1998<br>-TKB/Inspector 1998-2005<br>-TKB/Chf.Inspector 2005-2006  |
| İsmail YILDIRIM   | Internal Control Director   | 21/10/2001         | -BA-Public Finance<br>ATIA/Turkey 1974<br>-MBA-Finance<br>Uni.of New Haven<br>CT/U.S.A 1980                                   | --Min.Edu./Teacher 1971-1973<br>-TDCl/Clerk,Superv.,<br>Asst.Expert,Expert 1976-1984<br>-CB/Clerk, 1984-1988<br>-T.Tourism B./Expert 1988-1990<br>-TKB/Asst.Director 1990-1996<br>-TKB/Director 1996-1997<br>-TKB/Expert 1997-1998<br>-TKB/Asst.Director 1998-2001 |
| Dr. Semra PEKKAYA | Risk Monitoring Director    | 09/03/2006         | -BA-Economics<br>Ankara Uni./Turkey 1989<br>-MA-Economics<br>Gazi Uni./Turkey 1998<br>-PhD.Economics<br>Gazi Uni./Turkey 2005 | -TKB-Asst.Expert 1990-1994<br>-TKB-Expert 1994-2000<br>-TKB-Senior Expert 2000-2001<br>-TKB-Asst.Director 2001-2006  |

## TOP MANAGEMENT OF THE BANK

| NAME AND SURNAME         | TITLE  | DATE OF ASSIGNMENT | EDUCATION   | PROFESSIONAL EXPERIENCE  |
|--------------------------|--|--------------------|---|--|
| <b>Abdullah ÇELİK</b>    | Chairman and General Director                          | 19/12/2005         | - BA-Economics Middle East Tech. Uni. Ankara/Turkey 1991<br>- MBA-Business Admin. Old Dominion Un. USA 1999 | - Min.of Finance, General Directorate of National Real Estate 1991-1992<br>- MF.European Union Department Asst. Expert 1992-1992<br>- Certified Bank Auditors, Chief Auditor 1992-2003<br>- Board of Certified Bank Auditors Vice-Chairman 2003-2004<br>- Banking Reg.and Sup.Agency(BRSA) Head of Enterprises II Dept 2004-2005 |
| <b>Adnan YALÇINCI</b>    | Deputy General Director (Administrative and Marketing) | 14/10/2005         | - BA- Finance Dokuz Eylül Uni. İzmir/Turkey 1987<br>- MBA- Finance Gazi Uni. Ankara /Turkey 2002            | - Regional Directorate of Forests 1986-1987<br>- Halkbank 1988-1989<br>- Agricultural Bank of Turkey,(Ziraatbank) Branch Director 1989-2005  |
| <b>Zekai IŞILDAR</b>     | Acting Deputy General Director (Loans)                 | 01/01/2007         | - Mining Engr.Middle East Tech.Univ.Ankara/Turkey 1986  | - TKB, Asst.Expert, Expert, Senior Expert 1998-2003<br>- TKB A.Ş. Director 2003-   |
| <b>S. Cansel İNANKUR</b> | Deputy General Director (Resources, Finance, Treasury) | 29/08/1997         | - BA- Business Admin. Middle East Tech. Üni. Ankara/Turkey 1978   | - TKB, Asst. Expert / Expert / Deputy Director / Director / Department Head 1978-1997<br>- TKB, Advisor to the Gen. Dir. 1997-1997   |
| <b>M. Latif KARAMAN</b>  | Deputy General Director (Training and Informatics)     | 12/09/1997         | - BA-Economics - Finance Ankara Uni. /Turkey 1980   | - TKB, Deputy Inspector / Inspector / Deputy Dept. Head / Deputy Director / Director / Department Head 1981-1997   |
| <b>Bahattin SEKKİN</b>   | Deputy General Director (Research)                     | 22/08/2003         | - BA-Business Admin. Middle East Tech. Üni.Ankara /Turkey 1980  | - TKB, Asst. Expert / Expert 1981-1985<br>- Betonsan A.Ş. Delegated Member / General Director 1987-1988<br>- TKB, Senior Expert / Deputy Director 1988-1990<br>- Türk Suudi Yatırım Holding A.Ş. Deputy General Director 1990-1993<br>- TKB, Deputy Director / Deputy General Director Advisor to the General Director 1994-2003 |

## ORGANIZATION CHART OF TÜRKİYE KALKINMA BANKASI A.Ş.



## COMMITTEES

Within the framework of the ‘Regulation on the Bank’s Internal Audit and Risk Management Systems’ and the article number 24 of the Banking Law numbered 5411, the Board of Directors of the Bank had established an Audit Committee formed from the body of the Board of Directors with the Board decision dated 31.10.2006 and number 2006-interim decision/227 for the purpose of running audit and supervision Works and performing certain duties within the internal systems and elected Mehmet UNCU, Osman KARA, and Ramazan KARDEŞ as members of the Committee. At the meeting of the Committee Mehmet UNCU was elected as the Chairman. Hakan TOKAÇ, member of the Board of Directors, had been elected as an Audit Committee member in place of Ramazan KARDEŞ whose term of office ended at the General Assembly meeting for the year 2006, by the decision of the Board of Directors dated 17.05.2007 and numbered 2007-24-21/323. Upon resignation of Mehmet UNCU on 29.11.2007, Hakan TOKAÇ was elected as the new Chairman.

The Board of Inspection and the Directors of Internal Control and Risk Management are directly bound to the Board of Directors linked through the Audit Committee.

The Committee held 19 meetings during 2007.

### MEMBERS OF THE AUDIT COMMITTEE

|             |          |  |
|-------------|----------|--|
| Hakan TOKAÇ | Chairman | Undersecretariat of Treasury, General Directorate of Public Finance, Asst. Gen. Dir. |
| Osman KARA  | Member   | Retired Banking Clerk  |

## CORPORATE GOVERNANCE COMMITTEE

Within the framework of “the Principles of the Corporate Governance” published by the Board of Capital Markets and “the Regulation Pertaining to the Principles of the Corporate Governance of the Banks” published in the Official Gazette of 01.11.2006 and no 26333 put into force by the Banking Regulation and Supervision Agency (BRSA) and with the decision of the Board of Directors dated 15.06.2007 and no 2007-12-18/185 a Corporate

Governance Committee was established for determining the principle of the corporate governance policies of the Bank, monitoring the observance to the corporate governance principles, bringing improvement proposals to the Board on the subject and a “Working Principles and Procedures of the Corporate Governance Committee” by the decision dated 24.07.2007 and no 2007-15-01/209 was put into force. The Committee held one meeting in 2007.

#### **MEMBERS OF THE CORPORATE GOVERNANCE COMMITTEE**

|                       |          |  |
|-----------------------|----------|--|
| Nedret Şerif ÇAKIRSOY | Chairman | Member Of The Board Of Directors   |
| Asım ALTUN            | Member   | Member of the Board of Directors   |
| S.Cansel İNANKUR      | Member   | Deputy General Director  |
| Adnan YALÇINCI        | Member   | Deputy General Director  |
| Zekai İŞILDAR (V.)    | Member   | Acting Deputy General Director   |
| Related Units         | Member   | Corporate Banking and Investments, Human Resources, Strategic Planning and Quality Management, Budgeting and Financial Reporting |

#### **ASSETS AND LIABILITIES MANAGEMENT COMMITTEE**

Assets and Liabilities Management committee was established for the purpose of providing coordination and communication among the Bank operation units and management levels in order to attain more active and productive operation taking into consideration the variables such as maturity, interest rate, currency effecting the asset and liability items which form the Bank’s balance sheet and the existing and foreseen macroeconomic conditions.

The Committee is formed by the Deputy General Directors of the Bank and is under the chairmanship of the Deputy General Director responsible from the resources. According to the agenda of the Committee meeting, the Chairman may ask the unit directors or other personnel to attend the meeting. The Committee held 15 meetings in 2007.



**MEMBERS OF THE ASSETS AND LIABILITIES MANAGEMENT COMMITTEE**

|                  |            |                                |
|------------------|------------|--------------------------------|
| S.Cansel İNANKUR | Chairwoman | Deputy General Director        |
| Adnan YALÇINCI   | Member     | Deputy General Director        |
| Zekai İŞILDAR    | Member     | Acting Deputy General Director |
| Bahattin SEKKİN  | Member     | Deputy General Director        |
| M.Latif KARAMAN  | Member     | Deputy General Director        |

**LOANS AND EQUITY PARTICIPATIONS COMMITTEE**

The Loan and Equity Participations Committee is formed to determine the principles of the general loan lending and the equity participation policies of the Bank, to plan the loan types which are and will be in the credit volume and by evaluating the proposals submitted through the related parties within the Bank to supervise continuously the loan operations and to make necessary changes required by the general economic policies.

The Committee is formed by Deputy General Directors and the related unit directors under the chairmanship of the Deputy General Director responsible from the loans. The Committee according to the agenda when it is required may ask related personnel to attend the meeting.

The Committee held 56 meetings in 2007.

**MEMBERS OF THE LOANS AND EQUITY PARTICIPATIONS COMMITTEE**

|                  |          |  |
|------------------|----------|--|
| Zekai İŞILDAR    | Chairman | Acting Deputy General Director   |
| S.Cansel İNANKUR | Member   | Deputy General Director  |
| Adnan YALÇINCI   | Member   | Deputy General Director  |
| Bahattin SEKKİN  | Member   | Deputy General Director  |
| M.Latif KARAMAN  | Member   | Deputy General Director  |
| Related Units    | Member   | Loan Evaluation, Loan Follow-up and Collections, Loan marketing, Credit Information, Legal Affairs |

## **SUMMARY REPORT OF THE BOARD OF DIRECTORS**

The Bank's vision has been underlined as "being the pioneering supporter of development and the sustainable growth; becoming a development and investment bank at the international level through effective and timely financing of investments and providing assistance on regional, sectoral and technical basis, strengthening the moral and courage of the entrepreneurs".

The Bank's mission may be defined as "attaining a higher level of employment income and welfare in the direction of development and sustainable growth of the country, through supporting investments of incorporated joint stock companies by means of extending loans from domestic and foreign sources, and providing venture capital for the outstanding examples ,and giving technical assistance, contributing to the development of the capital market".

As of 31.12.2007 as compared to the end of the preceding year;

\*Assets volume decreased by 7.5 percent and realized as YTL 817.806 thousand.

\*Total loans increased by 19 percent and reached to YTL 398.010 thousand, that was YTL 333.404 thousand previously.

\*Provisions were set aside for the full amount of the loans under follow-up in order to improve the quality of assets, thereby the loans follow-up were written off.

\*The Bank's issued capital is YTL 160 million. The Bank's equity decreased by 14.8 percent and realized as YTL 458.096 thousand that was YTL 537.533 thousand previously, liabilities increased by 3.9 percent and reached to YTL 359.710 thousand from YTL 346.286 thousand.

\*The gross revenue increased by 32.8 percent and reached to YTL 100.811 thousand from YTL 75.918 and the gross interests paid increased by 33.5 percent and reached to YTL 17.494 from YTL13.108.

\*Net profit was YTL 156.149 in the previous year, and is realized as YTL 43.088 thousand in 2007.

\*Return on total assets decreased from 17.6 percent to 5.3 percent, and return on net worth decreased from 29 to 9.4 percent.

\*Although the loan volume increased in 2007, the equity participation sale in 2006 has caused the decrease on return rates together with the decreases in the assets and liabilities.

The Bank, will by being continuously active in resource development operations in the future, will provide its growth by directing them to the reel sector investments.

**TÜRKİYE KALKINMA BANKASI**

***The Board of Directors***

## **HUMAN RESOURCE PRACTICES**

In the article number 15 of the Law number 4456 related with the establishment of the Bank, it is stipulated the performance of the Bank services will be provided through the contracted personnel who are not employed in accordance with the State Personnel Law number 657 provisions and the stipulations of other laws about the contracted personnel.

Within this connection, the personnel of the Bank, also keeping the existing earned rights, gained the Contracted Personnel rights.

The yearly wage raises of the Bank's personnel are realized depending on the ceiling wage and increase rates determined by the Higher Planning Board decisions. This has been put on a legal frame by the article number 15 of the law number 4456.

The personnel policy, recruitment criteria, principles of promotion have all been set by the "Personnel Regulation" and the recruiting has been made according to the stipulations of the Personnel Regulation and the circulars of the Prime Ministry.

The recruitment and promotion formalities of experts, assistant experts, inspectors and deputy inspectors are carried out according to the principles, stated in the "Regulation on Experts and Assistant Experts" and "the Regulation on the Board of Inspection" respectively.

The Bank runs its activities as of the end of 2007, through a total of 695 personnel. The number of personnel as of the end of 2006 was 688 and thus the total increase reached 1 percent.

35 assistant experts who were successful in the written stage of assistant expert examinations which were made in 2006, were appointed in 2007. Thus, during the 2007, a total of 48 personnel of which 30 by appointment, 11 by transfer and 7 by open procedure was appointed while 41 personnel, due to several reasons, left the Bank.

The Bank's organization is composed of the General Directorate and the Directorate of İstanbul Branch. Directorate of İstanbul Branch which was established to operate in İstanbul province and the Marmara region was registered by the Office of the İstanbul Registry of Commerce in 2007 and started its activities.

## DISTRIBUTION OF PERSONNEL BY EDUCATION

|                        | 31.12.2006 |            | 31.12.2007 |            |
|------------------------|------------|------------|------------|------------|
|                        | NUMBER     | %          | NUMBER     | %          |
| Elementary School      | 14         | 2          | 12         | 2          |
| Secondary School       | 26         | 4          | 19         | 3          |
| High School            | 92         | 13         | 89         | 13         |
| Vocational high school | 21         | 3          | 21         | 3          |
| University (2-3 years) | 51         | 8          | 49         | 7          |
| University (4 years)   | 399        | 58         | 420        | 60         |
| Master's Degree        | 77         | 11         | 78         | 11         |
| Doctoral Degree        | 8          | 1          | 7          | 1          |
| <b>TOTAL</b>           | <b>688</b> | <b>100</b> | <b>695</b> | <b>100</b> |

As seen from the above table,80 percent of the Bank personnel is university graduate.

## TRANSACTIONS WITH THE BANK'S RISK GROUP:

The Chairman and the Members of Directors and Statutory Auditors and the Deputy General Directors have no shares in the Bank's capital. If requested, loans may be extended to the members of the Board of Directors within the framework of conditions applicable to the Bank's personnel. Neither any loan has been extended to any member of the Board of Directors even through a third person, nor is there any other debt entry or any guarantee/security given in their favor.

According to the stipulations of the article number 49 of the Banking Law, the participations under direct control of the Bank are, Kalkınma Yatırım Menkul Değerler A.Ş.(KYMD AŞ), Aciselsan AŞ , Arıcak Turizm AŞ. We have within the market conditions loan relations with the firms Aciselsan Arıcak and Türsan. KYMD AŞ services are related with brokerage.

## SUPPLY OF SUPPORT SERVICE ACTIVITIES

The Bank doesn't take any services according to the "Regulation on the Supply of the Support Services for the Banks and the Authorization of Support Service Institutions".

## **STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES:**

### **1- The Statement of Compliance:**

The Bank's operations have been consistent with the provisions of Law No.4456 governing its establishment, the Banking Law, and other judiciary regulations. Efforts have been made in fulfillment of compliance with the corporate governance principles to the utmost extent and studies carried out accordingly.

With the decision of the Board of Directors dated 24.07.2007 and no 2007-15-01/209 a Corporate Governance Committee was established in the Bank which will perform studies towards determining the principles of the Corporate Governance Policies of the Bank, monitoring the compliance with Corporate Governance Principles, making studies for the improvements and submitting proposals to the Board within the framework of "Corporate Governance Principles" published by the Capital Markets Board and the "Regulation for the Corporate Governance Principles of the Bank's published in the Official Gazette dated 01.11.2006 and numbered 26333 and put into force by the Banking Regulation and Supervision Agency and with the decision of the Board of Directors dated 24.07.2007 and no 2007-15-02/209 "the Working Principles and Procedures of the of the Corporate Governance Committee" was put into force.

The Committee held its first meeting on 31.12.2007.

### **SECTION I : SHAREHOLDERS**

#### **2- The shareholders relations**

There formed no specific unit for the shareholders relations in the Bank. This service is handled by Directorate of Corporate Banking and Investments. In this context, the said directorate processed and answered 19 applications and information requests.

#### **For information contact to:**

#### **Directorate of Corporate Banking and Investments**

**Director** : Metin Çınar

**Telephone number** : 90 312 23143 08

**E-mail** : kurumsalbankacilik@tkb.com.tr

### **3-The Right to Claim Information:**

Nineteen applications about shares, preferential rights and dividends of minor shareholders of which 10 is by internet had been replied. The work for the effective use of the internet for the announcements of the shareholders' rights is in progress. The Articles of Association does not treat any request for the appointment of a special auditor as an individual right. A special auditor may duly be appointed in compliance with the Turkish Trade Law provisions and the related regulations and legislations. During the period, the shareholders didn't make any application to this end.

### **4- Information on the General Assembly**

The General Assembly Meeting of the Bank which was decided to be held on 23.03.2007 due to the non-attendance of the shareholders was postponed and it later took place on 30.04 2007 with the participation of the press where 15.853.071.507,8 shares (99.08%) were represented out of a total of 16.000.000.000. Due to the fact that Bank stocks are traded in ISE and registered by the Central Registry Institution in relation with the invitation of the shareholders to the general assembly meeting, announcements through the written media and by the use of web page was made in accordance with related regulations and within the framework of the "Principles of announcement of special cases to the public" announcement of the Capital Markets Board, necessary communication were made.

Balance Sheet, Income Statement, Annual Reports of the Board of Directors, the Statutory Auditor and Independent Auditing Reports were opened to public before the General Assembly meeting

No questions was put forward by the shareholders during the meeting. All proposals regarding the agenda were made by the representative of the majority shareholder, items of the agenda were accepted unanimously.

In the Articles of Association there are no provisions for the division of shares, sale, purchase and renting of important amounts of property. Since the Bank was established with a special law and has a public bank character, these type of decisions can only be taken with the approval of the related State Ministry and in case of necessity by a change in the law.

The Extraordinary General Assembly Meeting of the Bank dated 23.03 2007 was announced in the Trade Registry Gazette of Turkey and on 07.03.2007 in the newspapers Sabah and Dünya but postponed and the Extraordinary General Assembly Meeting dated 24.04.2007 was announced in the Trade Registry Gazette of Turkey and on 06.04.2007 in the newspapers of Zaman and Dünya. Announcement of the Ordinary General Assembly Meeting on 30.04.2007 was made in the Trade Registry Gazette of Turkey an on 12.04.2007 in the newspapers of Posta and Dünya and a communiqué was issued to the domestic press.

### **5-Voting Rights and Minority Rights:**

The Articles of Association of the Bank grants no privileges with respect to voting rights. The Law on the establishment of the Bank and the Bank's Articles of Association do not provide any right in participating in management and cumulative voting system.

### **6-Profit Distribution Policy and Time of Dividend Payments:**

No privilege has been granted regarding profit distribution. The distribution of profit, according to the Articles of Association of the Bank and the Establishment Law number 4456 of the Bank, from the distributable profit which is gross profit less the taxes and other legal obligations is made according to the provisions of Turkish Trade Law, Banking Law and other related regulations, as a first dividend

Up to the 5 percent of the profit portion remaining after the first dividend distribution may be given to the personnel as bonus dividend, provided the percentage is determined by the General Assembly and at a level not to exceed the amount of three month's salary of the personnel. From the remaining amount of profit after the above deductions the other appropriations and reserve Money assignments are made which were found necessary by the Turkish Trade Law and the General Assembly. And the remaining amount is distributed to the shareholders as the second dividend.

The distribution of profit is made within legal period and in accordance with the decision of the General Assembly.

### **7-Transfer of Shares:**

The Articles of Association does not stipulate any restrictions regarding the transfer of shares.

## **SECTION II- INFORMATION AND TRANSPARENCY**

### **8-Information and Transparency**

The Bank has adopted a policy of transparency, not only originating from the regulations of the related authorities but based on its mission as well, except information regarded as commercial secret.

Units have been assigned to provide information to investors, creditors, shareholders, employees and other institutions and organizations that form business circles. Loans extended by the Bank, terms of loan utilization, loan management mechanism and application method and required documentation are continuously on the Bank's internet site.

Quarterly published Financial Statements and the Independent Auditing Reports both are on the web site of the Bank and on the web site of ISE as well.

According to the provisions of "the Principles of Public Information" of the Capital Markets Board Forms of Public Information are posted at internet site of TSPAKB.

Additionally, the Law no.4456 on the Establishment of the Bank, the Articles of Association, the organization chart and annual reports are open to public on the web site. Sector studies and reports prepared on the promising investment fields are also on the Bank's web site.

A separate unit was formed in 2004 within the Training and Public Relations Directorate, and the web site was rearranged with a view to meet the requirements of "the Regulation on the Principles and Procedures Concerning the Enforcement of the Law on the right to Obtain Information" which was published in the Official Gazette dated 27.04.2004 and no.25445. 286 applications were received and answered in 2007, accordingly.

### **9-Special Situation Statement**

Announcements are made in time when necessary. Sixteen Special Situation Statements were issued in 2007. No additional explanation is requested for the Statements.



## **10- The Bank's Web Site and its Contents**

The Bank's web site address is as follows ([www.tkb.com.tr](http://www.tkb.com.tr)). Loans extended by the Bank, terms of loans, loan application and handling procedures, documentation required are announced on the internet site. Additionally, the text of the Bank's Establishment Law no.4456, the organization chart and annual reports are on display on the web site as well.

## **11- Disclosure of majority shareholding by real person.**

There is no real person who holds the majority of shares.

## **12-Announcement of Insiders to the public**

The list of insiders has not publicized but, names of the Board Members and the managers who have access to such information are on the web site. All necessary measures are taken to prevent the use of inside information.

## **SECTION III - STAKEHOLDERS**

### **13-Providing Information to the Related Parties**

The Bank exercises due care in providing its services in an honest, reliable, understandable, timely and impartial manner to stakeholders, employees creditors, clients and all parties that have a vested interest in its function. On the other hand, the stakeholders are informed through media, verbally, directly in writing, by internet and with other instruments within the framework of public information applications

### **14 - Stakeholders' Participation in Management**

Stakeholders' participation in management is not applicable.

### **15-Human Resources Policy**

The number of personnel that will be employed at each position annually is determined with the working program of the Bank and the realization is attained accordingly.

Personnel related issues and the criteria applicable to the personnel recruitment are established by the Bank's Personnel Regulation.

The recruitment and promotion of experts and assistant experts are carried out according to the provisions of “the Regulation on Experts Assistant Experts” those of inspectors deputy inspectors, according to “the Board of Inspection Regulation” and those of others according to the provisions of “the Personnel Regulation”.

Qualified young personnel was employed after the examinations held in engineering, finance and economics in 2007.

Within the framework of creating a better and safer working environment, information infrastructure and equipment were renewed.

Besides, proposals are taken into consideration for the social and personal rights and working conditions of all employees at the meetings of the Corporate Management Board held jointly with the Bank representatives and the representatives of the members of the union within the framework of the related regulations and the Public Officials Union Law no.4688.

## **16-Relations with Clients and Suppliers**

The procured resources of the Bank are extended to the clients with the understanding of productivity and profitability as investment, operation, capital and export loans. Conditions concerning to the use of loans are published in internet site ([www.tkb.com.tr](http://www.tkb.com.tr)).

Because of the intensive competitive structuring in the banking sector during 2006 a Loan Marketing Directorate was established to develop marketing and client relations.

The Bank inform its clients within the framework of the cooperation agreement signed with TOBB by organizing joint meetings with the chambers of industry and the commerce, participating in fairs on related sectors and visiting investment regions. Besides, the loan possibilities and conditions are given to the potential customers in writing and the applications thus obtained are appraised.

With its development bank experience based on project evaluation, the Bank also provides technical consultancy services to the clients thus helps to obtain more healthy results from the projects.

All transactions made in the name of the clients in fund management and on stock Exchange are realized with clear net instructions of the clients.

## **17-Social Responsibility**

A number of social activities are carried out annually observing public benefit, in this context a kindergarten is operated by the Bank for the children 3-6 ages, university vocational school students are offered part time jobs to be apprentice, the Bank's library is open to the public. Educational materials are given away to meet the needs of several institutions employees of the Bank are encouraged to participate in the blood donation campaigns.

Activities of the Turkish Folk and Classical Music Choruses of the personnel and exhibitions of the Bank's art gallery are held on regularly. Thirteen exhibitions on ceramics, paintings and photography were held in 2007.

There is no law suit that has been filed against the Bank for any damage caused to the environment.

## **SECTION IV - BOARD OF DIRECTORS**

### **18-The Structure and Composition of the Board of Directors and Independent Members**

The Board is composed of seven members including the CEO and six members are elected by the General Assembly, in line with articles of Law no.4456.

Members of the Board possess the required conditions of election counted in the Turkish Trade Law, Banking Law no.5411 and the Bank Establishment Law no.4456

In addition to this, an Audit Committee was formed within the body of the Board of Directors according to the provisions of "the Regulation on Internal systems of the Banks" published in the Official Gazette dated 01.11.2006 and no.26333 and put into force by the Banking Regulation and Supervision Agency.

A Corporate Governance Committee was established in 2007 in accordance with the "Regulation on the Principles of Corporate Governance of the Banks".

## **The Board of Directors**

### **Name and Surname**

### **Title**

|                       |                          |
|-----------------------|--------------------------|
| Abdullah ÇELİK        | Chairman and CEO         |
| Osman KARA            | Member (Acting Chairman) |
| Mehmet UNCU           | Member                   |
| Asim ALTUN            | Member                   |
| Nedret Şerif ÇAKIRSOY | Member                   |
| Hakan TOKAÇ           | Member                   |
| Ömer Faruk ÖZTÜRK     | Member                   |

## **The Board of Auditors**

### **Name and Surname**

### **Title**

|                  |        |
|------------------|--------|
| Esat Kaya Turgay | Member |
| Hasan Aydın      | Member |
| Mustafa ÇOLAK    | Member |

## **19-Qualification of The Members of the Board of Directors**

The minimum qualification sought in the election of the members of the Board of Directors coincide with the qualifications laid down in article 3/1 Section IV of the Corporate Governance Principles adopted by the Capital Market Board of Turkey and the Banking Law and Law no 4456 and the Articles of Association of the Bank.

## **20-The Bank's Mission, Vision and Strategic Objectives**

Law no. 4456 that regulates the establishment of the Bank defines the objectives and scope of the Bank, as to lend loans to enterprises incorporated as joint stock companies and provide them with financial and operational support by participating therein, with an understanding of profitability and efficiency, to channel domestic and foreign savings into investments aimed at development, to contribute to the development of the capital markets, to finance domestic, foreign international joint investments and carry out all functions of development and investment banking.

The Bank's mission adopted by the Board of Directors has been defined as attaining a higher level of employment, income and welfare in the direction of development and sustainable growth of the country through supporting investments of incorporated joint stock companies by means of extending loans from domestic and foreign sources and providing venture capital for the outstanding examples and giving technical assistance and contributing to the development of the capital market.

The Bank's vision is defined as to become a development and investment bank at the international level, as a leading institution of development and sustained growth, to support investments on the basis of region, sector and technology, to finance them efficiently quickly, to strengthen and encourage investors, in addition to giving technical assistance.

Mission vision and strategic targets of the Bank is approved by the Board of Directors and the annual budget is prepared in accordance with these targets. The subject strategic targets, in compliance with the strategic scopes of the Bank, are sub-objectives of each objective. Strategic scopes are determined by taking into consideration the satisfactory, common, logical, outstanding, attainable and numerical qualities and with maximum participation.

Tables which are arranged on the basis of units/activities of the Bank, the rate of attainment of the objectives and the past performance data are given as monthly and annual reports and annual work program and the annual budget and the monthly reports are submitted to the cognizance of the Board of Directors, and the annual reports, work programs and the budget are submitted for the approval of the Board of directors. The Board of Directors of the Bank monitors the attainment levels of these objectives together with the activities and the past performance tri-monthly.

## **21-Risk Management and Internal Control**

The risk monitoring and internal control mechanism has been designed in compliance with the provisions of the Regulation on the Banks' Internal Control and Risk Management Systems in 2001. It was reorganized later on in 2005 according to the requirements of the Regulation on the Banks' Internal Systems which stem from the Banking Law no.5411. Under such rearrangements the Executive Risk Management Committee was abandoned and a new auditing committee was set up, gathering three members of the Board of Directors while no operational power resting with it.

The Board of Inspection, Internal Control, and Risk Monitoring Directorates which belong to the Internal Systems are directly bound to the Board of Directors through this Committee. The Audit Committee has the duty of providing activeness and adequateness of these units.

Accordingly, Board of Inspection, Risk Monitoring and the Internal Control submit their prepared reports to the Audit Committee. Since the establishment of the risk management systems in the Bank, the risk policy followed may be summarized as attaining expertise on such activities which are in harmony with the function, mission and structure of the Bank and thus taking definable, controllable and/or manageable risks in this sense. The risk management in the Bank is carried out under the control of the Committees which have set activity areas. Namely, the Assets and Liabilities Management Committee determines the risk policy of the Bank on general matters covering rotating values and generally the foreign Exchange position; the Loan and Equity Participation Committee determines the basic approach to be followed related with the loan risk. The Directorate of the Risk Monitoring of the Bank defines, measures the risk exposure and determines probable effects for the current and future periods. In this context, in the reports prepared by the Directorate of Risk Monitoring (apart from the regulatory reports submitted to the Banking Regulation and Supervision Agency) the loan and market risk is measured through various tables and calculations and the reports are submitted to the Audit Committee which meets at least once in a month. These reports are also distributed to the members of the Board of Directors and the members are briefed at the same frequency. By this way, both the executive and the management mechanisms are informed about the risk position of the Bank.

The risks the Bank faces are followed up according to the risk definitions that is defined and reported for certain periods within the framework of BRSA regulations and within the framework of monthly TKB Risk Monitoring Format prepared by the Directorate of Risk Monitoring of the Bank. TKB Risk Monitoring Format which is developed by the Risk Monitoring Directorate of the Bank aims defining, inspecting, guessing development trend and in this connection, creating/forming future scenarios for the exposed risks. With this format, risks of the Bank are examined under the seven main headlines; liquidity risk, exchange rate risk, interest rate risk, maturity risk, loan risk, operational risk and macro-economical risks.

The report prepared within the framework of the definitions and monitorings is submitted to the Audit Committee which meets every month and the existing and probable risks of the Bank are discussed. Afterwards, the Board of Directors are also informed.

## **22- Authority and Responsibility of Members of Board of Directors and Executive Staff**

The tasks and responsibilities of the board members are specified in the Law no. 4456 and by the Articles of Association, prepared in line with the Law which was amended later in the meeting of General Assembly held on 12.05.2000.

Therein prescribed that the main task of the Board of Directors is to act for the achievement of the objectives of the Bank stated by law within the frame of related legislations, national development plan and annual programs.

The tasks and authorities of the Board of Directors and CEO are defined in the law no.4456 and the Articles of Association. Similarly the tasks, authorities and responsibilities of the executive staff of the Bank are specified in “Regulation of Task, Authority, Responsibility and Principles of Organization” adopted by the Board of Directors.

## **23- Working Principles and Procedures of Board of Directors**

Working procedure of Board of Directors is defined in the law no.4456 and Articles of Association of the Bank. In accordance with these documents the Board should convene at least twice a month with absolute majority. It resolves unanimously without any abstention where in case of tie up chairman has the casting vote. Members are not entitled to have any veto right.

Informing the members and communication on board matters are conducted by the clerical Office of CEO and the Board. The date and agenda of the Board meetings are determined by the Chairman.

Board papers prepared and submitted to members by the same offices. Minutes are not recorded during the board sessions. Countervotes are given in written manner and attached to Resolution Book.

Members participate personally to the Board meetings.

In 2007, the Board held 26 meetings. Additionally, 22 interim decisions were taken.

## **24- Prohibition of Transaction and Competition for Board Members**

Board members are prohibited to be involved in transaction and go into competition with the Bank, in the matters concerning their own private activities.

## **25- Code of Ethics**

An Ethics Commission was established within the Bank, according to the article no.29 titled “Ethics Commission” of the “Regulation on Ethical Conduct Principals for Civil Servants and Application Procedures and Criteria”, effective since publication by the Prime Ministry in the Official Gazette dated 13.04.2005 and no.25785, and with the approval of the General Directorate, dated 22.04.2005 and no.1165. According to the article no. 23 of the same regulation with the title “Adhering to Ethical Conduct Principles, the “Ethical Contract” contained in the appendix of the regulation was signed by all Bank employees and placed in their personal files.

## **26. Number, Structure and Autonomy of Committees Established by the Board**

### **THE AUDIT COMMITTEE**

Within the framework of article 24 of the Banking Law no.5411 and the provisions of “the Regulation about the Internal Systems of Banks” according to the Board of Directors 2006-interim decision /227 dated 31.10.2006 an Audit Committee is established within the Board to assist in controlling and supervision activities.

Member of the Board of Directors Hakan TOKAÇ with the decision of the Board of Directors dated 17.05.2007 and no.2007-24-21/323 was elected to the Audit Committee replacing Ramazan KARDEŞ who was an Audit Committee member, whose term of Office ended at the General Assembly of 2006. Upon Mehmet UNCU’s severance from the chairmanship of the Audit Committee, Hakan TOKAÇ was elected as the Chairman on 27.12.2007.

With the decision of the Board of Directors dated 24.01.2007 and no 2007-02-08/036 “the Working Principles and Procedures of the Audit Committee” became effective and the procedure to be followed by the Audit Committee while it performs are set in writing. It is foreseen that the Committee will meet at least one a month.



## **AUDIT COMMITTEE**

**CHAIRMAN :** Hasan TOKAÇ

**MEMBER :** Osman KARA

## **CORPORATE GOVERNANCE COMMITTEE**

A Corporate Governance Committee is established with the decision of the Board of Directors dated 15.06.2007 and no. 2007-12-18/185 to determine the principles on corporate governance policies of the Bank, to study improvements on the subject and submit proposals to the Board of Directors within the framework of Corporate Governance Principles published by Capital Markets Board and the Regulation about the Corporate Governance of the Banks published in the Official Gazette dated 01.11.2006 and no.26333 and put into effect by the Banking Regulation and Supervision Board and with the decision of the Board of Directors dated 24.07.2007 and no.2007-15-01/209 the Working Principles and Procedures of the Corporate Governance Committee became effective. The Committee held its first meeting on 31.12.2007.

## **CORPORATE GOVERNANCE COMMITTEE**

**CHAIRMAN** : Nedret Şerif ÇAKIRSOY

**ACTING CHAIRMAN** : Asım ALTUN

**MEMBERS** : Deputy General Director to whom the member units are bound.  
Director of the Corporate Banking and Investment  
Director of the Human Resources  
Director of the Budgeting and Financial Reporting  
Director of the Strategic Planning and Quality Management

## **27. Financial Privileges Provided to the Board Members**

The salaries of board members are determined by the General Assembly. They are not entitled to any other compensation. However personnel credits are made available to board members according to the rules applied for bank's personnel as prescribed by the Personnel Loan Regulation. There are no credit, debt record or bail, concerning any board member or post-holder whether directly or through a third party, other than the credits stated above.

***FINANCIAL INFORMATION AND  
ANALYSES REGARDING RISK  
MANAGEMENT***

**STATUTORY AUDITOR'S REPORT  
TO THE GENERAL ASSEMBLY OF TÜRKİYE KALKINMA BANKASI, INC.**

TÜRKİYE KALKINMA BANKASI, Inc. (the Bank), being at the address of Necatibey Cad. 98 Bakanlıklar- Ankara, as a development and investment bank with the aim of the development of Turkey, operates all the development and investment banking activities by, extending loans to enterprises formed as incorporated companies with the sense of efficiency and profitability, providing financial and operational support through equity participation, channeling the domestic and foreign savings into investments for development, contributing to the development of the securities market, financing domestic, foreign and joint venture investments. Bank's issued capital is YTL160.000.000 .

The Statutory Auditors are Hasan AYDIN, Esat Kaya TURGAY and Mustafa ÇOLAK , who are selected for three years in accordance with the provisions of Articles of Association, by the General Assembly decision held on 30.04.2007. They are not the staff and shareholders of the entity..

Auditors have reviewed the related documents submitted to themselves prior to each meeting and have attended all together or partially to all the Board of Directors meetings, Besides these meetings, the Statutory Auditors convened at least twice a month to review the matters concerned.

Banks accounts and transactions for the period of 01.01.2007-31.12.2007, were audited with regard to the entries in legal books and documents, in compliance with the Articles of Association, Turkish Commercial Code and other legislations and with the generally accepted Accounting Principles and Standards and the examinations and controls were made for three monthly periods in accordance with Tax Legislation and Commercial Law. Furthermore in these three monthly periods, the cash available was counted and the valuable paper assets was counted monthly to check whether the entries in legal books are consistent with the amount at hand and no inconsistency was observed. There was no complaint or notification received by our Audit Committee within the same period.

According to our opinion; the balance sheet as of 31.12.2007 which we accept its content and its conformity with independent audit report, reflects the real financial status of the entity, the Income statement for the period of 01.01.2007-31.12.2007 reflects accurately and properly the results of activities of the said period; and the profit distribution proposal is in line with the legislation and the Articles of Association.



**Hasan AYDIN**  
Statutory Auditor



**Esat Kaya TURGAY**  
Statutory Auditor



**Mustafa ÇOLAK**  
Statutory Auditor

## **EVALUATIONS OF THE INTERNAL SUPERVISION AND RISK MANAGEMENT SYSTEMS BY THE SUPERVISION COMMITTEE**

Internal Control, Internal Supervision and Risk Management activities in the Bank are organized in accordance with the provisions of the Regulation about the Internal Systems of the Banks prepared by the Banking Regulation and the Supervision Board and published in the Official Gazette dated 01.11.2006 and no.26333 and become effective as of this date. The Board of Inspection, the Internal Control and the Risk Management Directorates are directly responsible to the Board of Directors and linked through the Audit Committee.

During the work year of 2007, Inspection Reports, Quarterly Activity Reports and the Annual Reports by the Board of Inspection, monthly Risk Reports by the Risk Monitoring Directorate and the monthly internal control activities by the Internal Control Directorate are submitted to the Audit Board.

On the other hand, with the participation of the Board of Inspection Internal Control and Risk Monitoring Directorates, evaluations were made on working of the internal system with regular intervals.

Additionally, the Audit Committee's opinion over their activities during the period and the measures to be taken for regulating and improving the Bank's activities are submitted to the Board of Directors in connection with paragraph "s" of passage 2 of article 7 with the heading "The Authorities and the Responsibilities of the member of the Audit Committee" of the Regulation of Internal Systems.



**Osman KARA**  
**Member**



**Hakan TOKAÇ**  
**Chairman of the Audit Committee**

**INDEPENDENT AUDITORS' REPORT**

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

We have audited the balance sheet of Türkiye Kalkınma Bankası A.Ş. (Bank) dated December 31<sup>st</sup>, 2007 and its income statement, cash flow statement, statement of changes in shareholders' equity which ended at the same date stated above and a descriptive summary of the significant accounting policies and other explanatory notes.

*Explanation Concerning the Responsibility of the Bank Management:*

The Bank's Board of Directors is responsible for the presentation of the financial statements according to the Legislation on Basis and Procedures Concerning Accounting Applications and Preservation of Documents of Banks and Turkish Financial Reporting Standards and other legislations, bulletin, circulars and comments stated by the Banking Regulation and Supervision Agency (BDDK) and the establishment of an internal control system that will assure the preparation and presentation of financial statements free of material misstatements caused by errors and corruption and the adoption and application of appropriate accounting policies.

*Explanation Concerning the Responsibility of the Authorized Audit Firm:*

Our responsibility as the audit firm conducting the independent audit is to present an opinion concerning the audited financial statements. Our audit has been undertaken in accordance with the legislation on Authorizing Institutions which Audit Banks and their Activities Published in the November 1<sup>st</sup> dated and 26333 numbered official gazette and international audit standards. Our audit has been planned and conducted to provide reasonable assurance that the financial statements are free of material misstatement. During our audit; audit methods have been used to gather audit evidence concerning the amounts in financial statements and notes to the financial statements; the appointed auditors have been given the initiative to chose the audit methods, however suitable audit methods have been determined by auditing the effectiveness of internal controls during the preparation and presentation of financial statements and the appropriateness of the accounting policies used. Sufficient audit evidence has been gathered to form the audit opinion given below.

*Independent Auditors' Opinion:*

In our opinion, the accompanying financial statements truly present, in all material aspects, the financial position of the Bank as of December 31<sup>st</sup>, 2007, results of operations for the period and cash flows according to the accounting principles and standards determined in the legislations in effect due to the 37<sup>th</sup> article of the Banking Law numbered 5411 and other legislations, bulletin circulars and comments published by the Banking Regulation and Supervision Agency (BDDK).  
Ankara, 03.03.2008

REHBER  
Bağımsız Denetim ve  
Yeminli Mali Müşavirlik A.Ş.

**REHBER**  
Bağımsız Denetim ve  
Yeminli Mali Müşavirlik A.Ş.  
Alper ŞİMŞEK  
Chief Executive Auditor

(Authorized Signature / Company Stamp)



## **INFORMATION ON RISK MANAGEMENT POLICIES**

The risk management and internal control functions in the Bank are carried out through the arrangements which are in compliance with the provisions of the Banking Law no.5411. The general principle of the risk policies that are followed by the Bank may be summarized as to attain expertise on the subjects which are suitable to the function, vision, and structure stated in the establishment law of the Bank, and to take definable, controllable, and/or directable risks, and not to take any risks outside the inevitable and the activity originated ones which are open to speculation. The basic principle is to take the risks which are fully defined and directable. Apart from this, as the techniques of risk measurements and reporting permits, measurements of existing and future potential effects are made and this will continue. As of the basic risk groups the risk management policies of the Bank, definition of risk group and their manner of monitoring are summarized as below.

### **Loan Risk Policy**

In the loan risk management of the Bank, counterparty risk and strategic risk of the loan risk oriented principles are given below.

#### **Counterparty Risk in Loan Risk Management**

The Bank authority decides whether to enter a loan relation with the firms who requested credit, although it may be different depending on the requested credit type and term, within the framework of principles and procedures set forth. The authorization limits of the authorities are determined by the regulations. This implementation will be the basic principle of the loan lending policy. For all loans to be extended by the Bank a guarantee must be secured. The guarantees and their types will be determined by the regulations and the guarantees to be taken from the firms by the Board of Directors who has the authority on which credit and to what amount, the above limits are determinative.

Nevertheless, if the guarantee to be taken is a letter of guarantee, to decide on which Banks' letter of guarantee will be accepted there exists a rating system which is renewed annually, that takes into account the performance of the Banks. The Bank monitors all financial data of the firms who used loan, whose loans are postponed or reimbursement plan restructured until the risk is totally collected or eliminated. In case the risk is above a certain amount or if the need arises for the in site examination then both in the

headquarters and at the plant, examinations are made. Upon examinations and evaluations a follow up report containing proposals for the case or the situation determination report is prepared.

### **Strategic Risk in Loan Management Risk**

Within the framework of loan management risk policy, to make the lending process more effective, the work to develop the format and shortening of the evaluation process in the first place, all phases of the process is being revised. In addition to this, with the aim of renewing the loan lending process and to be prepared for the Basel II implementations, a rating system module that relies on the objective and the Standard criteria is created and put into force as of January 2007 which will shorten the lending process. The continuing internal rating studies for the medium and the long term lending processes will be completed in a short time and the new system will be used as an effective instrument for the lending process in the period to come.

The information about the break down of loans by sectors, geographical regions or firms are carefully supervised and at new loan placements these are taken into consideration for a more balanced loan portfolio. In the period to come, the Bank will take into consideration the priorities in the strategic aims and sectoral priorities in energy, tourism, education and health area as shown in the work program.

In addition to this, “the Evaluation of the Structural Analysis and the Sectoral Performance of the Manufacturing Industry of Turkey” prepared by the Bank is intended to be an effective instrument in defining in which sectors and regions the Bank will concentrate.

### **Market Risk Policy**

As the market risk related with the Bank’s positions either within the balance sheet or outside the balance sheet accounts, includes the interest rate risk, exchange rate risk, stock position risk due to the interest rates, currency and stock price changes originating from financial markets, these risks will be taken separately.

## **Interest Rate Risk Policy**

The basic principle in the interest rate risk policy of the Bank obtaining and allocating the fixed and variable interest resources with the same conditions so in the loan portfolio there will be no mismatch. Within the loan lending activity increasing the share of the line credits in the loan portfolio is the most effective way to reduce the interest rate risk of the credits. (Interest Risk of the Credit Portfolio)

With this basic principle the optimization of the portfolio distribution in the cash management which has an important share in the total assets will be secured by taking into account of the alternative revenues, tolerable losses and risk limits. (Interest Risk of the Liquid Portfolios)

## **Exchange Rate Risk**

The basis of the Exchange rate risk, net general foreign currency position may be defined as the difference between the foreign currency assets and the liabilities of the Bank. The policy of the Bank on Exchange rate risk is based on minimizing net general foreign currency position, in other words balancing the assets and liabilities in foreign currency, as much as possible. Exchange rate risk of the Bank arises from the excess foreign currency position of the medium long term credits. In connection with this in the management of Exchange rate risk, a policy of reducing the excess position in credits is followed rather than the management of the liquid foreign currency assets. In conformity with this, the Bank will continue the policy of holding the excess foreign currency amount at a minimum, converting the collections from foreign currency credits lent from the self sources into Turkish Lira and apart from the necessities (foreign reimbursements, foreign currency Exchange operations, etc.) not to buy foreign currency. Again keeping this basic aim, existing foreign currency will be placed with the suitable interest rates and the possibilities that will arise in foreign currency markets at suitable times and conditions by both assets and liabilities management. Although the Exchange rate risk policy is basically aimed to be in balance, the Bank management, staying within the legal limits, may to a certain extent, hold the rate of the foreign currency assets to the foreign currency liabilities elastic depending on reimbursements and the economic situation, and in this



case, the foreign currency position will be managed at a determined foreign currency rate. In order to be able to manage the Exchange rate risk within the determined policy, with the proposal of the assets and liabilities committee and approval of the General Director, with hedging aim, operations of forward, futures and swap will be made when and if necessary.

### **Liquidity Risk Policy**

At the present, the average term of the assets with respect to the liabilities are rather short, therefore, the rate of covering the short term liabilities is quite high in the liquidity risk management policy of the Bank; after the term structure of the assets is set, taking into consideration the reimbursement dates, the remaining liquid assets are placed in consideration with alternative yields. Apart from this, since the monthly cash flows of medium and long term liabilities and the balance duration could be continuously monitored, elements causing risks can be determined beforehand and the related units take initiative to remove them. The existing liquidity risk management in the Bank will continue as it is.

### **Operational Risk Policy**

In the operational risk management policy of the Bank, it is aimed basically, to determine the risk before it occurs, report regularly and evaluate. In conformity with this, the basic principle in the operational risk management is defined as to take measures against the realization of the risk. The so called risk management will be effective if all of the work processes in the Bank, without any imperfection, will be put in to a written form and controls will be intensified at each stage. In the Bank, the operational risks are not digitalized, however, the Directorate of Internal Control continues its controls at basic operational units at certain control points to prevent probable operational mistakes. Thus, within the framework of the existing work definitions, regulations and other related legislature the operational risks are minimized.

## EVALUATION ON FINANCIAL SITUATION, PROFITABILITY AND DEBT SERVICING

Financial situation of the Bank as of 31.12.2007 are given in comparison to the year ended 31.12.2006.

(%)

| <b>Assets</b>   | <b>31<sup>st</sup> January 2006</b> | <b>31<sup>st</sup> January 2007</b> |
|---|-------------------------------------|-------------------------------------|
| Cash and Balances with the Central Bank of Turkey                                       | 0,01                                | 0,02                                |
| Banks and Money Markets   | 37,06                               | 27,43                               |
| Actual Value Difference in Profit/ Financial Assets Classified as Reflected to the Loss | 11,21                               | 13,53                               |
| Marketable Securities   | 0,75                                | 0,89                                |
| Loans   | 37,72                               | 48,35                               |
| Loans under Follow-up(net)  | 0,00                                | 0,32                                |
| Stocks and Bonds Held until Expiry  | 0,00                                | 0,40                                |
| Equity Participations and Subsidiaries  | 1,76                                | 1,78                                |
| Tangible Assets   | 4,37                                | 4,78                                |
| Other Assets  | 7,12                                | 2,41                                |
| <b>TOTAL</b>  | <b>100,00</b>                       | <b>100,00</b>                       |

(Thousand YTL)

| <b>Liquid Assets</b>  | <b>31<sup>st</sup> January 2006</b> | <b>31<sup>st</sup> January 2007</b> | <b>Change (%)</b> |
|---|-------------------------------------|-------------------------------------|-------------------|
| Cash and Balances with Central Bank of Turkey   | 103                                 | 190                                 | 84,5              |
| Actual Value Difference in Profit/ Financial Assets Classified as Reflected to the Loss | 99.116                              | 110,625                             | 11,6              |
| Banks and other Financial Institutions  | 143,406                             | 138,770                             | -3,2              |
| Money Markets   | 184,168                             | 85,537                              | -53,6             |
| Securities Available for Sale   | 6,586                               | 7,266                               | 10,3              |
| <b>TOTAL</b>  | <b>433,379</b>                      | <b>342,388</b>                      | <b>-21,0</b>      |

(%)

| <b>Liquidity</b>                 | <b>31<sup>st</sup> January 2006</b> | <b>31<sup>st</sup> January 2007</b> |
|----------------------------------|-------------------------------------|-------------------------------------|
| Liquid Assets/External Resources | 125,15                              | 95,18                               |
| Liquid Assets/Total Assets       | 49,03                               | 41,87                               |

The item of liquid values receded to YTL 342 million in 2007 from the level of YTL 433 million in 2006. After the liquid value dividend payment of YTL 446 million as of July 2007 it receded to YTL 343 million. Therefore, the interest revenues of the liquid values are concentrated most importantly in first 8 months. The portion of interests obtained from the liquid values as of the end of 2007 reached 65.3 % in the total interest revenues, however, although the increase in the amount of loans the interest obtained from the loans remained at the level of 34.7%.

In November 2007 an important change in asset composition of the Bank depending on the stocks securities portfolio, had occurred. Previously, the stocks and bonds portfolio of the Bank consisted of the State Bonds was preferred to be shown in “the Actual Value Difference in Profit/Financial Assets Classified as Reflected to the Loss”, in November in addition to this portfolio, the Bank bought State Internal Barrowing Bond in the amount of YTL 2.3 million to the Stocks and Bonds to be held until expiry portfolio and this amount is raised to YTL 3.2 million in December 2007. The basic difference that will take place with this change is that the follow up of the revenues obtained from the Stocks and Bonds to be held until expiry will be done through the Stock and Bonds Increase fund under the self resources. Another difference is the Stock and Bonds to be held until expiry is not accepted as a liquid value and thus the accounting is done with in the part of other assets item, therefore the decrease in the Liquid Values/ Total Assets ratio occurred.

(%)

| <b>Assets Quality</b>  | <b>31<sup>st</sup> January 2006</b> | <b>31<sup>st</sup> January 2007</b> |
|--|-------------------------------------|-------------------------------------|
| Loans/Total Assets   | 37,72                               | 48,35                               |
| Provisions for Receivables in Follow-up/Receivables in Follow-up | 100,00                              | 95,51                               |

(Thousand YTL)

| <b>Loans</b>                    | <b>31<sup>st</sup> January 2006</b> | <b>31<sup>st</sup> January 2007</b> | <b>Change (%)</b> |
|---------------------------------|-------------------------------------|-------------------------------------|-------------------|
| Loans                           | 333.404                             | 398,010                             | 19,4              |
| Loans(net)                      | 333,404                             | 395,373                             | 18,6              |
| Receivables in follow-up(gross) | 63.849                              | 58,681                              | -8,1              |
| Provisions(-)                   | 63.849                              | 56,044                              | -12,2             |
| Receivables in follow-up(net)   | 0                                   | 2,636                               | -                 |

The loans increased to YTL 398 million in 2007 from the level of YTL333 million by 19.4 %. The interest income obtained from loans as the Bank's main activity was 35.9% of the total interest income in 2006 and it is realized in 2007 as 34.7%. With the accidental change in the liquid values and the assets due to the sale of Erdemir Stocks 37.7% of the total assets was composed of loans in 2006, this rate reached to 48.7% in 2007. In December 2006, for the loans under follow up full provision is provided and the ratio of the loans under follow up became zero thus the asset quality is increased. However, the rate of loans under follow up (gross) in December 2006 is realized at the level of 16.1% and this ratio is reduced to 12.9% in December 2007. In December 2007, a provision of 96% for the loans under follow up was brought and loans under follow up (Net) is realized at 0.66% level.

(% share)

| <b>Liabilities</b>  | <b>31<sup>st</sup> January 2006</b> | <b>31<sup>st</sup> January 2007</b> |
|---------------------|-------------------------------------|-------------------------------------|
| Money Markets       | 0,01                                | 0,02                                |
| Loans Received      | 20,38                               | 26,34                               |
| Funds               | 11,89                               | 13,49                               |
| Provisions          | 1,58                                | 2,0                                 |
| Other Liabilities   | 5,32                                | 2,14                                |
| Shareholders Equity | 60,82                               | 56,01                               |
| Profit/Loss         | 17,66                               | 5,27                                |
| <b>TOTAL</b>        | <b>100,00</b>                       | <b>100,00</b>                       |

(Thousand YTL)

| <b>Liabilities</b>  | <b>31<sup>st</sup> January 2006</b> | <b>31<sup>st</sup> January 2007</b> | <b>Change (%)</b> |
|---------------------|-------------------------------------|-------------------------------------|-------------------|
| Money Markets       | 98                                  | 126                                 | 28,6              |
| Loans Received      | 180.022                             | 215,391                             | 19,6              |
| Funds               | 105.100                             | 110,282                             | 4,9               |
| Provisions          | 14.032                              | 16,383                              | 16,8              |
| Other Liabilities   | 47.034                              | 17,528                              | -62,7             |
| Shareholders Equity | 537.533                             | 458,096                             | -14,8             |
| <b>TOTAL</b>        | <b>883.819</b>                      | <b>817,806</b>                      | <b>-7,5</b>       |

When we examine the liability structure of the Bank it is seen that, as of the end of 2006, 61% of the liabilities was from the shareholders equity and 39% was from the foreign sources. At the end of 2007, the rate of the shareholders equity is 56% and the rate of the foreign sources is 44%. One of the basic reasons in the change of the rate of shareholders equity to foreign sources is due to the distribution of profit in 2007, the item of the shareholders equity decreased; the other reason is the increase in the use of foreign sources in 2007. In future, by the increase of financing possibilities from abroad, the rate of foreign sources in the balance sheet is expected to go up further.

| <b>Sources of Profit/Loss</b>               | <b>(Thousand YTL)</b>               |                                     |
|---|-------------------------------------|-------------------------------------|
|   | <b>31<sup>st</sup> January 2006</b> | <b>31<sup>st</sup> January 2007</b> |
| Interest Income                             | 62.810                              | 83,317                              |
| Foreign Exchange Gains                      | 10.599                              | -3,638                              |
| Fees and Commissions Income                 | 5.996                               | 7,724                               |
| Gains from Transactions in Security Markets | 2.667                               | 1,559                               |
| Gains from Other Activities                 | 114.081                             | -34,697                             |
| Net Cash Position P/L                       | 0                                   | 0                                   |
| Profit Before Taxes                         | 196.153                             | 54,264                              |
| Tax Provisions (-)                          | 40.004                              | -11,176                             |
| Extraordinary P/L After Tax                 | 0                                   | 0                                   |
| <b>Net Profit(Loss)</b>                     | <b>156.149</b>                      | <b>43,088</b>                       |

| <b>Revenues and Expenditures</b>            | <b>(% share )</b>                   |                                     |
|---|-------------------------------------|-------------------------------------|
|   | <b>31<sup>st</sup> January 2006</b> | <b>31<sup>st</sup> January 2007</b> |
| <b>Revenues</b>                             | <b>100,00</b>                       | <b>100,00</b>                       |
| Interest Income                             | 23,99                               | 72,98                               |
| Foreign Exchange Gains                      | 5,80                                | 1,22                                |
| Commissions Income                          | 2,20                                | 6,15                                |
| Gains from Transactions in Security Markets | 0,84                                | 1,13                                |
| Other Revenues                              | 67,17                               | 18,52                               |
| <b>Expenditures</b>                         | <b>100,00</b>                       | <b>100,00</b>                       |
| Interest Expense                            | 10,90                               | 20,86                               |
| Exchange Losses                             | 6,46                                | 6,34                                |
| Commissions Paid                            | 0,96                                | 0,91                                |
| Security Market Transaction Expenditures    | 0,00                                | 0,00                                |
| Other Expenditures                          | 81,68                               | 71,89                               |

Upon examining the sources of Profit/ Loss, it is seen that as of the end of 2007 in comparison to the same month of the previous year, the interest income increased from YTL 62.8 million to YTL 83.3 million, fees and commission income increased from YTL 6 million to YTL 7.7 million, and the security market transaction gains decreased from YTL 2.7 million to YTL 1.6 million, foreign Exchange gains decreased from YTL 10.6 million to YTL (-) 3.6 million, and the gains from the other activities decreased from YTL 114 million to YTL 34.7 million. It is possible to say that the profit of the Bank, as of December 2007, basically comes from the interest income provided from the liquid values.

The other outstanding change in the profit is in the gains from the other activities. The reason of this development is the item of other revenues with the accidental increase due to the Erdemir sale in 2006 realized at the level of YTL 213 million, receded to YTL 25.6 million level in 2007 and along with this in the item of the other expenditures there happened a shrinkage of about YTL 48 million. The reason for the shrinkage in the item of the other expenditures is the high amounts of provisions for loans, participations-bounded companies and taxes in 2006 receded quite a lot in 2007.

## **RATING OF THE BANK AND ITS CONTENT**

The international credit rating institution Fitch Ratings fixed the credit grading of the Bank as of 28.11.2007 as seen below.

| <b><u>Credit Rating</u></b>           |        | <b><u>Outlook</u></b> |
|---------------------------------------|--------|-----------------------|
| Long term Loans in Local Currency:    | BB-    | Stable                |
| Long Term Loans in Foreign Currency:  | BB-    | Stable                |
| Short Term Loans in Local Currency :  | B      |                       |
| Short Term Loans in Foreign Currency: | B      |                       |
| Long Term National Credit Rating :    | A(Tur) | Stable                |
| Individual                            | D      |                       |
| Support                               | 3      |                       |

## SELECTED FINANCIAL INFORMATION AND INDICATORS FOR THE PERIOD OF 2003-2007

|   | 31.12.2003 | 31.12.2004 | 31.12.2005 | 31.12.2006 | 31.12.2007 |
|---|------------|------------|------------|------------|------------|
| <b>Total Assets</b>                         | 429,298    | 517,569    | 689,687    | 883,819    | 817,806    |
| <b>Liquid Assets</b>                        | 161,685    | 226,400    | 336,828    | 433,379    | 342,388    |
| <b>Total Loans (Net)</b>                    | 188,276    | 213,366    | 286,373    | 333,404    | 398,010    |
| <b>Loans in Follow-up (Net)</b>             | 11,451     | 13,879     |            |            | 2,636      |
| <b>Paid in Capital</b>                      | 150,000    | 150,000    | 160,000    | 160,000    | 160,000    |
| <b>Shareholders Equity(Profit Included)</b> | 315,119    | 391,856    | 451,067    | 537,533    | 458,096    |
| <b>Interest Gains (Net)</b>                 | 43,867     | 45,840     | 37,086     | 62,810     | 83,316     |
| <b>Noninterest Gains (Net)</b>              | (27,782)   | 2,551      | (10,813)   | 133,343    | (40,228)   |
| <b>Net Cash Position(P/L)</b>               | (93,332)   | (30,505)   |            |            | -          |
| <b>Net Profit/Loss</b>                      | (77,246)   | 17,886     | 24,851     | 156,149    | 43,088     |
| <b>Total Loans/Total Assets</b>             | 43.9       | 41.2       | 41.52      | 37.72      | 48,7       |
| <b>Loans in Follow-up(net)/Total Loans</b>  | 6.1        | 6.5        | 0          | 0          | 0,6        |
| <b>Shareholders Equity/Total Assets</b>     | 73.4       | 75.7       | 65.40      | 60.82      | 56,0       |
| <b>Assets Profitability</b>                 | (18.0)     | 3.5        | 3.60       | 17.67      | 5,3        |
| <b>Equity Profitability</b>                 | (24.5)     | 4.6        | 5.51       | 29.05      | 9,4        |

### Notes:

1. The financial tables of 2003, and 2004 are adjusted for inflation according to the accounting standards by BRSA on 28.04.2005 upon the announcement on the disappearance of the indications necessitating the use of inflation accounting, the said adjustment were stopped by 01.01.2005.
2. In compliance with the "Financial Reporting Standards of Turkey 1" standard accounting was started to be utilized by 01.01.2005. Therefore, financial tables of 31.12.2005 which are presented in comparison that of 31.12.2006 are prepared as of the said standards.
3. Financial tables of 2005 were adjusted in line with the TAS(Turkish Accounting Standards) in order to display the tables in comparable manner. As a consequence the profit of YTL 26.526 thousand was reduced to YTL 24.851 thousand in 2005 while, the profit of YTL 148.243 thousand was increased to YTL 156.149 thousand due to this adjustment in 2006.

**TÜRKİYE KALKINMA BANKASI**  
**FINANCIAL STATEMENTS AND**  
**INDEPENDENT AUDITORS' REPORT**  
**DATED**  
**31.12.2007**



**TÜRKİYE KALKINMA BANKASI A.Ş.**

**Notes to the Financial Statements**

**Dated 31 December 2007**

(Figures are in thousand New Turkish Liras (YTL) unless otherwise stated)

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**TÜRKİYE KALKINMA BANKASI A.Ş. FINANCIAL REPORT  
FOR THE YEAR ENDED, 31 DECEMBER 2007**

|                            |  |
|----------------------------|--|
| Headquarters Address:      | Necatibey Cad. No: 98<br>P.K.06100<br>Bakanlıklar/ANKARA     |
| Telephone and Fax Numbers: | Tel: 0312 231 84 00<br>Fax: 0312 231 43 41                   |
| Internet Address:          | <a href="http://www.tkb.com.tr">http://www.tkb.com.tr</a>    |
| E-mail Address:            | <a href="mailto:muhasebe@tkb.com.tr">muhasebe@tkb.com.tr</a> |

The year-end financial report prepared in accordance with the Banking Regulation and Supervision Agency Bulletin “Bulletin on Financial Statements to be Presented to the Public by Banks and Notes to Those Financial Statements” consists of the following sections.

- GENERAL INFORMATION ABOUT THE BANK
- FINANCIAL STATEMENTS OF THE BANK
- NOTES ON THE APPLIED ACCOUNTING POLICIES IN THE RELATED PERIOD
- INFORMATION ON THE FINANCIAL STRUCTURE OF THE BANK
- NOTES TO THE FINANCIAL STATEMENTS
- OTHER EXPLANATIONS AND NOTES
- INDEPENDENT AUDITORS’ REPORT

The financial statements and notes to the financial statements included in this report are prepared in thousand New Turkish Liras unless otherwise stated according to the Regulation on the Procedures and Basis Concerning the Accounting Policies and Preservation of Documents of Banks, Turkish Financial Reporting Standards, attachments and interpretations concerning those standards and our Bank records, audited and presented below.

**Abdullah ÇELİK**  
Head of Board of Directors  
and General Manager

**S.Cansel İNANKUR**  
Assistant General Manager  
Responsible for  
Financial Reporting

**Salih DEMİREL**  
Finance Manager

**Hakan TOKAÇ**  
President of Audit  
Committee

**Osman KARA**  
Audit Committee  
Member

**Information on the authorized personnel that can be asked about this financial report**

Name Surname/Title: Nihal MADASOĞLU / Assistant Finance Manager  
Tel No : 0 312 - 418 84 87  
Fax No : 0 312 - 418 22 94

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- IV-** Explanations concerning persons or companies holding privileged shares of Bank
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- I-** Issues Concerning the Independent Audit Report That Need to be Explained
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**SECTION ONE  
GENERAL INFORMATION****I- Establishment date, beginning status, history of the bank including changes in the beginning status of the Bank**

The Bank was established on 27 November 1975 according to the Decree Based on Law Numbered 13 as a related institution of the Ministry of Trade and Technology with the legal title of “Devlet Sanayi ve İşçi Yatırım Bankası”. Some adjustments were made on the status of the Bank with the Decree Based on Law Numbered 165 dated 14.11.1983.

On 15 July 1989, its legal title was changed to Türkiye Kalkınma Bankası A.Ş. by being associated to the Prime Ministry in the context of the Decree Based on Law Numbered 329 in parallel with the developments in its service range. The Bank has become a development and investment bank that provides financing support to companies in tourism sector as well as trade sector by taking over T.C. Turizm Bankası A.Ş. with all of its assets and liabilities with the Supreme Planning Council decision dated 20 January 1989 numbered 89/T-2. Also with the Decree Based on Law Numbered 401 dated 12.02.1990 some of the articles of Bank status were changed.

With the Law Numbered 4456 dated 14.10.1999, Decrees Based on Law Numbered 13, 165, 329 and 401 were revoked and the establishment and operating rudiments were rearranged.

**II- Capital structure of the Bank, partners solely or jointly holding the direct or indirect administration and audit rights, explanation concerning the Bank including the changes in those issues if present**

The capital ceiling of the Bank which is subject to recorded capital system is 500.000.000 YTL. The share capital level of according to that share is 160.000.000 YTL and the shareholders and their shares in the share capital are shown below.

| <b>Shareholders</b> | <b>Share Amount (Thousand YTL)</b> | <b>Share (%)</b> |
|---------------------|------------------------------------|------------------|
| Treasury            | 158.530,45                         | 99,08            |
| Other Shareholders  | 1.469,55                           | 0,92             |
| <b>Total</b>        | <b>160.000,00</b>                  | <b>100,00</b>    |

**III- Explanations concerning the shares of head of Board of Directors and members, audit committee members and general manager and assistants of the Bank****Head and Members of the Board of Directors:**

|                             |                       |
|-----------------------------|-----------------------|
| Head of Board of Directors: | Abdullah ÇELİK        |
| Board of Directors Members: | Osman KARA            |
|                             | Mehmet UNCU           |
|                             | Nedret Şerif ÇAKIRSOY |
|                             | Hakan TOKAÇ           |
|                             | Ömer Faruk ÖZTÜRK     |
|                             | Asım ALTUN            |

The Head and Members of Board of Directors do not own any shares in the Bank.

|                                 |                  |
|---------------------------------|------------------|
| <b>Audit Committee Members:</b> | Esat Kaya TURGAY |
|                                 | Hasan AYDIN      |
|                                 | Mustafa ÇOLAK    |

**General Manager and Assistants: Abdullah ÇELİK**

|                            |                     |
|----------------------------|---------------------|
| Assistant General Managers | : S. Cansel İNANKUR |
|                            | M. Latif KARAMAN    |
|                            | Bahattin SEKKİN     |
|                            | Adnan YALÇINCI      |
|                            | Zekai İŞILDAR (V.)  |

**IV- Explanations concerning persons or companies holding privileged shares of Bank**

The Treasury owns 99.08 of the Bank.

**V- Summarized information on the types of service and field of operation of the Bank**

The field of operation of Türkiye Kalkınma Bankası A.Ş. which is a development and investment bank is; provide loans, provide financing and administration support by purchasing shares of establishments with the status of “Incorporated Company” for the development of Turkey, to direct domestic and foreign savings into development investments, to assist in the development of capital market, to finance domestic and foreign joint ventures and carry on all kinds of development and investment banking activities.

**SECTION TWO**  
**FINANCIAL STATEMENTS OF BANK**

- I-** Balance Sheet (Appendix: 1-A)
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## TÜRKİYE KALKINMA BANKASI A.Ş. BALANCE SHEET

| ASSETS   | Disc. | THOUSAND NEW TURKISH LIRA      |                |                |                              |                |                |
|--|-------|--------------------------------|----------------|----------------|------------------------------|----------------|----------------|
|  |       | CURRENT PERIOD<br>(31/12/2007) |                |                | PRIOR PERIOD<br>(31/12/2006) |                |                |
|  |       | TC                             | FC             | Total          | TC                           | FC             | Total          |
| <b>I. CASH AND BALANCES WITH THE CENTRAL BANK OF TURKEY</b>  | (1)   | <b>190</b>                     |                | <b>190</b>     | <b>103</b>                   |                | <b>103</b>     |
| <b>II. FINANCIAL ASSETS WHERE FAIR VALUE CHANGE IS REFLECTED TO INCOME STATEMENT (Net)</b>           | (2)   | <b>110.625</b>                 | <b>0</b>       | <b>110.625</b> | <b>99.116</b>                | <b>0</b>       | <b>99.116</b>  |
| 2.1.Financial assets held for trading  |       | 0                              | 0              | 0              | 0                            | 0              | 0              |
| 2.1.2.Public sector debt securities  |       |                                |                | 0              |                              |                | 0              |
| 2.1.3.Securities representing a share in capital   |       |                                |                | 0              |                              |                | 0              |
| 2.1.4.Other marketable securities  |       |                                |                | 0              |                              |                | 0              |
| 2.2.Financial assets where fair value change is reflected to income statement                        |       | 110.625                        | 0              | 110.625        | 99.116                       | 0              | 99.116         |
| 2.2.1.Public sector debt securities  |       | 110.625                        |                | 110.625        | 99.116                       |                | 99.116         |
| 2.2.2.Securities representing a share in capital   |       |                                |                | 0              |                              |                | 0              |
| 2.2.3.Other marketable securities  |       |                                |                | 0              |                              |                | 0              |
| 2.3.Derivative financial assets held for trading   |       |                                |                | 0              |                              |                | 0              |
| <b>III. BANKS</b>  | (3)   | <b>124.333</b>                 | <b>14.437</b>  | <b>138.770</b> | <b>124.102</b>               | <b>19.304</b>  | <b>143.406</b> |
| <b>IV. MONEY MARKET SECURITIES</b>   |       | <b>85.537</b>                  | <b>0</b>       | <b>85.537</b>  | <b>184.168</b>               | <b>0</b>       | <b>184.168</b> |
| 4.1.Interbank money market placements  |       | 85.537                         |                | 85.537         | 184.168                      |                | 184.168        |
| 4.2.Istanbul Stock Exchange money market placements  |       |                                |                | 0              |                              |                | 0              |
| 4.3.Receivables from reverse repurchase agreements   |       |                                |                | 0              |                              |                | 0              |
| <b>V. FINANCIAL ASSETS AVAILABLE FOR SALE (Net)</b>  | (4)   | <b>7.266</b>                   | <b>0</b>       | <b>7.266</b>   | <b>6.586</b>                 | <b>0</b>       | <b>6.586</b>   |
| 5.1.Securities representing a share in capital   |       | 988                            |                | 988            | 1.156                        |                | 1.156          |
| 5.2.Public sector debt securities  |       |                                |                | 0              |                              |                | 0              |
| 5.3.Other marketable securities  |       | 6.278                          |                | 6.278          | 5.430                        |                | 5.430          |
| <b>VI. LOANS</b>   | (5)   | <b>182.962</b>                 | <b>215.048</b> | <b>398.010</b> | <b>146.252</b>               | <b>187.152</b> | <b>333.404</b> |
| 6.1.Loans  |       | 180.325                        | 215.048        | 395.373        | 146.252                      | 187.152        | 333.404        |
| 6.1.1.Loans granted to the Bank's risk group   |       |                                |                | 0              |                              |                | 0              |
| 6.1.2.Other  |       | 180.325                        | 215.048        | 395.373        | 146.252                      | 187.152        | 333.404        |
| 6.2.Loans under follow-up  |       | 58.681                         |                | 58.681         | 63.849                       |                | 63.849         |
| 6.3.Specific provisions (-)  |       | 56.044                         |                | 56.044         | 63.849                       |                | 63.849         |
| <b>VII. FACTORING RECEIVABLES</b>  |       |                                |                | <b>0</b>       |                              |                | <b>0</b>       |
| <b>VIII. INVESTMENTS HELD TO MATURITY (Net)</b>  | (6)   | <b>3.262</b>                   | <b>0</b>       | <b>3.262</b>   | <b>0</b>                     | <b>0</b>       | <b>0</b>       |
| 8.1.Public sector debt securities  |       | 3.262                          |                | 3.262          |                              |                | 0              |
| 8.2.Other marketable securities  |       |                                |                | 0              |                              |                | 0              |
| <b>IX. INVESTMENTS AND ASSOCIATES (Net)</b>  | (7)   | <b>5.311</b>                   | <b>0</b>       | <b>5.311</b>   | <b>5.052</b>                 | <b>0</b>       | <b>5.052</b>   |
| 9.1.Accounted with equity method   |       |                                |                | 0              |                              |                | 0              |
| 9.2.Non-consolidated investments and associates  |       | 5.311                          | 0              | 5.311          | 5.052                        | 0              | 5.052          |
| 9.2.1.Financial investments and associates   |       |                                |                | 0              |                              |                | 0              |
| 9.2.2.Non-financial investments and associates   |       | 5.311                          |                | 5.311          | 5.052                        |                | 5.052          |
| <b>X. SUBSIDIARIES (Net)</b>   | (8)   | <b>9.246</b>                   | <b>0</b>       | <b>9.246</b>   | <b>10.446</b>                | <b>0</b>       | <b>10.446</b>  |
| 10.1.Non-consolidated financial subsidiaries   |       | 9.246                          |                | 9.246          | 9.069                        |                | 9.069          |
| 10.2.Non-consolidated non-financial subsidiaries   |       |                                |                | 0              | 1.377                        |                | 1.377          |
| <b>XI. JOINT VENTURES (BUSINESS PARTNERS) (Net)</b>  | (9)   | <b>0</b>                       | <b>0</b>       | <b>0</b>       | <b>0</b>                     | <b>0</b>       | <b>0</b>       |
| 11.1.Accounted with equity method  |       |                                |                | 0              |                              |                | 0              |
| 11.2.Non-consolidated joint ventures   |       | 0                              | 0              | 0              | 0                            | 0              | 0              |
| 11.2.1.Financial joint ventures  |       |                                |                | 0              |                              |                | 0              |
| 11.2.2.Non-financial joint ventures  |       |                                |                | 0              |                              |                | 0              |
| <b>XII. RECEIVABLES FROM LEASING TRANSACTIONS (Net)</b>  | (10)  | <b>2</b>                       | <b>0</b>       | <b>2</b>       | <b>16</b>                    | <b>0</b>       | <b>16</b>      |
| 12.1.Finance lease receivables   |       |                                |                | 0              |                              |                | 0              |
| 12.2.Operational leasing receivables   |       | 2                              |                | 2              | 16                           |                | 16             |
| 12.3.Others  |       |                                |                | 0              |                              |                | 0              |
| 12.4.Unearned income ( - )   |       |                                |                | 0              |                              |                | 0              |
| <b>XIII. DERIVATIVE FINANCIAL ASSETS HELD FOR HEDGING</b>  | (11)  | <b>0</b>                       | <b>0</b>       | <b>0</b>       | <b>0</b>                     | <b>0</b>       | <b>0</b>       |
| 13.1.Fair value hedges   |       |                                |                | 0              |                              |                | 0              |
| 13.2.Cash flow hedges  |       |                                |                | 0              |                              |                | 0              |
| 13.3.Hedges for investments made in foreign countries  |       |                                |                | 0              |                              |                | 0              |
| <b>XIV. PROPERTY AND EQUIPMENT (Net)</b>   | (12)  | <b>39.868</b>                  |                | <b>39.868</b>  | <b>38.611</b>                |                | <b>38.611</b>  |
| <b>XV. INTANGIBLE ASSETS [Net]</b>   | (13)  | <b>157</b>                     | <b>0</b>       | <b>157</b>     | <b>0</b>                     | <b>0</b>       | <b>0</b>       |
| 15.1.Goodwill  |       |                                |                | 0              |                              |                | 0              |
| 15.2.Other   |       | 157                            |                | 157            |                              |                | 0              |
| <b>XVI. REAL ESTATES FOR INVESTMENT PURPOSE (Net)</b>  | (14)  |                                |                | <b>0</b>       |                              |                | <b>0</b>       |
| <b>XVII. ASSETS FOR TAX</b>  | (15)  | <b>16.248</b>                  | <b>0</b>       | <b>16.248</b>  | <b>60.794</b>                | <b>0</b>       | <b>60.794</b>  |
| 17.1.Current assets for tax  |       | 8.207                          |                | 8.207          | 52.176                       |                | 52.176         |
| 17.2.Deferred assets for tax   |       | 8.041                          |                | 8.041          | 8.618                        |                | 8.618          |
| <b>XVIII. PROPERTY AND EQUIPMENT HELD FOR SALE PURPOSE AND HELD FROM TERMINATED OPERATIONS (Net)</b> | (16)  | <b>0</b>                       | <b>0</b>       | <b>0</b>       | <b>0</b>                     | <b>0</b>       | <b>0</b>       |
| 18.1.Held for sale purpose   |       |                                |                | 0              |                              |                | 0              |
| 18.2.Held from terminated operations   |       |                                |                | 0              |                              |                | 0              |
| <b>XIX. OTHER ASSETS</b>   | (17)  | <b>3.108</b>                   | <b>206</b>     | <b>3.314</b>   | <b>1.838</b>                 | <b>279</b>     | <b>2.117</b>   |
| <b>TOTAL ASSETS</b>  |       | <b>588.115</b>                 | <b>229.691</b> | <b>817.806</b> | <b>677.084</b>               | <b>206.735</b> | <b>883.819</b> |

## TÜRKİYE KALKINMA BANKASI A.Ş. BALANCE SHEET

| LIABILITIES  | Disc. | THOUSAND NEW TURKISH LIRA |                |                |                |                |                |
|--|-------|---------------------------|----------------|----------------|----------------|----------------|----------------|
|  |       | CURRENT PERIOD            |                |                | PRIOR PERIOD   |                |                |
|  |       | (31/12/2007)              |                |                | (31/12/2006)   |                |                |
|  |       | TC                        | FC             | Total          | TC             | FC             | Total          |
| <b>I. DEPOSITS</b>   | (1)   | 0                         | 0              | 0              | 0              | 0              | 0              |
| 1.1. Deposits held by the Bank's risk group  |       |                           |                | 0              |                |                | 0              |
| 1.2. Other   |       |                           |                | 0              |                |                | 0              |
| <b>II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING</b>   | (2)   |                           |                | 0              |                |                | 0              |
| <b>III. FUNDS BORROWED</b>   | (3)   | 4.579                     | 210.812        | 215.391        | 4.589          | 175.433        | 180.022        |
| <b>IV. INTERBANK MONEY MARKET</b>  |       | 126                       | 0              | 126            | 98             | 0              | 98             |
| 4.1. Interbank money market payables   |       |                           |                | 0              |                |                | 0              |
| 4.2. Istanbul Stock Exchange money market payables   |       |                           |                | 0              |                |                | 0              |
| 4.3. Funds provided under repurchase agreements  |       | 126                       |                | 126            | 98             |                | 98             |
| <b>V. MARKETABLE SECURITIES ISSUED (Net)</b>   |       | 0                         | 0              | 0              | 0              | 0              | 0              |
| 5.1. Bills   |       |                           |                | 0              |                |                | 0              |
| 5.2. Asset backed securities   |       |                           |                | 0              |                |                | 0              |
| 5.3. Bonds   |       |                           |                | 0              |                |                | 0              |
| <b>VI. FUNDS</b>   |       | 110.247                   | 35             | 110.282        | 105.057        | 43             | 105.100        |
| 6.1. Borrower funds  |       |                           |                | 0              |                |                | 0              |
| 6.2. Other   |       | 110.247                   | 35             | 110.282        | 105.057        | 43             | 105.100        |
| <b>VII. MISCELLANEOUS PAYABLES</b>   |       | 1.927                     | 84             | 2.011          | 5.007          | 105            | 5.112          |
| <b>VIII. OTHER EXTERNAL RESOURCES</b>  | (4)   | 3.824                     | 171            | 3.995          | 2.804          |                | 2.804          |
| <b>IX. FACTORING PAYABLES</b>  |       |                           |                | 0              |                |                | 0              |
| <b>X. LEASING TRANSACTIONS PAYABLES</b>  | (5)   | 0                         | 0              | 0              | 0              | 0              | 0              |
| 10.1. Finance leasing payables   |       |                           |                | 0              |                |                | 0              |
| 10.2. Operational leasing payables   |       |                           |                | 0              |                |                | 0              |
| 10.3. Other  |       |                           |                | 0              |                |                | 0              |
| 10.4. Deferred finance leasing expenses ( - )  |       |                           |                | 0              |                |                | 0              |
| <b>XI. DERIVATIVE FINANCIAL LIABILITIES HELD FOR HEDGING</b>   | (6)   | 0                         | 0              | 0              | 0              | 0              | 0              |
| 11.1. Fair value hedges  |       |                           |                | 0              |                |                | 0              |
| 11.2. Cash flow hedges   |       |                           |                | 0              |                |                | 0              |
| 11.3. Hedges for investments made in foreign countries   |       |                           |                | 0              |                |                | 0              |
| <b>XII. PROVISIONS</b>   | (7)   | 16.383                    | 0              | 16.383         | 14.032         | 0              | 14.032         |
| 12.1. General provisions   |       | 1.800                     |                | 1.800          | 1.349          |                | 1.349          |
| 12.2. Restructuring reserves   |       |                           |                | 0              |                |                | 0              |
| 12.3. Reserves for employee benefit  |       | 14.583                    |                | 14.583         | 12.683         |                | 12.683         |
| 12.4. Insurance technical reserves (Net)   |       |                           |                | 0              |                |                | 0              |
| 12.5. Other provisions   |       |                           |                | 0              |                |                | 0              |
| <b>XIII. LIABILITIES FOR TAX</b>   | (8)   | 11.522                    | 0              | 11.522         | 39.118         | 0              | 39.118         |
| 13.1. Current - Liabilities for tax  |       | 11.522                    |                | 11.522         | 39.118         |                | 39.118         |
| 13.2. Deferred - Liabilities for tax   |       |                           |                | 0              |                |                | 0              |
| <b>XIV. LIABILITIES FOR PROPERTY AND EQUIPMENT HELD FOR SALE PURPOSE AND HELD FROM TERMINATED OPERATIONS</b> | (9)   | 0                         | 0              | 0              | 0              | 0              | 0              |
| 14.1. Held for sale purpose  |       |                           |                | 0              |                |                | 0              |
| 14.2. Held from terminated operations  |       |                           |                | 0              |                |                | 0              |
| <b>XV. SUBORDINATED LOANS</b>  | (10)  |                           |                | 0              |                |                | 0              |
| <b>XVI. SHAREHOLDERS' EQUITY</b>   | (11)  | 458.096                   | 0              | 458.096        | 537.533        | 0              | 537.533        |
| 16.1. Paid-in capital  |       | 160.000                   |                | 160.000        | 160.000        |                | 160.000        |
| 16.2. Supplementary capital  |       | 212.910                   | 0              | 212.910        | 211.624        | 0              | 211.624        |
| 16.2.1. Share premium  |       | 1.491                     |                | 1.491          | 1.491          |                | 1.491          |
| 16.2.2. Share cancellation profits   |       |                           |                | 0              |                |                | 0              |
| 16.2.3. Valuation changes of marketable securities   |       | 4.877                     |                | 4.877          | 4.058          |                | 4.058          |
| 16.2.4. Revaluation changes of property and equipment  |       |                           |                | 0              |                |                | 0              |
| 16.2.5. Revaluation changes of intangible assets   |       |                           |                | 0              |                |                | 0              |
| 16.2.6. Revaluation changes of real estates for investment purpose   |       |                           |                | 0              |                |                | 0              |
| 16.2.7. Free shares from investment and associates, subsidiaries and joint ventures (business partners)      |       | 468                       |                | 468            | 1              |                | 1              |
| 16.2.8. Hedging funds (Active part)  |       |                           |                | 0              |                |                | 0              |
| 16.2.9. Value increase in property and equipment held for sale purpose and held from terminated operations   |       |                           |                | 0              | 0              |                | 0              |
| 16.2.10. Other capital reserves  |       | 206.074                   |                | 206.074        | 206.074        |                | 206.074        |
| 16.3. Profit reserves  |       | 42.098                    | 0              | 42.098         | 17.666         | 0              | 17.666         |
| 16.3.1. Legal reserves   |       | 22.021                    |                | 22.021         | 1.326          |                | 1.326          |
| 16.3.2. Status reserves  |       |                           |                | 0              |                |                | 0              |
| 16.3.3. Extraordinary reserves   |       | 20.077                    |                | 20.077         | 16.340         |                | 16.340         |
| 16.3.4. Other profit reserves  |       |                           |                | 0              |                |                | 0              |
| <b>16.4. Profit or loss</b>  |       | 43.088                    | 0              | 43.088         | 148.243        | 0              | 148.243        |
| 16.4.1. Prior year income/loss   |       |                           |                | 0              | -7.906         |                | -7.906         |
| 16.4.2. Current year income/loss   |       | 43.088                    |                | 43.088         | 156.149        |                | 156.149        |
| <b>TOTAL LIABILITIES</b>   |       | <b>606.704</b>            | <b>211.102</b> | <b>817.806</b> | <b>708.238</b> | <b>175.581</b> | <b>883.819</b> |

## TÜRKİYE KALKINMA BANKASI A.Ş. OFF BALANCE SHEET COMMITMENTS

|  | Disc.    | THOUSAND NEW TURKISH LIRA      |                  |                  |                              |                  |                  |
|--|----------|--------------------------------|------------------|------------------|------------------------------|------------------|------------------|
|  |          | CURRENT PERIOD<br>(31/12/2007) |                  |                  | PRIOR PERIOD<br>(31/12/2006) |                  |                  |
|  |          | TC                             | FC               | TC               | FC                           | TC               | FC               |
| <b>A. OFF BALANCE SHEET COMMITMENTS</b>                                |          | <b>151</b>                     | <b>18.233</b>    | <b>18.384</b>    | <b>129</b>                   | <b>2.006</b>     | <b>2.135</b>     |
| <b>I. GUARANTEES AND WARRANTIES</b>                                    |          | <b>151</b>                     | <b>1.181</b>     | <b>1.332</b>     | <b>129</b>                   | <b>2.006</b>     | <b>2.135</b>     |
| 1.1.Letters of guarantee   | (1), (3) | 151                            | 0                | 151              | 129                          | 0                | 129              |
| 1.1.1.Guantees subject to State Tender Law                             |          |                                |                  | 0                |                              |                  | 0                |
| 1.1.2.Guarantees given for foreign trade operations                    |          |                                |                  | 0                |                              |                  | 0                |
| 1.1.3.Other letters of guarantee                                       |          | 151                            |                  | 151              | 129                          |                  | 129              |
| 1.2.Bank acceptances   |          | 0                              | 0                | 0                | 0                            | 28               | 28               |
| 1.2.1.Import letter of acceptance                                      |          |                                |                  | 0                |                              |                  | 0                |
| 1.2.2.Other bank acceptances   |          |                                |                  | 0                |                              | 28               | 28               |
| 1.3.Letters of credit  |          | 0                              | 1.181            | 1.181            | 0                            | 1.978            | 1.978            |
| 1.3.1.Documentary letters of credit                                    |          |                                |                  | 0                |                              |                  | 0                |
| 1.3.2.Other letters of credit  |          |                                | 1.181            | 1.181            |                              | 1.978            | 1.978            |
| 1.4.Prefinancing given as guarantee                                    |          |                                |                  | 0                |                              |                  | 0                |
| 1.5.Endorsements   |          | 0                              | 0                | 0                | 0                            | 0                | 0                |
| 1.5.1.Endorsements to the Central Bank of Turkey                       |          |                                |                  | 0                |                              |                  | 0                |
| 1.5.2.Other endorsements   |          |                                |                  | 0                |                              |                  | 0                |
| 1.6.Securities issue purchase guarantees                               |          |                                |                  | 0                |                              |                  | 0                |
| 1.7.Factoring guarantees   |          |                                |                  | 0                |                              |                  | 0                |
| 1.8.Other guarantees   |          |                                |                  | 0                |                              |                  | 0                |
| 1.9.Other warranties   |          |                                |                  | 0                |                              |                  | 0                |
| <b>II. COMMITMENTS</b>   | (1), (3) | <b>0</b>                       | <b>17.052</b>    | <b>17.052</b>    | <b>0</b>                     | <b>0</b>         | <b>0</b>         |
| 2.1.Irrevocable commitments  |          | 0                              | 17.052           | 17.052           | 0                            | 0                | 0                |
| 2.1.1.Asset purchase and sales commitments                             |          |                                |                  | 0                |                              |                  | 0                |
| 2.1.2.Deposit purchase and sales commitments                           |          |                                |                  | 0                |                              |                  | 0                |
| 2.1.3.Share capital commitment to associates and subsidiaries          |          |                                | 17.052           | 17.052           |                              |                  | 0                |
| 2.1.4.Loan granting commitments  |          |                                |                  | 0                |                              |                  | 0                |
| 2.1.5.Securities issue brokerage commitments                           |          |                                |                  | 0                |                              |                  | 0                |
| 2.1.6.Commitments for reserve deposit requirements                     |          |                                |                  | 0                |                              |                  | 0                |
| 2.1.7.Payment commitments for checks                                   |          |                                |                  | 0                |                              |                  | 0                |
| 2.1.8.Tax and fund liabilities from export commitments                 |          |                                |                  | 0                |                              |                  | 0                |
| 2.1.9.Commitments for credit card expenditure limits                   |          |                                |                  | 0                |                              |                  | 0                |
| 2.1.10.Commitments for credit cards and banking services promotions    |          |                                |                  | 0                |                              |                  | 0                |
| 2.1.11.Receivables from short sale commitments                         |          |                                |                  | 0                |                              |                  | 0                |
| 2.1.12.Payables for short sale commitments                             |          |                                |                  | 0                |                              |                  | 0                |
| 2.1.13.Other irrevocable commitments                                   |          |                                |                  | 0                |                              |                  | 0                |
| 2.2.Revocable commitments  |          | 0                              | 0                | 0                | 0                            | 0                | 0                |
| 2.2.1.Revocable loan granting commitments                              |          |                                |                  | 0                |                              |                  | 0                |
| 2.2.2.Other revocable commitments                                      |          |                                |                  | 0                |                              |                  | 0                |
| <b>III. DERIVATIVE FINANCIAL INSTRUMENTS</b>                           | (2)      | <b>0</b>                       | <b>0</b>         | <b>0</b>         | <b>0</b>                     | <b>0</b>         | <b>0</b>         |
| 3.1.Derivative financial instruments held for hedging                  |          | 0                              | 0                | 0                | 0                            | 0                | 0                |
| 3.1.1.Fair value hedges  |          |                                |                  | 0                |                              |                  | 0                |
| 3.1.2.Cash flow hedges   |          |                                |                  | 0                |                              |                  | 0                |
| 3.1.3.Hedges for investments made in foreign countries                 |          |                                |                  | 0                |                              |                  | 0                |
| 3.2.Trading transactions   |          | 0                              | 0                | 0                | 0                            | 0                | 0                |
| 3.2.1.Forward foreign currency buy/sell transactions                   |          | 0                              | 0                | 0                | 0                            | 0                | 0                |
| 3.2.1.1.Forward foreign currency transactions-buy                      |          |                                |                  | 0                |                              |                  | 0                |
| 3.2.1.2.Forward foreign currency transactions-sell                     |          |                                |                  | 0                |                              |                  | 0                |
| 3.2.2.Swap transactions related to foreign currency and interest rates |          | 0                              | 0                | 0                | 0                            | 0                | 0                |
| 3.2.2.1.Foreign currency swap-buy                                      |          |                                |                  | 0                |                              |                  | 0                |
| 3.2.2.2.Foreign currency swap-sell                                     |          |                                |                  | 0                |                              |                  | 0                |
| 3.2.2.3.Interest rate swaps-buy  |          |                                |                  | 0                |                              |                  | 0                |
| 3.2.2.4.Interest rate swaps-sell                                       |          |                                |                  | 0                |                              |                  | 0                |
| 3.2.3.Foreign currency, interest rate and security options             |          | 0                              | 0                | 0                | 0                            | 0                | 0                |
| 3.2.3.1.Foreign currency options-buy                                   |          |                                |                  | 0                |                              |                  | 0                |
| 3.2.3.2.Foreign currency options-sell                                  |          |                                |                  | 0                |                              |                  | 0                |
| 3.2.3.3.Interest rate options-buy                                      |          |                                |                  | 0                |                              |                  | 0                |
| 3.2.3.4.Interest rate options-sell                                     |          |                                |                  | 0                |                              |                  | 0                |
| 3.2.3.5.Securities options-buy   |          |                                |                  | 0                |                              |                  | 0                |
| 3.2.3.6.Securities options-sell  |          |                                |                  | 0                |                              |                  | 0                |
| 3.2.4.Foreign currency futures   |          | 0                              | 0                | 0                | 0                            | 0                | 0                |
| 3.2.4.1.Foreign currency futures-buy                                   |          |                                |                  | 0                |                              |                  | 0                |
| 3.2.4.2.Foreign currency futures-sell                                  |          |                                |                  | 0                |                              |                  | 0                |
| 3.2.5.Interest rate futures  |          | 0                              | 0                | 0                | 0                            | 0                | 0                |
| 3.2.5.1.Interest rate futures-buy                                      |          |                                |                  | 0                |                              |                  | 0                |
| 3.2.5.2.Interest rate futures-sell                                     |          |                                |                  | 0                |                              |                  | 0                |
| 3.2.6.Other  |          |                                |                  | 0                |                              |                  | 0                |
| <b>B. CUSTODY AND PLEDGED SECURITIES (IV+V+VI)</b>                     |          | <b>2.573.807</b>               | <b>1.995.577</b> | <b>4.569.384</b> | <b>2.022.218</b>             | <b>1.976.496</b> | <b>3.998.714</b> |
| <b>IV. ITEMS HELD IN CUSTODY</b>                                       |          | <b>15.513</b>                  | <b>345</b>       | <b>15.858</b>    | <b>15.721</b>                | <b>369</b>       | <b>16.090</b>    |
| 4.1.Assets under management  |          |                                |                  | 0                |                              |                  | 0                |
| 4.2.Investment securities held in custody                              |          | 15.513                         |                  | 15.513           | 15.721                       |                  | 15.721           |
| 4.3.Checks received for collection                                     |          |                                |                  | 0                |                              |                  | 0                |
| 4.4.Commercial notes received for collection                           |          |                                |                  | 0                |                              |                  | 0                |
| 4.5.Other assets received for collection                               |          |                                |                  | 0                |                              |                  | 0                |
| 4.6.Assets received for public offering                                |          |                                |                  | 0                |                              |                  | 0                |
| 4.7.Other items under custody  |          |                                | 345              | 345              |                              | 369              | 369              |
| 4.8.Custodians   |          |                                |                  | 0                |                              |                  | 0                |
| <b>V. PLEDGED ITEMS</b>  |          | <b>2.558.294</b>               | <b>1.995.232</b> | <b>4.553.526</b> | <b>2.006.497</b>             | <b>1.976.127</b> | <b>3.982.624</b> |
| 5.1.Marketable securities  |          |                                |                  | 0                |                              |                  | 0                |
| 5.2.Guarantee notes  |          | 249.566                        | 279.675          | 529.241          | 176.476                      | 271.726          | 448.202          |
| 5.3.Commodity  |          |                                |                  | 0                |                              |                  | 0                |
| 5.4.Warranty   |          |                                |                  | 0                |                              |                  | 0                |
| 5.5.Immovables   |          | 1.915.467                      | 1.505.870        | 3.421.337        | 1.521.930                    | 1.486.722        | 3.008.652        |
| 5.6.Other pledged items  |          | 52.207                         | 60.479           | 112.686          | 52.778                       | 48.629           | 101.407          |
| 5.7.Pledged items-depository   |          | 341.054                        | 149.208          | 490.262          | 255.313                      | 169.050          | 424.363          |
| <b>VI. ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES</b>              |          |                                |                  | <b>0</b>         |                              |                  | <b>0</b>         |
| <b>TOTAL OFF BALANCE SHEET COMMITMENTS</b>                             |          | <b>2.573.958</b>               | <b>2.013.810</b> | <b>4.587.768</b> | <b>2.022.347</b>             | <b>1.978.502</b> | <b>4.000.849</b> |
| <b>A. OFF BALANCE SHEET COMMITMENTS</b>                                |          |                                |                  |                  |                              |                  |                  |



## TÜRKİYE KALKINMA BANKASI A.Ş. INCOME STATEMENT

|   | Disc. | THOUSAND NEW TURKISH LIRA                 |   |
|---|-------|---|---|
|   |       | CURRENT PERIOD<br>(01/01/2007-31/12/2007) | PRIOR PERIOD<br>(01/01/2006-31/12/2006) |
| <b>I. INTEREST INCOME</b>   | (1)   | <b>100.811</b>                            | <b>75.918</b>                           |
| 1.1.Interest on loans   |       | 34.932                                    | 27.285                                  |
| 1.2.Interest received from reserve deposits   |       |   |   |
| 1.3.Interest received from banks  |       | 7.619                                     | 2.971                                   |
| 1.4.Interest received from money market transactions                                    |       | 41.316                                    | 35.195                                  |
| 1.5.Interest received from marketable securities portfolio                              |       | 16.894                                    | 10.299                                  |
| 1.5.1.Financial assets held for trading   |       |   |   |
| 1.5.2.Financial assets where value change is reflected to income statement              |       | 16.827                                    | 10.299                                  |
| 1.5.3.Financial assets available for sale   |       |   |   |
| 1.5.4.Investments held to maturity  |       | 67  |   |
| 1.6.Finance lease income  |       |   |   |
| 1.7.Other interest income   |       | 50  | 168                                     |
| <b>II. INTEREST EXPENSES</b>  | (2)   | <b>17.494</b>                             | <b>13.108</b>                           |
| 2.1.Interest on deposits  |       |   |   |
| 2.2.Interest on funds borrowed  |       | 11.116                                    | 6.914                                   |
| 2.3.Interest on money market transactions   |       | 31  | 124                                     |
| 2.4.Interest on securities issued   |       |   |   |
| 2.5.Other interest expenses   |       | 6.347                                     | 6.070                                   |
| <b>III. NET INTEREST INCOME/EXPENSES (I - II)</b>                                       |       | <b>83.317</b>                             | <b>62.810</b>                           |
| <b>IV. NET FEES AND COMMISSIONS INCOME/EXPENSES</b>                                     |       | <b>7.724</b>                              | <b>5.996</b>                            |
| 4.1.Fees and commissions received   |       | 8.490                                     | 6.969                                   |
| 4.1.1.Non-cash loans  |       | 27  | 3                                       |
| 4.1.2.Other   |       | 8.463                                     | 6.966                                   |
| 4.2.Fees and commissions paid   |       | 766                                       | 973                                     |
| 4.2.1.Non-cash loans  |       |   |   |
| 4.2.2.Other   |       | 766                                       | 973                                     |
| <b>V. DIVIDEND INCOME</b>   | (3)   | <b>223</b>                                | <b>3.091</b>                            |
| <b>VI. TRADING PROFIT/LOSS (Net)</b>  | (4)   | <b>-2.079</b>                             | <b>13.266</b>                           |
| 6.1.Profit/loss on trading account securities   |       | 1.559                                     | 2.667                                   |
| 6.2.Foreign exchange profit/loss  |       | -3.638                                    | 10.599                                  |
| <b>VII. OTHER OPERATING INCOME</b>  | (5)   | <b>25.381</b>                             | <b>209.382</b>                          |
| <b>VIII. TOTAL OPERATING INCOME/EXPENSES (III+IV+V+VI+VII)</b>                          |       | <b>114.566</b>                            | <b>294.545</b>                          |
| <b>IX. PROVISION FOR LOAN OR OTHER RECEIVABLES LOSSES (-)</b>                           | (6)   | <b>12.143</b>                             | <b>33.186</b>                           |
| <b>X. OTHER OPERATING EXPENSES (-)</b>  | (7)   | <b>48.159</b>                             | <b>65.206</b>                           |
| <b>XI. NET OPERATING PROFIT/LOSS (VIII-IX-X)</b>  |       | <b>54.264</b>                             | <b>196.153</b>                          |
| <b>XII. SURPLUS WRITTEN AS GAIN AFTER MERGER</b>  |       |   |   |
| <b>XIII. PROFIT/LOSS FROM EQUITY METHOD APPLIED SUBSIDIARIES</b>                        |       |   |   |
| <b>XIV. NET MONETARY POSITION GAIN/LOSS</b>   |       |   |   |
| <b>XV. PROFIT/LOSS BEFORE TAXES FROM CONTINUING OPERATIONS (XI+...+XIV)</b>             | (8)   | <b>54.264</b>                             | <b>196.153</b>                          |
| <b>XVI. PROVISION FOR TAXES ON INCOME FROM CONTINUING OPERATIONS (±)</b>                | (9)   | <b>-11.176</b>                            | <b>-40.004</b>                          |
| 16.1.Current tax provision  |       | -10.599                                   | -38.366                                 |
| 16.2.Deferred tax provision   |       | -577                                      | -1.638                                  |
| <b>XVII. NET PROFIT/LOSS FROM CONTINUING OPERATIONS (XV±XVI)</b>                        | (10)  | <b>43.088</b>                             | <b>156.149</b>                          |
| <b>XVIII. INCOME FROM TERMINATED OPERATIONS</b>   |       | <b>0</b>                                  | <b>0</b>                                |
| 18.1.Property and equipment income held for sale  |       |   |   |
| 18.2. Sale profits from associates, subsidiaries and joint ventures (business partners) |       |   |   |
| 18.3.Other income from terminated operations  |       |   |   |
| <b>XIX.EXPENSES FROM TERMINATED OPERATIONS (-)</b>                                      |       | <b>0</b>                                  | <b>0</b>                                |
| 19.1.Property and equipment expense held for sale                                       |       |   |   |
| 19.2. Sale losses from associates, subsidiaries and joint ventures (business partners)  |       |   |   |
| 19.3.Other expenses from terminated operations  |       |   |   |
| <b>XX. PROFIT/LOSS BEFORE TAXES FROM TERMINATED OPERATIONS (XVIII-XIX)</b>              | (8)   | <b>0</b>                                  | <b>0</b>                                |
| <b>XXI. PROVISION FOR TAXES ON INCOME FROM TERMINATED OPERATIONS (±)</b>                | (9)   | <b>0</b>                                  | <b>0</b>                                |
| 21.1.Current tax provision  |       |   |   |
| 21.2.Deferred tax provision   |       |   |   |
| <b>XXII. NET PROFIT/LOSS FROM TERMINATED OPERATIONS (XX±XXI)</b>                        | (10)  | <b>0</b>                                  | <b>0</b>                                |
| <b>XXIII. NET PROFIT/LOSSES (XVII+XXII)</b>   | (11)  | <b>43.088</b>                             | <b>156.149</b>                          |
| Earnings/Losses per share*  |       | 0,27085                                   | 0,97545                                 |

\*Calculated according to a 1 YTL nominal valued share.

Appendix: 1-Ç

**TÜRKİYE KALKINMA BANKASI A.Ş.**  
**INCOME STATEMENT ACCOUNTS BOOKED IN SHAREHOLDERS' EQUITY**

| INCOME STATEMENT ACCOUNTS BOOKED IN SHAREHOLDERS' EQUITY  | THOUSAND NEW TURKISH LIRA                 |   |
|---|---|---|
|   | CURRENT PERIOD<br>(01/01/2007-31/12/2007) | PRIOR PERIOD<br>(01/01/2006-31/12/2006) |
| <b>I. FINANCIAL ASSETS AVAILABLE FOR SALE ADDED TO MARKETABLE SECURITIES VALUATION CHANGES ACCOUNT</b>  | <b>1.023</b>                              | <b>4.755</b>                            |
| <b>II. REVALUATION CHANGES OF PROPERTY AND EQUIPMENT</b>  |   |   |
| <b>III. REVALUATION CHANGES OF INTANGIBLE ASSETS</b>  |   |   |
| <b>IV. EXCHANGE RATE DIFFERENCES FOR FOREIGN CURRENCY OPERATIONS</b>  |   |   |
| <b>V. PROFIT/LOSSES ON DERIVATIVE FINANCIAL ASSETS HELD FOR CASH FLOW HEDGES</b><br>(Active part of fair value changes)                               |   |   |
| <b>VI. PROFIT/LOSSES ON DERIVATIVE FINANCIAL ASSETS HELD FOR HEDGES FOR INVESTMENTS MADE IN FOREIGN COUNTRIES</b> (Active part of fair value changes) |   |   |
| <b>VII. EFFECTS OF CHANGES IN ACCOUNTING POLICIES AND ADJUSTMENTS</b>   |   |   |
| <b>VIII. OTHER INCOME/EXPENSE ACCOUNTS BOOKED IN SHAREHOLDERS' EQUITY IN ACCORDANCE WITH TMS</b>  |   |   |
| <b>IX. DEFERRED TAX OF VALUATION CHANGES</b>  | <b>-204</b>                               | <b>-951</b>                             |
| <b>X. NET INCOME/EXPENSE ACCOUNTS DIRECTLY BOOKED UNDER SHAREHOLDERS' EQUITY (I+II+...+IX)</b>  | <b>819</b>                                | <b>3.804</b>                            |
| <b>XI. CURRENT PROFIT/LOSSES</b>  | <b>43.088</b>                             | <b>156.149</b>                          |
| 11.1.Net changes in fair value at securities (Transferred to profit/loss)   | 16.827                                    | 10.299                                  |
| 11.2.Part of derivative financial assets held for cash flow hedges, reclassified and shown in income statement  |   |   |
| 11.3.Part of hedges for investments made in foreign countries, reclassified and shown in income statement   |   |   |
| 11.4.Other  | 26.261                                    | 145.850                                 |
| <b>XII. TOTAL PROFIT/LOSSES BOOKED IN CURRENT PERIOD (X±XI)</b>   | <b>43.907</b>                             | <b>159.953</b>                          |

**TÜRKİYE KALKINMA BANKASI A.Ş. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**
**Appendix: 1-D**

|   | Disc. | Paid-in capital | Adjustment to paid-in capital | Share premium | Share certificate cancellation profits | Legal reserves | Status reserves | Extraordinary reserves | Other reserves | Current period net income/(loss) | Prior period net income/(loss) | Valuation changes of marketable securities | Revaluation changes in property and equipment and intangible assets | Free shares from shareholders | Hedging funds | Valuation change in property and equip. held for sale purposes/terminated operat | Total    |
|---|-------|-----------------|-------------------------------|---------------|--|----------------|-----------------|------------------------|----------------|----------------------------------|--------------------------------|--|---|-------------------------------|---------------|--|----------|
| <b>PRIOR PERIOD</b><br>( 31/12/2006 )   |       |                 |                               |               |  |                |                 |                        |                |                                  |                                |  |   |                               |               |  |          |
| <b>I. Balance at the beginning of the period</b>  |       | 160.000         |                               | 1.491         |  |                |                 |                        | 206.074        | 24.851                           | -5.511                         | 64.161                                     |   | 1                             |               |  | 451.067  |
| <b>II. Adjustment in accordance with TMS 8</b>  |       | 0               | 0                             | 0             | 0                                      | 0              | 0               | 0                      | 0              | 0                                | 0                              | 0  | 0   | 0                             | 0             | 0  | 0        |
| 2.1.Effect of adjustment  |       |                 |                               |               |  |                |                 |                        |                |                                  |                                |  |   |                               |               |  | 0        |
| 2.2.Effect of changes in accounting policies  |       |                 |                               |               |  |                |                 |                        |                |                                  |                                |  |   |                               |               |  | 0        |
| <b>III. New balance (I+II)</b>  |       | 160.000         | 0                             | 1.491         | 0                                      | 0              | 0               | 0                      | 206.074        | 24.851                           | -5.511                         | 64.161                                     | 0   | 1                             | 0             | 0  | 451.067  |
| Changes within the period   |       |                 |                               |               |  |                |                 |                        |                |                                  |                                |  |   |                               |               |  |          |
| <b>IV. Increase or decrease generated by merger</b>   |       |                 |                               |               |  |                |                 |                        |                |                                  |                                |  |   |                               |               |  | 0        |
| <b>V. Valuation changes of marketable securities</b>  |       |                 |                               |               |  |                |                 |                        |                |                                  |                                | 3.804                                      |   |                               |               |  | 3.804    |
| <b>VI. Hedging Funds (Active part)</b>  |       | 0               | 0                             | 0             | 0                                      | 0              | 0               | 0                      | 0              | 0                                | 0                              | 0  | 0   | 0                             | 0             | 0  | 0        |
| 6.1.Cash flow hedges  |       |                 |                               |               |  |                |                 |                        |                |                                  |                                |  |   |                               |               |  | 0        |
| 6.2.Hedges for investments made in foreign countries  |       |                 |                               |               |  |                |                 |                        |                |                                  |                                |  |   |                               |               |  | 0        |
| <b>VII. Revaluation changes of property and equipment</b>   |       |                 |                               |               |  |                |                 |                        |                |                                  |                                |  |   |                               |               |  | 0        |
| <b>VIII. Revaluation changes of intangible assets</b>   |       |                 |                               |               |  |                |                 |                        |                |                                  |                                |  |   |                               |               |  | 0        |
| <b>IX. Free shares from investment and associates, subsidiaries and joint ventures (business partners)</b>        |       |                 |                               |               |  |                |                 |                        |                |                                  |                                |  |   |                               |               |  | 0        |
| <b>X. Foreign exchange differences</b>  |       |                 |                               |               |  |                |                 |                        |                |                                  |                                |  |   |                               |               |  | 0        |
| <b>XI. Changes after disposal of securities</b>   |       |                 |                               |               |  |                |                 |                        |                |                                  |                                | -63.907                                    |   |                               |               |  | -63.907  |
| <b>XII. Changes after reclassification of securities</b>  |       |                 |                               |               |  |                |                 |                        |                |                                  |                                |  |   |                               |               |  | 0        |
| <b>XIII. Effect of changes in shareholders equity of investments and associates to bank's shareholders equity</b> |       |                 |                               |               |  |                |                 |                        |                |                                  |                                |  |   |                               |               |  | 0        |
| <b>XIV. Increase in capital</b>   |       | 0               | 0                             | 0             | 0                                      | 0              | 0               | 0                      | 0              | 0                                | 0                              | 0  | 0   | 0                             | 0             | 0  | 0        |
| 14.1. Cash  |       |                 |                               |               |  |                |                 |                        |                |                                  |                                |  |   |                               |               |  | 0        |
| 14.2. From internal resources   |       |                 |                               |               |  |                |                 |                        |                |                                  |                                |  |   |                               |               |  | 0        |
| <b>XV. Issuance of share certificates at end of period</b>  |       |                 |                               |               |  |                |                 |                        |                |                                  |                                |  |   |                               |               |  | 0        |
| <b>XVI. Share cancellation profits</b>  |       |                 |                               |               |  |                |                 |                        |                |                                  |                                |  |   |                               |               |  | 0        |
| <b>XVII. Adjustment to paid-in capital</b>  |       |                 |                               |               |  |                |                 |                        |                |                                  |                                |  |   |                               |               |  | 0        |
| <b>XVIII. Other</b>   |       |                 |                               |               |  |                |                 |                        |                |                                  |                                |  |   |                               |               |  | 0        |
| <b>XIX. Net profit or losses</b>  |       |                 |                               |               |  |                |                 |                        |                | 156.149                          |                                |  |   |                               |               |  | 156.149  |
| <b>XX. Profit distribution</b>  |       | 0               | 0                             | 0             | 0                                      | 1.326          | 0               | 16.340                 | 0              | -24.851                          | -2.395                         | 0  | 0   | 0                             | 0             | 0  | -9.580   |
| 20.1. Dividends distributed   |       |                 |                               |               |  |                |                 |                        |                | -8.860                           |                                |  |   |                               |               |  | -8.860   |
| 20.2. Transfers to legal reserves   |       |                 |                               |               |  | 1.326          |                 | 16.340                 |                | -17.666                          |                                |  |   |                               |               |  | 0        |
| 20.3. Other   |       |                 |                               |               |  |                |                 |                        |                | 1.675                            | -2.395                         |  |   |                               |               |  | -720     |
| <b>Balances (III+IV+V +...+XVIII+XIX+XX)</b>  |       | 160.000         | 0                             | 1.491         | 0                                      | 1.326          | 0               | 16.340                 | 206.074        | 156.149                          | -7.906                         | 4.058                                      | 0   | 1                             | 0             | 0  | 537.533  |
| <b>CURRENT PERIOD</b><br>( 31/12/2007 )   |       |                 |                               |               |  |                |                 |                        |                |                                  |                                |  |   |                               |               |  |          |
| <b>I. Balances at end of prior period</b>   |       | 160.000         |                               | 1.491         |  | 1.326          |                 | 16.340                 | 206.074        | 148.243                          |                                | 4.058                                      |   | 1                             |               |  | 537.533  |
| Changes within the period   |       |                 |                               |               |  |                |                 |                        |                |                                  |                                |  |   |                               |               |  |          |
| <b>II. Increase or decrease generated by merger</b>   |       |                 |                               |               |  |                |                 |                        |                |                                  |                                |  |   |                               |               |  | 0        |
| <b>III. Valuation changes of marketable securities</b>  |       |                 |                               |               |  |                |                 |                        |                |                                  |                                | 819  |   |                               |               |  | 819      |
| <b>IV. Hedging Funds</b>  |       | 0               | 0                             | 0             | 0                                      | 0              | 0               | 0                      | 0              | 0                                | 0                              | 0  | 0   | 0                             | 0             | 0  | 0        |
| 4.1.Cash flow hedge   |       |                 |                               |               |  |                |                 |                        |                |                                  |                                |  |   |                               |               |  | 0        |
| 4.2.Hedges for investments made in foreign countries  |       |                 |                               |               |  |                |                 |                        |                |                                  |                                |  |   |                               |               |  | 0        |
| <b>V. Revaluation changes of property and equipment</b>   |       |                 |                               |               |  |                |                 |                        |                |                                  |                                |  |   |                               |               |  | 0        |
| <b>VI. Revaluation changes of intangible assets</b>   |       |                 |                               |               |  |                |                 |                        |                |                                  |                                |  |   |                               |               |  | 0        |
| <b>VII. Free shares from investment and associates, subsidiaries and joint ventures (business partners)</b>       |       |                 |                               |               |  |                |                 |                        |                |                                  |                                |  |   | 467                           |               |  | 467      |
| <b>VIII. Foreign exchange differences</b>   |       |                 |                               |               |  |                |                 |                        |                |                                  |                                |  |   |                               |               |  | 0        |
| <b>IX. Changes after disposal of securities</b>   |       |                 |                               |               |  |                |                 |                        |                |                                  |                                |  |   |                               |               |  | 0        |
| <b>X. Changes after reclassification of securities</b>  |       |                 |                               |               |  |                |                 |                        |                |                                  |                                |  |   |                               |               |  | 0        |
| <b>XI. Effect of changes in shareholders equity of investments and associates to bank's shareholders equity</b>   |       |                 |                               |               |  |                |                 |                        |                |                                  |                                |  |   |                               |               |  | 0        |
| <b>XII. Increase in capital</b>   |       | 0               | 0                             | 0             | 0                                      | 0              | 0               | 0                      | 0              | 0                                | 0                              | 0  | 0   | 0                             | 0             | 0  | 0        |
| 12.1. Cash  |       |                 |                               |               |  |                |                 |                        |                |                                  |                                |  |   |                               |               |  | 0        |
| 12.2. From internal resources   |       |                 |                               |               |  |                |                 |                        |                |                                  |                                |  |   |                               |               |  | 0        |
| <b>XIII. Issuance of share certificates at end of period</b>  |       |                 |                               |               |  |                |                 |                        |                |                                  |                                |  |   |                               |               |  | 0        |
| <b>XIV. Share cancellation profits</b>  |       |                 |                               |               |  |                |                 |                        |                |                                  |                                |  |   |                               |               |  | 0        |
| <b>XV. Adjustment to paid-in capital</b>  |       |                 |                               |               |  |                |                 |                        |                |                                  |                                |  |   |                               |               |  | 0        |
| <b>XVI. Other</b>   |       |                 |                               |               |  |                |                 |                        |                |                                  |                                |  |   |                               |               |  | 0        |
| <b>XVII. Net profit or losses</b>   |       |                 |                               |               |  |                |                 |                        |                | 43.088                           |                                |  |   |                               |               |  | 43.088   |
| <b>XVIII. Profit distribution</b>   |       | 0               | 0                             | 0             | 0                                      | 20.695         | 0               | 3.737                  | 0              | -148.243                         | 0                              | 0  | 0   | 0                             | 0             | 0  | -123.811 |
| 18.1.Dividends distributed  |       |                 |                               |               |  |                |                 |                        |                | -123.811                         |                                |  |   |                               |               |  | -123.811 |
| 18.2.Transfers to legal reserves  |       |                 |                               |               |  | 20.695         |                 | 3.737                  |                | -24.432                          |                                |  |   |                               |               |  | 0        |
| 18.3.Other  |       |                 |                               |               |  |                |                 |                        |                |                                  |                                |  |   |                               |               |  | 0        |
| <b>Closing balances (I+II+III+...+XVI+XVII+XVIII)</b>   |       | 160.000         | 0                             | 1.491         | 0                                      | 22.021         | 0               | 20.077                 | 206.074        | 43.088                           | 0                              | 4.877                                      | 0   | 468                           | 0             | 0  | 458.096  |

|   | THOUSAND NEW TURKISH LIRA |   |   |
|---|---------------------------|---|---|
|   | Disc                      | CURRENT PERIOD<br>(01/01/2007-<br>31/12/2007) | PRIOR PERIOD<br>(01/01/2006-<br>31/12/2006) |
| <b>A. CASH FLOWS FROM BANKING OPERATIONS</b>  |                           |   |   |
| <b>1.1. Operating profit before changes in operating assets and liabilities(+)</b>                        |                           | <b>40.046</b>                                 | <b>24.228</b>                               |
| 1.1.1.Interest received (+)   |                           | 94.463  | 74.984                                      |
| 1.1.2.Interest paid (-)   |                           | 16.344  | 11.655                                      |
| 1.1.3.Dividend received (+)   |                           | 223   | 3.091                                       |
| 1.1.4.Fees and commissions received (+)   |                           | 8.490   | 5.996                                       |
| 1.1.5.Other income (+)  |                           | 2.583   | 65.287                                      |
| 1.1.6.Collections from previously written off loans and other receivables (+)                             |                           | 23.880  |   |
| 1.1.7.Payments to personnel and service suppliers (-)   |                           | 36.120  | 28.925                                      |
| 1.1.8.Taxes paid (-)  |                           | 27.447  | 66.084                                      |
| 1.1.9.Other (+/-)   |                           | -9.682  | -18.466                                     |
| <b>1.2. Changes in operating assets and liabilities</b>   |                           | <b>-29.293</b>                                | <b>43.810</b>                               |
| 1.2.1.Net increase (decrease) in financial assets held for trading (+/-)                                  |                           |   | -15.215                                     |
| 1.2.2.Net increase (decrease) in financial assets where fair value change is reflected to I/S             |                           | -5.725  |   |
| 1.2.3.Net increase (decrease) in due from banks and other financial institutions (+/-)                    |                           |   |   |
| 1.2.4.Net increase (decrease) decrease in loans   |                           | -65.409                                       | -45.448                                     |
| 1.2.5.Net increase (decrease) in other assets (+/-)   |                           | 1.403   | 10.436                                      |
| 1.2.6.Net increase (decrease) in bank deposits (+/-)  |                           |   |   |
| 1.2.7.Net increase (decrease) in other deposits (+/-)   |                           |   |   |
| 1.2.8.Net increase (decrease) in funds borrowed (+/-)   |                           | 42.307  | 66.101                                      |
| 1.2.9.Net increase (decrease) in matured payables (+/-)   |                           |   |   |
| 1.2.10.Net increase (decrease) in other liabilities (+/-)   |                           | -1.869  | 27.936                                      |
| <b>I. Net cash provided from banking operations (+/-)</b>   |                           | <b>10.753</b>                                 | <b>68.038</b>                               |
| <b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>  |                           |   |   |
| <b>II. Net cash provided from investing activities (+/-)</b>  |                           | <b>-5.530</b>                                 | <b>136.491</b>                              |
| 2.1.Cash paid for purchase of investments, associates and joint ventures (business partners)              |                           |   |   |
| 2.2.Cash obtained from sale of subsidiaries, invest.and associates and joint ventures (business partners) |                           |   |   |
| 2.3.Fixed assets purchases (-)  |                           | 3.121   | 209   |
| 2.4.Fixed assets sales (+)  |                           | 519   | 310   |
| 2.5.Cash paid for purchase of financial assets available for sale (-)                                     |                           |   |   |
| 2.6.Cash obtained from sale of financial assets available for sale (+)                                    |                           | 267   | 136.390                                     |
| 2.7.Cash paid for purchase of investment securities (-)   |                           | 3.195   |   |
| 2.8.Cash obtained from sale of investment securities (+)  |                           |   |   |
| 2.9.Other (+/-)   |                           |   |   |
| <b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>  |                           |   |   |
| <b>III. Net cash provided from financing activities (+/-)</b>   |                           | <b>-104.502</b>                               | <b>0</b>                                    |
| 3.1.Cash obtained from funds borrowed and securities issued (+)   |                           |   |   |
| 3.2.Cash used for repayment of funds borrowed and securities issued (-)                                   |                           |   |   |
| 3.3.Capital increase (+)  |                           |   |   |
| 3.4.Dividends paid (-)  |                           | 104.502                                       |   |
| 3.5.Payments for finance leases (-)   |                           |   |   |
| 3.6.Other (+/-)   |                           |   |   |
| <b>IV.Effect of change in foreign exchange rate on cash and cash equivalents</b>                          |                           | <b>-3.638</b>                                 | <b>10.599</b>                               |
| <b>V. Net increase in cash and cash equivalents (I+II+III+IV)</b>   |                           | <b>-102.917</b>                               | <b>215.128</b>                              |
| <b>VI. Cash and cash equivalents at beginning of the year (+)</b>   |                           | <b>327.186</b>                                | <b>112.058</b>                              |
| <b>VII. Cash and cash equivalents at end of the year (V+VI)</b>   |                           | <b>224.269</b>                                | <b>327.186</b>                              |

|  | THOUSAND NEW TURKISH LIRA        |                                |
|--|----------------------------------|--------------------------------|
|  | CURRENT PERIOD<br>( 31/12/2007 ) | PRIOR PERIOD<br>( 31/12/2006 ) |
| <b>LDISTRIBUTION OF CURRENT YEAR INCOME</b>                        |                                  |                                |
| 1.1.CURRENT YEAR INCOME  | 53.687                           | 186.609                        |
| 1.2.TAXES AND DUTIES PAYABLE                                       | 10.599                           | 38.366                         |
| 1.2.1.Corporate Tax (Income tax)                                   | 10.599                           | 38.366                         |
| 1.2.2.Income withholding tax                                       |                                  |                                |
| 1.2.3.Other taxes and duties                                       |                                  |                                |
| <b>A. NET INCOME FOR THE YEAR (1.1-1.2)</b>                        | <b>43.088</b>                    | <b>148.243</b>                 |
| 1.3.PRIOR YEARS LOSSES (-)   |                                  | 7.412                          |
| 1.4.FIRST LEGAL RESERVES (-)                                       | 2.154                            |                                |
| 1.5.OTHER STATUTORY RESERVES (-)                                   |                                  |                                |
| <b>B. NET INCOME AVAILABLE FOR DISTRIBUTION [(A-(1.3+1.4+1.5)]</b> | <b>40.934</b>                    | <b>140.831</b>                 |
| 1.6.FIRST DIVIDEND TO SHAREHOLDERS (-)                             | 0                                | 8.000                          |
| 1.6.1.To owners of ordinary shares                                 |                                  | 8.000                          |
| 1.6.2.To owners of preferred shares                                |                                  |                                |
| 1.6.3.To owners of preferred shares (preemptive rights)            |                                  |                                |
| 1.6.4.To profit sharing bonds                                      |                                  |                                |
| 1.6.5.To holders of profit and loss sharing certificates           |                                  |                                |
| 1.7.DIVIDENDS TO PERSONNEL (-)                                     |                                  | 1.461                          |
| 1.8.DIVIDENDS TO BOARD OF DIRECTORS (-)                            |                                  |                                |
| 1.9.SECOND DIVIDEND TO SHAREHOLDERS (-)                            | 0                                | 114.350                        |
| 1.9.1.To owners of ordinary shares                                 |                                  | 114.350                        |
| 1.9.2.To owners of preferred shares                                |                                  |                                |
| 1.9.3.To owners of preferred shares (preemptive rights)            |                                  |                                |
| 1.9.4.To profit sharing bonds                                      |                                  |                                |
| 1.9.5.To holders of profit and loss sharing certificates           |                                  |                                |
| 1.10.SECOND LEGAL RESERVES (-)                                     |                                  | 13.283                         |
| 1.11.STATUTORY RESERVES (-)  |                                  |                                |
| 1.12.GENERAL RESERVES  |                                  | 3.737                          |
| 1.13.OTHER RESERVES  |                                  |                                |
| 1.14.SPECIAL FUNDS   |                                  |                                |
| <b>II. DISTRIBUTION OF RESERVES</b>                                |                                  |                                |
| 2.1.APPROPRIATED RESERVES  |                                  |                                |
| 2.2.SECOND LEGAL RESERVES (-)                                      |                                  |                                |
| 2.3.DIVIDENDS TO SHAREHOLDERS (-)                                  | 0                                | 0                              |
| 2.3.1.To owners of ordinary shares                                 |                                  |                                |
| 2.3.2.To owners of preferred shares                                |                                  |                                |
| 2.3.3.To owners of preferred shares (preemptive rights)            |                                  |                                |
| 2.3.4.To profit sharing bonds                                      |                                  |                                |
| 2.3.5.To holders of profit and loss sharing certificates           |                                  |                                |
| 2.4.DIVIDENDS TO PERSONNEL (-)                                     |                                  |                                |
| 2.5.DIVIDENDS TO BOARD OF DIRECTORS (-)                            |                                  |                                |
| <b>III. EARNINGS PER SHARE</b>                                     |                                  |                                |
| 3.1.TO OWNERS OF ORDINARY SHARES*                                  |                                  |                                |
| 3.2.TO OWNERS OF ORDINARY SHARES (%)                               |                                  |                                |
| 3.3.TO OWNERS OF PRIVILAGED SHARES                                 |                                  |                                |
| 3.4.TO OWNERS OF PRIVILAGED SHARES (%)                             |                                  |                                |
| <b>IV. DIVIDEND PER SHARE</b>                                      |                                  |                                |
| 4.1.TO OWNERS OF ORDINARY SHARES                                   |                                  |                                |
| 4.2.TO OWNERS OF ORDINARY SHARES (%)                               |                                  |                                |
| 4.3.TO OWNERS OF PRIVILAGED SHARES                                 |                                  |                                |
| 4.4.TO OWNERS OF PRIVILAGED SHARES (%)                             |                                  |                                |

**SECTION THREE  
ACCOUNTING POLICIES**

**I- Explanations on basis of presentation:**

**a. The preparation of financial statements and notes to the financial statements according to Turkish Accounting Standards and Legislation on the Accounting Applications of Banks and Procedures and Basis of Preservation of Documents:**

Financial statements are prepared in accordance with the Turkish Accounting Standards (TMS) and Turkish Financial Reporting Standards (TFRS) and appendixes and interpretations concerning those standards (all together called as "Turkish Accounting Standards" or TMS) in the context of Legislation on the Accounting Applications of Banks and Procedures and Basis of Preservation of Documents from the Legislations published on the Legal Gazette dated 1 November 2006 numbered 26333 based on the Banking Law numbered 5411. The Bank keeps its records in Turkish Liras in accordance with the Banking Law, Turkish Trade Law and Turkish tax legislations.

**b. Accounting policies and basis of valuation used in the preparation of financial statements:**

Accounting policies and valuation basis used in the financial statements of the Bank are applied according to Turkish Accounting Standards and the related legislations, bulletin and decree published by the Banking Regulation and Supervision Agency.

**c. Explanations on the accounting policies used for the correct interpretation of financial statements:**

Financial statements of the Bank are based on historical cost principle and legal records except financial assets where fair value change is reflected to income statement, financial assets available for sale, subsidiaries quoted in a stock exchange and property held for sale.

The previous periods included in the balance sheet and off-balance sheet accounts statement, income statement, statement of changes in equity, cash flow statement and notes represent 31.12.2006.

Figures stated in the attached financial statements, notes and explanations on these statements are Thousand YTL's unless otherwise stated.

Valuation basis used in the financial statements are explained in section three.

**II- Explanations on the Utilization Strategy of Financial Instruments and Explanation on Foreign Currency Transactions:**

The majority of the liabilities included in the balance sheet of the Bank consists of the sources obtained from domestic and international markets. The majority of the sources obtained domestically consist of budget based funds and the Bank acts as an intermediary for those funds provided by the Treasury to be placed in various sectors. The sources obtained internationally consist of buyer-seller loans gathered from World Bank, European Investment Bank, European Commission Development Bank and other European Investment Banks and Islamic Development Bank.

During the utilization of the gathered resources a care is being given to the appropriate borrowing conditions while taking the asset-liability balance into account, maturity, exchange rate and liquidity risks are trying to be avoided.

A non-speculative exchange rate position risk management is applied to limit the Bank's exchange rate risk. For that reason, during the determination of the allocation of balance sheet and non-balance sheet assets according to currencies, foreign currency management policy is applied in the most effective way.

Trade placements are managed by high-profit low-risk assets by taking international and domestic economic expectations, market conditions, expectations and inclinations of loan customers, interest-liquidity, exchange rate etc. risks into account. Basic macro goals concerning balance sheet sizes are determined during budgeting and the transactions are carried out according to work programs prepared in this context.

The exchange rates, interest and price movements are closely monitored; transaction and control limits that are developed from Bank's previous experiences are based on when taking positions as well as legal limits. This way, limits are not crossed.

During foreign currency transactions, actions detailed below are taken.

a. Foreign currency monetary assets and liabilities are translated to New Turkish Lira (YTL) with the exchange rates announced by our Bank at the end of period.

b. Total amount of capitalized exchange rate differences as of balance sheet date; None.

c. Basic principles of exchange rate risk management policy: Decisions are made by the Assets Liabilities Management Committee that meets regularly to avoid exchange rate and parity risks in line with the models prepared in the context of the basic boundaries of Foreign Currency Net General Position / Shareholders' Equity Ratio that is included in legal liabilities, and those decisions are carried out carefully. To avoid parity risk foreign exchange position is managed by taking singular and general positions.

d. Foreign currency transactions are calculated using the exchange rates prevailing at the dates of transactions and the profit / losses are included in the related income statements.

### **III- Explanations on derivative instruments:**

The Bank has no forward or swap operations as of the balance sheet date.

### **IV- Explanations on interest income and expenses:**

Interest income and expenses are reflected to the records on an accrual basis. The exchange rate differences of foreign currency based YTL loans are included in interest income and expenses. Interest accruals and discounts of loans and other receivables that are follow-up accounts according to related legislations are cancelled and those amounts are not included in the income statement unless collected.

### **V – Explanations on salary and commission income and expenses:**

Salary and commission income and expenses and loan amounts and commission expenses paid to other creditors, income from agreements or income due to asset purchases on behalf of third persons or legal entities are included in the income statements in the periods they occur.

### **VI- Explanations and notes on financial assets:**

#### **Financial assets:**

Financial assets essentially make up Bank's trade operations. These instruments can bring out, affect or reduce liquidity, credit and interest risks in financial statements.

Financial assets where fair value difference is reflected to the income statement: They are grouped under two main categories. Held for trading financial assets, assets which are in principal purchased to be sold or repurchased in a short amount of time to gain profits in short term. They are marketable securities that are classified as financial assets where fair value difference is reflected to the income statement. Financial instruments consist of financial assets and financial liabilities. Financial instruments affect the liquidity, credit and market risks in the balance sheet of the Bank in every aspect. The Bank commits the purchases and sales of these instruments for its customers as well as its own accounts.

Regular purchases and sales of financial instruments are their purchases and sales in the context of an agreement that requires the delivery in the time period that is determined usually by legal legislations or related market practices. The changes in fair values are not accounted for financial assets that are carried with their amortized costs; the change in fair value is accounted for in the income statement for assets where the difference in fair value is reflected to the income statement and in the 'Financial Assets Revaluation Fund' account in shareholders' equity for available for sale assets. Accumulated fair value differences that mention marketable securities, reflecting to shareholders' equity when collected or sold out are reflected to income statement.

Investments held to maturity: consist of financial assets: which are purchased in order to be held until maturity, where the conditions to hold those assets until maturity are present including funding capabilities, which have fixed or predictable payments and maturity dates and financial assets other than loans and receivables

There are no financial assets which were previously classified as held until maturity but cannot be classified as held until maturity due to violation of classification principles.

After initial recognition, investment held to maturity are accounted with discounted value, calculated using the effective interest method, by deducting impairment from the provision if availables.

**Explanation on the special provisions and loans/receivables:**

**a.** Loans and receivables are accounted for with their acquisition costs. Fees, transaction costs and other related expenses paid for purchasing assets as guarantees are reflected to the customers.

Granted loans by the Bank consists of foreign currency based loans, corporate loans, fund based loans in Turkish Currency and loans used for financing of export and investment loans for Foreign Currency.

Foreign currency based loans are shown under Turkish Currency (TP) accounts. Loan payments are calculated using the exchange rate on the date of payment.

Loan portfolio is continuously monitored by the Bank management and in the case of a possibility of doubt in their collection, they are classified according to the "Legislation on Determination of Qualities of Loans and Other Receivables by Banks and Procedures and Basis for Reservation of Provisions for Those Loans" dated 1 November 2006 numbered 26333 and other legislations, necessary provisions are reserved and those provisions are reflected to the income statement.

The collected amounts are shown under "Interest Received From Uncollectable Loans and Receivables" (including receivables from doubtful receivables) accounts.

The reversed provision is accounted for by canceling the provision amount set in the current year and recording the remaining amount as income in the collection accounts from previous year expenses.

**b.** In addition to the special provisions, the Bank reserves general credit provision for loans and other receivables in the context of the legislation decrees stated above. The general credit provision applied is (1%) 1 for the cash loans and other receivables and 0.2% for non-cash loans.

**Investments in affiliates and subsidiaries:**

The assets and liabilities that are quoted to the stock market are valued with their weighted average prices as of the balance sheet date regulated by the Standard for Accounting of Financial Instruments.

From the investments of the Bank's subsidiary, those which are quoted to the stock market are valued with their weighted average prices at the date of the balance sheet regulated by the Standart for Accounting of Financial Instruments. Other investments, which are not quoted to the stock market are subjected to impairment test

During the valuation of the affiliates, their latest financial statements were taken into account.



**VII- Explanations on impairment of financial assets:**

In the case that the discounted values of future cash flows using the effective interest method of the assets or the fair value of the assets that are valued with their fair values are lower than their book values, they are considered to be impaired. A provision is reserved against the impairment and the provision is related to the income statement accounts.

The valuation differences of held for trading assets are included in the income statement in the related periods.

**VIII- Explanations on netting of financial assets:**

Financial assets and liabilities are shown with their net values on the balance sheet if the Bank has a legal right or power for netting and has the intention to collect/pay the related financial asset or liability over their net values or has the right to finalize the related receivables and payables at the same time.

**IX- Explanations on sale and repurchase agreements and lending of marketable securities:**

Securities sold in repurchasing commitments (repo) are accounted in the Uniform Chart of Account's balance sheet accounts. Accordingly, the government bonds and treasury bills sold to the clients in context of the repurchase agreements are classified as "Subject to Repurchasing" and are valued by their market prices in accordance with their holding purposes in the Bank portfolio or their discounted values in accordance with their internal rate of returns. Funds gained by repurchasing transactions are shown as a separate entry in the liability accounts and are accounted as rediscount for interest costs.

Securities that were purchased in back selling commitment (reverse repurchase) are shown as a item in the "Money Market" entry. Income rediscounts are calculated for the differences between the purchasing and sales prices of the portion of the securities purchased by reverse repurchases that is accrued for the period

There are no marketable securities that are subjected to lending.

**X- Explanations on assets held for sale and fixed assets from discontinued operations and liabilities from mentioned assets:**

None.

**XI- Explanations on goodwill and other intangible assets:**

As of the balance sheet goodwill is not present on the attached financial statements.

Intangible fixed assets are amortized using the straight-line method with depreciation rates determined as 50%-33.33% in accordance with their assumed useful lives. The determination of the useful lives of the assets is made through the assessment of the expected usage period of the asset, technical, technological or other kind of depreciation and maintenance expenses needed to gain expected economic benefit from the asset.

Expenses concerning present computer software and improvement expenses are capitalized by being added to the cost of the software if they are designed to improve the original content and useful live of the software. Those capitalized expenses are amortized over the useful life of the related assets using the "Straight line method".

**XII- Explanations on tangible fixed assets:**

Tangible fixed assets purchased before January 1<sup>st</sup>, 2005 are presented in the financial statement with their inflation adjusted costs as of December 31<sup>st</sup>, 2004 and items purchased after this period are shown after the accumulated depreciation and other permanent value losses are netted-off from their purchase values.

Profit and losses from the disposal of tangible fixed assets are calculated as the difference between the disposal income and net book value of the related tangible asset and included in the income statement as profit or loss.

Regular maintenance and repair expenses of tangible fixed assets are expensed in the income statement.

There are no pledges, liens or other similar encumbrances over tangible fixed assets.

Tangible fixed assets are depreciated using the normal depreciation method, and their useful lives determined in accordance with the Turkish Tax Procedure Law are considered to be acceptable, for the Bank's fixed assets and these useful lives were taken into consideration.

The depreciation rates of tangible fixed assets are shown below.

|                       | <b>Depreciation Rate (%)</b> |
|-----------------------|------------------------------|
| Buildings             | %2                           |
| Other Tangible Assets | %2-%33,33                    |

There are no changes in accounting estimates that have a significant effect in the current or future periods.

### **XIII- Explanations on lease agreements:**

Lease receivables other than financial lease receivables and from the rental of assets that are not used in banking operations but collected as of the balance sheet are included in the income statement and the uncollected amounts are under lease receivables account.

The Bank has no financial lease agreements as "renter".

### **XIV- Explanations on provisions and conditional liabilities:**

Provisions other than the general and special provisions reserved for loans and other receivables in the Bank are accounted according to "Turkish Accounting Standard For Provisions, Conditional Assets and Liabilities" (TMS 37). Provisions are reserved for liabilities caused by past events in the periods that events occurred according to the "Matching Principle".

### **XV- Explanations on employee benefits:**

According to present laws, termination indemnities are to be paid in the event of retirement or discharge. The Bank calculates the provision by determining the present value of the future liability due to retirement or discharge. Liabilities related to employee benefits are accounted for according to the legislations of the Turkish Accounting Standard For Employee Benefits (TMS 19).

Since the Bank has no obligations due to any charities, funds or similar institutions where the workers are members, the Bank has not reserved any provision in this regards in the attached financial statements.

### **XVI- Explanations on tax applications:**

#### **a. Accounting principles of corporate tax:**

Corporate Tax Law number 5520 has become effective after being published in the Official Gazette number 26205 dated 21 June 2006. Most of the decrees of this law are applicable from 1 January 2006. Accordingly, in Turkey as of 1 January 2006 the Corporate Tax rate is 20% for the year 2006 (2005: %30). This tax rate is applied to the taxable income calculated by adding non-deductible expenses that are not accepted by tax laws, and deducting income exempt from taxation and allowances from the net profit. Unless there is profit distribution, no other taxes are paid.

15% withholding tax is applied on profits distributed by Turkish corporate taxpayers to foreign shareholders (except to companies with a permanent office in Turkey) or to those companies that are exempted from Turkish Corporate Tax. All other dividend payments made to persons or companies are subject to 15% withholding tax. Distribution of bonus shares by capitalization of profits is not subject to withholding tax.

Companies are required to file temporary tax returns based on their quarterly results. The temporary tax rate is 20%. Temporary tax returns are filed by the 14<sup>th</sup> of the second month following each calendar quarter and the temporary tax is paid by 17<sup>th</sup>. Temporary tax paid during the year is deducted from tax to be calculated over the corporate tax statement of the same year to be declared in the following year. In case of excess temporary tax payments, the exceeding amount can be collected in cash or can be offset from other financial liabilities to the government.

75% of the income arising on disposal of real estates, shares, founder shares, bonus certificates and pre-emptive rights which are held in the assets of Turkish companies for at least two full years are exempt from Corporate Tax in the condition that they're kept in a special fund account.

All income from the transfer of fixed assets, participation stocks, founder shares and pre-emptive rights to banks or Savings Deposit Insurance Fund that correspond to the amount used in the liquidation of those assets that belong to firms, their guarantors and mortgage givers which are subject to legitimate proceedings due to their debts to banks or Savings Deposit Insurance Fund, and 75% income from the sale of those mentioned assets are exempt from corporate tax.

According to Turkish Corporation Tax Law, the losses in any period are available for deduction from future taxable profits for a maximum period of 5 years. Losses cannot be carried back for offsetting against profits from previous periods.

There is no cross check application between the companies and tax authorities in terms of taxes payable. Corporate tax returns are filed until the 25<sup>th</sup> day of the fourth month following the end of accounting period and taxes are paid until end of the fourth month. Authorities entitled to perform tax inspection may examine the returns and the accounting records for a period of five years and if an assessment is made, the computed tax amounts may change.

Necessary provisions are reserved for the liabilities that are calculated over the Bank's trade balance profit.

As a result of the Bank's operations, calculated temporary tax for the period of 01.01-20031.12.2007, is declared in the context of temporary tax returns and was paid to the Tax Department on February 18<sup>th</sup>, 2007.

This tax will be offset from the Corporate Tax Return that will be prepared in April 2008.

**b. Explanations on deferred taxes:**

The Bank calculates deferred tax for taxable temporary differences arise from the book value and taxable value of an asset or liability according to the "Turkish Accounting Standard for Income Taxes" (TMS 12) and reflects to its records. During the calculation of deferred tax, the legal tax rates in effect at the date of financial statements according to present tax laws are used.

While the deferred tax liability is calculated for all taxable temporary differences, deferred tax assets are only calculated if there is a high possibility to use those differences in case of future profits.

Calculated deferred tax assets and deferred tax liabilities are netted in financial statements.

**XVII- Additional explanations on borrowings:**

The Bank continues its financial support that it provided and still providing by acquiring sources from domestic and international markets. With this goal, the Bank acts as an intermediary funds provided by the Treasury to utilize various Budget based funds domestically. Completed transfers are recorded to the resource accounts of the Bank. The maturity dates and interest rates of those funds are determined by the public authority by Investment Incentive legislations.

The present foreign resources that the Bank acquired are Buyer/Seller type of loans from World Bank, various European Banks and Islamic Development Bank and they are recorded to the Banks accounts at the date of acquisition and acquisition value. The Bank generally prefers providing loans in parallel in terms of maturity date, interest rate, interest type and currency type with the loans acquired to avoid exchange rate and liquidity risks.

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The Bank does not possess any issued notes or liability instruments which are convertible to share certificates.

**XVIII- Explanations on share certificates and their issuance:**

Expenses related to the issuance of share certificates are not deducted from the emission premium account under shareholders' equity.

**XIX- Explanations on bill guarantees and acceptances:**

Bill guarantees and acceptances are shown in "Off-balance Liabilities" as Bank's possible liability commitments

**XX- Explanations on government incentives:**

The Bank has not received any government incentives in the current or previous periods.

**XXI- Explanations on reporting by segments:**

Besides investment banking the sale and purchase of investment funds of the Bank, sale and purchase of government bonds and treasury bills and repurchasing transactions are conducted by the Treasury Directorate, stock sale and purchases are made as an agency of Kalkınma Yatırım Menkul değerler A.Ş., which is a subsidiary of the bank.

|                           | <b>Investment Banking</b> | <b>Treasury Operations</b> | <b>Total</b>  |
|---------------------------|---------------------------|----------------------------|---------------|
| Net Interest Income       | 66.423                    | 16.894                     | 83.317        |
| Capital Market Operations |                           | 1.559                      | 1.559         |
| Other Income              | 35.644                    | -                          | 35.773        |
| Other Expenses            | (66.385)                  | -                          | (66.385)      |
| Profit Before Taxes       | -                         | -                          | 54.264        |
| Tax Provision             | -                         | -                          | (11.176)      |
| <b>Net Profit</b>         |                           |                            | <b>43.088</b> |

**XXII- Explanations on other issues:**

None.

#### SECTION FOUR INFORMATION ON FINANCIAL STRUCTURE

##### I – Explanations on Standard Capital Adequacy Ratio:

The standard capital adequacy ratio of the Bank (including market risk) is 91,18%. This ratio is well over the minimum ratio of 8% stated in the related legislations.

Standard Capital Adequacy Ratio is calculated by subjecting the risk weighted assets and non-cash loans to the risk ratios stated in the related legislations and adding the risk exposed value determined using the standard method to the risk weighted assets.

##### Information related to capital adequacy ratio: (Thousand TRY), (%)

|   | RiskWeights |     |         |         |        |
|---|-------------|-----|---------|---------|--------|
|   | Bank        |     |         |         |        |
|   | 0%          | 10% | 20%     | 50%     | 100%   |
| <b>Surplus credit risk weighted</b>   |             |     |         |         |        |
| <b>Balance sheet items (Net)</b>  | 198.862     | -   | 206.098 | 207.032 | 83.645 |
| Cash  | 86          | -   | -       | -       | -      |
| Matured marketable securities   | -           | -   | -       | -       | -      |
| Balances with the Central Bank of Turkey  | 104         | -   | -       | -       | -      |
| Domestic banks, foreign banks, branches and offices abroad                            | -           | -   | 138.579 | -       | -      |
| Money market placements   | 85.500      | -   | -       | -       | -      |
| Receivables from reverse repo transactions  | -           | -   | -       | -       | -      |
| Reserve deposits  | -           | -   | -       | -       | -      |
| Loans   | 91.352      | -   | 60.393  | 203.838 | 32.673 |
| Loans under follow-up (Net)   | -           | -   | -       | -       | 2.637  |
| Financial lease receivables   | -           | -   | 2       | -       | -      |
| Financial assets available for sale   | -           | -   | 6.278   | -       | 988    |
| Investments held to maturity  | 3.195       | -   | -       | -       | -      |
| Receivables from sale of matured assets   | -           | -   | -       | -       | -      |
| Miscellaneous receivables   | -           | -   | -       | -       | 159    |
| Interest and income accruals  | 2.327       | -   | 846     | 3.194   | 980    |
| Investment and associates, subsidiaries, and joint ventures (business partners) (Net) | -           | -   | -       | -       | 5.311  |
| Property and equipment  | -           | -   | -       | -       | -      |
| Other assets  | -           | -   | -       | -       | 39.136 |
| Off balance sheet items   | 16.298      | -   | -       | -       | 1.761  |
| Non-cash loans and commitments  | -           | -   | 1       | 1.188   | 143    |
| Derivative financial instruments  | -           | -   | 1       | 1.188   | 143    |
| Not risk weighted accounts  | -           | -   | -       | -       | -      |
| <b>Total risk weighted assets</b>   | -           | -   | -       | -       | -      |
| <b>Surplus credit risk weighted</b>   | 198.862     | -   | 206.099 | 208.220 | 83.788 |

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**Summary information about the and bank only capital adequacy ratio:**

|  | Bank Only                   |                           |
|--|-----------------------------|---------------------------|
|  | Current period (31/12/2007) | Prior period (31/12/2006) |
| Amount subject to credit risk (I)            | 229.118                     | 216.450                   |
| Amount subject to market risk (II)           | 31.188                      | 40.375                    |
| Amount subject to operational risk (III) (*) | 228.567                     | -                         |
| Shareholders' equity                         | 445.736                     | 534.599                   |
| Shareholders' equity / ( I+II+III ) * 100    | 91,18                       | 208,16                    |

(\*) The amount for the operational risk came into effect on 01.06.2007 in accordance with the 24<sup>th</sup> article of the "Regulation concerning the Measurement and Appraisal of Capital Adequacy of Banks" published in the November 1<sup>st</sup> 2006 dated and 26333 numbered Official Gazette, and was calculated for the first time as of June 30<sup>th</sup>, 2007.

**Information about the shareholders equity items:**

|  | Current period<br>(31/12/2007) | Prior period<br>(31/12/2006) |
|--|--------------------------------|------------------------------|
| <b>CORE CAPITAL</b>  |                                |                              |
| Paid-in capital  | 160.000                        | 160.000                      |
| Nominal capital  | 160.000                        | 160.000                      |
| Capital commitments (-)  | -                              | -                            |
| Adjustment to paid-in capital  | 206.074                        | 206.074                      |
| Share Premium  | 1.491                          | 1.491                        |
| Share repeal   | -                              | -                            |
| Legal reserves   | 22.021                         | 1.326                        |
| First legal reserve (Turkish Commercial Code 466/1)                            | 22.021                         | 1.326                        |
| Second legal reserve (Turkish Commercial Code 466/2)                           | -                              | -                            |
| Other legal reserve per special legislation                                    | -                              | -                            |
| Statutus reserves  | -                              | -                            |
| Extraordinary reserves   | 20.077                         | 16.340                       |
| Reserves allocated by the General Assembly                                     | 20.077                         | 16.340                       |
| Retained earnings  | -                              | -                            |
| Accumulated loss   | -                              | -                            |
| Foreign currency share capital exchange difference                             | -                              | -                            |
| Adjustment to legal, status and extraordinary reserves                         | -                              | -                            |
| Profit   | 43.088                         | 156.149                      |
| Net Current period profit  | 43.088                         | 156.149                      |
| Prior period profit  | -                              | -                            |
| Provisions for possible losses up to 25% of core capital                       | -                              | -                            |
| Profit on sale of associates, subsidiaries and buildings                       | -                              | -                            |
| Primary subordinated loans up to 15% of core capital                           | -                              | -                            |
| Loss that is not covered with reserves (-)                                     | -                              | 7.906                        |
| Net current period loss  | -                              | -                            |
| Prior period loss  | -                              | 7.906                        |
| Excess amount expressed in the Law (Article 56, 3 <sup>rd</sup> paragraph) (-) | -                              | -                            |
| Goodwill (Net)   | -                              | -                            |
| <b>Total Core Capital</b>  | <b>452.751</b>                 | <b>533.474</b>               |

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|  |                |                |
|--|----------------|----------------|
| <b>SUPPLEMENTARY CAPITAL</b>   |                |                |
| General reserves   | 1.800          | 1.349          |
| 45% of increase in revaluation fund of movables  | -              | -              |
| 45% of increase in revaluation fund of fixed assets  | -              | -              |
| Free shares from investment and associates, subsidiaries and joint ventures (business partners)  | 468            | 1              |
| Primary subordinated loans which are ignored in the calculation of core capital  | -              | -              |
| Secondary subordinated loans   | -              | -              |
| 45% of marketable securities and investment securities value increase fund   | 2.195          | 1.826          |
| Associates and subsidiaries  | 117            | 37             |
| Financial assets available for sale  | 2.078          | 1.789          |
| Adjustment to paid-in capital, profit reserves and previous years losses(except adjustment to legal, status and extraordinary reserves)  | -              | -              |
| <b>Total Supplementary Capital (Including Minority Shares(if exists))</b>  | <b>4.463</b>   | <b>3.176</b>   |
| <b>TIER III CAPITAL</b>  | <b>-</b>       | <b>-</b>       |
| <b>CAPITAL</b>   | <b>457.214</b> | <b>536.650</b> |
| <b>DEDUCTIONS FROM THE CAPITAL</b>   | <b>11.478</b>  | <b>2.051</b>   |
| Leasehold improvements (-)*  | -              | -              |
| Prepaid expenses (-)*  | 1.343          | 1.301          |
| Intangible assets (-)*   | 157            | -              |
| Deferred-assets for tax which exceeds 10% of core capital (-)*   | -              | -              |
| Partnership share on non- banks and financial institutions   | 9.246          | -              |
| Loans extended to banks, financial institutions (domestic and abroad) and qualified shareholders, like secondary subordinated loan and debt instruments purchased from these institutions issued, like primary and secondary subordinated loan               | -              | -              |
| Banks and financial institutions to which equity method is applied, however, assets and liabilities are not  | -              | -              |
| Loans extended being noncompliant with articles 50 and 51 of the Law   | -              | -              |
| Net book values of properties owned, exceeding 50% of banks' equity and properties, and trade goods overtaken in exchange for loans and receivables that should be disposed within five years in accordance with article 57 of the Law, but not yet disposed | 732            | 750            |
| Other  | -              | -              |
| <b>Total Shareholders' Equity</b>  | <b>445.736</b> | <b>534.599</b> |

\* Will be shown under the "Deductions from the Capital" part of the table until 1.1.2009.

**II- Explanations on credit risk:**

The Bank is not subject to the general loan restrictions defined by the 54<sup>th</sup> article of the Banking Law numbered 5411. However, in the Bank's Loan Regulation, the loan limits are determined mostly in parallel with the limitations set out in the 54<sup>th</sup> article of the Banking Law.

All the loan placements of the Bank are designated with the approvals of Intelligence Unit, Loan Assessment Unit, Loan Investment Committee and Board of Directors in accordance with legal legislations. Since the placements of the Bank are in the form of project financing, the amount of loan that can be designated to a firm is basically determined during project assessment stage and the granting of loans are made in a controlled manner and made through the monitoring of expenditures.

The sectoral distribution of the loan customers is monitored and those distributions are taken into account during placement decisions and goals.

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All the loans of the Bank are loans against guarantees. In that sense, liens on real estate and tangible assets, business company liens, foreign currency notes and other liquid assets, bank guarantee letters and guarantees from other persons or companies comprise loan guarantees.

a) The share of the total receivable of the Bank from its first 100 biggest cash loan customers in total cash loan receivables is 93,1%.

b) The share of the total receivable of the Bank from its first 100 biggest non-cash loan customers in total non-cash loan receivables is 100%.

c) The share of the total cash and non-cash receivable of the Bank from its first 100 biggest loan customers in total balance sheet and off-balance sheet assets is 51,6%.

d) Provision reserved for the credit risk undertaken is 1.800 Thousand YTL.

**The distribution of credit risk according to the borrowers and geographical concentration:**

|  | Loans granted to retail customers and institutions |              | Loans granted to banks and other financial institutions |              | Financial assets* |              | Other loans**  |              |
|--|--|--------------|---|--------------|-------------------|--------------|----------------|--------------|
|  | Current period                                     | Prior period | Current period  | Prior period | Current period    | Prior period | Current period | Prior period |
| <b>According to tFCe of borrowers</b>          | 395.373  | 333.404      | -   | -            | 121.153           | 105.702      | -              | -            |
| Private sector                                 | 391.630  | 329.532      | -   | -            | 7.266             | 6.586        | -              | -            |
| Public sector                                  | -  | -            | -   | -            | 113.761           | 99.017       | -              | -            |
| Banks  | -  | -            | -   | -            | -                 | -            | -              | -            |
| Retail customers                               | 3.743  | 3.872        | -   | -            | 126               | 99           | -              | -            |
| Securities representing a share in capital     | -  | -            | -   | -            | -                 | -            | -              | -            |
| <b>According to geographical concentration</b> | 395.373  | 333.404      | -   | -            | 121.153           | 105.702      | -              | -            |
| Domestic                                       | 395.373  | 333.404      | -   | -            | 121.153           | 105.702      | -              | -            |
| EU countries                                   | -  | -            | -   | -            | -                 | -            | -              | -            |
| OECD countries ***                             | -  | -            | -   | -            | -                 | -            | -              | -            |
| Off-shore banking regions                      | -  | -            | -   | -            | -                 | -            | -              | -            |
| USA, Canada                                    | -  | -            | -   | -            | -                 | -            | -              | -            |
| Other countries                                | -  | -            | -   | -            | -                 | -            | -              | -            |

\* Financial assets where fair value change is reflected to income statement + Financial assets available for sale + Financial assets held to maturity.

\*\* Includes loans classified under Uniform Accounting Standards -loans except in the first 3 columns- and compliant with Article 48 of the Banking Law.

\*\*\* OECD Countries other than EU countries, USA and Canada



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**Dated 31 December 2007**

(Figures are in thousand New Turkish Liras (YTL) unless otherwise stated)

**Information according to geographical concentrations:**

|  | Assets  | Liabilities | Non-cash loans | Fixed capital expenditures | Net profit |
|--|---------|-------------|----------------|----------------------------|------------|
| Current period   |         |             |                |                            |            |
| Domestic   | 738.441 | 253.106     | 1.332          | -                          | 46.122     |
| European Union countries   | 4.924   | 82.609      | -              | -                          | -2.609     |
| OECD countries *   | 40      | 962         | -              | -                          | -105       |
| Off-shore banking regions  | -       | -           | -              | -                          |            |
| USA, Canada  | 65      | -           | -              | -                          | 5          |
| Other countries  | -       | 6.650       | -              | -                          | -325       |
| Investment and associates, subsidiaries and joint ventures (business partners) | 14.557  | -           | -              | -                          | -          |
| Unallocated assets/liabilities**   | 59.779  | 474.479     |                |                            |            |
| Total  | 817.806 | 817.806     | 1.332          | -                          | 43.088     |
| Prior Period   |         |             |                |                            |            |
| Domestic   | 740.234 | 278.074     | 2.135          | -                          | 149.159    |
| European union countries   | 13.079  | 45.051      | -              | -                          | -327       |
| OECD countries *   | 13.132  | 4.374       | -              | -                          | -264       |
| Off-shore banking regions  | -       | -           | -              | -                          |            |
| USA, Canada  | 235     | -           | -              | -                          | 41         |
| Other countries  | -       | 4.757       | -              | -                          | -366       |
| Investment and associates, subsidiaries and joint ventures (business partners) | 15.498  | -           | -              | -                          |            |
| Unallocated assets/liabilities**   | 101.641 | 551.563     |                |                            |            |
| Total  | 883.819 | 883.819     | 2.135          | -                          | 148.243    |

\* OECD Countries other than EU countries, USA and Canada

\*\* Unallocated assets / liabilities this could not be distributed according to a consistent principle

**Sector concentrations for cash loans:**

|                                      | Current period (31/12/2007) |        |         |        | Prior period (31/12/2006) |        |         |        |
|--------------------------------------|-----------------------------|--------|---------|--------|---------------------------|--------|---------|--------|
|                                      | TC                          | (%)    | FC      | (%)    | TC                        | (%)    | FC      | (%)    |
| Agricultural                         | 3.745                       | 2,08   | -       | 0,00   | 859                       | 0,59   | -       | 0,00   |
| Farming and raising livestock        | 3.485                       | 1,93   | -       | 0,00   | 365                       | 0,25   | -       | 0,00   |
| Forestry                             | 260                         | 0,14   | -       | 0,00   | 494                       | 0,34   | -       | 0,00   |
| Fishing                              | -                           | 0,00   | -       | 0,00   | -                         | 0,00   | -       | 0,00   |
| Manufacturing                        | 41.347                      | 22,93  | 107.317 | 49,90  | 40.666                    | 27,81  | 101.090 | 54,01  |
| Mining                               | -                           | 0,00   | -       | 0,00   | -                         | 0,00   | -       | 0,00   |
| Production                           | 40.807                      | 22,63  | 70.629  | 32,84  | 40.666                    | 27,81  | 86.468  | 46,20  |
| Electric, gas and water              | 540                         | 0,30   | 36.688  | 17,06  | -                         | 0,00   | 14.622  | 7,81   |
| Construction                         | 5.735                       | 3,18   | -       | 0,00   | 26                        | 0,02   | -       | 0,00   |
| Services                             | 125.117                     | 69,38  | 107.731 | 50,10  | 101.593                   | 69,46  | 86.062  | 45,99  |
| Wholesale and retail trade           | -                           | 0,00   | -       | 0,00   | -                         | 0,00   | -       | 0,00   |
| Hotel, food and beverage services    | 91.322                      | 50,64  | 99.231  | 46,14  | 82.752                    | 56,58  | 78.898  | 42,16  |
| Transportation and telecommunication | -                           | 0,00   | -       | 0,00   | -                         | 0,00   | -       | 0,00   |
| Financial Institutions               | -                           | 0,00   | -       | 0,00   | -                         | 0,00   | -       | 0,00   |
| Real estate and renting services     | -                           | 0,00   | -       | 0,00   | -                         | 0,00   | -       | 0,00   |
| Self-employment services             | -                           | 0,00   | -       | 0,00   | -                         | 0,00   | -       | 0,00   |
| Education services                   | 17.083                      | 9,47   | -       | 0,00   | 15.791                    | 10,80  | -       | 0,00   |
| Health and social services           | 16.712                      | 9,27   | 8.500   | 3,95   | 3.050                     | 2,09   | 7.164   | 3,83   |
| Other                                | 4.381                       | 2,43   | -       | 0,00   | 3.108                     | 2,13   | -       | 0,00   |
| Total                                | 180.325                     | 100,00 | 215.048 | 100,00 | 146.252                   | 100,00 | 187.152 | 100,00 |

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**III – Explanations on market risk:**

Standard method which is determined as the legal reporting format is used in the calculation of the market risk by the Bank. The market risk calculations made using the standard method are made monthly and the results are taken into account in the calculation of the Standard Capital Adequacy Ratio.

**a) Information on Market Risk:**

|  | <b>Tutar</b> |
|--|--------------|
| (I) Capital to be employed for general market risk                     | 751          |
| (II) Capital to be employed for specific risk                          | -            |
| (III) Capital to be employed for currency risk                         | 1.744        |
| (IV) Capital to be employed for stocks                                 | -            |
| (V) Capital to be employed for clearing risk                           | -            |
| (VI) Total capital to be employed for market risk because of options   | -            |
| (VII) Capital to be employed for general market risk                   | -            |
| (VIII) Total capital to be employed for market risk (I+II+III+IV+V+VI) | 2.495        |
| (IX) Amount subject to market risk (12,5 x VIII) ya da (12,5 x VII)    | 31.188       |

**b) Average market risk calculated as of the end of months in the related period:**

|                              | Current period (31/12/2007) |         |         | Prior period (31/12/2006) |         |         |
|------------------------------|-----------------------------|---------|---------|---------------------------|---------|---------|
|                              | Average                     | Maximum | Minimum | Average                   | Maximum | Minimum |
| Interest rate risk           | 677                         | 872     | 458     | 844                       | 1.222   | 476     |
| Share risk                   | -                           | -       | -       | 2.470                     | 22.813  | -       |
| Currency risk                | 2.156                       | 2.927   | 1.733   | 6.231                     | 23.578  | 2.754   |
| Commodity risk               | -                           | -       | -       | -                         | -       | -       |
| Settlement risk              | -                           | -       | -       | -                         | -       | -       |
| Options risk                 | -                           | -       | -       | -                         | -       | -       |
| Amount subject to total risk | 2.834                       | 3.799   | 2.191   | 9.545                     | 47.613  | 3.230   |

**IV. Explanations on operation risk:**

The “Basic Indicator Method” has been used for the calculation on the operation risk of the Bank. The amount Subject to Operational Risk is calculated for the year of 2007 as 228.567 thousand YTL by using the year end gross revenue of 2006. 2005 and 2004 of the Bank in accordance with the fourth chapter of the article “Amount Subject to Operational Risk” that came into force as of June 1<sup>st</sup>, 2007, from the Legislation on Measurement and Assessment of Capital Adequacy of Banks published in the Legal Gazette dated November 1<sup>st</sup>, 2006 and numbered 26333.

|    | Basic Indicator Method   | 31.12.2006 | 31.12.2005 | 31.12.2004 |
|----|--|------------|------------|------------|
| 1  | Net Interest Income  | 62.810     | 37.085     | 45.840     |
| 2  | Net Fees And Commissions Income  | 5.996      | 5.070      | 2.950      |
| 3  | Dividend Income  | 3.006      | 12.280     | 1.854      |
| 4  | Trading Profit/Loss (Net)  | 13.266     | -          | 6.329      |
| 5  | Other Operating Income   | 209.954    | 30.896     | 22.427     |
| 6  | Disposal profit-loss of financial assets available for sale and property and equipment held for sale purpose | 176        | 1.527      | 2.474      |
| 7  | Extraordinary income (Including subs. and affi. shares and real estate disposal)                             | 30.895     | 27.305     | 31.681     |
| 8  | Revenue indemnified from insurance   | -          | -          | -          |
| 9  | Gross Income (1+2+3+4+5-6-7-8)   | 263.961    | 56.500     | 45.246     |
| 10 | Capital (9 x %15)  | 39.594     | 8.475      | 6.787      |
| 11 | Average Operational risk   | 18.285     |            |            |
| 12 | Amount Subject to Operational Risk (11x12,5)   | 228.567    |            |            |

**V – Explanations on exchange rate risk:**

Standard method determined for legal reporting is used in the calculation of the exchange rate risk faced by the Bank.

In addition, the daily exchange rate risk faced by the Bank can be determined by the foreign currency balance sheets that are prepared to include singular positions. Proforma foreign currency balance sheets are used in the calculation of the future possible exchange rate risk (including foreign currency based assets and liabilities).

To limit the amount of exchange risk exposed, a non-speculative foreign currency position risk management is adopted and used in the distribution of balance sheet and off-balance sheet assets according to their currencies.

**Booth Foreign Currency Buying Exchange Rates Announced by the Bank on the Balance Sheet Date and Previous 5 Working Days:**

| <u>Date</u> | <u>USD</u>  | <u>EURO</u> | <u>100 JPY</u> |
|-------------|-------------|-------------|----------------|
| 31/12/2007  | 1,15630 YTL | 1,70520 YTL | 1,03460 YTL    |
| 28/12/2007  | 1,16170 YTL | 1,68960 YTL | 1,02950 YTL    |
| 27/12/2007  | 1,16520 YTL | 1,68210 YTL | 1,02090 YTL    |
| 26/12/2007  | 1,16720 YTL | 1,67980 YTL | 1,02450 YTL    |
| 25/12/2007  | 1,16830 YTL | 1,68120 YTL | 1,02570 YTL    |
| 24/12/2007  | 1,17520 YTL | 1,68760 YTL | 1,03650 YTL    |

The simple arithmetic average value of the foreign currency buying exchange rates of the Bank for the previous thirty days from the date of financial statements are; USD- 1,16727 YTL, EURO- 1.74160 YTL, 100 JPY- 1.04300 YTL'dır.

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**Information on the exchange rate risk of the Bank:**

|  | EURO    | USD    | Yen   | Other FC | Total   |
|--|---------|--------|-------|----------|---------|
| <b>Current period</b>  |         |        |       |          |         |
| Assets   |         |        |       |          |         |
| Cash (cash in vault, effectives, money in transit, cheques purchased) and balances with the Central Bank of Turkey | -       | -      | -     | -        | -       |
| Due from banks   | 10.942  | 3.416  | 15    | 64       | 14.437  |
| Financial assets where fair value change is reflected to income statement  | -       | -      | -     | -        | -       |
| Money market placements  | -       | -      | -     | -        | -       |
| Financial assets available for sale  | -       | -      | -     | -        | -       |
| Loans  | 176.412 | 28.241 | 2.733 | 7.662    | 215.048 |
| Investment and associates, subsidiaries and joint ventures (business partners)                                     | -       | -      | -     | -        | -       |
| Investments held to maturity   | -       | -      | -     | -        | -       |
| Derivative financial assets held for hedging   | -       | -      | -     | -        | -       |
| Property and equipment   | -       | -      | -     | -        | -       |
| Intangible assets  | -       | -      | -     | -        | -       |
| Other assets   | -       | 206    | -     | -        | 206     |
| Total assets   | 187.354 | 31.863 | 2.748 | 7.726    | 229.691 |
| Liabilities  |         |        |       |          |         |
| Interbank deposits   | -       | -      | -     | -        | -       |
| Foreign currency deposits  | -       | -      | -     | -        | -       |
| Money market takings   | -       | -      | -     | -        | -       |
| Funds provided from other financial institutions   | 177.119 | 26.115 | -     | 7.613    | 210.847 |
| Marketable securities issued   | -       | -      | -     | -        | 0       |
| Miscellaneous payables   | 7       | 77     | -     | -        | 84      |
| Derivative financial liabilities held for hedging  | -       | -      | -     | -        | 0       |
| Other liabilities  | 171     | -      | -     | -        | 171     |
| Total liabilities  | 177.297 | 26.192 | -     | 7.613    | 211.102 |
| Net on balance sheet position  | 10.057  | 5.671  | 2.748 | 113      | 18.589  |
| Net off balance sheet position   | -       | -      | -     | -        | -       |
| Derivative financial assets  | -       | -      | -     | -        | -       |
| Derivative financial liabilities   | -       | -      | -     | -        | -       |
| Non-cash loans   | 718     | 463    | -     | -        | 1.181   |
| <b>Prior period</b>  |         |        |       |          |         |
| Total assets   | 157.763 | 37.751 | 2.182 | 9.039    | 206.735 |
| Total liabilities  | 141.653 | 25.264 | -     | 8.664    | 175.581 |
| Net on balance sheet position  | 16.110  | 12.487 | 2.182 | 375      | 31.154  |
| Net off balance sheet position   | -       | -      | -     | -        | -       |
| Derivative financial assets  | -       | -      | -     | -        | -       |
| Derivative financial liabilities   | -       | -      | -     | -        | -       |
| Non-cash loans   | 1.852   | 154    | -     | -        | 2.006   |

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**VI – Explanations on interest rate risk:**

Standard method determined for legal reporting is used in the calculation of the interest rate risk faced by the Bank.

In addition, time left until maturity date and profit-loss effects are analyzed for the marketable security portfolio while taking into possible change scenarios account and ways to compensate possible losses due to interest fluctuations in the market by using different markets are researched.

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

| <b>Current period</b>  | <b>Up to 1<br/>Month</b> | <b>1 – 3<br/>Months</b> | <b>3 – 12<br/>Months</b> | <b>1 – 5<br/>Years</b> | <b>5 Years<br/>and Over</b> | <b>Demand</b>   | <b>Total</b>    |
|--|--------------------------|-------------------------|--------------------------|------------------------|-----------------------------|-----------------|-----------------|
| <b>Assets</b>  |                          |                         |                          |                        |                             |                 |                 |
| Cash (cash in vault, effectives, money in transit, cheques purchased) and balances with the Central Bank of Turkey | 104                      | -                       | -                        | -                      | -                           | 86              | 190             |
| Due from banks   | 134.353                  | -                       | -                        | -                      | -                           | 4.417           | 138.770         |
| Financial assets where fair value change is reflected to income statement  | 4.266                    | 5.209                   | 80.898                   | 20.252                 | -                           | -               | 110.625         |
| Money market placements  | 85.537                   | -                       | -                        | -                      | -                           | -               | 85.537          |
| Financial assets available for sale  | 6.278                    | -                       | -                        | -                      | -                           | 988             | 7.266           |
| Loans  | 93.706                   | 100.798                 | 92.740                   | 14.125                 | 94.004                      | 2.637           | 398.010         |
| Investments held to maturity   | -                        | -                       | -                        | 3.262                  | -                           | -               | 3.262           |
| Other assets   | -                        | -                       | -                        | -                      | -                           | 74.146          | 74.146          |
| <b>Total assets</b>  | <b>324.244</b>           | <b>106.007</b>          | <b>173.638</b>           | <b>37.639</b>          | <b>94.004</b>               | <b>82.274</b>   | <b>817.806</b>  |
| <b>Liabilities</b>   |                          |                         |                          |                        |                             |                 |                 |
| Interbank deposits   | -                        | -                       | -                        | -                      | -                           | -               | -               |
| Other deposits   | -                        | -                       | -                        | -                      | -                           | -               | -               |
| Money market takings   | 126                      | -                       | -                        | -                      | -                           | -               | 126             |
| Miscellaneous payables   | -                        | -                       | -                        | -                      | -                           | 2.011           | 2.011           |
| Marketable securities issued   | -                        | -                       | -                        | -                      | -                           | -               | 0               |
| Funds provided from other financial institutions   | 5.846                    | 114.351                 | 95.194                   | -                      | -                           | -               | 215.391         |
| Other liabilities  | 26.701                   | 27.876                  | 55.705                   | -                      | -                           | 489.996         | 600.278         |
| <b>Total liabilities</b>   | <b>32.673</b>            | <b>142.227</b>          | <b>150.899</b>           | <b>-</b>               | <b>-</b>                    | <b>492.007</b>  | <b>817.806</b>  |
| <b>On balance sheet interest sensitivity gap-Long</b>  | <b>291.571</b>           | <b>-</b>                | <b>22.739</b>            | <b>37.639</b>          | <b>94.004</b>               | <b>-</b>        | <b>445.953</b>  |
| <b>On balance sheet interest sensitivity gap-Short</b>   | <b>-</b>                 | <b>-36.220</b>          | <b>-</b>                 | <b>-</b>               | <b>-</b>                    | <b>-409.733</b> | <b>-445.953</b> |
| <b>Off balance sheet interest sensitivity gap-Long</b>   | <b>-</b>                 | <b>-</b>                | <b>-</b>                 | <b>-</b>               | <b>-</b>                    | <b>-</b>        | <b>-</b>        |
| <b>Off balance sheet interest sensitivity gap-Short</b>  | <b>-1.332</b>            | <b>-</b>                | <b>-</b>                 | <b>-</b>               | <b>-</b>                    | <b>-</b>        | <b>-1.332</b>   |
| <b>Total position</b>  | <b>290.239</b>           | <b>-36.220</b>          | <b>22.739</b>            | <b>37.639</b>          | <b>94.004</b>               | <b>-409.733</b> | <b>-1.332</b>   |

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**Average interest rates applied to monetary financial instruments: (%)**

|  | EURO | USD  | Jp Yen | TRY   |
|--|------|------|--------|-------|
| <b>Current period</b>  |      |      |        |       |
| <b>Assets</b>  |      |      |        |       |
| Cash (cash in vault, effectives, money in transit, cheques purchased) and balances with the Central Bank of Turkey | -    | -    | -      | -     |
| Due from banks   | 4,24 | 4,60 | -      | 16,48 |
| Financial assets where fair value change is reflected to income statement  | -    | -    | -      | 16,28 |
| Money market placements  | -    | -    | -      | 15,75 |
| Financial assets available for sale  | -    | -    | -      | -     |
| Loans  | 6,56 | 7,14 | 6,49   | 13,94 |
| Investments held to maturity   | -    | -    | -      | 17,29 |
| <b>Liabilities</b>   |      |      |        |       |
| Interbank deposits   | -    | -    | -      | -     |
| Other deposits   | -    | -    | -      | -     |
| Money market takings   | -    | -    | -      | -     |
| Miscellaneous payables   | -    | -    | -      | -     |
| Marketable securities issued   | -    | -    | -      | -     |
| Funds provided from other financial institutions   | 5,00 | 6,01 | -      | 10,00 |

**Information related to the interest rate mismatch of the Bank (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 | Demand   | Total    |
|--|---------------|--------------|---------------|-------------|------------------|----------|----------|
| <b>Assets</b>  |               |              |               |             |                  |          |          |
| Cash (cash in vault, effectives, money in transit, cheques purchased) and balances with the Central Bank of Turkey | 54            | -            | -             | -           | -                | 49       | 103      |
| Due from banks   | 143.406       | -            | -             | -           | -                | -        | 143.406  |
| Financial assets where fair value change is reflected to income statement  | 8.876         | 25.199       | 25.969        | 17.630      | 21.442           | -        | 99.116   |
| Money market placements  | 184.168       | -            | -             | -           | -                | -        | 184.168  |
| Financial assets available for sale  | 5.430         | -            | -             | -           | -                | 1.156    | 6.586    |
| Loans  | 7.984         | 20.818       | 31.293        | 48.701      | 224.608          | -        | 333.404  |
| Investments held to maturity   | -             | -            | -             | -           | -                | -        | -        |
| Other assets   | -             | -            | -             | -           | -                | 117.036  | 117.036  |
| Total assets   | 349.918       | 46.017       | 57.262        | 66.331      | 246.050          | 118.241  | 883.819  |
| <b>Liabilities</b>   |               |              |               |             |                  |          |          |
| Interbank deposits   | -             | -            | -             | -           | -                | -        | -        |
| Other deposits   | -             | -            | -             | -           | -                | -        | -        |
| Money market takings   | -             | 98           | -             | -           | -                | -        | 98       |
| Miscellaneous payables   | -             | -            | -             | -           | -                | 5.112    | 5.112    |
| Marketable securities issued   | -             | -            | -             | -           | -                | -        | -        |
| Funds provided from other financial institutions   | 3.679         | 14.691       | 12.862        | 12.497      | 241.393          | -        | 285.122  |
| Other liabilities  | -             | -            | -             | -           | -                | 593.487  | 593.487  |
| Total liabilities  | 3.679         | 14.789       | 12.862        | 12.497      | 241.393          | 598.599  | 883.819  |
| <b>On balance sheet interest sensitivity gap-Long</b>  | 346.239       | 31.228       | 44.400        | 53.834      | 4.657            | -        | 480.358  |
| <b>On balance sheet interest sensitivity gap-Short</b>   | -             | -            | -             | -           | -                | -480.358 | -480.358 |
| <b>Off balance sheet interest sensitivity gap-Long</b>   | -             | -            | -             | -           | -                | -        | -        |
| <b>Off balance sheet interest sensitivity gap-Short</b>  | -             | -            | -2.135        | -           | -                | -        | -2.135   |
| <b>Total position</b>  | 346.239       | 31.228       | 42.265        | 53.834      | 4.657            | -480.358 | -2.135   |

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**Average interest rates applied to monetary financial instruments: (%)**

|  | EURO | USD  | Japanese Yen | TRY   |
|--|------|------|--------------|-------|
| <b>Prior period</b>  |      |      |              |       |
| Assets   |      |      |              |       |
| Cash (cash in vault, effectives, money in transit, cheques purchased) and balances with the Central Bank of Turkey | -    | -    | -            | -     |
| Due from banks   | 3,55 | 5,21 | -            | 18,39 |
| Financial assets where fair value change is reflected to income statement  | -    | -    | -            | 18,97 |
| Money market placements  | -    | -    | -            | 17,50 |
| Financial assets available for sale  | -    | -    | -            | -     |
| Loans  | 4,72 | 7,56 | 4,36         | 13,92 |
| Investments held to maturity   | -    | -    | -            | -     |
| Liabilities  |      |      |              |       |
| Interbank deposits   | -    | -    | -            | -     |
| Other deposits   | -    | -    | -            | -     |
| Money market takings   | -    | -    | -            | -     |
| Miscellaneous payables   | -    | -    | -            | -     |
| Marketable securities issued   | -    | -    | -            | -     |
| Funds provided from other financial institutions   | 3,94 | 5,92 | -            | 10,00 |

**VII – Explanations on liquidity risk:**

The liquidity risk management of the Bank which does not accept any savings due to being a development and investment bank therefore is not exposed to any savings based liquidity risk caused by market fluctuations is performed by proforma cash flow statements prepared for longer periods as well as daily and weekly liquidity management. Those statements are used to determine the liquidity need in future periods and/or liquidity needs in extraordinary situations (if present), alternative liquidity sources that can be utilized and placement areas.

During the prediction of possible cash flows in future period projections, different scenarios are used to calculate possible liquidity risks which the Bank can be exposed with certain probabilities.

Although the basic resource of the Bank to cover TC and FC liquidity needs is auto financing, funds can be obtained from TCMB interbank market, domestic and foreign banks and repo agreements when needed.

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**Presentation of assets and liabilities according to their outstanding maturities:**

|  | Demand          | Up to 1 Month  | 1-3 Months    | 3 – 12 Months  | 1 – 5 Years    | 5 Years and Over | Undistrib uted* | Total          |
|--|-----------------|----------------|---------------|----------------|----------------|------------------|-----------------|----------------|
| <b>Current period</b>  |                 |                |               |                |                |                  |                 |                |
| <b>Assets</b>  |                 |                |               |                |                |                  |                 |                |
| Cash (cash in vault, effectives, money in transit, cheques purchased) and Balances with the Central Bank of Turkey | 86              | 104            | -             | -              | -              | -                | -               | 190            |
| Due from banks   | 4.417           | 134.353        | -             | -              | -              | -                | -               | 138.770        |
| Financial assets where fair value change is reflected to income statement  | -               | -              | 15.344        | 80.675         | 14.606         | -                | -               | 110.625        |
| Money market placements  | -               | 85.537         | -             | -              | -              | -                | -               | 85.537         |
| Marketable securities available for sale   | 7.266           | -              | -             | -              | -              | -                | -               | 7.266          |
| Loans  | -               | 5.268          | 13.961        | 72.687         | 274.506        | 28.951           | 2.637           | 398.010        |
| Investments held to maturity   | -               | -              | -             | -              | 3.262          | -                | -               | 3.262          |
| Other assets   | -               | -              | -             | -              | -              | -                | 74.146          | 74.146         |
| <b>Total assets</b>  | <b>11.769</b>   | <b>225.262</b> | <b>29.305</b> | <b>153.362</b> | <b>292.374</b> | <b>28.951</b>    | <b>76.783</b>   | <b>817.806</b> |
| <b>Liabilities</b>   |                 |                |               |                |                |                  |                 |                |
| Interbank deposits   | -               | -              | -             | -              | -              | -                | -               | -              |
| Other deposits   | -               | -              | -             | -              | -              | -                | -               | -              |
| Funds provided from other financial instruments  | -               | 1.134          | 5.537         | 10.421         | 100.985        | 97.314           | -               | 215.391        |
| Money market takings   | -               | 126            | -             | -              | -              | -                | -               | 126            |
| Marketable securities issued   | -               | -              | -             | -              | -              | -                | -               | -              |
| Miscellaneous payables   | 2.011           | -              | -             | -              | -              | -                | -               | 2.011          |
| Other liabilities  | -               | 1.316          | 1.086         | 3.802          | 90.846         | 13.232           | 489.996         | 600.278        |
| <b>Total liabilities</b>   | <b>2.011</b>    | <b>2.576</b>   | <b>6.623</b>  | <b>14.223</b>  | <b>191.831</b> | <b>110.546</b>   | <b>489.996</b>  | <b>817.806</b> |
| <b>Liquidity gap</b>   | <b>9.758</b>    | <b>222.686</b> | <b>22.682</b> | <b>139.139</b> | <b>100.543</b> | <b>-81.595</b>   | <b>-413.213</b> | <b>-</b>       |
| <b>Prior period</b>  |                 |                |               |                |                |                  |                 |                |
| <b>Total assets</b>  | <b>118.241</b>  | <b>349.918</b> | <b>46.017</b> | <b>57.262</b>  | <b>66.331</b>  | <b>246.050</b>   | <b>-</b>        | <b>883.819</b> |
| <b>Total liabilities</b>   | <b>598.599</b>  | <b>3.679</b>   | <b>14.789</b> | <b>12.862</b>  | <b>12.497</b>  | <b>241.393</b>   | <b>-</b>        | <b>883.819</b> |
| <b>Liquidity gap</b>   | <b>-480.358</b> | <b>346.239</b> | <b>31.228</b> | <b>44.400</b>  | <b>53.834</b>  | <b>4.657</b>     | <b>-</b>        | <b>-</b>       |

(\*)Other assets accounts which compose the balance sheet like fixed assets, investments and subsidiaries, office supplies, deferred expenses and followed up claims necessary for banking operations and non-current assets are shown in this section.

**VIII. Explanations on fincial assets and liabilities with their fair value presantion:**

From the investments of the Bank's subsidiary, those which are quoted to the stock market are valued with their weighted average prices at the date of the balance sheet regulated by the Standart for Accounting of Financial Instruments. The other investments, which are not quoted to the stock market are subjected to impairment test

The table below shows the assets and liabilities on the Bank's financial statements with their fair value after adding the total rediscount amount of the period to their book value and carried cost



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|  | Book value     |              | Fair value     |              |
|--|----------------|--------------|----------------|--------------|
|  | Current period | Prior period | Current period | Prior period |
| Financial assets                                 | 702.779        | 669.277      | 657.933        | 667.564      |
| Money market placements                          | 98.938         | 183.900      | 110.625        | 184.168      |
| Due from banks                                   | 138.578        | 143.183      | 138.770        | 143.406      |
| Financial assets available for sale              | 15.132         | 15.149       | 7.266          | 6.586        |
| Investments held to maturity                     | 3.195          | -            | 3.262          | -            |
| Loans  | 446.936        | 327.045      | 398.010        | 333.404      |
| Financial liabilities                            | 323.011        | 286.680      | 327.810        | 290.332      |
| Interbank deposits                               | -              | -            | -              | -            |
| Other deposits                                   | -              | -            | -              | -            |
| Funds provided from other financial institutions | 321.051        | 281.609      | 325.799        | 285.220      |
| Marketable securities issued                     | -              | -            | -              | -            |
| Miscellaneous payables                           | 1.960          | 5.071        | 2.011          | 5.112        |

**IX. Explanations on the transactions made to other parties or their accounts and transactions based on faith:**

Purchases and sales of marketable securities and storage transactions services are given by the Bank for other parties and their accounts. Management and consultancy concerning capital market operations are not given by the Bank in compliance to the Capital Market Law. The Bank also operates tourism and substructure investments in the name of the Ministry of Culture and Tourism.

There are no transactions made based on faith by the Bank.

SECTION FIVE  
EXPLANATIONS AND NOTES TO THE  
FINANCIAL STATEMENTS

I- Explanations and notes to the assets of the balance sheet:

**1.a) Cash and balances with the Central Bank:**

|                           | Current period |    | Prior period |    |
|---------------------------|----------------|----|--------------|----|
|                           | TC             | FC | TC           | FC |
| Cash and foreign currency | 86             | -  | 49           | -  |
| Central Bank              | 104            | -  | 54           | -  |
| Other                     | -              | -  | -            | -  |
| Total                     | 190            | -  | 103          | -  |

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

|                            | Current period |    | Prior period |    |
|----------------------------|----------------|----|--------------|----|
|                            | TC             | FC | TC           | FC |
| Demand unrestricted amount | 104            | -  | 54           | -  |
| Time unrestricted amount   | -              | -  | -            | -  |
| Time restricted amount     | -              | -  | -            | -  |
| Total                      | 104            | -  | 54           | -  |

2. a) Financial assets where the difference in fair value is reflected to the income statement that are subjected to repo agreements or blocked / given as guarantees:

|                                   | Current period |    | Prior period |    |
|-----------------------------------|----------------|----|--------------|----|
|                                   | TC             | FC | TC           | FC |
| Share certificates                | -              | -  | -            | -  |
| Bonds, notes and other mark. Sec. | 77.114         | -  | 27.706       | -  |
| Other                             | -              | -  | -            | -  |
| Total                             | 77.114         | -  | 27.706       | -  |

**2. b) Positive differences table for derivative financial assets held for trading:**

The Bank does not possess any held for trading derivative financial assets.

**3. a) Information about banks:**

|                             | Current period |        | Prior period |        |
|-----------------------------|----------------|--------|--------------|--------|
|                             | TC             | FC     | TC           | FC     |
| Banks                       |                |        |              |        |
| Domestic banks              | 124.333        | 9.408  | 124.102      | 611    |
| Foreign banks               | -              | 5.029  | -            | 563    |
| Branches and offices abroad | -              | -      | -            | 18.130 |
| Total                       | 124.333        | 14.437 | 124.102      | 19.304 |

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**3. b) Information on foreign bank account:**

|                           | Unrestricted amount |              | Restricted amount |              |
|---------------------------|---------------------|--------------|-------------------|--------------|
|                           | Current period      | Prior period | Current period    | Prior period |
| European Union countries  | 227                 | 228          | 4.697             | -            |
| USA and Canada            | 65                  | 329          | -                 | -            |
| OECD Countries*           | 40                  | 6            | -                 | -            |
| Off-shore banking regions | -                   | -            | -                 | -            |
| Other                     | -                   | -            | -                 | -            |
| Total                     | 332                 | 563          | 4.697             | -            |

\* OECD countries other than European Union countries, USA and Canada

**4.a) Available for sale assets that are subjected to repo agreements or blocked / given as guarantees:**

None.

**4. b) Information on financial assets available for sale:**

|                            | Current period | Prior period |
|----------------------------|----------------|--------------|
| Debt securities            | 6.278          | 5.430        |
| Quoted in a stock exchange | 6.278          | 5.430        |
| Not quoted                 | -              | -            |
| Share certificates         | 13.473         | 13.696       |
| Quoted in a stock exchange | -              | 223          |
| Not quoted                 | 13.473         | 13.473       |
| Impairment provision (-)   | 12.485         | 12.540       |
| Total                      | 7.266          | 6.586        |

**5. Explanations on loans:****5. a) Information on all 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   | -              | -              | -            | -              |
| Corporate shareholders                 | -              | -              | -            | -              |
| Real person shareholders               | -              | -              | -            | -              |
| Indirect Loans granted to shareholders | -              | -              | -            | -              |
| Loans granted to employees             | 3.743          | -              | 3.872        | -              |
| Total                                  | 3.743          | -              | 3.872        | -              |

**5. b) Information on the first and second Bank loans and other receivables including loans that have been restructured or rescheduled:**

| Cash Loans<br>Non-specialized loans   | Standard loans and other receivables |                             | Loans and other receivables under close monitoring |                             |
|---------------------------------------|--------------------------------------|-----------------------------|--|-----------------------------|
|                                       | Loans and other receivables          | Restructured or rescheduled | Loans and other receivables                        | Restructured or rescheduled |
| Discount notes                        | 198.641                              | 4.394                       | 1.786  | -                           |
| Export loans                          | -                                    | -                           | -  | -                           |
| Import loans                          | 32.505                               | -                           | -  | -                           |
| Loans given to financial sector       | -                                    | -                           | -  | -                           |
| International loans                   | -                                    | -                           | -  | -                           |
| Consumer loans                        | -                                    | -                           | -  | -                           |
| Credit cards                          | 3.743                                | -                           | -  | -                           |
| Precious metals loans (Gold , etc...) | -                                    | -                           | -  | -                           |
| Other                                 | -                                    | -                           | -  | -                           |
| Specialized lending                   | 162.393                              | 4.394                       | 1.786  | -                           |
| Other receivables                     | 178.260                              | 5.958                       | 2.220  | 4.114                       |
| Total                                 | -                                    | -                           | -  | -                           |
| Cash Loans                            | 376.901                              | 10.352                      | 4.006  | 4.114                       |

**5. c) Loans according to their maturity structure:**

|  | Standard loans and other receivables |                             | Loans and other receivables under close monitoring |                             |
|--|--------------------------------------|-----------------------------|--|-----------------------------|
|  | Loans and other receivables          | Restructured or rescheduled | Loans and other receivables                        | Restructured or rescheduled |
| Short term loans and other receivables           | 21.356                               | -                           | -  | -                           |
| Non-specialized loans                            | 21.356                               | -                           | -  | -                           |
| Specialized loans                                | -                                    | -                           | -  | -                           |
| Other receivables                                | -                                    | -                           | -  | -                           |
| Medium and long term loans and other receivables | 355.545                              | 10.352                      | 4.006  | 4.114                       |
| Non-specialized loans                            | 173.542                              | 4.394                       | 1.786  | -                           |
| Specialized loans                                | 178.260                              | 5.958                       | 2.220  | 4.114                       |
| Other receivables                                | 3.743                                | -                           | -  | -                           |

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**5. c) Information on consumer loans, individual credit cards, personnel loans and credit cards:**

:

|   | Short-term | Medium and long-term | Total |
|---|------------|----------------------|-------|
| Consumer loans-TC                       | -          | -                    | -     |
| Real estate loans                       | -          | -                    | -     |
| Automobile loans                        | -          | -                    | -     |
| Consumer loans                          | -          | -                    | -     |
| Other                                   | -          | -                    | -     |
| Consumer loans- Indexed to FC           | -          | -                    | -     |
| Real estate loans                       | -          | -                    | -     |
| Automobile loans                        | -          | -                    | -     |
| Consumer loans                          | -          | -                    | -     |
| Other                                   | -          | -                    | -     |
| Consumer loans- FC                      | -          | -                    | -     |
| Real estate loans                       | -          | -                    | -     |
| Automobile loans                        | -          | -                    | -     |
| Consumer loans                          | -          | -                    | -     |
| Other                                   | -          | -                    | -     |
| Individual credit cards-TC              | -          | -                    | -     |
| Installment                             | -          | -                    | -     |
| Non-Installment                         | -          | -                    | -     |
| Individual credit cards-FC              | -          | -                    | -     |
| Installment                             | -          | -                    | -     |
| Non-Installment                         | -          | -                    | -     |
| Personnel loans-TC                      | -          | 3.743                | 3.743 |
| Real estate loans                       | -          | -                    | -     |
| Automobile loans                        | -          | -                    | -     |
| Consumer loans                          | -          | 3.743                | 3.743 |
| Other                                   | -          | -                    | -     |
| Personnel loans-Indexed to FC           | -          | -                    | -     |
| Real estate loans                       | -          | -                    | -     |
| Automobile loans                        | -          | -                    | -     |
| Consumer loans                          | -          | -                    | -     |
| Other                                   | -          | -                    | -     |
| Personnel loans-FC                      | -          | -                    | -     |
| Real estate loans                       | -          | -                    | -     |
| Automobile loans                        | -          | -                    | -     |
| Consumer loans                          | -          | -                    | -     |
| Other                                   | -          | -                    | -     |
| Personnel credit cards-TC               | -          | -                    | -     |
| Installment                             | -          | -                    | -     |
| Non-Installment                         | -          | -                    | -     |
| Personnel credit cards-FC               | -          | -                    | -     |
| Installment                             | -          | -                    | -     |
| Non-Installment                         | -          | -                    | -     |
| Overdraft accounts-TC (Retail customer) | -          | -                    | -     |
| Overdraft accounts-FC (Retail customer) | -          | -                    | -     |
| Total                                   | -          | 3.743                | 3.743 |

**5. d) Information on Commercial Installment Loans and Corporate Credit Cards:**

As of the balance sheet date the Bank has not granted any trade or corporate credit cards that can be paid by installments

**5. e) Loans according to tFCe of borrowers:**

|         | Current period | Prior period |
|---------|----------------|--------------|
| Public  | -              | -            |
| Private | 395.373        | 333.404      |
| Total   | 395.373        | 333.404      |

**5. f) International and domestic loans:**

|                | Current period | Prior period |
|----------------|----------------|--------------|
| Domestic loans | 395.373        | 333.404      |
| Foreign loans  | -              | -            |
| Total          | 395.373        | 333.404      |

**5. g) Loans granted to subsidiaries and investments:**

|  | Current period | Prior period |
|--|----------------|--------------|
| Direct loans granted to subsidiaries and investments   | 8.477          | 952          |
| Indirect loans granted to subsidiaries and investments | -              | -            |
| Total  | 8.477          | 952          |

**5. ğ) Specific provisions provided against loans:**

|  | Current period | Prior period |
|--|----------------|--------------|
| Loans and receivables with limited collectibility  | 2.446          | 19.921       |
| Loans and receivables with doubtful collectibility | 2.429          | 1.648        |
| Uncollectible loans and receivables                | 51.169         | 42.280       |
| Total  | 56.044         | 63.849       |

**5.h) Information on loans under follow-up account (Net):****5. h.1) Information on loans and other receivables included in loans under follow-up account which are restructured or rescheduled:**

|  | III. Bank:  | IV. Bank:  | V. Bank                             |
|--|---|--|-------------------------------------|
|  | Loans and receivables with limited collectibility | Loans and receivables with doubtful collectibility | Uncollectible loans and receivables |
| Current period                                     | 134   | 602  | 12.496                              |
| (Gross amounts before the specific reserves)       | -   | -  | -                                   |
| Loans and other receivables which are restructured | -   | -  | -                                   |
| Rescheduled loans and other receivables            | 134   | 602  | 12.496                              |
| Prior period                                       | 14.448  | 1.046  | 10.867                              |
| (Gross amounts before the specific reserves)       | -   | -  | -                                   |
| Loans and other receivables which are restructured | -   | -  | -                                   |
| Rescheduled loans and other receivables            | 14.448  | 1.046  | 10.867                              |

**5. h.2) The movement of loans under follow-up:**

|  | III. Bank   | IV. Bank   | V. Bank                             |
|--|---|--|-------------------------------------|
|  | Loans and receivables with limited collectibility | Loans and receivables with doubtful collectibility | Uncollectible loans and receivables |
| Prior period end balance                                     | 19.921  | 1.648  | 42.280                              |
| Additions (+)  | 11.003  | 235  | 10.879                              |
| Transfers from other categories of loans under follow-up (+) | -   | 22.346   | 23.348                              |
| Transfers to other categories of loans under follow-up (-)   | 25.155  | 20.540   | 2.169                               |
| Collections (-)  | 788   | 1.175  | 21.917                              |
| Write-offs (-)   | -   | -  | 1.235                               |
| Commercial and corporate loans                               | -   | -  | -                                   |
| Individual loans   | -   | -  | -                                   |
| Credit cards   | -   | -  | -                                   |
| Other  | -   | -  | -                                   |
| Current period end balance                                   | 4.981   | 2.514  | 51.186                              |
| Specific provision (-)                                       | 2.446   | 2.429  | 51.169                              |
| Net Balance on balance sheet                                 | 2.535   | 85   | 17                                  |

**5. h.3) Information on foreign currency loans and other receivables under follow-up:**

The Bank, in accordance with the regulation concerning “From Uncollectable Receivables, Fees, Commissions and Receivables with Doubtful Collectibility, Uncollectible Loans and Receivables” on the third section of “Bulletin on the Turkish Uniform Chart of Accounts and Explanation” translates the foreign exchange loans to Turkish Currency with the exchange rate of the day that these are transferred to the followed up credits account and are followed in these amounts.

**5.h.4) Information on gross and net loans under follow-up according to borrowers:**

|  | III. Bank   | IV. Bank   | V. Bank                             |
|--|---|--|-------------------------------------|
|  | Loans and receivables with limited collectibility | Loans and receivables with doubtful collectibility | Uncollectible loans and receivables |
| <b>Current period (Net)</b>                              | 2.535   | 85   | 17                                  |
| Loans granted to real persons and legal entities (Gross) | 4.981   | 2.442  | 51.186                              |
| Specific provision (-)                                   | 2.446   | 2.357  | 51.169                              |
| Loans granted to real persons and legal entities (Net)   | 2.535   | 85   | 17                                  |
| Banks (Gross)  | -   | -  | -                                   |
| Specific provision (-)                                   | -   | -  | -                                   |
| Banks (Net)  | -   | -  | -                                   |
| Other loans and receivables (Gross)                      | -   | 72   | -                                   |
| Specific provision (-)                                   | -   | 72   | -                                   |
| Other loans and receivables (Net)                        | -   | -  | -                                   |
| <b>Prior period (Net)</b>                                | -   | -  | -                                   |
| Loans granted to real persons and legal entities (Gross) | 19.921  | 1.648  | 42.280                              |
| Specific provision (-)                                   | 19.921  | 1.648  | 42.280                              |
| Loans granted to real persons and legal entities (Net)   | -   | -  | -                                   |
| Banks (Gross)  | -   | -  | -                                   |
| Specific provision (-)                                   | -   | -  | -                                   |
| Banks (Net)  | -   | -  | -                                   |
| Other loans and receivables (Gross)                      | -   | -  | -                                   |
| Specific provision (-)                                   | -   | -  | -                                   |
| Other loans and receivables (Net)                        | -   | -  | -                                   |

**5.i) The Main Outline for the Liquidation Policy for Credits Rated as Loss and Other Receivables:**

In case the guarantee factors stated in the 9<sup>th</sup> Article of the “Legislation on Determination of Qualities of Loans and Other Receivables by Banks and Procedures and Basis for Reservation of Provisions for Those Loans” are present, then the liquidation of the receivable is realized as soon as possible as a result of administrative and legal undertakings.

In case the guarantee factor is not present and even though an evidence of insolvency is acquired for the debtor, a legal follow up is initiated with intensive intelligence actions in order to find out subsequently-acquired property.

Before and after legal action follow ups; as a result of the examinations of the financial information of the company undertaken by the Bank, in case a company is believed to be able to survive and in case it is believed that the reinstitution of the company shall benefit the economy, then the receivable is tried to be obtained with an agreement.

**5.i) Explanation on policy of derecognition disopile from financial statements:**

Uncollectible loans or receivables are derecognized from financial statements on the state after the date when provisions rate of these loans and receivables reach 100% and are deemed impossible to collect in accordance with a convincing document or a court order by board of director minutes.



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**6. Information on investments held to maturity:****6.a) Comparative net value of investments held to maturity which are subject to repurchase transactions, given as guarantees and which are in blockage:**

None.

**6. b) Public sector debt securities held to maturity:**

|                                     | Current period | Prior period |
|-------------------------------------|----------------|--------------|
| Government bonds                    | 3.262          | -            |
| Treasury bills                      | -              | -            |
| Other public sector debt securities | -              | -            |
| Total                               | 3.262          | -            |

**6. c) The movement of investments held to maturity:**

|   | Current period | Prior period |
|---|----------------|--------------|
| Beginning balance                               | -              | -            |
| Foreign currency differences on monetary assets | -              | -            |
| Purchases during year                           | 3.262          | -            |
| Disposals through sales and redemptions         | -              | -            |
| Impairment provision (-)                        | -              | -            |
| Period end balance                              | 3.262          | -            |

**7. Information on investments (Net):****7.a.1) Information on investments that are not consolidated:**

| Description                       | Address (City / Country) | Bank's share percentage-If different voting percentage(%) | Bank's risk group share percentage (%) |
|-----------------------------------|--------------------------|---|--|
| 1 MAKSAN A.Ş.                     | MALATYA                  | 31,14   | 31,14                                  |
| 2 EMİRAY A.Ş. (*)                 | İSTANBUL                 | 10,00   | 10,00                                  |
| 3 TEŞEBBÜS DESTEKLEME AJANSI (**) | ANKARA                   | 20,00   | 20,00                                  |
| 4 TÜRK SUUDİ HOLDİNG.A.Ş.         | İSTANBUL                 | 24,69   | 24,69                                  |
| 5 TÜRŞAN (***)                    | MARDİN                   | 17,84   | 17,84                                  |

(\*) The company is in the process of dissolution.

(\*\*) The company is inactive. The Bank has no other initiative over the company except partnership.

(\*\*\*) The company is inactive.

| Total assets | Shareholders' equity | Total fixed assets | Interest income | Income from marketable securities portfolio | Current period profit / loss | Prior period profit / loss | Fair value |
|--------------|----------------------|--------------------|-----------------|---|------------------------------|----------------------------|------------|
| 1 14.048     | 8.517                | 2.836              | -               | -   | 1.985                        | 1.501                      | 2.652      |
| 2 -          | -                    | -                  | -               | -   | -                            | -                          | 775        |
| 3 -          | -                    | -                  | -               | -   | -                            | -                          | -          |
| 4 8.157      | 7.627                | 8.035              | 1               | 3   | -114                         | -526                       | 1.883      |
| 5 -          | -                    | -                  | -               | -   | -                            | -                          | 1          |

Note: 30.09.2007 information.

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**7.b.2) Information on investments:**

|   | Current period | Prior period |
|---|----------------|--------------|
| Balance at the beginning of the period                | 5.052          | 3.934        |
| Movements during the period                           | 259            | 1.118        |
| Purchases   | -              | -            |
| Free shares obtained profit from current year's share | 467            | -            |
| Dividends from current year income                    | -              | -            |
| Sales   | -              | -            |
| Revaluation increase                                  | -806           | 1.118        |
| Impairment provision                                  | -598           | -            |
| Balance at the end of the period                      | 5.311          | 5.052        |
| Capital commitments                                   | -              | -            |
| Share percentage at the end of the period (%)         | -              | -            |

**8. Information on subsidiaries (Net):****8.a) Information on subsidiaries:**

| Description                             | Address(City/<br>Country) | Bank's share percentage-If<br>different voting<br>percentage(%) | Bank's risk group<br>share percentage (%) |
|---|---------------------------|---|---|
| 1 KALKINMA YATIRIM MENKUL DEĞERLER A.Ş. | İSTANBUL                  | 100,00  | 100,00                                    |

| Total assets | Shareholders'<br>equity | Total fixed<br>assets | Interest income | Income from<br>marketable<br>securities<br>portfolio | Current period<br>profit / loss | Prior period<br>profit / loss | Fair value |
|--------------|-------------------------|-----------------------|-----------------|--|---------------------------------|-------------------------------|------------|
| 1 16.408     | 9.246                   | 451                   | 1.013           | 343  | 171                             | -76                           | 9.246      |

Note: 30.09.2007 information.

The Bank has reexamined the loan it granted to the subsidiary Acielsan A.Ş. due to the fact that the loan was not paid on maturity in the context of the 4<sup>th</sup> Article of the "Legislation Determining the attributes and the procedure and principals for the provisions to be set for the loans granted by banks and other receivables" published in the Legal Gazette dated November 1<sup>st</sup>, 2006 and numbered 26333, and in accordance with the 8<sup>th</sup> paragraph of the 6<sup>th</sup> Article of the aforementioned legislation, decided to follow up the amount of 3.469.348 YTL partnership interest and 643.481 YTL loan receivable in the loans with low probability of return. The partnership ratio of the Bank in the company is 76.83 %.

The Bank started to follow up the loan receivables and partnership interest of its subsidiary Arıcak A.Ş. on 31.12.2006 in accordance to the Articles mentioned above of the "Legislation Determining the attributes and the procedure and principals for the provisions to be set for the loans granted by banks and other receivables". During the capital increase of the company in 2007 from 7.350 YTL to 500.000 YTL, the whole difference of 482.650 YTL was paid solely by the Bank. After the capital increase, the partnership ratio of the bank has risen to 99,28 % from 51,02 %.

**8.b.2) Information on subsidiaries:**

|  | Current period | Prior period |
|--|----------------|--------------|
| Balance at the beginning of the period               | 10.446         | 21.990       |
| Movements in period                                  | -1.200         | -11.544      |
| Purchases  | -              | -            |
| Free shares obtained profit from current years share | -              | -            |
| Dividends from current year income                   | -              | -            |
| Sales  | -              | 8.662        |
| Revaluation increase                                 | 465            | -            |
| Impairment provision                                 | 1.665          | -            |
| Balance at the end of the period                     | -              | 2.882        |
| Capital commitments                                  | 9.246          | 10.446       |
| Share percentage at the end of the period (%)        | -              | -            |
| Balance at the beginning of the period               | 100            | 100          |

**8.b.3) Sectoral information on consolidated subsidiaries and the related carrying amounts:**

|                              | Current period | Prior period |
|------------------------------|----------------|--------------|
| Banks                        | -              | -            |
| Insurance companies          | -              | -            |
| Factoring companies          | -              | -            |
| Leasing companies            | -              | -            |
| Finance companies            | 9.246          | 9.069        |
| Other financial subsidiaries | -              | -            |

**8.b.4) Subsidiaries which are quoted to a stock exchange:**

None.

**9. Information on jointly controlled companies:**

As of the balance sheet date the Bank does not have any jointly controlled companies.

**10. Information on lease receivables (Net):**

The Bank does not have any financial lease operations. The Bank has an operating lease receivable of 2 Thousand YTL.

**11. Information on hedge instruments:**

None.

**12. Information on tangible fixed assets (Net):**

|   | Real Estate | Leased<br>Tangible<br>Assets | Motor<br>Vehicles | Other Tangible<br>Fixed Assets | Total   |
|---|-------------|------------------------------|-------------------|--------------------------------|---------|
| Balance at the beginning of the period:         |             |                              |                   |                                |         |
| Cost  | 128.494     | -                            | 291               | 2.028                          | 130.813 |
| Accumulated Depreciation (-)                    | 15.920      | -                            | 291               | 1.578                          | 17.789  |
| Impairment Provisions                           | 74.413      | -                            | -                 | -                              | 74.413  |
| Net Book Value                                  | 38.161      | -                            | -                 | 450                            | 38.611  |
| Balance at the end of current period:           |             |                              |                   |                                |         |
| Net Book Value at the beginning of the period   | 38.161      | -                            | -                 | 450                            | 38.611  |
| Purchases                                       | 541         | -                            | -                 | 1.453                          | 1.994   |
| Disposed  | 245         | -                            | 12                | -                              | 257     |
| Deleted From Impairment Provision               | 2.402       | -                            | -                 | -                              | 2.402   |
| Impairment Provisions                           | 85          | -                            | -                 | -                              | 85      |
| Current Period Depreciation (-)                 | 2.524       | -                            | 12                | 285                            | 2.821   |
| Exchange rate dif. From foreign. Aff. (-)       |             | -                            | -                 | -                              | -       |
| Cost at the end of the period                   | 56.695      | -                            | 279               | 3.194                          | 60.168  |
| Accumulated depreciation at the end of per. (-) | 18.445      | -                            | 279               | 1.576                          | 20.300  |
| Closing Net Book Value                          | 38.250      | -                            | -                 | 1.618                          | 39.868  |

**13. Information on intangible assets:**

|          | Current period   |                          | Prior period     |                          |
|----------|------------------|--------------------------|------------------|--------------------------|
|          | Gross book value | Accumulated Depreciation | Gross book value | Accumulated Depreciation |
| Software | 207              | 50                       | -                | -                        |

**14. Explanations on real estate held for investment:**

None.

**15. Explanations on deferred tax asset:**

Due to the accounting policies and valuation principals applied at the Bank financial statements and the "timing differences" between the tax legislations the amount of deferred tax assets of 8.041 Thousand YTL was reflected in the financial statements as.

**16. Explanations on fixed assets held for sale and discontinued operations:**

None.

**17. Information on other assets:**

The total of other assets is 3.314 Thousand YTL comprising of 51 Thousand YTL of office supplies, 3.103 Thousand YTL of temporary loan accounts, 159 Thousand YTL sundry receivables and 1 Thousand YTL other receivables.

a) If the other assets are greater than 10% of balance sheet total excluding off-balance sheet commitments, names and amounts of subaccounts that form at least 20% of other assets:

Other assets are not greater than 10% of balance sheet total.

## II- Explanations and Notes to the Liability Accounts of the Balance Sheet

### 1. Information on the maturity structure of savings and collected funds:

The Bank does not accept any savings and does not collect any funds.

### 2. Information on Held for Trading Derivative Liabilities:

#### 2.a) Table of negative differences concerning held for trading derivative liabilities:

None.

### 3. Information on received loans:

#### 3. a) Information about funds borrowed:

|  | Current period |         | Prior period |         |
|--|----------------|---------|--------------|---------|
|  | TC             | FC      | TC           | FC      |
| Funds borrowed from the Central Bank of Turkey | -              | -       | -            | -       |
| Domestic banks and institutions                | 4.579          | 120.591 | 4.589        | 120.938 |
| Foreign banks, institutions and funds          | -              | 90.221  | -            | 54.495  |
| Total  | 4.579          | 210.812 | 4.589        | 175.433 |

#### 3. b) Maturity structure of funds borrowed:

|                      | Current period |         | Prior period |         |
|----------------------|----------------|---------|--------------|---------|
|                      | TC             | FC      | TC           | FC      |
| Short-term           | 4.579          | 16.492  | 4.589        | 9.121   |
| Medium and long-term | -              | 194.320 | -            | 166.312 |
| Total                | 4.579          | 210.812 | 4.589        | 175.433 |

#### 3.c) Additional explanations concerning the concentrated areas of Bank liabilities:

Bank is not allowed to collect any savings and the liabilities included in the financial statements consist of funds, middle and long term loans from domestic and international institutions.

Most of the loans from international sources are from European Investment Bank, European Commission Development Bank and World Bank. Domestic loans are from Eximbank. Almost all of the domestic funds amounting up to 110.282 YTL are from Undersecretariat of Treasury. The risk of the Incentive Fund used amounting up to 91.352 YTL does not belong to the Bank.

### 4. If the Other Liabilities Account Exceeds 10% of the Total of Balance Sheet, Names and Amounts of Subaccounts That Form at Least 20% of Other Liabilities:

None.

**5. Information on lease liabilities (Net):**

None.

**6. Information on hedge liabilities:**

None.

**7. Explanations on provisions:****7.a) Information on general provisions:**

|  | Current period | Prior period |
|--|----------------|--------------|
| General provisions                               | 1.800          | 1.349        |
| Provisions for first Bank loans and receivables  | 1.671          | 1.199        |
| Provisions for second Bank loans and receivables | 41             | 32           |
| Provisions for non cash loans                    | 1              | 3            |
| Others   | 87             | 115          |

**7.b) Provisions for principal foreign exchange losses foreign currency loans and receivables from financial leasing contracts:**

The exchange rate decrease provision's capital of the foreign currency based loans is 545 Thousand YTL.

**7.c) Special provisions for non-cash loans which are non-reimbursed and converted to cash:**

None.

**7.d) Other Provisions:**

The Bank calculated and reflected the provisions for termination indemnities in accordance with the 19<sup>th</sup> Turkish Accounting Standart to the financial statements.

As of December 31<sup>st</sup>, 2007, the amount of Bank's provisions for termination indemnities is 14.583 Thousand YTL (31.12.2006: 12.683 Thousand YTL).

The Bank has not calculated any provision excluding employee's rights and general loan provisions.

**8. Information on liabilities for tax:****8.a) Current tax liabilities:****8.a.1) Explanations on provision for taxes:**

|                                | Current period |    | Prior period |    |
|--------------------------------|----------------|----|--------------|----|
|                                | TP             | YP | TP           | YP |
| Corporate Tax and Deferred Tax |                |    |              |    |
| Corporate Tax Payable          | 10.599         | -  | 38.366       | -  |
| Deferred Tax Liability         | -              | -  | -            | -  |
| Total                          | 10.599         | -  | 38.366       | -  |

**8.a.2) Information on taxes payable:**

|  | Current period | Prior period |
|--|----------------|--------------|
| Corporate taxes payable                  | 10.599         | 38.366       |
| Taxation of securities                   | 56             | 19           |
| Property tax                             | 1              | 1            |
| Banking Insurance Transaction Tax (BITT) | 95             | 107          |
| Foreign exchange legislation tax         | -              | -            |
| Value added tax payable                  | -              | 5            |
| Other                                    | 558            | 401          |
| Total                                    | 11.309         | 38.899       |

**8.a.3) Information on premiums:**

|  | Current period | Prior period |
|--|----------------|--------------|
| Social security premiums-Employee                    | 82             | 84           |
| Social security premiums-Employer                    | 114            | 117          |
| 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                      | 6              | 6            |
| Unemployment insurance-Employer                      | 11             | 12           |
| Other  | -              | -            |
| Total  | 213            | 219          |

The current tax liability of 11.522 Thousand YTL in the balance sheet is the sum of amounts included in notes (8.a.2) and (8.a.3).

**9. Explanation on liabilities for property and equipment held for sale purposes and held from discontinued operations:**

Bank does not have any liabilities from property and equipment held for sale purposes and held from discontinued operations.

**10. Explanations on number, maturity date, interest rate of the capital like loans acquired by the Bank, the company that provided the loan, the option to convert to share certificates:**

None.

**11. Information on shareholders' equity:****11.a) Paid-in capital:**

|                 | Current period | Prior period |
|-----------------|----------------|--------------|
| Common stock    | 160.000        | 160.000      |
| Preferred stock | -              | -            |

**11.b) Paid-in capital, explanations on if the recorded capital is applied in the Bank and the capital ceiling if recorded capital is applied:**

| Capital System   | Paid-in Capital | Ceiling |
|------------------|-----------------|---------|
| Recorded Capital | 160.000         | 500.000 |

**11.c) Capital increases in current period and their sources and other information on the increased capital share:**

There has been no capital increase in the current period.

**11.ç) Information on the capital reserves added to capital in the current period:**

*None.*

**11.d) Capital commitments until the last financial year and the end of the following period, the general purpose of those commitments and possible sources for those commitments:**

There have been no capital commitments.

**11.e) The previous period indicators concerning the revenue, profitability and liquidity of the Bank, and the projected effects of foresights based on the ambiguities of these indicators:**

The previous period revenues, profitability and liquidity of the Bank and the projections of future periods are followed by the Directorate of Strategic Planning and Quality Management. It is estimated that the Bank will retain its rate of increase of equities and will not experience any difficulties for capital sufficiency based on the current economic conditions in the country and the foresights concerning revenue, profitability and liquidity.

**11.f) Summarized information on the privileged shares representing the capital:**

The Bank has no privileged shares.

**11.g) Information on financial assets revaluation fund:**

|   | Current period |    | Prior Period |    |
|---|----------------|----|--------------|----|
|   | TC             | FC | TC           | FC |
| From investment and associates, subsidiaries and joint ventures (business partners) | 259            | -  | 82           | -  |
| Revaluation difference  | 4.618          | -  | 3.976        | -  |
| Foreign exchange difference   | -              | -  | -            | -  |
| Total   | 4.877          | -  | 4.058        | -  |

**12. Explanations on minority's share:**

There is no minority's share in the attached financial statements.

**III. Explanations and Notes to the Off-Balance Sheet Accounts****1. Explanation on the Off-Balance Sheet Liabilities:****1.a) Type and amount of irrevocable loan commitments:**

*None.*

**1.b) Type and amount of possible losses and commitments caused by off-balance sheet accounts including the ones below:**

*None.*



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**1.b.1) Guarantees, bank bill guarantees and holdings and guarantees that represent financial guarantees and non-cash loans including other letters of credit:**

As of 31.12.2007 Bank's letters of credit commitments are 1.181 Thousand YTL.

**1.b.2) Absolute guarantees, temporary guarantees, bill guarantees and similar operations:**

Bank's Turkish Currency guarantee letters amount up to 1.51 Thousand YTL.

**1.c.1) Non-cash loans:**

|   | Current period | Prior period |
|---|----------------|--------------|
| Guarantees given against cash loans         | -              | -            |
| With maturity of 1 year or less than 1 year | -              | -            |
| With maturity of more than 1 year           | -              | -            |
| Other non-cash loans                        | 1.332          | 3.960        |
| Total                                       | 1.332          | 3.960        |

**1.c.2) Sectoral risk concentrations of non-cash loans:**

|                                      | Current period |        |       |        | Prior period |        |       |        |
|--------------------------------------|----------------|--------|-------|--------|--------------|--------|-------|--------|
|                                      | TC             | (%)    | FC    | (%)    | TC           | (%)    | FC    | (%)    |
| Agricultural                         | 2              | 1,32   | -     | 0,00   | 2            | 1,55   | -     | 0,00   |
| Farming and raising livestock        | 2              | 1,32   | -     | 0,00   | 2            | 1,55   | -     | 0,00   |
| Forestry                             | -              | 0,00   | -     | 0,00   | -            | 0,00   | -     | 0,00   |
| Fishing                              | -              | 0,00   | -     | 0,00   | -            | 0,00   | -     | 0,00   |
| Manufacturing                        | 112            | 74,17  | 1.181 | 100,00 | 124          | 96,12  | 2.006 | 100,00 |
| Mining                               | -              | 0,00   | -     | 0,00   | -            | 0,00   | -     | 0,00   |
| Production                           | 112            | 74,17  | 1.181 | 100,00 | 124          | 96,12  | 2.006 | 100,00 |
| Electric, gas and water              | -              | 0,00   | -     | 0,00   | -            | 0,00   | -     | 0,00   |
| Construction                         | 2              | 1,32   | -     | 0,00   | 2            | 1,55   | -     | 0,00   |
| Services                             | 35             | 23,18  | -     | 0,00   | 1            | 0,78   | -     | 0,00   |
| Wholesale and retail trade           | -              | 0,00   | -     | 0,00   | -            | 0,00   | -     | 0,00   |
| Hotel, food and beverage services    | 1              | 0,66   | -     | 0,00   | 1            | 0,78   | -     | 0,00   |
| Transportation and telecommunication | -              | 0,00   | -     | 0,00   | -            | 0,00   | -     | 0,00   |
| Financial Institutions               | 34             | 22,52  | -     | 0,00   | -            | 0,00   | -     | 0,00   |
| Real estate and renting services     | -              | 0,00   | -     | 0,00   | -            | 0,00   | -     | 0,00   |
| Self-employment services             | -              | 0,00   | -     | 0,00   | -            | 0,00   | -     | 0,00   |
| Education services                   | -              | 0,00   | -     | 0,00   | -            | 0,00   | -     | 0,00   |
| Health and social services           | -              | 0,00   | -     | 0,00   | -            | 0,00   | -     | 0,00   |
| Other                                | -              | 0,00   | -     | 0,00   | -            | 0,00   | -     | 0,00   |
| Total                                | 151            | 100,00 | 1.181 | 100,00 | 129          | 100,00 | 2.006 | 100,00 |

**1.c.3) Information about the 1st and 2nd Bank non-cash loans and other receivables including those that have been restructured or rescheduled:**

|                                     | I st Bank - Standart loans and other receivables |       | II nd Bank – Loans and other receivables under close follow-up |    |
|-------------------------------------|--|-------|--|----|
|                                     | TC   | FC    | TC   | FC |
| Non-cash loans                      | 151  | 1.181 | -  | -  |
| Letters of guarantee                | 151  | -     | -  | -  |
| Bank acceptances                    | -  | -     | -  | -  |
| Letters of credit                   | -  | 1.181 | -  | -  |
| Endorsements                        | -  | -     | -  | -  |
| Underwriting commitments            | -  | -     | -  | -  |
| Factoring commitments               | -  | -     | -  | -  |
| Other commitments and contingencies | -  | -     | -  | -  |

**2. Explanations on derivatives:**

None.

**3. Explanations on conditional assets and liabilities:**

The Bank pledged to purchase a 10 Million EURO nominal value portion “ Bank A” stocks of the Istanbul Venture Capital Initiative (IVCI-A Luxemburg Investment Company Fund), which is a joint stock company established in compliance with the Luxemburg Legal Legislations and has a 150 Million EURO pledged capital, and pledges to pay the aforementioned amount on a date to be specified in accordance with the fund’s investment plan.

Participation of the Bank has been approved by the board of directors of the aforementioned company on 13.11.2007 and a share purchase agreement has been signed on that date.

**4. Explanations on Services Given to Other Parties of Their Accounts:**

Purchases and sales of marketable securities and storage transactions services are given by the Bank for other parties and their accounts. Utilizing the licences obtained by the subsidiary of the Bank from Capital Market Board, operations in the context of purchase-sale brokerage, public offering brokerage, repurchasing and reverse repurchasing, purchase-sale, investment consultancy, portfolio management, marketable securities by credits, short selling and borrowing and lending of marketable securities, purchase-sale brokerage of derivative instruments are carried out by the subsidiary.

**IV- Explanations and notes to the income statement:****1.a) Information about interest income received from loans:**

|  | Current period |        | Prior period |        |
|--|----------------|--------|--------------|--------|
|  | TC             | FC     | TC           | FC     |
| Interest on loans (*)                                    | 28.765         | 13.021 | 22.484       | 10.510 |
| Short term loans   | 527            | 625    | 317          | 806    |
| Medium and long term loans                               | 20.908         | 12.396 | 16.834       | 9.704  |
| Interest on loans under follow-up                        | 7.330          | -      | 5.333        | -      |
| Premiums received from resource utilization support fund | -              | -      | -            | -      |

(\*)Includes fees and commissions received from cash-loans.

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**1.b) Information on interest received from banks:**

|                                  | Current period |     | Prior period |     |
|----------------------------------|----------------|-----|--------------|-----|
|                                  | TC             | FC  | TC           | FC  |
| From The Central Bank of Turkey  | -              | -   | -            | -   |
| From domestic banks              | 6.703          | 339 | 2.452        | 164 |
| From foreign banks               | -              | 577 | -            | 355 |
| From branches and offices abroad | -              | -   | -            | -   |
| Total                            | 6.703          | 916 | 2.452        | 519 |

**1. c) Information on interest received from marketable securities portfolio:**

|   | Current period |    | Prior period |    |
|---|----------------|----|--------------|----|
|   | TC             | FC | TC           | FC |
| Financial assets held for trading   | -              | -  | -            | -  |
| Financial assets where fair value change is reflected to income statement | 16.827         | -  | 10.299       | -  |
| Financial assets available for sale                                       | -              | -  | -            | -  |
| Investments held to maturity  | 67             | -  | -            | -  |
| Total   | 16.894         | -  | 10.299       | -  |

**1.ç) Information on interest income received from associates and subsidiaries:**

|   | Current period | Prior period |
|---|----------------|--------------|
| Interests received from associates and subsidiaries | 23             | -            |

**2.a) Information on interest payable to funds borrowed:**

|                             | Current period |        | Prior period |       |
|-----------------------------|----------------|--------|--------------|-------|
|                             | TC             | FC     | TC           | FC    |
| Banks                       | 689            | 5.643  | 327          | 3.301 |
| The Central Bank of Turkey  | -              | -      | -            | -     |
| Domestic banks              | 689            | 1.858  | 327          | 1.888 |
| Foreign banks               | -              | 3.785  | -            | 1.413 |
| Branches and offices abroad | -              | -      | -            | -     |
| Other institutions          | 1.118          | 4.432  | 1.025        | 3.234 |
| Total                       | 1.807          | 10.075 | 1.352        | 6.535 |

\* Includes fees and commissions payable to cash-loans.

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

None.

**2.c) Information on interest on securities issued:**

The Bank has not issued any securities.

**3. Information on dividend income:**

|   | Current period | Prior period |
|---|----------------|--------------|
| Financial assets held for trading   | -              | -            |
| Financial assets where fair value change is reflected to income statement | -              | -            |
| Financial assets available for sale                                       | 81             | 3.006        |
| Other   | 142            | 85           |
| Total   | 223            | 3.091        |

**4. Net trading income/loss:**

|                                      | Current period | Prior period |
|--------------------------------------|----------------|--------------|
| <b>Income</b>                        | 3.238          | 21.029       |
| Profit on trading account securities | 1.559          | 2.668        |
| Derivative financial transactions    | -              | -            |
| Other                                | 1.559          | 2.668        |
| Foreign exchange gains               | 1.679          | 18.361       |
| <b>Loss (-)</b>                      | 5.317          | 7.763        |
| Losses on trading account securities | -              | 1            |
| Derivative financial transactions    | -              | -            |
| Other                                | -              | 1            |
| Foreign exchange losses              | 5.317          | 7.762        |

**5. Information on other operating income:**

|                                    | Current period | Prior period |
|------------------------------------|----------------|--------------|
| Income arising from sale of assets | 786            | 177.144      |
| Sale of subsidiary and affiliates  | 267            | 176.834      |
| Sale of real estate property       | 478            | 9            |
| Sale of fixed assets               | 41             | 301          |
| Reversed provision                 | 23.605         | 29.172       |
| Other                              | 990            | 3.066        |
| Total                              | 25.381         | 209.382      |

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**6. a) Provision expenses of banks loans and other receivables losses:**

|   | Current period | Prior period |
|---|----------------|--------------|
| Specific provisions for loans and other receivables   | 11.065         | 31.901       |
| III. Bank   | 642            | 20.341       |
| IV. Bank  | 1.791          | 339          |
| V. Bank   | 8.632          | 11.221       |
| General provision expenses  | 480            | 155          |
| Provision expenses for possible losses  | -              | -            |
| Marketable securities impairment expense  | 1              | 986          |
| Financial assets where fair value change is reflected to income statement                         | -              | 985          |
| Investment securities available for sale  | 1              | 1            |
| Impairment expense related to associates, subsidiaries and investment securities held to maturity | 597            | 144          |
| Investment and associates   | 597            | 144          |
| Subsidiaries  | -              | -            |
| Joint ventures (business partners)  | -              | -            |
| Investment securities held to maturity  | -              | -            |
| Other   | -              | -            |
| Total   | 12.143         | 33.186       |

**7. a) Information related to other operational expenses:**

|  | Current period | Prior period |
|--|----------------|--------------|
| Personnel expenses   | 35.215         | 28.924       |
| Reserve for employee termination benefits  | 2.965          | 1.970        |
| Bank social aid fund deficit provision   | -              | -            |
| Fixed assets impairment expense  | -              | -            |
| Depreciation expenses of fixed assets  | 2.780          | 2.504        |
| Intangible assets impairment expense   | -              | -            |
| Goodwill impairment expense  | -              | -            |
| Amortization expenses of intangible assets   | -              | -            |
| Shares (capital method applied) impairment expense   | -              | -            |
| Impairment expense for investment securities that will be disposed                               | 85             | 14           |
| Amortization expenses of investment securities that will be disposed                             | 87             | 66           |
| Impairment expenses for property and equipment held for sale purpose and discontinued operations | -              | -            |
| Other operating expenses   | 5.108          | 7.815        |
| Operational leasing expenses   | 35             | 39           |
| Maintenance expenses   | 658            | 301          |
| Advertisement expenses   | 95             | 153          |
| Other expenses   | 4.320          | 7.322        |
| Loss on sales of assets  | 11             | 8.905        |
| Other  | 1.908          | 15.008       |
| Total  | 48.159         | 65.206       |

**8. Explanations on profit/loss before taxes from continuing operations and discontinued:**

As of 2007, Bank's profit before taxes from continuing operations is 54.264 Thousand YTL. The Bank has no discontinued operations in 2007.

**9. Explanations on tax provision from continuing operations and discontinued operations:**

Current tax expenses calculated from continuing operations of the Bank is 10.599 Thousand YTL. Deferred tax expenses are 577 Thousand YTL.

**9.a) Calculated current tax income-loss or deferred tax income-loss:**

For the 01.01.2007-31.12.2007 period, 2.116 Thousand YTL deferred tax expenses accrued and 1.539 Thousand YTL deferred tax income accrued to the Bank.

**9.b) Deferred tax income or expenses caused by temporary differences:**

At the end of the 01.01.2007-31.12.2007 period a total of 1.539 Thousand YTL tax income accrued in comparison to the 577 Thousand YTL deferred tax expenses accruing after netting-off from the 2.116 thousand YTL tax expense for the Bank.

**9.c) Deferred tax income or expense reflected to the income statement due to temporary differences, financial loss and tax deduction or exception:**

As a result of deduction of the tax income and expenses added and subtracted to the deferred tax assets, 577 Thousand YTL is reflected to the income statement. A net balance of 577 Thousand YTL reflected to the income statement has resulted as expenses due to the temporary difference financial loss and tax deduction and exception.

**10. Net profit/losses from continuing and discontinued operations:**

The Bank acquired 43.088 Thousand YTL net profit from their continuing and discontinued operations during the 01.01.2007-31.12.2007 period.

**11. Explanation on net profit/loss for the period:**

**11.a)** If the explanation of the type, amount and rate of reoccurrence of the income and expenses from ordinary banking operations is necessary for the understanding of Bank's performance for the period, the types and amounts of those items:

None.

**11.b)** The effect of a change in estimate related to financial statement items on profit / loss including future effects if there is a possibility that the change will affect future periods:

Since there are no changes in accounting estimates, there are no issues that need to be explained.

**12. From the other items in the income statement, if they exceed 10% of income statement total, sub-accounts that make up at least 20% of those items:**

As of 31.12.2007, a portion of 5.306 Thousand YTL of the 6.347 Thousand YTL Other Interest Expenses Account consists of the interest paid to KKTC (Turkish Republic of Northern Cyprus); a 3.944 Thousand YTL portion of the 8.463 Thousand YTL Other Obtained Fee and Commissions consist of Medium and Long Term Fund Based Loans and Other Receivables.

**TÜRKİYE KALKINMA BANKASI A.Ş.****Notes to the Financial Statements****Dated 31 December 2007**

(Figures are in thousand New Turkish Liras (YTL) unless otherwise stated)

**V. Explanations and Notes to the Statement of Changes in Shareholders' Equity**

Nominal paid-in capital in the legal records of the Bank is 160.000 Thousand YTL, and legal reserves amount is 22.021 Thousand YTL, extraordinary reserves amount is 20.077 Thousand YTL, as of the balance sheet date.

In the current period, complete change in the other reserves account of the Bank is due to the distribution of the 2006 profit.

The portion of 4.618 Thousand YTL the financial assets revaluation fund consists of valuation fund of financial assets available for sale, and the portion of 259 Thousand YTL consist of subsidiaries and investments.

Total amount of the bonus shares from shareholders is 467 Thousand YTL.

**VI. Explanations and Notes to the Cash Flow Statement****Information on the cash and cash equivalents:**

|                                 | Current Period | Previous Period |
|---------------------------------|----------------|-----------------|
| Cash                            | 4.938          | 5.410           |
| Cash                            | 86             | 49              |
| Demand Deposits at Banks        | 4.852          | 5.361           |
| Cash Equivalents                | 219.331        | 321.776         |
| Interbank Money Market          | 85.500         | 183.900         |
| Time Deposits at Banks          | 133.831        | 137.876         |
| Total Cash and Cash Equivalents | 224.269        | 327.186         |

**VII. Explanations on the Risk Group Bank in Which the Bank is Included:**

In the Bank which has no savings operations, the limitations stated in the Banking Law and internal regulations are preserved and normal customer relationships and market conditions are considered in related party transactions. The policy of keeping the bank assets and liabilities in the amount that will not be under the command of related risk Group and in fair levels in total balance sheet is adopted and applications are carried out in the direction of this policy.

**a) Current Period:**

| Bank's risk Bank                        | Investment and associates, subsidiaries and joint ventures (business partners) |          | Direct and indirect shareholders of the Bank |          | Real and legal persons that have been included in the risk Bank |          |
|---|--|----------|--|----------|---|----------|
|   | Cash   | Non-cash | Cash   | Non-cash | Cash  | Non-cash |
| Loans and other receivables             | -  | -        | -  | -        | -   | -        |
| Balance at the beginning of the period  | 952  | 236      | -  | -        | -   | -        |
| Balance at the end of the period        | 8.477  | 102      | -  | -        | -   | -        |
| Interest and commission income received | 152  | 21       | -  | -        | -   | -        |

**TÜRKİYE KALKINMA BANKASI A.Ş.****Notes to the Financial Statements****Dated 31 December 2007**

(Figures are in thousand New Turkish Liras (YTL) unless otherwise stated)

**b) Previous Period:**

| Bank's risk Bank                        | Investment and associates, subsidiaries and joint ventures (business partners) |          | Direct and indirect shareholders of the Bank |          | Real and legal persons that have been included in the risk Bank |          |
|---|--|----------|--|----------|---|----------|
|   | Cash   | Non-cash | Cash   | Non-cash | Cash  | Non-cash |
| Loans and other receivables             | -  | -        | -  | -        | -   | -        |
| Balance at the beginning of the period  | 915  | 172      | -  | -        | -   | -        |
| Balance at the end of the period        | 952  | 236      | -  | -        | -   | -        |
| Interest and commission income received | 109  | 12       | -  | -        | -   | -        |

**c) Information on forward and option agreements and other similar agreements made with the Bank's risk Bank:**

None.

**VIII. Explanations on the Domestic, International, Off-shore Branches or Affiliates or International Representative Offices**

|                                   | Number | Number of employees |                          |              |                         |
|-----------------------------------|--------|---------------------|--------------------------|--------------|-------------------------|
| Domestic branch                   | 1      | 7                   |                          |              |                         |
|                                   |        |                     | Country of incorporation |              |                         |
| Foreign representation            | -      | -                   | 1-                       |              |                         |
|                                   |        |                     | 2-                       |              |                         |
|                                   |        |                     | 3-                       |              |                         |
|                                   |        |                     |                          | Total assets | Statutory share capital |
| Foreign branch                    | -      | -                   | 1-                       | -            | -                       |
|                                   |        |                     | 2-                       |              |                         |
|                                   |        |                     | 3-                       |              |                         |
| Off-shore banking region branches | -      | -                   | 1-                       | -            | -                       |
|                                   |        |                     | 2-                       |              |                         |
|                                   |        |                     | 3-                       |              |                         |

In 2007 the Bank opened a branch in Istanbul.

**IX- Explanations and Notes concerning Events after the Balance Sheet Date**

None.



**SECTION SIX  
OTHER EXPLANATIONS**

**I. Other Explanations Concerning Bank's Operations**

**Summarized Information on the Bank's Rating Determined by International Rating Organizations:**

Bank's international ratings are determined by Fitch IBCA and summarized information on the ratings for the period ended on 31 December 2007 are given below.

|                                       |  |         |
|---------------------------------------|--|---------|
| <b>Foreign Currency</b>               |  |         |
| Long Term                             |  | BB-     |
| Short Term                            |  | B       |
| Outlook                               |  | Stable  |
| <b>Local Currency</b>                 |  |         |
| Long Term                             |  | BB-     |
| Short Term                            |  | B       |
| Outlook                               |  | Stable  |
| <b>National</b>                       |  |         |
| Long term                             |  | A (tur) |
| Outlook                               |  | Stable  |
| <b>Individual Rating (Individual)</b> |  | D       |
| <b>Support Rating</b>                 |  | 3       |

**SECTION SEVEN  
INDEPENDENT AUDIT REPORT**

**I. Issues Concerning the Independent Audit Report That Need to be Explained**

Financial statements dated 31 December 2007 and for the period then ended have been audited by Rehber Bağımsız Denetim ve Yeminli Mali Müşavirlik A.Ş. and the independent audit report dated 3 March 2008 is included at the beginning of financial statements.

**II. Explanations and Notes Prepared by the Independent Auditor**

None.

**TÜRKİYE KALKINMA BANKASI**  
**CONSOLIDATED FINANCIAL**  
**STATEMENTS AND**  
**INDEPENDENT AUDITORS' REPORT**  
**DATED**  
**31.12.2007**

**TÜRKİYE KALKINMA BANKASI A.Ş. CONSOLIDATED FINANCIAL REPORT  
FOR THE YEAR ENDED, 31 DECEMBER 2007**

Headquarters Address: Necatibey Cad. No: 98  
P.K.06100  
Bakanlıklar/ANKARA  
Telephone and Fax Numbers: Tel : 0312 231 84 00  
Fax: 0312 231 43 41  
Internet Address: <http://www.tkb.com.tr>  
E-mail Address: [muhassebe@tkb.com.tr](mailto:muhassebe@tkb.com.tr)

The consolidated year-end financial report prepared in accordance with the Banking Regulation and Supervision Agency Bulletin “Bulletin on Financial Statements to be Presented to the Public by Banks and Notes to Those Financial Statements” consists of the following sections.

- GENERAL INFORMATION ABOUT THE PARENT COMPANY BANK
- CONSOLIDATED FINANCIAL STATEMENTS OF THE PARENT COMPANY BANK
- NOTES ON THE APPLIED ACCOUNTING POLICIES IN THE RELATED PERIOD
- INFORMATION ON THE FINANCIAL STRUCTURE OF THE CONSOLIDATED GROUP
- NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
- OTHER EXPLANATIONS AND NOTES
- INDEPENDENT AUDITORS’ REPORT

Our subsidiaries, affiliates and jointly controlled companies whose financial statements are consolidated in the context this yearly consolidated financial report are below.

|   | Subsidiaries                    | Affiliates | Jointly Controlled Companies |
|---|---------------------------------|------------|------------------------------|
| 1 | Kalkınma Yatırım Men. Değ. A.Ş. | -          | -                            |

The consolidated financial statements and notes to the financial statements included in this report are prepared in thousand New Turkish Liras unless otherwise stated according to the Regulation on the Procedures and Basis Concerning the Accounting Policies and Preservation of Documents of Banks, Turkish Financial Reporting Standards, attachments and interpretations concerning those standards and our Bank records, audited and presented below.

**Abdullah ÇELİK**  
Head of Board of Directors  
and General Manager

**S.Cansel İNANKUR**  
Assistant General Manager  
Responsible for  
Financial Reporting

**Salih DEMİREL**  
Finance Manager

**Hakan TOKAÇ**  
President of Audit  
Committee

**Osman KARA**  
Audit Committee  
Member

**Information on the authorized personnel that can be asked about this financial report**

Name Surname/Title: Nihal MADASOĞLU / Assistant Finance Manager  
Tel No : 0 312 - 418 84 87  
Fax No : 0 312 - 418 22 94

**INDEPENDENT AUDITORS' REPORT**

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

We have audited the consolidated balance sheet of Türkiye Kalkınma Bankası A.Ş. (Bank) and its consolidated company (together called as "Group") dated December 31<sup>st</sup>, 2007 and its consolidated income statement, cash flow statement, statement of changes in shareholders' equity which ended at the same date stated above and a descriptive summary of the significant accounting policies and other explanatory notes.

*Explanation Concerning the Responsibility of the Bank Management:*

The Bank's Board of Directors is responsible for the presentation of the financial statements according to the Legislation on Basis and Procedures Concerning Accounting Applications and Preservation of Documents of Banks and Turkish Financial Reporting Standards and other legislations, bulletin, circulars and comments stated by the Banking Regulation and Supervision Agency (BDDK) and the establishment of an internal control system that will assure the preparation and presentation of financial statements free of material misstatements caused by errors and corruption and the adoption and application of appropriate accounting policies.

*Explanation Concerning the Responsibility of the Authorized Audit Firm:*

Our responsibility as the audit firm conducting the independent audit is to present an opinion concerning the audited financial statements. Our audit has been undertaken in accordance with the legislation on Authorizing Institutions which Audit Banks and their Activities Published in the November 1<sup>st</sup> dated and 26333 numbered official gazette and international audit standards. Our audit has been planned and conducted to provide reasonable assurance that the financial statements are free of material misstatement. During our audit; audit methods have been used to gather audit evidence concerning the amounts in financial statements and notes to the financial statements; the appointed auditors have been given the initiative to chose the audit methods, however suitable audit methods have been determined by auditing the effectiveness of internal controls during the preparation and presentation of financial statements and the appropriateness of the accounting policies used. Sufficient audit evidence has been gathered to form the audit opinion given below.

*Independent Auditors' Opinion:*

In our opinion, the accompanying financial statements truly present, in all material aspects, the financial position of the Group as of December 31<sup>st</sup>, 2007, results of operations for the period and cash flows according to the accounting principles and standards determined in the legislations in effect due to the 37<sup>th</sup> and 38<sup>th</sup> articles of the Banking Law numbered 5411 and other legislations, bulletin circulars and comments published by the Banking Regulation and Supervision Agency (BDDK).  
Ankara, 17.03.2008

REHBER  
Bağımsız Denetim ve  
Yeminli Mali Müşavirlik A.Ş.

**REHBER**  
Bağımsız Denetim ve  
Yeminli Mali Müşavirlik A.Ş.  
Alper ŞİMŞEK  
Chief Executive Auditor

(Authorized Signature / Company Stamp)

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- IX-** Explanations concerning persons or companies holding privileged shares of Parent Company Bank
- X-** Summarized information on the types of service and field of operation of the Parent Company Bank

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- III-** Issues Concerning the Independent Audit Report That Need to be Explained
- IV-** Explanations and Notes Prepared by the Independent Auditor

**SECTION ONE  
GENERAL INFORMATION****I- Establishment date, beginning status, history of the bank including changes in the beginning status of the Parent Company Bank**

The Bank was established on 27 November 1975 according to the Decree Based on Law Numbered 13 as a related institution of the Ministry of Trade and Technology with the legal title of “Devlet Sanayi ve İşçi Yatırım Bankası”. Some adjustments were made on the status of the Bank with the Decree Based on Law Numbered 165 dated 14.11.1983.

On 15 July 1989, its legal title was changed to Türkiye Kalkınma Bankası A.Ş. by being associated to the Prime Ministry in the context of the Decree Based on Law Numbered 329 in parallel with the developments in its service range. The Bank has become a development and investment bank that provides financing support to companies in tourism sector as well as trade sector by taking over T.C. Turizm Bankası A.Ş. with all of its assets and liabilities with the Supreme Planning Council decision dated 20 January 1989 numbered 89/T-2. Also with the Decree Based on Law Numbered 401 dated 12.02.1990 some of the articles of Bank status were changed.

With the Law Numbered 4456 dated 14.10.1999, Decrees Based on Law Numbered 13, 165, 329 and 401 were revoked and the establishment and operating rudiments were rearranged.

**VII- Capital structure of the Parent Company Bank, partners solely or jointly holding the direct or indirect administration and audit rights, explanation concerning the group including the changes in those issues if present**

The capital ceiling of the Bank which is subject to recorded capital system is 500.000.000 YTL. The share capital level of according to that share is 160.000.000 YTL and the shareholders and their shares in the share capital are shown below.

| <b>Shareholders</b> | <b>Share Amount (Thousand YTL)</b> | <b>Share (%)</b> |
|---------------------|------------------------------------|------------------|
| Treasury            | 158.530,45                         | 99,08            |
| Other Shareholders  | 1.469,55                           | 0,92             |
| <b>Total</b>        | <b>160.000,00</b>                  | <b>100,00</b>    |

**VIII- Explanations concerning the shares of head of Board of Directors and members, audit committee members and general manager and assistants of the Parent Company Bank****Head and Members of the Board of Directors:**

**Head of Board of Directors:** Abdullah ÇELİK

**Board of Directors Members:** Osman KARA  
Mehmet UNCU  
Nedret Şerif ÇAKIRSOY  
Hakan TOKAÇ  
Ömer Faruk ÖZTÜRK  
Asım ALTUN

The Head and Members of Board of Directors do not own any shares in the Bank.

**Audit Committee Members:** Esat Kaya TURGAY  
Hasan AYDIN  
Mustafa ÇOLAK

**General Manager and Assistants:** Abdullah ÇELİK

**Assistant General Managers** : S. Cansel İNANKUR  
M. Latif KARAMAN  
Bahattin SEKKİN  
Adnan YALÇINCI  
Zekai İŞILDAR (V.)

**IX- Explanations concerning persons or companies holding privileged shares of Parent Company Bank**

The Treasury owns 99.08 of the Parent Company Bank.

**X- Summarized information on the types of service and field of operation of the Parent Company Bank**

The field of operation of Türkiye Kalkınma Bankası A.Ş. which is a development and investment bank is; provide loans, provide financing and administration support by purchasing shares of establishments with the status of "Incorporated Company" for the development of Turkey, to direct domestic and foreign savings into development investments, to assist in the development of capital market, to finance domestic and foreign joint ventures and carry on all kinds of development and investment banking activities.

**SECTION TWO**  
**CONSOLIDATED FINANCIAL STATEMENTS OF PARENT COMPANY BANK**

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## TÜRKİYE KALKINMA BANKASI A.Ş. CONSOLIDATED BALANCE SHEET

| ASSETS   | Disc | THOUSAND NEW TURKISH LIRA       |         |         |                               |         |         |
|--|------|---------------------------------|---------|---------|-------------------------------|---------|---------|
|  |      | CURRENT PERIOD<br>( 31/12/2007) |         |         | PRIOR PERIOD<br>( 31/12/2006) |         |         |
|  |      | TC                              | FC      | Total   | TC                            | FC      | Total   |
| <b>I. CASH AND BALANCES WITH THE CENTRAL BANK OF TURKEY</b>  | (1)  | 204                             |         | 204     | 114                           |         | 114     |
| <b>II. FINANCIAL ASSETS WHERE FAIR VALUE CHANGE IS REFLECTED TO INCOME STATEMENT (Net)</b>           | (2)  | 110.625                         | 0       | 110.625 | 99.130                        | 0       | 99.130  |
| 2.1.Financial assets held for trading  |      | 0                               | 0       | 0       | 0                             | 0       | 0       |
| 2.1.2.Public sector debt securities  |      |                                 |         | 0       |                               |         | 0       |
| 2.1.3.Securities representing a share in capital   |      |                                 |         | 0       |                               |         | 0       |
| 2.1.4.Other marketable securities  |      |                                 |         | 0       |                               |         | 0       |
| 2.2.Financial assets where fair value change is reflected to income statement                        |      | 110.625                         | 0       | 110.625 | 99.130                        | 0       | 99.130  |
| 2.2.1.Public sector debt securities  |      | 110.625                         |         | 110.625 |                               |         | 0       |
| 2.2.2.Securities representing a share in capital   |      |                                 |         | 0       | 99.130                        |         | 99.130  |
| 2.2.3.Other marketable securities  |      |                                 |         | 0       |                               |         | 0       |
| 2.3.Derivative financial assets held for trading   |      |                                 |         | 0       |                               |         | 0       |
| <b>III. BANKS</b>  | (3)  | 124.338                         | 14.497  | 138.835 | 124.503                       | 19.644  | 144.147 |
| <b>IV. MONEY MARKET SECURITIES</b>   |      | 97.403                          | 0       | 97.403  | 192.434                       | 0       | 192.434 |
| 4.1.Interbank money market placements  |      | 85.537                          |         | 85.537  | 187.427                       |         | 187.427 |
| 4.2.Istanbul Stock Exchange money market placements  |      | 920                             | 0       | 920     |                               |         | 0       |
| 4.3.Receivables from reverse repurchase agreements   |      | 10.946                          | 0       | 10.946  | 5.007                         |         | 5.007   |
| <b>V. FINANCIAL ASSETS AVAILABLE FOR SALE (Net)</b>  | (4)  | 7.266                           | 0       | 7.266   | 6.586                         | 0       | 6.586   |
| 5.1.Securities representing a share in capital   |      | 988                             |         | 988     | 1.156                         |         | 1.156   |
| 5.2.Public sector debt securities  |      |                                 |         | 0       |                               |         | 0       |
| 5.3.Other marketable securities  |      | 6.278                           |         | 6.278   | 5.430                         |         | 5.430   |
| <b>VI. LOANS</b>   | (5)  | 187.090                         | 215.048 | 402.138 | 151.116                       | 187.152 | 338.268 |
| 6.1.Loans  |      | 184.453                         | 215.048 | 399.501 | 151.116                       | 187.152 | 338.268 |
| 6.1.1.Loans granted to the Bank's risk group   |      |                                 |         | 0       | 151.116                       | 187.152 | 338.268 |
| 6.1.2.Other  |      | 184.453                         | 215.048 | 399.501 |                               |         | 0       |
| 6.2.Loans under follow-up  |      | 58.852                          |         | 58.852  | 64.018                        |         | 64.018  |
| 6.3.Specific provisions (-)  |      | 56.215                          |         | 56.215  | 64.018                        |         | 64.018  |
| <b>VII. FACTORING RECEIVABLES</b>  |      |                                 |         | 0       |                               |         | 0       |
| <b>VIII. INVESTMENTS HELD TO MATURITY (Net)</b>  | (6)  | 3.262                           | 0       | 3.262   | 0                             | 0       | 0       |
| 8.1.Public sector debt securities  |      | 3.262                           |         | 3.262   |                               |         | 0       |
| 8.2.Other marketable securities  |      |                                 |         | 0       |                               |         | 0       |
| <b>IX. INVESTMENTS AND ASSOCIATES (Net)</b>  | (7)  | 5.311                           | 0       | 5.311   | 5.052                         | 0       | 5.052   |
| 9.1.Accounted with equity method   |      |                                 |         | 0       |                               |         | 0       |
| 9.2.Non-consolidated investments and associates  |      | 5.311                           | 0       | 5.311   | 5.052                         | 0       | 5.052   |
| 9.2.1.Financial investments and associates   |      |                                 |         | 0       |                               |         | 0       |
| 9.2.2.Non-financial investments and associates   |      | 5.311                           |         | 5.311   | 5.052                         |         | 5.052   |
| <b>X. SUBSIDIARIES (Net)</b>   | (8)  | 0                               | 0       | 0       | 1.377                         | 0       | 1.377   |
| 10.1.Non-consolidated financial subsidiaries   |      |                                 |         | 0       |                               |         | 0       |
| 10.2.Non-consolidated non-financial subsidiaries   |      |                                 |         | 0       | 1.377                         |         | 1.377   |
| <b>XI. JOINT VENTURES (BUSINESS PARTNERS) (Net)</b>  | (9)  | 0                               | 0       | 0       | 0                             | 0       | 0       |
| 11.1.Accounted with equity method  |      |                                 |         | 0       |                               |         | 0       |
| 11.2.Non-consolidated joint ventures   |      | 0                               | 0       | 0       | 0                             | 0       | 0       |
| 11.2.1.Financial joint ventures  |      |                                 |         | 0       |                               |         | 0       |
| 11.2.2.Non-financial joint ventures  |      |                                 |         | 0       |                               |         | 0       |
| <b>XII. RECEIVABLES FROM LEASING TRANSACTIONS (Net)</b>  | (10) | 2                               | 0       | 2       | 16                            | 0       | 16      |
| 12.1.Finance lease receivables   |      |                                 |         | 0       |                               |         | 0       |
| 12.2.Operational leasing receivables   |      | 2                               |         | 2       | 16                            |         | 16      |
| 12.3.Others  |      |                                 |         | 0       |                               |         | 0       |
| 12.4.Unearned income ( - )   |      |                                 |         | 0       |                               |         | 0       |
| <b>XIII. DERIVATIVE FINANCIAL ASSETS HELD FOR HEDGING</b>  | (11) | 0                               | 0       | 0       | 0                             | 0       | 0       |
| 13.1.Fair value hedges   |      |                                 |         | 0       |                               |         | 0       |
| 13.2.Cash flow hedges  |      |                                 |         | 00      |                               |         | 0       |
| 13.3.Hedges for investments made in foreign countries  |      |                                 |         | 0       |                               |         | 0       |
| <b>XIV. PROPERTY AND EQUIPMENT (Net)</b>   | (12) | 40.282                          |         | 40.282  | 39.092                        |         | 39.092  |
| <b>XV. INTANGIBLE ASSETS [Net]</b>   | (13) | 176                             | 0       | 176     | 18                            | 0       | 18      |
| 15.1.Goodwill  |      |                                 |         | 0       |                               |         | 0       |
| 15.2.Other   |      | 176                             |         | 176     | 18                            |         | 18      |
| <b>XVI. REAL ESTATES FOR INVESTMENT PURPOSE (Net)</b>  | (14) |                                 |         | 0       |                               |         | 0       |
| <b>XVII. ASSETS FOR TAX</b>  | (15) | 16.298                          | 0       | 16.298  | 60.840                        | 0       | 60.840  |
| 17.1.Current assets for tax  |      | 8.291                           |         | 8.291   | 52.261                        |         | 52.261  |
| 17.2.Deferred assets for tax   |      | 8.007                           |         | 8.007   | 8.579                         |         | 8.579   |
| <b>XVIII. PROPERTY AND EQUIPMENT HELD FOR SALE PURPOSE AND HELD FROM TERMINATED OPERATIONS (Net)</b> | (16) | 0                               | 0       | 0       | 25                            | 0       | 25      |
| 18.1.Held for sale purpose   |      |                                 |         | 0       |                               |         | 0       |
| 18.2.Held from terminated operations   |      |                                 |         | 0       | 25                            |         | 25      |
| <b>XIX. OTHER ASSETS</b>   | (17) | 3.521                           | 206     | 3.727   | 2.444                         | 279     | 2.723   |
| <b>TOTAL ASSETS</b>  |      | 595.778                         | 229.751 | 825.529 | 682.747                       | 207.075 | 889.822 |

| LIABILITIES  | Disc. | THOUSAND NEW TURKISH LIRA        |         |         |                                |         |         |
|--|-------|----------------------------------|---------|---------|--------------------------------|---------|---------|
|  |       | CURRENT PERIOD<br>( 31/12/2007 ) |         |         | PRIOR PERIOD<br>( 31/12/2006 ) |         |         |
|  |       | TC                               | FC      | Total   | TC                             | FC      | Total   |
| <b>I. DEPOSITS</b>   | (1)   | 0                                | 0       | 0       | 0                              | 0       | 0       |
| 1.1.Deposits held by the Bank's risk group   |       |                                  |         | 0       |                                |         | 0       |
| 1.2.Other  |       |                                  |         | 0       |                                |         | 0       |
| <b>II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING</b>   | (2)   |                                  |         | 0       |                                |         | 0       |
| <b>III. FUNDS BORROWED</b>   | (3)   | 4.579                            | 210.812 | 215.391 | 4.589                          | 175.433 | 180.022 |
| <b>IV. INTERBANK MONEY MARKET</b>  |       | 6.409                            | 0       | 6.409   | 4.489                          | 0       | 4.489   |
| 4.1.Interbank money market payables  |       |                                  |         | 0       |                                |         | 0       |
| 4.2.Istanbul Stock Exchange money market payables  |       |                                  |         | 0       |                                |         | 0       |
| 4.3.Funds provided under repurchase agreements   |       | 6.409                            |         | 6.409   | 4.489                          |         | 4.489   |
| <b>V. MARKETABLE SECURITIES ISSUED (Net)</b>   |       | 0                                | 0       | 0       | 0                              | 0       | 0       |
| 5.1.Bills  |       |                                  |         | 0       |                                |         | 0       |
| 5.2.Asset backed securities  |       |                                  |         | 0       |                                |         | 0       |
| 5.3.Bonds  |       |                                  |         | 0       |                                |         | 0       |
| <b>VI. FUNDS</b>   |       | 110.247                          | 35      | 110.282 | 105.057                        | 43      | 105.100 |
| 6.1.Borrower funds   |       |                                  |         | 0       |                                |         | 0       |
| 6.2.Other  |       | 110.247                          | 35      | 110.282 | 105.057                        | 43      | 105.100 |
| <b>VII. MISCELLANEOUS PAYABLES</b>   |       | 2.702                            | 84      | 2.786   | 6.221                          | 105     | 6.326   |
| <b>VIII. OTHER EXTERNAL RESOURCES</b>  | (4)   | 3.824                            | 171     | 3.995   | 2.804                          |         | 2.804   |
| <b>IX. FACTORING PAYABLES</b>  |       |                                  |         | 0       |                                |         | 0       |
| <b>X. LEASING TRANSACTIONS PAYABLES</b>  | (5)   | 0                                | 0       | 0       | 0                              | 0       | 0       |
| 10.1.Finance leasing payables  |       |                                  |         | 0       |                                |         | 0       |
| 10.2.Operational leasing payables  |       |                                  |         | 0       |                                |         | 0       |
| 10.3.Other   |       |                                  |         | 0       |                                |         | 0       |
| 10.4.Deferred finance leasing expenses ( - )   |       |                                  |         | 0       |                                |         | 0       |
| <b>XI. DERIVATIVE FINANCIAL LIABILITIES HELD FOR HEDGING</b>   | (6)   | 0                                | 0       | 0       | 0                              | 0       | 0       |
| 11.1.Fair value hedges   |       |                                  |         | 0       |                                |         | 0       |
| 11.2.Cash flow hedges  |       |                                  |         | 0       |                                |         | 0       |
| 11.3.Hedges for investments made in foreign countries  |       |                                  |         | 0       |                                |         | 0       |
| <b>XII. PROVISIONS</b>   | (7)   | 16.670                           | 0       | 16.670  | 14.250                         | 0       | 14.250  |
| 12.1.General provisions  |       | 1.800                            |         | 1.800   | 1.349                          |         | 1.349   |
| 12.2.Restructuring reserves  |       |                                  |         | 0       |                                |         | 0       |
| 12.3.Reserves for employee benefit   |       | 14.737                           |         | 14.737  | 12.901                         |         | 12.901  |
| 12.4.Insurance technical reserves (Net)  |       |                                  |         | 0       |                                |         | 0       |
| 12.5.Other provisions  |       | 133                              |         | 133     |                                |         | 0       |
| <b>XIII. LIABILITIES FOR TAX</b>   | (8)   | 11.835                           | 0       | 11.835  | 39.298                         | 0       | 39.298  |
| 13.1.Current - Liabilities for tax   |       | 11.835                           |         | 11.835  | 39.298                         |         | 39.298  |
| 13.2.Deferred - Liabilities for tax  |       |                                  |         | 0       |                                |         | 0       |
| <b>XIV. LIABILITIES FOR PROPERTY AND EQUIPMENT HELD FOR SALE PURPOSE AND HELD FROM TERMINATED OPERATIONS</b> | (9)   | 0                                | 0       | 0       | 0                              | 0       | 0       |
| 14.1.Held for sale purpose   |       |                                  |         | 0       |                                |         | 0       |
| 14.2.Held from terminated operations   |       |                                  |         | 0       |                                |         | 0       |
| <b>XV. SUBORDINATED LOANS</b>  | (10)  |                                  |         | 0       |                                |         | 0       |
| <b>XVI. SHAREHOLDERS' EQUITY</b>   | (11)  | 458.161                          | 0       | 458.161 | 537.533                        | 0       | 537.533 |
| 16.1.Paid-in capital   |       | 160.000                          |         | 160.000 | 160.000                        |         | 160.000 |
| 16.2.Supplementary capital   |       | 212.532                          | 0       | 212.532 | 211.423                        | 0       | 211.423 |
| 16.2.1.Share premium   |       | 1.491                            |         | 1.491   | 1.491                          |         | 1.491   |
| 16.2.2.Share cancellation profits  |       |                                  |         | 0       |                                |         | 0       |
| 16.2.3.Valuation changes of marketable securities  |       | 4.618                            |         | 4.618   | 3.851                          |         | 3.851   |
| 16.2.4.Revaluation changes of property and equipment   |       |                                  |         | 0       |                                |         | 0       |
| 16.2.5.Revaluation changes of intangible assets  |       |                                  |         | 0       |                                |         | 0       |
| 16.2.6.Revaluation changes of real estates for investment purpose  |       |                                  |         | 0       |                                |         | 0       |
| 16.2.7.Free shares from investment and associates, subsidiaries and joint ventures (business partners)       |       | 468                              |         | 468     | 1                              |         | 1       |
| 16.2.8.Hedging funds ( Active part )   |       |                                  |         | 0       |                                |         | 0       |
| 16.2.9.Value increase in property and equipment held for sale purpose and held from terminated operations    |       |                                  |         | 0       |                                |         | 0       |
| 16.2.10.Other capital reserves   |       | 205.955                          |         | 205.955 | 206.080                        |         | 206.080 |
| 16.3.Profit reserves   |       | 42.370                           | 0       | 42.370  | 17.944                         | 0       | 17.944  |
| 16.3.1.Legal reserves  |       | 22.054                           |         | 22.054  | 1.359                          |         | 1.359   |
| 16.3.2.Status reserves   |       |                                  |         | 0       |                                |         | 0       |
| 16.3.3.Extraordinary reserves  |       | 20.356                           |         | 20.356  | 16.619                         |         | 16.619  |
| 16.3.4.Other profit reserves   |       | -40                              |         | -40     | -34                            |         | -34     |
| <b>16.4. Profit or loss</b>  |       | 43.259                           | 0       | 43.259  | 148.166                        | 0       | 148.166 |
| 16.4.1.Prior year income/loss  |       | -77                              |         | -77     | -7.906                         |         | -7.906  |
| 16.4.2.Current year income/loss  |       | 43.336                           |         | 43.336  | 156.072                        |         | 156.072 |
| 16.5.Minority share  | (12)  |                                  |         | 0       |                                |         | 0       |
| <b>TOTAL LIABILITIES</b>   |       | 614.427                          | 211.102 | 825.529 | 714.241                        | 175.581 | 889.822 |

## TÜRKİYE KALKINMA BANKASI A.Ş. CONSOLIDATED OFF BALANCE SHEET COMMITMENTS

|   |          |                                  |           | THOUSAND NEW TURKISH LIRA |                                |           |           |
|---|----------|----------------------------------|-----------|---------------------------|--------------------------------|-----------|-----------|
|   | Disc.    | CURRENT PERIOD<br>( 31/12/2007 ) |           |                           | PRIOR PERIOD<br>( 31/12/2006 ) |           |           |
|   |          | TC                               | FC        | Total                     | TC                             | FC        | Total     |
| A. OFF BALANCE SHEET COMMITMENTS  |          | 151                              | 18.233    | 18.384                    | 1.954                          | 2.006     | 3.960     |
| I. GUARANTEES AND WARRANTIES  | (1), (3) | 151                              | 1.181     | 1.332                     | 1.954                          | 2.006     | 3.960     |
| 1.1.Letters of guarantee  |          | 151                              | 0         | 151                       | 1.946                          | 0         | 1.946     |
| 1.1.1.Guatantees subject to State Tender Law                            |          |                                  |           | 0                         |                                |           | 0         |
| 1.1.2.Guarantees given for foreign trade operations                     |          |                                  |           | 0                         |                                |           | 0         |
| 1.1.3.Other letters of guarantee  |          | 151                              |           | 151                       | 1.946                          |           | 1.946     |
| 1.2.Bank acceptances  |          | 0                                | 0         | 0                         | 0                              | 28        | 28        |
| 1.2.1.Import letter of acceptance                                       |          |                                  |           | 0                         |                                |           | 0         |
| 1.2.2.Other bank acceptances  |          |                                  |           | 0                         |                                | 28        | 28        |
| 1.3.Letters of credit   |          | 0                                | 1.181     | 1.181                     | 0                              | 1.978     | 1.978     |
| 1.3.1.Documentary letters of credit                                     |          |                                  |           | 0                         |                                |           | 0         |
| 1.3.2.Other letters of credit   |          |                                  | 1.181     | 1.181                     |                                | 1.978     | 1.978     |
| 1.4.Prefinancing given as guarantee                                     |          |                                  |           | 0                         |                                |           | 0         |
| 1.5.Endorsements  |          | 0                                | 0         | 0                         | 0                              | 0         | 0         |
| 1.5.1.Endorsements to the Central Bank of Turkey                        |          |                                  |           | 0                         |                                |           | 0         |
| 1.5.2.Other endorsements  |          |                                  |           | 0                         |                                |           | 0         |
| 1.6.Securities issue purchase guarantees                                |          |                                  |           | 0                         |                                |           | 0         |
| 1.7.Factoring guarantees  |          |                                  |           | 0                         |                                |           | 0         |
| 1.8.Other guarantees  |          |                                  |           | 0                         |                                |           | 0         |
| 1.9.Other warranties  |          |                                  |           | 0                         | 8                              |           | 8         |
| II. COMMITMENTS   | (3)      | 0                                | 17.052    | 17.052                    | 0                              | 0         | 0         |
| 2.1.Irrevocable commitments   |          | 0                                | 17.052    | 17.052                    | 0                              | 0         | 0         |
| 2.1.1.Asset purchase and sales commitments                              |          |                                  |           | 0                         |                                |           | 0         |
| 2.1.2.Deposit purchase and sales commitments                            |          |                                  |           | 0                         |                                |           | 0         |
| 2.1.3.Share capital commitment to associates and subsidiaries           |          |                                  | 17.052    | 17.052                    |                                |           | 0         |
| 2.1.4.Loan granting commitments   |          |                                  |           | 0                         |                                |           | 0         |
| 2.1.5.Securities issue brokerage commitments                            |          |                                  |           | 0                         |                                |           | 0         |
| 2.1.6.Commitments for reserve deposit requirements                      |          |                                  |           | 0                         |                                |           | 0         |
| 2.1.7.Payment commitments for checks                                    |          |                                  |           | 0                         |                                |           | 0         |
| 2.1.8.Tax and fund liabilities from export commitments                  |          |                                  |           | 0                         |                                |           | 0         |
| 2.1.9.Commitments for credit card expenditure limits                    |          |                                  |           | 0                         |                                |           | 0         |
| 2.1.10.Commitments for credit cards and banking services promotions     |          |                                  |           | 0                         |                                |           | 0         |
| 2.1.11.Receivables from short sale commitments                          |          |                                  |           | 0                         |                                |           | 0         |
| 2.1.12.Payables for short sale commitments                              |          |                                  |           | 0                         |                                |           | 0         |
| 2.1.13.Other irrevocable commitments                                    |          |                                  |           | 0                         |                                |           | 0         |
| 2.2.Revocable commitments   |          | 0                                | 0         | 0                         | 0                              | 0         | 0         |
| 2.2.1.Revocable loan granting commitments                               |          |                                  |           | 0                         |                                |           | 0         |
| 2.2.2.Other revocable commitments                                       |          |                                  |           | 0                         |                                |           | 0         |
| III. DERIVATIVE FINANCIAL INSTRUMENTS                                   | (2)      | 0                                | 0         | 0                         | 0                              | 0         | 0         |
| 3.1.Derivative financial instruments held for hedging                   |          | 0                                | 0         | 0                         | 0                              | 0         | 0         |
| 3.1.1.Fair value hedges   |          |                                  |           | 0                         |                                |           | 0         |
| 3.1.2.Cash flow hedges  |          |                                  |           | 0                         |                                |           | 0         |
| 3.1.3.Hedges for investments made in foreign countries                  |          |                                  |           | 0                         |                                |           | 0         |
| 3.2.Trading transactions  |          | 0                                | 0         | 0                         | 0                              | 0         | 0         |
| 3.2.1.Forward foreign currency buy/sell transactions                    |          | 0                                | 0         | 0                         | 0                              | 0         | 0         |
| 3.2.1.1.Forward foreign currency transactions-buy                       |          |                                  |           | 0                         |                                |           | 0         |
| 3.2.1.2.Forward foreign currency transactions-sell                      |          |                                  |           | 0                         |                                |           | 0         |
| 3.2.2. Swap transactions related to foreign currency and interest rates |          | 0                                | 0         | 0                         | 0                              | 0         | 0         |
| 3.2.2.1.Foreign currency swap-buy                                       |          |                                  |           | 0                         |                                |           | 0         |
| 3.2.2.2.Foreign currency swap-sell                                      |          |                                  |           | 0                         |                                |           | 0         |
| 3.2.2.3.Interest rate swaps-buy   |          |                                  |           | 0                         |                                |           | 0         |
| 3.2.2.4.Interest rate swaps-sell  |          |                                  |           | 0                         |                                |           | 0         |
| 3.2.3.Foreign currency, interest rate and security options              |          | 0                                | 0         | 0                         | 0                              | 0         | 0         |
| 3.2.3.1.Foreign currency options-buy                                    |          |                                  |           | 0                         |                                |           | 0         |
| 3.2.3.2.Foreign currency options-sell                                   |          |                                  |           | 0                         |                                |           | 0         |
| 3.2.3.3.Interest rate options-buy                                       |          |                                  |           | 0                         |                                |           | 0         |
| 3.2.3.4.Interest rate options-sell                                      |          |                                  |           | 0                         |                                |           | 0         |
| 3.2.3.5.Securities options-buy  |          |                                  |           | 0                         |                                |           | 0         |
| 3.2.3.6.Securities options-sell   |          |                                  |           | 0                         |                                |           | 0         |
| 3.2.4.Foreign currency futures  |          | 0                                | 0         | 0                         | 0                              | 0         | 0         |
| 3.4.1.Foreign currency futures-buy                                      |          |                                  |           | 0                         |                                |           | 0         |
| 3.2.4.2.Foreign currency futures-sell                                   |          |                                  |           | 0                         |                                |           | 0         |
| 3.2.5.Interest rate futures   |          | 0                                | 0         | 0                         | 0                              | 0         | 0         |
| 3.2.5.1.Interest rate futures-buy                                       |          |                                  |           | 0                         |                                |           | 0         |
| 3.2.5.2.Interest rate futures-sell                                      |          |                                  |           | 0                         |                                |           | 0         |
| 3.2.6.Other   |          |                                  |           | 0                         |                                |           | 0         |
| B. CUSTODY AND PLEDGED SECURITIES (IV+V+VI)                             |          | 2.573.808                        | 1.995.577 | 4.569.385                 | 2.073.056                      | 1.976.496 | 4.049.552 |
| IV. ITEMS HELD IN CUSTODY   |          | 15.514                           | 345       | 15.859                    | 66.559                         | 369       | 66.928    |
| 4.1.Assets under management   |          |                                  |           | 0                         |                                |           | 0         |
| 4.2.Investment securities held in custody                               |          | 15.513                           |           | 15.513                    | 66.559                         |           | 66.559    |
| 4.3.Checks received for collection                                      |          | 1                                |           | 1                         |                                |           | 0         |
| 4.4.Commercial notes received for collection                            |          |                                  |           | 0                         |                                |           | 0         |
| 4.5.Other assets received for collection                                |          |                                  |           | 0                         |                                |           | 0         |
| 4.6.Assets received for public offering                                 |          |                                  |           | 0                         |                                |           | 0         |
| 4.7.Other items under custody   |          |                                  | 345       | 345                       |                                | 369       | 369       |
| 4.8.Custodians  |          |                                  |           | 0                         |                                |           | 0         |
| V. PLEDGED ITEMS  |          | 2.558.294                        | 1.995.232 | 4.553.526                 | 2.006.497                      | 1.976.127 | 3.982.624 |
| 5.1.Marketable securities   |          |                                  |           | 0                         |                                |           | 0         |
| 5.2.Guarantee notes   |          | 249.566                          | 279.675   | 529.241                   | 176.476                        | 271.726   | 448.202   |
| 5.3.Commodity   |          |                                  |           | 0                         |                                |           | 0         |
| 5.4.Warranty  |          |                                  |           | 0                         |                                |           | 0         |
| 5.5.Immovables  |          | 1.915.467                        | 1.505.870 | 3.421.337                 | 1.521.930                      | 1.486.722 | 3.008.652 |
| 5.6.Other pledged items   |          | 52.207                           | 60.479    | 112.686                   | 52.778                         | 48.629    | 101.407   |
| 5.7.Pledged items-depository  |          | 341.054                          | 149.208   | 490.262                   | 255.313                        | 169.050   | 424.363   |
| VI. ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES                      |          |                                  |           | 0                         |                                |           | 0         |
| TOTAL OFF BALANCE SHEET COMMITMENTS                                     |          | 2.573.959                        | 2.013.810 | 4.587.769                 | 2.075.010                      | 1.978.502 | 4.053.512 |

|   | Disc. | THOUSAND NEW TURKISH LIRA |                         |
|---|-------|---------------------------|-------------------------|
|   |       | CURRENT PERIOD            | PRIOR PERIOD            |
|   |       | (01/01/2007-31/12/2007)   | (01/01/2006-31/12/2006) |
| <b>I. INTEREST INCOME</b>   | (1)   | <b>102.069</b>            | <b>76.826</b>           |
| 1.1. Interest on loans  |       | 36.190                    | 27.016                  |
| 1.2. Interest received from reserve deposits  |       |                           |                         |
| 1.3. Interest received from banks   |       | 7.619                     | 2.971                   |
| 1.4. Interest received from money market transactions                                   |       | 41.316                    | 35.195                  |
| 1.5. Interest received from marketable securities portfolio                             |       | 16.894                    | 11.476                  |
| 1.5.1. Financial assets held for trading  |       |                           |                         |
| 1.5.2. Financial assets where value change is reflected to income statement             |       | 16.827                    | 11.476                  |
| 1.5.3. Financial assets available for sale  |       |                           |                         |
| 1.5.4. Investments held to maturity   |       | 67                        |                         |
| 1.6. Finance lease income   |       |                           |                         |
| 1.7. Other interest income  |       | 50                        | 168                     |
| <b>II. INTEREST EXPENSES</b>  | (2)   | <b>17.494</b>             | <b>13.108</b>           |
| 2.1. Interest on deposits   |       |                           |                         |
| 2.2. Interest on funds borrowed   |       | 11.116                    | 6.914                   |
| 2.3. Interest on money market transactions  |       | 31                        | 124                     |
| 2.4. Interest on securities issued  |       |                           |                         |
| 2.5. Other interest expenses  |       | 6.347                     | 6.070                   |
| <b>III. NET INTEREST INCOME/EXPENSES (I - II)</b>                                       |       | <b>84.575</b>             | <b>63.718</b>           |
| <b>IV. NET FEES AND COMMISSIONS INCOME/EXPENSES</b>                                     |       | <b>8.683</b>              | <b>6.890</b>            |
| 4.1. Fees and commissions received  |       | 9.676                     | 7.948                   |
| 4.1.1. Non-cash loans   |       | 27                        | 3                       |
| 4.1.2. Other  |       | 9.649                     | 7.945                   |
| 4.2. Fees and commissions paid  |       | 993                       | 1.058                   |
| 4.2.1. Non-cash loans   |       |                           |                         |
| 4.2.2. Other  |       | 993                       | 1.058                   |
| <b>V. DIVIDEND INCOME</b>   | (3)   | <b>223</b>                | <b>3.103</b>            |
| <b>VI. TRADING PROFIT/LOSS (Net)</b>  | (4)   | <b>-1.579</b>             | <b>13.561</b>           |
| 6.1. Profit/loss on trading account securities  |       | 2.059                     | 2.962                   |
| 6.2. Foreign exchange profit/loss   |       | -3.638                    | 10.599                  |
| <b>VII. OTHER OPERATING INCOME</b>  | (5)   | <b>25.661</b>             | <b>209.738</b>          |
| <b>VIII. TOTAL OPERATING INCOME/EXPENSES (III+IV+V+VI+VII)</b>                          |       | <b>117.563</b>            | <b>297.010</b>          |
| <b>IX. PROVISION FOR LOAN OR OTHER RECEIVABLES LOSSES (-)</b>                           | (6)   | <b>12.143</b>             | <b>33.186</b>           |
| <b>X. OTHER OPERATING EXPENSES (-)</b>  | (7)   | <b>50.684</b>             | <b>67.763</b>           |
| <b>XI. NET OPERATING PROFIT/LOSS (VIII-IX-X)</b>  |       | <b>54.736</b>             | <b>196.061</b>          |
| <b>XII. SURPLUS WRITTEN AS GAIN AFTER MERGER</b>  |       |                           |                         |
| <b>XIII. PROFIT/LOSS FROM EQUITY METHOD APPLIED SUBSIDIARIES</b>                        |       |                           |                         |
| <b>XIV. NET MONETARY POSITION GAIN/LOSS</b>   |       |                           |                         |
| <b>XV. PROFIT/LOSS BEFORE TAXES FROM CONTINUING OPERATIONS (XI+...+XIV)</b>             | (8)   | <b>54.736</b>             | <b>196.061</b>          |
| <b>XVI. PROVISION FOR TAXES ON INCOME FROM CONTINUING OPERATIONS (±)</b>                | (9)   | <b>-11.265</b>            | <b>-39.978</b>          |
| 16.1. Current tax provision   |       | -10.683                   | -38.366                 |
| 16.2. Deferred tax provision  |       | -582                      | -1.612                  |
| <b>XVII. NET PROFIT/LOSS FROM CONTINUING OPERATIONS (XV±XVI)</b>                        | (10)  | <b>43.471</b>             | <b>156.083</b>          |
| <b>XVIII. INCOME FROM TERMINATED OPERATIONS</b>   |       | <b>190</b>                | <b>846</b>              |
| 18.1. Property and equipment income held for sale                                       |       |                           |                         |
| 18.2. Sale profits from associates, subsidiaries and joint ventures (business partners) |       |                           |                         |
| 18.3. Other income from terminated operations   |       | 190                       | 846                     |
| <b>XIX. EXPENSES FROM TERMINATED OPERATIONS (-)</b>                                     |       | <b>325</b>                | <b>857</b>              |
| 19.1. Property and equipment expense held for sale                                      |       |                           |                         |
| 19.2. Sale losses from associates, subsidiaries and joint ventures (business partners)  |       |                           |                         |
| 19.3. Other expenses from terminated operations   |       | 325                       | 857                     |
| <b>XX. PROFIT/LOSS BEFORE TAXES FROM TERMINATED OPERATIONS (XVIII-XIX)</b>              | (8)   | <b>-135</b>               | <b>-11</b>              |
| <b>XXI. PROVISION FOR TAXES ON INCOME FROM TERMINATED OPERATIONS (±)</b>                | (9)   | <b>0</b>                  | <b>0</b>                |
| 21.1. Current tax provision   |       |                           |                         |
| 21.2. Deferred tax provision  |       |                           |                         |
| <b>XXII. NET PROFIT/LOSS FROM TERMINATED OPERATIONS (XX±XXI)</b>                        | (10)  | <b>-135</b>               | <b>-11</b>              |
| <b>XXIII. NET PROFIT/LOSSES (XVII+XXII)</b>   | (11)  | <b>43.336</b>             | <b>156.072</b>          |
| 23.1. Group's profit/loss   |       | 43.336                    | 156.072                 |
| 23.2. Minority shares   |       |                           |                         |
| Earnings/Losses per share*  |       | 0,27085                   | 0,97545                 |

Calculated according to a 1 YTL nominal valued share.

**TÜRKİYE KALKINMA BANKASI A.Ş. CONSOLIDATED INCOME STATEMENT ACCOUNTS BOOKED IN SHAREHOLDERS' EQUITY**

**Appendix: 1-Ç**

|   |                                  |                                |
|---|----------------------------------|--------------------------------|
|   |                                  |                                |
|   |                                  |                                |
|   | <b>THOUSAND NEW TURKISH LIRA</b> |                                |
| <b>INCOME STATEMENT ACCOUNTS BOOKED IN SHAREHOLDERS' EQUITY</b>   | <b>CURRENT PERIOD</b>            | <b>PRIOR PERIOD</b>            |
|   | <b>(01/01/2007-31/12/2007)</b>   | <b>(01/01/2006-31/12/2006)</b> |
| <b>I. FINANCIAL ASSETS AVAILABLE FOR SALE ADDED TO MARKETABLE SECURITIES VALUATION CHANGES ACCOUNT</b>  | <b>959</b>                       | <b>4.814</b>                   |
| <b>II. REVALUATION CHANGES OF PROPERTY AND EQUIPMENT</b>  |                                  |                                |
| <b>III. REVALUATION CHANGES OF INTANGIBLE ASSETS</b>  |                                  |                                |
| <b>IV. EXCHANGE RATE DIFFERENCES FOR FOREIGN CURRENCY OPERATIONS</b>  |                                  |                                |
| <b>V. PROFIT/LOSSES ON DERIVATIVE FINANCIAL ASSETS HELD FOR CASH FLOW HEDGES</b><br>(Active part of fair value changes)                               |                                  |                                |
| <b>VI. PROFIT/LOSSES ON DERIVATIVE FINANCIAL ASSETS HELD FOR HEDGES FOR INVESTMENTS MADE IN FOREIGN COUNTRIES</b> (Active part of fair value changes) |                                  |                                |
| <b>VII. EFFECTS OF CHANGES IN ACCOUNTING POLICIES AND ADJUSTMENTS</b>   |                                  |                                |
| <b>VIII. OTHER INCOME/EXPENSE ACCOUNTS BOOKED IN SHAREHOLDERS' EQUITY IN ACCORDANCE WITH TMS</b>  | <b>-50</b>                       | <b>-34</b>                     |
| <b>IX. DEFERRED TAX OF VALUATION CHANGES</b>  | <b>-182</b>                      | <b>-963</b>                    |
| <b>X. NET INCOME/EXPENSE ACCOUNTS DIRECTLY BOOKED UNDER SHAREHOLDERS' EQUITY (I+II+...+IX)</b>  | <b>727</b>                       | <b>3.817</b>                   |
| <b>XI. CURRENT PROFIT/LOSSES</b>  | <b>43.336</b>                    | <b>156.072</b>                 |
| 11.1.Net changes in fair value at securities (Transferred to profit/loss)   | 18.564                           | 11.476                         |
| 11.2.Part of derivative financial assets held for cash flow hedges, reclassified and shown in income statement  |                                  |                                |
| 11.3.Part of hedges for investments made in foreign countries, reclassified and shown in income statement   |                                  |                                |
| 11.4.Other  | 24.772                           | 144.596                        |
| <b>XII. TOTAL PROFIT/LOSSES BOOKED IN CURRENT PERIOD (X±XI)</b>   | <b>44.063</b>                    | <b>159.889</b>                 |

## STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

## Appendix: 1-D

## THOUSAND NEW TURKISH LIRA

|   | Disc. | Paid-in capital | Adjustment to paid-in capital | Share premium | Share certificate cancellation profits | Legal reserves | Status reserves | Extraordinary reserves | Other reserves | Current period net income /(loss) | Prior period net income /(loss) | Valuation changes of marketable securities | Revaluation changes in property and equip. and intangible assets | Free shares from sharehold. | Hedging funds | Valuation change in property and equip. held for sale purposes/terminated operat. | Total SE without minority share | Minority interest | Total    |
|---|-------|-----------------|-------------------------------|---------------|--|----------------|-----------------|------------------------|----------------|-----------------------------------|---------------------------------|--|--|-----------------------------|---------------|---|---------------------------------|-------------------|----------|
| <b>PRIOR PERIOD</b><br>(31/12/2006)   |       |                 |                               |               |  |                |                 |                        |                |                                   |                                 |  |  |                             |               |   |                                 |                   |          |
| <b>I. Balance at the beginning of the period</b>  |       | 160.000         |                               | 1.491         |  |                |                 | 168                    | 209.942        | 24.962                            | -5.511                          | 60.014                                     |  | 1                           |               |   | 451.067                         |                   | 451.067  |
| <b>II. Adjustment in accordance with TMS 8</b>  |       | 0               | 0                             | 0             | 0                                      | 0              | 0               | 0                      | 0              | 0                                 | 0                               | 0  | 0  | 0                           | 0             | 0   | 0                               | 0                 | 0        |
| 2.1.Effect of adjustment  |       |                 |                               |               |  |                |                 |                        |                |                                   |                                 |  |  |                             |               |   | 0                               |                   | 0        |
| 2.2.Effect of changes in accounting policies  |       |                 |                               |               |  |                |                 |                        |                |                                   |                                 |  |  |                             |               |   | 0                               |                   | 0        |
| <b>III. New balance (I+II)</b>  |       | 160.000         | 0                             | 1.491         | 0                                      | 0              | 0               | 168                    | 209.942        | 24.962                            | -5.511                          | 60.014                                     | 0  | 1                           | 0             | 0   | 451.067                         | 0                 | 451.067  |
| Changes within the period   |       |                 |                               |               |  |                |                 |                        |                |                                   |                                 |  |  |                             |               |   |                                 |                   |          |
| <b>IV. Increase or decrease generated by merger</b>   |       |                 |                               |               |  |                |                 |                        |                |                                   |                                 |  |  |                             |               |   | 0                               |                   | 0        |
| <b>V. Valuation changes of marketable securities</b>  |       |                 |                               |               |  |                |                 |                        |                |                                   |                                 | 3.851                                      |  |                             |               |   | 3.851                           |                   | 3.851    |
| <b>VI. Hedging Funds (Active part)</b>  |       | 0               | 0                             | 0             | 0                                      | 0              | 0               | 0                      | 0              | 0                                 | 0                               | 0  | 0  | 0                           | 0             | 0   | 0                               | 0                 | 0        |
| 6.1.Cash flow hedges  |       |                 |                               |               |  |                |                 |                        |                |                                   |                                 |  |  |                             |               |   | 0                               |                   | 0        |
| 6.2.Hedges for investments made in foreign countries  |       |                 |                               |               |  |                |                 |                        |                |                                   |                                 |  |  |                             |               |   | 0                               |                   | 0        |
| <b>VII. Revaluation changes of property and equipment</b>   |       |                 |                               |               |  |                |                 |                        |                |                                   |                                 |  |  |                             |               |   | 0                               |                   | 0        |
| <b>VIII. Revaluation changes of intangible assets</b>   |       |                 |                               |               |  |                |                 |                        |                |                                   |                                 |  |  |                             |               |   | 0                               |                   | 0        |
| <b>IX. Free shares from investment and associates, subsidiaries and joint ventures (business partners)</b>        |       |                 |                               |               |  |                |                 |                        |                |                                   |                                 |  |  |                             |               |   | 0                               |                   | 0        |
| <b>X. Foreign exchange differences</b>  |       |                 |                               |               |  |                |                 |                        |                |                                   |                                 |  |  |                             |               |   | 0                               |                   | 0        |
| <b>XI. Changes after disposal of securities</b>   |       |                 |                               |               |  |                |                 |                        |                |                                   |                                 | -60.014                                    |  |                             |               |   | -60.014                         |                   | -60.014  |
| <b>XII. Changes after reclassification of securities</b>  |       |                 |                               |               |  |                |                 |                        |                |                                   |                                 |  |  |                             |               |   | 0                               |                   | 0        |
| <b>XIII. Effect of changes in shareholders equity of investments and associates to bank's shareholders equity</b> |       |                 |                               |               |  |                |                 |                        |                |                                   |                                 |  |  |                             |               |   | 0                               |                   | 0        |
| <b>XIV. Increase in capital</b>   |       | 0               | 0                             | 0             | 0                                      | 0              | 0               | 0                      | 0              | 0                                 | 0                               | 0  | 0  | 0                           | 0             | 0   | 0                               | 0                 | 0        |
| 14.1. Cash  |       |                 |                               |               |  |                |                 |                        |                |                                   |                                 |  |  |                             |               |   | 0                               |                   | 0        |
| 14.2. From internal resources   |       |                 |                               |               |  |                |                 |                        |                |                                   |                                 |  |  |                             |               |   | 0                               |                   | 0        |
| <b>XV. Issuance of share certificates at end of period</b>  |       |                 |                               |               |  |                |                 |                        |                |                                   |                                 |  |  |                             |               |   | 0                               |                   | 0        |
| <b>XVI. Share cancellation profits</b>  |       |                 |                               |               |  |                |                 |                        |                |                                   |                                 |  |  |                             |               |   | 0                               |                   | 0        |
| <b>XVII. Adjustment to paid-in capital</b>  |       |                 |                               |               |  |                |                 |                        | -3.862         |                                   |                                 |  |  |                             |               |   | -3.862                          |                   | -3.862   |
| <b>XVIII. Other</b>   |       |                 |                               |               |  |                |                 |                        | -34            |                                   |                                 |  |  |                             |               |   | -34                             |                   | -34      |
| <b>XIX. Net profit or losses</b>  |       |                 |                               |               |  |                |                 |                        |                | 156.072                           |                                 |  |  |                             |               |   | 156.072                         |                   | 156.072  |
| <b>XX. Profit distribution</b>  |       | 0               | 0                             | 0             | 0                                      | 1.359          | 0               | 16.451                 | 0              | -24.962                           | -2.395                          | 0  | 0  | 0                           | 0             | 0   | -9.547                          | 0                 | -9.547   |
| 20.1. Dividends distributed   |       |                 |                               |               |  | 1.359          |                 |                        |                | -8.860                            |                                 |  |  |                             |               |   | -7.501                          |                   | -7.501   |
| 20.2. Transfers to legal reserves   |       |                 |                               |               |  |                |                 | 16.340                 |                | -17.699                           |                                 |  |  |                             |               |   | -1.359                          |                   | -1.359   |
| 20.3. Other   |       |                 |                               |               |  |                |                 | 111                    |                | 1.597                             | -2.395                          |  |  |                             |               |   | -687                            |                   | -687     |
| <b>Balances (III+IV+V +...+XVIII+XIX+XX))</b>   |       | 160.000         | 0                             | 1.491         | 0                                      | 1.359          | 0               | 16.619                 | 206.046        | 156.072                           | -7.906                          | 3.851                                      | 0  | 1                           | 0             | 0   | 537.533                         | 0                 | 537.533  |
| <b>CURRENT PERIOD</b><br>(31/12/2007)   |       |                 |                               |               |  |                |                 |                        |                |                                   |                                 |  |  |                             |               |   |                                 |                   |          |
| <b>I. Balances at end of prior period</b>   |       | 160.000         |                               | 1.491         |  | 1.359          |                 | 16.619                 | 206.046        | 148.166                           |                                 | 3.851                                      |  | 1                           |               |   | 537.533                         |                   | 537.533  |
| Changes within the period   |       |                 |                               |               |  |                |                 |                        |                |                                   |                                 |  |  |                             |               |   |                                 |                   |          |
| <b>II. Increase or decrease generated by merger</b>   |       |                 |                               |               |  |                |                 |                        |                |                                   |                                 |  |  |                             |               |   | 0                               |                   | 0        |
| <b>III. Valuation changes of marketable securities</b>  |       |                 |                               |               |  |                |                 |                        | -125           |                                   |                                 | 767  |  |                             |               |   | 642                             |                   | 642      |
| <b>IV. Hedging Funds</b>  |       | 0               | 0                             | 0             | 0                                      | 0              | 0               | 0                      | 0              | 0                                 | 0                               | 0  | 0  | 0                           | 0             | 0   | 0                               | 0                 | 0        |
| 4.1.Cash flow hedge   |       |                 |                               |               |  |                |                 |                        |                |                                   |                                 |  |  |                             |               |   | 0                               |                   | 0        |
| 4.2.Hedges for investments made in foreign countries  |       |                 |                               |               |  |                |                 |                        |                |                                   |                                 |  |  |                             |               |   | 0                               |                   | 0        |
| <b>V. Revaluation changes of property and equipment</b>   |       |                 |                               |               |  |                |                 |                        |                |                                   |                                 |  |  |                             |               |   | 0                               |                   | 0        |
| <b>VI. Revaluation changes of intangible assets</b>   |       |                 |                               |               |  |                |                 |                        |                |                                   |                                 |  |  |                             |               |   | 0                               |                   | 0        |
| <b>VII. Free shares from investment and associates, subsidiaries and joint ventures (business partners)</b>       |       |                 |                               |               |  |                |                 |                        |                |                                   |                                 |  |  | 467                         |               |   | 467                             |                   | 467      |
| <b>VIII. Foreign exchange differences</b>   |       |                 |                               |               |  |                |                 |                        |                |                                   |                                 |  |  |                             |               |   | 0                               |                   | 0        |
| <b>IX. Changes after disposal of securities</b>   |       |                 |                               |               |  |                |                 |                        |                |                                   |                                 |  |  |                             |               |   | 0                               |                   | 0        |
| <b>X. Changes after reclassification of securities</b>  |       |                 |                               |               |  |                |                 |                        |                |                                   |                                 |  |  |                             |               |   | 0                               |                   | 0        |
| <b>XI. Effect of changes in shareholders equity of investments and associates to bank's shareholders equity</b>   |       |                 |                               |               |  |                |                 |                        |                |                                   |                                 |  |  |                             |               |   | 0                               |                   | 0        |
| <b>XII. Increase in capital</b>   |       | 0               | 0                             | 0             | 0                                      | 0              | 0               | 0                      | 0              | 0                                 | 0                               | 0  | 0  | 0                           | 0             | 0   | 0                               | 0                 | 0        |
| 12.1. Cash  |       |                 |                               |               |  |                |                 |                        |                |                                   |                                 |  |  |                             |               |   | 0                               |                   | 0        |
| 12.2. From internal resources   |       |                 |                               |               |  |                |                 |                        |                |                                   |                                 |  |  |                             |               |   | 0                               |                   | 0        |
| <b>XIII. Issuance of share certificates at end of period</b>  |       |                 |                               |               |  |                |                 |                        |                |                                   |                                 |  |  |                             |               |   | 0                               |                   | 0        |
| <b>XIV. Share cancellation profits</b>  |       |                 |                               |               |  |                |                 |                        |                |                                   |                                 |  |  |                             |               |   | 0                               |                   | 0        |
| <b>XV. Adjustment to paid-in capital</b>  |       |                 |                               |               |  |                |                 |                        |                |                                   |                                 |  |  |                             |               |   | 0                               |                   | 0        |
| <b>XVI. Other</b>   |       |                 |                               |               |  |                |                 |                        | -6             |                                   |                                 |  |  |                             |               |   | -6                              |                   | -6       |
| <b>XVII. Net profit or losses</b>   |       |                 |                               |               |  |                |                 |                        |                | 43.336                            |                                 |  |  |                             |               |   | 43.336                          |                   | 43.336   |
| <b>XVIII. Profit distribution</b>   |       | 0               | 0                             | 0             | 0                                      | 20.695         | 0               | 3.737                  | 0              | -148.243                          | 0                               | 0  | 0  | 0                           | 0             | 0   | -123.811                        | 0                 | -123.811 |
| 18.1.Dividends distributed  |       |                 |                               |               |  |                |                 |                        |                | -123.811                          |                                 |  |  |                             |               |   | -123.811                        |                   | -123.811 |
| 18.2.Transfers to legal reserves  |       |                 |                               |               |  | 20.695         |                 | 3.737                  |                | -24.432                           |                                 |  |  |                             |               |   | 0                               |                   | 0        |
| 18.3.Other  |       |                 |                               |               |  |                |                 |                        |                |                                   |                                 |  |  |                             |               |   | 0                               |                   | 0        |

## TÜRKİYE KALKINMA BANKASI A.Ş. CONSOLIDATED STATEMENT OF CASH FLOW

|   | Disc. | THOUSAND NEW TURKISH LIRA |                         |
|---|-------|---------------------------|-------------------------|
|   |       | CURRENT PERIOD            | PRIOR PERIOD            |
|   |       | (01/01/2007-31/12/2007)   | (01/01/2006-31/12/2006) |
| <b>A. CASH FLOWS FROM BANKING OPERATIONS</b>  |       |                           |                         |
| <b>1.1. Operating profit before changes in operating assets and liabilities(+)</b>                        |       | <b>40.695</b>             | <b>14.242</b>           |
| 1.1.1.Interest received (+)   |       | 96.200                    | 75.763                  |
| 1.1.2.Interest paid (-)   |       | 16.344                    | 11.655                  |
| 1.1.3.Dividend received (+)   |       | 223                       | 3.091                   |
| 1.1.4.Fees and commissions received (+)   |       | 9.787                     | 7.549                   |
| 1.1.5.Other income (+)  |       | 2.991                     | 65.287                  |
| 1.1.6.Collections from previously written off loans and other receivables (+)                             |       | 23.880                    |                         |
| 1.1.7.Payments to personnel and service suppliers (-)   |       | 37.842                    | 30.962                  |
| 1.1.8.Taxes paid (-)  |       | 27.735                    | 66.169                  |
| 1.1.9.Other (+/-)   |       | -10.465                   | -28.662                 |
| <b>1.2. Changes in operating assets and liabilities</b>   |       | <b>-30.203</b>            | <b>60.441</b>           |
| 1.2.1.Net increase (decrease) in financial assets held for trading (+/-)                                  |       |                           |                         |
| 1.2.2.Net increase (decrease) in financial assets where fair value change is reflected to I/S             |       | -5.711                    | -8.227                  |
| 1.2.3.Net increase (decrease) in due from banks and other financial institutions (+/-)                    |       |                           |                         |
| 1.2.4.Net increase (decrease) decrease in loans   |       | -66.832                   | -41.971                 |
| 1.2.5.Net increase (decrease) in other assets (+/-)   |       | 1.400                     | 10.586                  |
| 1.2.6.Net increase (decrease) in bank deposits (+/-)  |       |                           |                         |
| 1.2.7.Net increase (decrease) in other deposits (+/-)   |       |                           |                         |
| 1.2.8.Net increase (decrease) in funds borrowed (+/-)   |       | 43.148                    | 70.946                  |
| 1.2.9.Net increase (decrease) in matured payables (+/-)   |       |                           |                         |
| 1.2.10.Net increase (decrease) in other liabilities (+/-)   |       | -2.208                    | 29.107                  |
| <b>I. Net cash provided from banking operations (+/-)</b>   |       | <b>10.492</b>             | <b>74.683</b>           |
| <b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>  |       |                           |                         |
| <b>II. Net cash provided from investing activities (+/-)</b>  |       | <b>-2.337</b>             | <b>136.491</b>          |
| 2.1.Cash paid for purchase of investments, associates and joint ventures (business partners)              |       |                           |                         |
| 2.2.Cash obtained from sale of subsidiaries, invest.and associates and joint ventures (business partners) |       |                           |                         |
| 2.3.Fixed assets purchases (-)  |       | 3.123                     | 209                     |
| 2.4.Fixed assets sales (+)  |       | 519                       | 310                     |
| 2.5.Cash paid for purchase of financial assets available for sale (-)                                     |       |                           |                         |
| 2.6.Cash obtained from sale of financial assets available for sale (+)                                    |       | 267                       | 136.390                 |
| 2.7.Cash paid for purchase of investment securities (-)   |       |                           |                         |
| 2.8.Cash obtained from sale of investment securities (+)  |       |                           |                         |
| 2.9.Other (+/-)   |       |                           |                         |
| <b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>  |       |                           |                         |
| <b>III. Net cash provided from financing activities (+/-)</b>   |       | <b>-104.502</b>           | <b>0</b>                |
| 3.1.Cash obtained from funds borrowed and securities issued (+)   |       |                           |                         |
| 3.2.Cash used for repayment of funds borrowed and securities issued (-)                                   |       |                           |                         |
| 3.3.Capital increase (+)  |       |                           |                         |
| 3.4.Dividends paid (-)  |       | 104.502                   |                         |
| 3.5.Payments for finance leases (-)   |       |                           |                         |
| 3.6.Other (+/-)   |       |                           |                         |
| <b>IV. Effect of change in foreign exchange rate on cash and cash equivalents</b>                         |       | <b>-3.638</b>             | <b>10.599</b>           |
| <b>V. Net increase in cash and cash equivalents (I+II+III+IV)</b>   |       | <b>-99.985</b>            | <b>221.773</b>          |
| <b>VI. Cash and cash equivalents at beginning of the year (+)</b>   |       | <b>336.199</b>            | <b>114.426</b>          |
| <b>VII. Cash and cash equivalents at end of the year (V+VI)</b>   |       | <b>236.214</b>            | <b>336.199</b>          |

## TÜRKİYE KALKINMA BANKASI A.Ş. PROFIT DISTRIBUTION TABLE

|  | THOUSAND NEW TURKISH LIRA        |                                |
|--|----------------------------------|--------------------------------|
|  | CURRENT PERIOD<br>( 31/12/2007 ) | PRIOR PERIOD<br>( 31/12/2006 ) |
| <b>I.DISTRIBUTION OF CURRENT YEAR INCOME</b>                       |                                  |                                |
| 1.1.CURRENT YEAR INCOME  | 54.019                           | 186.609                        |
| 1.2.TAXES AND DUTIES PAYABLE                                       | 10.683                           | 38.366                         |
| 1.2.1.Corporate Tax (Income tax)                                   | 10.683                           | 38.366                         |
| 1.2.2.Income withholding tax                                       |                                  |                                |
| 1.2.3.Other taxes and duties                                       |                                  |                                |
| <b>A. NET INCOME FOR THE YEAR (1.1-1.2)</b>                        | <b>43.336</b>                    | <b>148.243</b>                 |
| 1.3.PRIOR YEARS LOSSES (-)   |                                  |                                |
| 1.4.FIRST LEGAL RESERVES (-)                                       | 2.167                            | 7.412                          |
| 1.5.OTHER STATUTORY RESERVES (-)                                   |                                  |                                |
| <b>B. NET INCOME AVAILABLE FOR DISTRIBUTION [(A-(1.3+1.4+1.5)]</b> | <b>41.169</b>                    | <b>140.831</b>                 |
| 1.6.FIRST DIVIDEND TO SHAREHOLDERS (-)                             | 0                                | 8.000                          |
| 1.6.1.To owners of ordinary shares                                 |                                  | 8.000                          |
| 1.6.2.To owners of preferred shares                                |                                  |                                |
| 1.6.3.To owners of preferred shares (preemptive rights)            |                                  |                                |
| 1.6.4.To profit sharing bonds                                      |                                  |                                |
| 1.6.5.To holders of profit and loss sharing certificates           |                                  |                                |
| 1.7.DIVIDENDS TO PERSONNEL (-)                                     |                                  | 1.461                          |
| 1.8.DIVIDENDS TO BOARD OF DIRECTORS (-)                            |                                  |                                |
| 1.9.SECOND DIVIDEND TO SHAREHOLDERS (-)                            | 0                                | 114.350                        |
| 1.9.1.To owners of ordinary shares                                 |                                  | 114.350                        |
| 1.9.2.To owners of preferred shares                                |                                  |                                |
| 1.9.3.To owners of preferred shares (preemptive rights)            |                                  |                                |
| 1.9.4.To profit sharing bonds                                      |                                  |                                |
| 1.9.5.To holders of profit and loss sharing certificates           |                                  |                                |
| 1.10.SECOND LEGAL RESERVES (-)                                     |                                  | 13.283                         |
| 1.11.STATUTORY RESERVES (-)  |                                  |                                |
| 1.12.GENERAL RESERVES  |                                  | 3.737                          |
| 1.13.OTHER RESERVES  |                                  |                                |
| 1.14.SPECIAL FUNDS   |                                  |                                |
| <b>II. DISTRIBUTION OF RESERVES</b>                                |                                  |                                |
| 2.1.APPROPRIATED RESERVES  |                                  |                                |
| 2.2.SECOND LEGAL RESERVES (-)                                      |                                  |                                |
| 2.3.DIVIDENDS TO SHAREHOLDERS (-)                                  | 0                                | 0                              |
| 2.3.1.To owners of ordinary shares                                 |                                  |                                |
| 2.3.2.To owners of preferred shares                                |                                  |                                |
| 2.3.3.To owners of preferred shares (preemptive rights)            |                                  |                                |
| 2.3.4.To profit sharing bonds                                      |                                  |                                |
| 2.3.5.To holders of profit and loss sharing certificates           |                                  |                                |
| 2.4.DIVIDENDS TO PERSONNEL (-)                                     |                                  |                                |
| 2.5.DIVIDENDS TO BOARD OF DIRECTORS (-)                            |                                  |                                |
| <b>III. EARNINGS PER SHARE</b>                                     |                                  |                                |
| 3.1.TO OWNERS OF ORDINARY SHARES*                                  |                                  | 0,8802                         |
| 3.2.TO OWNERS OF ORDINARY SHARES (%)                               |                                  | 88,02                          |
| 3.3.TO OWNERS OF PRIVILEGED SHARES                                 |                                  |                                |
| 3.4.TO OWNERS OF PRIVILEGED SHARES (%)                             |                                  |                                |
| <b>IV. DIVIDEND PER SHARE</b>                                      |                                  |                                |
| 4.1.TO OWNERS OF ORDINARY SHARES*                                  |                                  | 0,6499                         |
| 4.2.TO OWNERS OF ORDINARY SHARES (%)                               |                                  | 64,99                          |
| 4.3.TO OWNERS OF PRIVILEGED SHARES                                 |                                  |                                |
| 4.4.TO OWNERS OF PRIVILEGED SHARES (%)                             |                                  |                                |

Calculated according to a 1 YTL nominal valued share.



**SECTION THREE  
ACCOUNTING POLICIES**

**I. Explanations on basis of presentation:**

**a. The preparation of financial statements and notes to the financial statements according to Turkish Accounting Standards and Legislation on the Accounting Applications of Banks and Procedures and Basis of Preservation of Documents:**

Consolidated financial statements are prepared in accordance with the Turkish Accounting Standards (TMS) and Turkish Financial Reporting Standards (TFRS) and appendixes and interpretations concerning those standards (all together called as “Turkish Accounting Standards” or TMS) in the context of Legislation on the Accounting Applications of Banks and Procedures and Basis of Preservation of Documents from the Legislations published on the Legal Gazette dated 1 November 2006 numbered 26333 based on the Banking Law numbered 5411. The parent company Bank keeps its records in Turkish Liras in accordance with the Banking Law, Turkish Trade Law and Turkish tax legislations.

**b. Accounting policies and basis of valuation used in the preparation of financial statements:**

Accounting policies and valuation basis used in the financial statements of the parent company Bank are applied according to Turkish Accounting Standards and the related legislations, bulletin and decree published by the Banking Regulation and Supervision Agency.

**c. Explanations on the accounting policies used for the correct interpretation of financial statements:**

Financial statements of the parent company Bank are based on historical cost principle and legal records except financial assets where fair value change is reflected to income statement, financial assets available for sale, subsidiaries quoted in a stock exchange and property held for sale.

The previous periods included in the balance sheet and off-balance sheet accounts statement, income statement, statement of changes in equity, cash flow statement and notes represent 31.12.2006.

Figures stated in the attached financial statements, notes and explanations on these statements are Thousand YTL's unless otherwise stated.

Valuation basis used in the financial statements are explained in section three.

**II- Explanations on the Utilization Strategy of Financial Instruments and Explanation on Foreign Currency Transactions**

The majority of the liabilities included in the balance sheet of the parent company Bank consists of the sources obtained from domestic and international markets. The majority of the sources obtained domestically consist of budget based funds and the Bank acts as an intermediary for those funds provided by the Treasury to be placed in various sectors. The sources obtained internationally consist of buyer-seller loans gathered from World Bank, European Investment Bank, European Commission Development Bank and other European Investment Banks and Islamic Development Bank.

During the utilization of the gathered resources a care is being given to the appropriate borrowing conditions while taking the asset-liability balance into account, maturity, exchange rate and liquidity risks are trying to be avoided.

A non-speculative exchange rate position risk management is applied to limit the Bank's exchange rate risk. For that reason, during the determination of the allocation of balance sheet and non-balance sheet assets according to currencies, foreign currency management policy is applied in the most effective way.

Trade placements are managed by high-profit low-risk assets by taking international and domestic economic expectations, market conditions, expectations and inclinations of loan customers, interest-liquidity, exchange rate etc. risks into account. Basic macro goals concerning balance sheet sizes are determined during budgeting and the transactions are carried out according to work programs prepared in this context.

The exchange rates, interest and price movements are closely monitored; transaction and control limits that are developed from Bank's previous experiences are based on when taking positions as well as legal limits. This way, limits are not crossed.

During foreign currency transactions, actions detailed below are taken.

a. Foreign currency monetary assets and liabilities are translated to New Turkish Lira (YTL) with the exchange rates announced by our Bank at the end of period.

b. Total amount of capitalized exchange rate differences as of balance sheet date; None.

c. Basic principles of exchange rate risk management policy: Decisions are made by the Assets Liabilities Management Committee that meets regularly to avoid exchange rate and parity risks in line with the models prepared in the context of the basic boundaries of Foreign Currency Net General Position / Shareholders' Equity Ratio that is included in legal liabilities, and those decisions are carried out carefully. To avoid parity risk foreign exchange position is managed by taking singular and general positions.

d. Foreign currency transactions are calculated using the exchange rates prevailing at the dates of transactions and the profit / losses are included in the related income statements.

### **III- Presentation of Information on Consolidated Companies:**

Kalkınma Yatırım Menkul Değerler A.Ş, the subsidiary of the parent company Bank, is consolidated because it has adhered to terms mentioned on the Bulletin on the Preparation of Consolidated Financial Statements of Banks. KYMD was consolidated using the full consolidation method. Parent company Bank and consolidated subsidiary whose financial statements were consolidated with parent company Bank or reflected to financial statements according to full consolidation method is called "Group" as a whole.

#### **1. Basis of consolidation:**

The accounting policies used and basis of valuation of the Parent Company Bank are determined and applied according to the rules stated out in the Bulletin on the Preparation of Consolidated Financial Statements of Banks announced in the Legal Gazette dated 8 November 2006 numbered 26340 and Turkish Accounting Standards (TMS 27).

#### **a) Consolidation principles of subsidiaries:**

Subsidiaries are companies whose capital are directly or indirectly controlled by the Bank, which are financial companies that operate with licenses given by special laws that are settled domestically or overseas. Subsidiaries are consolidated using the full consolidation method based on the materiality principle according to their results of operations and amounts of their assets, liabilities and shareholders' equity.

Control is considered as Bank's holding majority of the capital of a legal entity directly or indirectly or holding privileged shares without having the majority of shares or having the majority of voting rights through agreements with other shareholders or having the power to appoint or dismiss the majority of Board of Directors.

According to the full consolidation method, all of the assets, liabilities, income, expenses and contra accounts of subsidiaries are added together with the Parent Company Bank's assets, liabilities, income, expenses and contra accounts (since the share of Parent Company Bank of the subsidiary is 100%, no minority's share is calculated). The book value of the investment of the Group in the subsidiary and the Group's share of subsidiary's capital are netted. The balances from intergroup transactions and unrealized profits and losses are mutually offset.

In cases where the accounting policies of subsidiaries differ from the parent company Bank's accounting policies, the accounting policies of the subsidiaries are adjusted accordingly.

**b) Accounts that are subjected to different accounting policies during the preparation of the consolidated financial statements:**

Since the accounting policies are adjusted in the consolidated financial statements, there are no accounts that are subjected to different accounting policies.

**IV- Explanations on derivative instruments:**

The parent company Bank has no forward or swap operations as of the balance sheet date.

**V- Explanations on interest income and expenses:**

Interest income and expenses are reflected to the records on an accrual basis. The exchange rate differences of foreign currency based YTL loans are included in interest income and expenses. Interest accruals and rediscounts of loans and other receivables that are follow-up accounts according to related legislations are cancelled and those amounts are not included in the income statement unless collected.

**VI – Explanations on salary and commission income and expenses:**

Salary and commission income and expenses and loan amounts and commission expenses paid to other creditors, income from agreements or income due to asset purchases on behalf of third persons or legal entities are included in the income statements in the periods they occur.

**VII- Explanations and notes on financial assets:**

**Financial assets:**

Financial assets essentially make up Bank's trade operations. These instruments can bring out, affect or reduce liquidity, credit and interest risks in financial statements.

Financial assets where fair value difference is reflected to the income statement: They are grouped under two main categories. Held for trading financial assets, assets which are in principal purchased to be sold or repurchased in a short amount of time to gain profits in short term. They are marketable securities that are classified as financial assets where fair value difference is reflected to the income statement. Financial instruments consist of financial assets and financial liabilities. Financial instruments affect the liquidity, credit and market risks in the balance sheet of the parent company Bank in every aspect. The parent company Bank commits the purchases and sales of these instruments for its customers as well as its own accounts.

Regular purchases and sales of financial instruments are their purchases and sales in the context of an agreement that requires the delivery in the time period that is determined usually by legal legislations or related market practices. The changes in fair values are not accounted for financial assets that are carried with their amortized costs; the change in fair value is accounted for in the income statement for assets where the difference in fair value is reflected to the income statement and in the 'Financial Assets Revaluation Fund' account in shareholders' equity for available for sale assets. Accumulated fair value differences that mention marketable securities, reflecting to shareholders' equity when collected or sold out are reflected to income statement.

Investments held to maturity: consist of financial assets: which are purchased in order to be held until maturity, where the conditions to hold those assets until maturity are present including funding capabilities, which have fixed or predictable payments and maturity dates and financial assets other than loans and receivables

There are no financial assets which were previously classified as held until maturity but cannot be classified as held until maturity due to violation of classification principles.

After initial recognition, investment held to maturity are accounted with discounted value, calculated using the effective interest method, by deducting impairment from the provision if availables.

**Explanation on the special provisions and loans/receivables:**

a. Loans and receivables are accounted for with their acquisition costs. Fees, transaction costs and other related expenses paid for purchasing assets as guarantees are reflected to the customers.

Granted loans by parent company Bank consists of foreign currency based loans, corporate loans, fund based loans in Turkish Currency and loans used for financing of export and investment loans for Foreign Currency. Granted loans by the subsidiary consists of temporary funds used for capital market operations by its clients.

Foreign currency based loans are shown under Turkish Currency (TP) accounts. Loan payments are calculated using the exchange rate on the date of payment.

Loan portfolio is continuously monitored by the Parent Company Bank management and in the case of a possibility of doubt in their collection, they are classified according to the "Legislation on Determination of Qualities of Loans and Other Receivables by Banks and Procedures and Basis for Reservation of Provisions for Those Loans" dated 1 November 2006 numbered 26333 and other legislations, necessary provisions are reserved and those provisions are reflected to the income statement.

The collected amounts are shown under "Interest Received From Uncollectable Loans and Receivables" (including receivables from doubtful receivables) accounts.

The reversed provision is accounted for by canceling the provision amount set in the current year and recording the remaining amount as income in the collection accounts from previous year expenses.

b. In addition to the special provisions, the Bank reserves general loan provision for loans and other receivables in the context of the legislation decrees stated above. The general loan provision applied is (1%) 1 for the cash loans and other receivables and 0.2% for non-cash loans.

**Investments in affiliates and subsidiaries:**

The assets and liabilities that are quoted to the stock market are valued with their weighted average prices as of the balance sheet date regulated by the Standard for Accounting of Financial Instruments.

From the investments of the parent company Bank's subsidiary, those which are quoted to the stock market are valued with their weighted average prices at the date of the balance sheet regulated by the Standard for Accounting of Financial Instruments. Other investments, which are not quoted to the stock market are subjected to impairment test

During the valuation of the affiliates, their latest financial statements were taken into account.

**VIII- Explanations on impairment of financial assets:**

In the case that the discounted values of future cash flows using the effective interest method of the assets or the fair value of the assets that are valued with their fair values are lower than their book values, they are considered to be impaired. A provision is reserved against the impairment and the provision is related to the income statement accounts.

The valuation differences of held for trading assets are included in the income statement in the related periods.

**IX- Explanations on netting of financial assets:**

Financial assets and liabilities are shown with their net values on the balance sheet if the parent company Bank has a legal right or power for netting and has the intention to collect/pay the related financial asset or liability over their net values or has the right to finalize the related receivables and payables at the same time.

**X- Explanations on sale and repurchase agreements and lending of marketable securities:**

Securities sold in repurchasing commitments (repo) are accounted in the Uniform Chart of Account's balance sheet accounts. Accordingly, the government bonds and treasury bills sold to the clients in context of the repurchase agreements are classified as "Subject to Repurchasing" and are valued by their market prices in accordance with their holding purposes in the parent company bank portfolio or their discounted values in accordance with their internal rate of returns. Funds gained by repurchasing transactions are shown as a separate entry in the liability accounts and are accounted as rediscount for interest costs.

Securities that were purchased in back selling commitment (reverse repurchase) are shown as a item in the "Money Market" entry. Income rediscounts are calculated for the differences between the purchasing and sales prices of the portion of the securities purchased by reverse repurchases that is accrued for the period

There are no marketable securities that are subjected to lending.

**XI- Explanations on assets held for sale and fixed assets from discontinued operations and liabilities from mentioned assets:**

The Group does not have any assets held for sale. Assets from the subsidiary's discontinued operations are explained on section five 1-16 numbered note and liabilities related to the assets are explained in section five, note numbered 2-9

**XII- Explanations on goodwill and other intangible assets:**

As of the balance sheet goodwill is not present on the attached consolidated financial statements.

Intangible fixed assets are amortized using the straight-line method with depreciation rates determined as 50%-33.33%-20% in accordance with their assumed useful lives.

The determination of the useful lives of the assets is made through the assessment of the expected usage period of the asset, technical, technological or other kind of depreciation and maintenance expenses needed to gain expected economic benefit from the asset.

Expenses concerning present computer software and improvement expenses are capitalized by being added to the cost of the software if they are designed to improve the original content and useful live of the software. Those capitalized expenses are amortized over the useful life of the related assets using the "Straight line method".

**XIII- Explanations on tangible fixed assets:**

Tangible fixed assets purchased before January 1<sup>st</sup>, 2005 are presented in the financial statement with their inflation adjusted costs as of December 31<sup>st</sup>, 2004 and items purchased after this period are shown after the accumulated depreciation and other permanent value losses are netted-off from their purchase values.

Profit and losses from the disposal of tangible fixed assets are calculated as the difference between the disposal income and net book value of the related tangible asset and included in the income statement as profit or loss.

Regular maintenance and repair expenses of tangible fixed assets are expensed in the income statement.

There are no pledges, liens or other similar encumbrances over tangible fixed assets.

Tangible fixed assets are depreciated using the normal depreciation method, and their useful lives determined in accordance with the Turkish Tax Procedure Law are considered to be acceptable, for the Group's fixed assets and these useful lives were taken into consideration.

The depreciation rates of tangible fixed assets are shown below.

| Depreciation Rate (%) |                |            |
|-----------------------|----------------|------------|
|                       | Parent Company | Subsidiary |
| Buildings             | %2             | -          |
| Other Tangible Assets | %2-%33,33      | %5-%20     |

There are no changes in accounting estimates that have a significant effect in the current or future periods.

**XIV- Explanations on lease agreements:**

Lease receivables other than financial lease receivables and from the rental of assets that are not used in Banking operations but collected as of the balance sheet are included in the income statement and the uncollected amounts are under lease receivables account.

The Parent Company Bank has no financial lease agreements as “renter”.

**XV- Explanations on provisions and conditional liabilities:**

Provisions other than the general and special provisions reserved for loans and other receivables in the parent company Bank are accounted according to “Turkish Accounting Standard For Provisions, Conditional Assets and Liabilities” (TMS 37). Provisions are reserved for liabilities caused by past events in the periods that events occurred according to the “Matching Principle”.

**XVI- Explanations on employee benefits:**

According to present laws, termination indemnities are to be paid in the event of retirement or discharge. The parent Company Bank calculates the provision by determining the present value of the future liability due to retirement or discharge. Liabilities related to employee benefits are accounted for according to the legislations of the Turkish Accounting Standard For Employee Benefits (TMS 19).

Since the parent company Bank has no obligations due to any charities, funds or similar institutions where the workers are members, the Bank has not reserved any provision in this regards in the attached financial statements.

**XVI- Explanations on tax applications:****b. Accounting principles of corporate tax:**

Corporate Tax Law number 5520 has become effective after being published in the Official Gazette number 26205 dated 21 June 2006. Most of the decrees of this law are applicable from 1 January 2006. Accordingly, in Turkey as of 1 January 2006 the Corporate Tax rate is 20% for the year 2006 (2005: %30). This tax rate is applied to the taxable income calculated by adding non-deductible expenses that are not accepted by tax laws, and deducting income exempt from taxation and allowances from the net profit. Unless there is profit distribution, no other taxes are paid.

15% withholding tax is applied on profits distributed by Turkish corporate taxpayers to foreign shareholders (except to companies with a permanent office in Turkey) or to those companies that are exempted from Turkish Corporate Tax. All other dividend payments made to persons or companies are subject to 15% withholding tax. Distribution of bonus shares by capitalization of profits is not subject to withholding tax.

Companies are required to file temporary tax returns based on their quarterly results. The temporary tax rate is 20%. Temporary tax returns are filed by the 14<sup>th</sup> of the second month following each calendar quarter and the temporary tax is paid by 17<sup>th</sup>. Temporary tax paid during the year is deducted from tax to be calculated over the corporate tax statement of the same year to be declared in the following year. In case of excess temporary tax payments, the exceeding amount can be collected in cash or can be offset from other financial liabilities to the government.

75% of the income arising on disposal of real estates, shares, founder shares, bonus certificates and pre-emptive rights which are held in the assets of Turkish companies for at least two full years are exempt from Corporate Tax in the condition that they're kept in a special fund account.

All income from the transfer of fixed assets, participation stocks, founder shares and pre-emptive rights to banks or Savings Deposit Insurance Fund that correspond to the amount used in the liquidation of those assets that belong to firms, their guarantors and mortgage givers which are subject to legitimate proceedings due to their debts to banks or Savings Deposit Insurance Fund, and 75% income from the sale of those mentioned assets are exempt from corporate tax.

According to Turkish Corporation Tax Law, the losses in any period are available for deduction from future taxable profits for a maximum period of 5 years. Losses cannot be carried back for offsetting against profits from previous periods.

There is no cross check application between the companies and tax authorities in terms of taxes payable. Corporate tax returns are filed until the 25<sup>th</sup> day of the fourth month following the end of accounting period and taxes are paid until end of the fourth month. Authorities entitled to perform tax inspection may examine the returns and the accounting records for a period of five years and if an assessment is made, the computed tax amounts may change.

Necessary provisions are reserved for the liabilities that are calculated over the Bank's trade balance profit.

As a result of the Group's operations, calculated temporary tax for the period of 01.01-20031.12.2007, is declared in the context of temporary tax returns and was paid to the Tax Department on February 18<sup>th</sup>, 2007.

This tax will be offset from the Corporate Tax Return that will be prepared in April 2008.

**b. Explanations on deferred taxes:**

The Group calculates deferred tax for taxable temporary differences arise from the book value and taxable value of an asset or liability according to the "Turkish Accounting Standard For Income Taxes" (TMS 12) and reflects to its records. During the calculation of deferred tax, the legal tax rates in effect at the date of financial statements according to present tax laws are used.

While the deferred tax liability is calculated for all taxable temporary differences, deferred tax assets are only calculated if there is a high possibility to use those differences in case of future profits.

Calculated deferred tax assets and deferred tax liabilities are netted in financial statements.

**XVIII- Additional explanations on borrowings:**

The parent company Bank continues its financial support that it provided and still providing by acquiring sources from domestic and international markets. With this goal, the Bank acts as an intermediary funds provided by the Treasury to utilize various Budget based funds domestically. Completed transfers are recorded to the resource accounts of the Bank. The maturity dates and interest rates of those funds are determined by the public authority by Investment Incentive legislations.

The present foreign resources that the parent company acquired are Buyer/Seller type of loans from World Bank, various European Banks and Islamic Development Bank and they are recorded to the Banks accounts at the date of acquisition and acquisition value.

The parent company Bank generally prefers providing loans in parallel in terms of maturity date, interest rate, interest type and currency type with the loans acquired to avoid exchange rate and liquidity risks.

The parent company does not possess any issued notes or liability instruments which are convertible to share certificates.

**TÜRKİYE KALKINMA BANKASI A.Ş.****Notes to the Financial Statements****Dated 31 December 2007**

(Figures are in thousand New Turkish Liras (YTL) unless otherwise stated)

**XIX- Explanations on share certificates and their issuance:**

Expenses related to the issuance of share certificates are not deducted from the emission premium account under shareholders' equity.

**XX- Explanations on bill guarantees and acceptances:**

Bill guarantees and acceptances are shown in "Off-balance Liabilities" as Parent Company Bank's possible liability commitments

**XXI- Explanations on government incentives:**

The Group has not received any government incentives in the current or previous periods.

**XXII- Explanations on reporting by segments:**

Besides investment banking the sale and purchase of investment funds of the parent company bank, sale and purchase of government bonds and treasury bills and repurchasing transactions are conducted by the Treasury Directorate, stock sale and purchases are made as an agency of Kalkınma Yatırım Menkul Değerler A.Ş., which is a subsidiary of the bank.

|                           | <b>Investment<br/>Banking</b> | <b>Treasury<br/>Operations</b> | <b>The<br/>Subsidiar<br/>y</b> | <b>Total</b>  |
|---------------------------|-------------------------------|--------------------------------|--------------------------------|---------------|
| Net Interest Income       | 66.423                        | 16.894                         | 1.304                          | 84.621        |
| Capital Market Operations |                               | 1.559                          | 500                            | 2.059         |
| Other Income              | 35.644                        | -                              | 1.739                          | 37.383        |
| Other Expenses            | (66.385)                      | -                              | (3.077)                        | (69.462)      |
| Profit Before Taxes       | -                             | -                              | -                              | 54.601        |
| Tax Provision             | -                             | -                              | -                              | (11.265)      |
| <b>Net Profit</b>         |                               |                                |                                | <b>43.336</b> |

**XXIII- Explanations on other issues:**

Results of operations are classified in the income statements as continuing and discontinued operations in accordance with "Bulletin on Financial Statements to be Presented to the Public by Banks and Notes to Those Financial Statements". Kalkınma Yatırım Menkul Değerler A.Ş., the subsidiary of the parent company Bank, has discontinued operations in 2007. The effect of discontinued operations in comparative financial statements must be shown in these financial statements in accordance with TFRS 5 "Non-current Assets Held for Sale and Discontinued Operations". Accordingly, consolidated income statement dated 31.12.2006, has been reclassified as showing these effect.



## SECTION FOUR

### INFORMATION ON FINANCIAL STRUCTURE

#### I – Explanations on Consolidated Standard Capital Adequacy Ratio:

The standard capital adequacy ratio of the Group (including market risk) is 91,55%. This ratio is well over the minimum ratio of 8% stated in the related legislations.

Standard Capital Adequacy Ratio is calculated by subjecting the risk weighted assets and non-cash loans to the risk ratios stated in the related legislations and adding the risk exposed value determined using the standard method to the risk weighted assets.

#### Information related to capital adequacy ratio: (Thousand TRY), (%)

|   | RiskWeights |     |         |         |        |              |     |         |         |        |
|---|-------------|-----|---------|---------|--------|--------------|-----|---------|---------|--------|
|   | Bank Only   |     |         |         |        | Consolidated |     |         |         |        |
|   | 0%          | 10% | 20%     | 50%     | 100%   | 0%           | 10% | 20%     | 50%     | 100%   |
| <b>Surplus credit risk weighted</b>   |             |     |         |         |        |              |     |         |         |        |
| <b>Balance sheet items (Net)</b>  | 198.862     | -   | 206.098 | 207.032 | 83.645 | 210.792      | -   | 206.163 | 207.032 | 88.562 |
| Cash  | 86          | -   | -       | -       | -      | 100          | -   | -       | -       | -      |
| Matured marketable securities   | -           | -   | -       | -       | -      | -            | -   | -       | -       | -      |
| Balances with the Central Bank of Turkey  | 104         | -   | -       | -       | -      | 104          | -   | -       | -       | -      |
| Domestic banks, foreign banks, branches and offices abroad                            | -           | -   | 138.579 | -       | -      | -            | -   | 138.644 | -       | -      |
| Money market placements   | 85.500      | -   | -       | -       | -      | 86.420       | -   | -       | -       | -      |
| Receivables from reverse repo transactions  | -           | -   | -       | -       | -      | 10.946       | -   | -       | -       | -      |
| Reserve deposits  | -           | -   | -       | -       | -      | -            | -   | -       | -       | -      |
| Loans   | 91.352      | -   | 60.393  | 203.838 | 32.673 | 91.352       | -   | 60.393  | 203.838 | 36.801 |
| Loans under follow-up (Net)   | -           | -   | -       | -       | 2.637  | -            | -   | -       | -       | 2.637  |
| Financial lease receivables   | -           | -   | 2       | -       | -      | -            | -   | 2       | -       | -      |
| Financial assets available for sale   | -           | -   | 6.278   | -       | 988    | -            | -   | 6.278   | -       | 988    |
| Investments held to maturity  | 3.195       | -   | -       | -       | -      | 3.195        | -   | -       | -       | -      |
| Receivables from sale of matured assets   | -           | -   | -       | -       | -      | -            | -   | -       | -       | -      |
| Miscellaneous receivables   | -           | -   | -       | -       | 159    | -            | -   | -       | -       | 529    |
| Interest and income accruals  | 2.327       | -   | 846     | 3.194   | 980    | 2.327        | -   | 846     | 3.194   | 984    |
| Investment and associates, subsidiaries, and joint ventures (business partners) (Net) | -           | -   | -       | -       | 5.311  | -            | -   | -       | -       | 5.311  |
| Property and equipment  | -           | -   | -       | -       | -      | -            | -   | -       | -       | 39.545 |
| Other assets  | -           | -   | -       | -       | 39.136 | 16.348       | -   | -       | -       | 1.767  |
| Off balance sheet items   | 16.298      | -   | -       | -       | 1.761  | -            | -   | 1       | 1.188   | 143    |
| Non-cash loans and commitments  | -           | -   | 1       | 1.188   | 143    | -            | -   | 1       | 1.188   | 143    |
| Derivative financial instruments  | -           | -   | 1       | 1.188   | 143    | -            | -   | -       | -       | -      |
| Not risk weighted accounts  | -           | -   | -       | -       | -      | -            | -   | -       | -       | -      |
| <b>Total risk weighted assets</b>   | -           | -   | -       | -       | -      | 210.792      | -   | 206.164 | 208.220 | 88.705 |
| <b>Surplus credit risk weighted</b>   | 198.862     | -   | 206.099 | 208.220 | 83.788 | 210.792      | -   | 206.163 | 207.032 | 88.562 |

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**Summary information about the consolidated and bank only capital adequacy ratio:**

|  | Bank Only                      |                              | Consolidated                   |                              |
|--|--------------------------------|------------------------------|--------------------------------|------------------------------|
|  | Current period<br>(31/12/2007) | Prior period<br>(31/12/2006) | Current period<br>(31/12/2007) | Prior period<br>(31/12/2006) |
| Amount subject to credit risk (I)            | 229.118                        | 216.450                      | 234.048                        | 210.395                      |
| Amount subject to market risk (II)           | 31.188                         | 40.375                       | 31.188                         | 40.713                       |
| Amount subject to operational risk (III) (*) | 228.567                        | -                            | 231.924                        | -                            |
| Shareholders' equity                         | 445.736                        | 534.599                      | 455.131                        | 534.648                      |
| Shareholders' equity / ( I+II+III ) * 100    | 91,18                          | 208,16                       | 91,55                          | 212,92                       |

(\*) The amount for the operational risk came into effect on 01.06.2007 in accordance with the 24<sup>th</sup> article of the "Regulation concerning the Measurement and Appraisal of Capital Adequacy of Banks" published in the November 1<sup>st</sup> 2006 dated and 26333 numbered Official Gazette, and was calculated for the first time as of June 30<sup>th</sup>, 2007.

**Information about the shareholders equity items:**

|  | Current period<br>(31/12/2007) | Prior period<br>(31/12/2006) |
|--|--------------------------------|------------------------------|
| <b>CORE CAPITAL</b>  |                                |                              |
| Paid-in capital  | 160.000                        | 160.000                      |
| Nominal capital  | 160.000                        | 160.000                      |
| Capital commitments (-)  | -                              | -                            |
| Adjustment to paid-in capital  | 205.955                        | 206.080                      |
| Share Premium  | 1.491                          | 1.491                        |
| Share repeal   | -                              | -                            |
| Legal reserves   | 22.054                         | 1.359                        |
| First legal reserve (Turkish Commercial Code 466/1)                            | 22.054                         | 1.359                        |
| Second legal reserve (Turkish Commercial Code 466/2)                           | -                              | -                            |
| Other legal reserve per special legislation                                    | -                              | -                            |
| Statutus reserves  | -                              | -                            |
| Extraordinary reserves   | 20.356                         | 16.619                       |
| Reserves allocated by the General Assembly                                     | 20.356                         | 16.619                       |
| Retained earnings  | -                              | -                            |
| Accumulated loss   | -                              | -                            |
| Foreign currency share capital exchange difference                             | -                              | -                            |
| Adjustment to legal, status and extraordinary reserves                         | -40                            | -34                          |
| Profit   | 43.336                         | 156.072                      |
| Net Current period profit  | 43.336                         | 156.072                      |
| Prior period profit  | -                              | -                            |
| Provisions for possible losses up to 25% of core capital                       | -                              | -                            |
| Profit on sale of associates, subsidiaries and buildings                       | -                              | -                            |
| Primary subordinated loans up to 15% of core capital                           | -                              | -                            |
| Minority shares  | -                              | -                            |
| Loss that is not covered with reserves (-)                                     | 77                             | 7.906                        |
| Net current period loss  | -                              | -                            |
| Prior period loss  | 77                             | 7.906                        |
| Excess amount expressed in the Law (Article 56, 3 <sup>rd</sup> paragraph) (-) | -                              | -                            |
| Goodwill (Net)   | -                              | -                            |
| <b>Total Core Capital</b>  | <b>453.075</b>                 | <b>533.681</b>               |

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|  |                |                |
|--|----------------|----------------|
| <b>SUPPLEMENTARY CAPITAL</b>   |                |                |
| General reserves   | 1.800          | 1.349          |
| 45% of increase in revaluation fund of movables  | -              | -              |
| 45% of increase in revaluation fund of fixed assets  | -              | -              |
| Free shares from investment and associates, subsidiaries and joint ventures (business partners)  | 468            | 1              |
| Primary subordinated loans which are ignored in the calculation of core capital  | -              | -              |
| Secondary subordinated loans   | -              | -              |
| 45% of marketable securities and investment securities value increase fund   | 2.078          | 1.733          |
| Associates and subsidiaries  | -              | -              |
| Financial assets available for sale  | 2.078          | 1.733          |
| Adjustment to paid-in capital, profit reserves and previous years losses(except adjustment to legal, status and extraordinary reserves)  | -              | -              |
| Minority share   | -              | -              |
| <b>Total Supplementary Capital (Including Minority Shares(if exists))</b>  | <b>4.346</b>   | <b>3.083</b>   |
| <b>TIER III CAPITAL</b>  | -              | -              |
| <b>CAPITAL</b>   | <b>457.421</b> | <b>536.764</b> |
| <b>DEDUCTIONS FROM THE CAPITAL</b>   | -              | 2.116          |
| Leasehold improvements (-)*  | -              | -              |
| Prepaid expenses (-)*  | -              | 1.366          |
| Intangible assets (-)*   | -              | -              |
| Deferred-assets for tax which exceeds 10% of core capital (-)*   | -              | -              |
| Partnership share on non-consolidated banks and financial institutions   | -              | -              |
| Loans extended to banks, financial institutions (domestic and abroad) and qualified shareholders, like secondary subordinated loan and debt instruments purchased from these institutions issued, like primary and secondary subordinated loan               | -              | -              |
| Banks and financial institutions to which equity method is applied, however, assets and liabilities are not consolidated   | -              | -              |
| Loans extended being noncompliant with articles 50 and 51 of the Law   | -              | -              |
| Net book values of properties owned, exceeding 50% of banks' equity and properties, and trade goods overtaken in exchange for loans and receivables that should be disposed within five years in accordance with article 57 of the Law, but not yet disposed | -              | 750            |
| Other  | -              | -              |
| <b>Total Shareholders' Equity</b>  | <b>457.421</b> | <b>534.648</b> |

\* Will be shown under the "Deductions from the Capital" part of the table until 1.1.2009.

**II- Explanations on consolidated credit risk:**

The parent company Bank is not subject to the general loan restrictions defined by the 54<sup>th</sup> article of the Banking Law numbered 5411. However, in the Bank's Loan Regulation, the loan limits are determined mostly in parallel with the limitations set out in the 54<sup>th</sup> article of the Banking Law.

All the loan placements of the parent company Bank are designated with the approvals of Intelligence Unit, Loan Assessment Unit, Loan Investment Committee and Board of Directors in accordance with legal legislations. Since the placements of the Bank are in the form of project financing, the amount of loan that can be designated to a firm is basically determined during project assessment stage and the granting of loans are made in a controlled manner and made through the monitoring of expenditures.

The sectoral distribution of the loan customers is monitored and those distributions are taken into account during placement decisions and goals.

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All the loans of the parent company Bank are loans against guarantees. In that sense, liens on real estate and tangible assets, business company liens, foreign currency notes and other liquid assets, bank guarantee letters and guarantees from other persons or companies comprise loan guarantees.

a) The share of the total receivable of the Bank from its first 100 biggest cash loan customers in total cash loan receivables is 93,1%.

b) The share of the total receivable of the Bank from its first 100 biggest non-cash loan customers in total non-cash loan receivables is 100%.

c) The share of the total cash and non-cash receivable of the Bank from its first 100 biggest loan customers in total balance sheet and off-balance sheet assets is 51,6%.

d) Provision reserved for the credit risk undertaken is 1.800 Thousand YTL.

**The distribution of credit risk according to the borrowers and geographical concentration:**

|  | Loans granted to retail customers and institutions |              | Loans granted to banks and other financial institutions |              | Financial assets* |              | Other loans**  |              |
|--|--|--------------|---|--------------|-------------------|--------------|----------------|--------------|
|  | Current period                                     | Prior period | Current period  | Prior period | Current period    | Prior period | Current period | Prior period |
| <b>According to tFCe of borrowers</b>          | 399.501  | 338.268      | -   | -            | 121.153           | 105.716      | -              | -            |
| Private sector                                 | 391.630  | 329.532      | -   | -            | 7.266             | 6.586        | -              | -            |
| Public sector                                  | -  | -            | -   | -            | 113.761           | 99.031       | -              | -            |
| Banks  | -  | -            | -   | -            | -                 | -            | -              | -            |
| Retail customers                               | 7.871  | 8.736        | -   | -            | 126               | 99           | -              | -            |
| Securities representing a share in capital     | -  | -            | -   | -            | -                 | -            | -              | -            |
| <b>According to geographical concentration</b> | 399.501  | 338.268      | -   | -            | 121.153           | 105.716      | -              | -            |
| Domestic                                       | 399.501  | 338.268      | -   | -            | 121.153           | 105.716      | -              | -            |
| EU countries                                   | -  | -            | -   | -            | -                 | -            | -              | -            |
| OECD countries ***                             | -  | -            | -   | -            | -                 | -            | -              | -            |
| Off-shore banking regions                      | -  | -            | -   | -            | -                 | -            | -              | -            |
| USA, Canada                                    | -  | -            | -   | -            | -                 | -            | -              | -            |
| Other countries                                | -  | -            | -   | -            | -                 | -            | -              | -            |

\* Financial assets where fair value change is reflected to income statement + Financial assets available for sale + Financial assets held to maturity.

\*\* Includes loans classified under Uniform Accounting Standarts -loans except in the first 3 columns- and compliant with Article 48 of the Banking Law.

\*\*\* OECD Countries other than EU countries, USA and Canada

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**Information according to geographical concentrations:**

|  | Assets  | Liabilities | Non-cash loans | Fixed capital expenditures | Net profit |
|--|---------|-------------|----------------|----------------------------|------------|
| Current period   |         |             |                |                            |            |
| Domestic   | 754.500 | 260.477     | 1.332          | -                          | 46.370     |
| European Union countries   | 4.924   | 82.609      | -              | -                          | -2.609     |
| OECD countries *   | 40      | 962         | -              | -                          | -105       |
| Off-shore banking regions  | -       | -           | -              | -                          | -          |
| USA, Canada  | 65      | -           | -              | -                          | 5          |
| Other countries  | -       | 6.650       | -              | -                          | -325       |
| Investment and associates, subsidiaries and joint ventures (business partners) | 5.311   | -           | -              | -                          | -          |
| Unallocated assets/liabilities**   | 60.689  | 474.831     |                |                            |            |
| Total  | 825.529 | 825.529     | 1.332          | -                          | 43.336     |
| Prior Period   |         |             |                |                            |            |
| Domestic   | 745.050 | 283.857     | 3.960          | -                          | 156.988    |
| European union countries   | 13.079  | 45.051      | -              | -                          | -327       |
| OECD countries *   | 13.132  | 4.374       | -              | -                          | -264       |
| Off-shore banking regions  | -       | -           | -              | -                          | -          |
| USA, Canada  | 235     | -           | -              | -                          | 41         |
| Other countries  | -       | 4.757       | -              | -                          | -366       |
| Investment and associates, subsidiaries and joint ventures (business partners) | 15.498  | -           | -              | -                          | -          |
| Unallocated assets/liabilities**   | 102.828 | 551.783     |                |                            |            |
| Total  | 889.822 | 889.822     | 3.960          | -                          | 156.072    |

\* OECD Countries other than EU countries, USA and Canada

\*\* Unallocated assets / liabilities this could not be distributed according to a consistent principle

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**Sector concentrations for cash loans:**

|                                      | Current period (31/12/2007) |        |         |        | Prior period (31/12/2006) |        |         |        |
|--------------------------------------|-----------------------------|--------|---------|--------|---------------------------|--------|---------|--------|
|                                      | TC                          | (%)    | FC      | (%)    | TC                        | (%)    | FC      | (%)    |
| Agricultural                         | 3.745                       | 2,03   | -       | 0,00   | 859                       | 0,57   | -       | 0,00   |
| Farming and raising livestock        | 3.485                       | 1,89   | -       | 0,00   | 365                       | 0,24   | -       | 0,00   |
| Forestry                             | 260                         | 0,14   | -       | 0,00   | 494                       | 0,33   | -       | 0,00   |
| Fishing                              | -                           | 0,00   | -       | 0,00   | -                         | 0,00   | -       | 0,00   |
| Manufacturing                        | 41.347                      | 22,42  | 107.317 | 49,90  | 40.666                    | 26,91  | 101.090 | 54,01  |
| Mining                               | -                           | 0,00   | -       | 0,00   | -                         | 0,00   | -       | 0,00   |
| Production                           | 40.807                      | 22,12  | 70.629  | 32,84  | 40.666                    | 26,91  | 86.468  | 46,20  |
| Electric, gas and water              | 540                         | 0,29   | 36.688  | 17,06  | -                         | 0,00   | 14.622  | 7,81   |
| Construction                         | 5.735                       | 3,11   | -       | 0,00   | 26                        | 0,02   | -       | 0,00   |
| Services                             | 125.117                     | 67,83  | 107.731 | 50,10  | 101.593                   | 67,23  | 86.062  | 45,99  |
| Wholesale and retail trade           | -                           | 0,00   | -       | 0,00   | -                         | 0,00   | -       | 0,00   |
| Hotel, food and beverage services    | 91.322                      | 49,51  | 99.231  | 46,14  | 82.752                    | 54,76  | 78.898  | 42,16  |
| Transportation and telecommunication | -                           | 0,00   | -       | 0,00   | -                         | 0,00   | -       | 0,00   |
| Financial Institutions               | -                           | 0,00   | -       | 0,00   | -                         | 0,00   | -       | 0,00   |
| Real estate and renting services     | -                           | 0,00   | -       | 0,00   | -                         | 0,00   | -       | 0,00   |
| Self-employment services             | -                           | 0,00   | -       | 0,00   | -                         | 0,00   | -       | 0,00   |
| Education services                   | 17.083                      | 9,26   | -       | 0,00   | 15.791                    | 10,45  | -       | 0,00   |
| Health and social services           | 16.712                      | 9,06   | 8.500   | 3,95   | 3.050                     | 2,02   | 7.164   | 3,83   |
| Other                                | 8.509                       | 4,61   | -       | 0,00   | 7.972                     | 5,28   | -       | 0,00   |
| Total                                | 184.453                     | 100,00 | 215.048 | 100,00 | 151.116                   | 100,00 | 187.152 | 100,00 |

**III – Explanations on consolidated market risk:**

Standard method which is determined as the legal reporting format is used in the calculation of the market risk by the parent company Bank. The market risk calculations made using the standard method are made monthly and the results are taken into account in the calculation of the Standard Capital Adequacy Ratio.

**a) Information on Market Risk:**

|  | <b>Tutar</b> |
|--|--------------|
| (I) Capital to be employed for general market risk                     | 751          |
| (II) Capital to be employed for specific risk                          | -            |
| (III) Capital to be employed for currency risk                         | 1.744        |
| (IV) Capital to be employed for stocks                                 | -            |
| (V) Capital to be employed for clearing risk                           | -            |
| (VI) Total capital to be employed for market risk because of options   | -            |
| (VII) Capital to be employed for general market risk                   | -            |
| (VIII) Total capital to be employed for market risk (I+II+III+IV+V+VI) | 2.495        |
| (IX) Amount subject to market risk (12,5 x VIII) ya da (12,5 x VII)    | 31.188       |

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**b) Average market risk calculated as of the end of months in the related period:**

|                              | Current period (31/12/2007) |         |         | Prior period (31/12/2006) |         |         |
|------------------------------|-----------------------------|---------|---------|---------------------------|---------|---------|
|                              | Average                     | Maximum | Minimum | Average                   | Maximum | Minimum |
| Interest rate risk           | 703                         | 807     | 546     | 832                       | 1.118   | 476     |
| Share risk                   | -                           | -       | -       | 594                       | 810     | -       |
| Currency risk                | 2.143                       | 2.866   | 1.744   | 4.510                     | 5.829   | 2.781   |
| Commodity risk               | -                           | -       | -       | -                         | -       | -       |
| Settlement risk              | -                           | -       | -       | -                         | -       | -       |
| Options risk                 | -                           | -       | -       | -                         | -       | -       |
| Amount subject to total risk | 2.846                       | 3.673   | 2.290   | 5.936                     | 7.757   | 3.257   |

**IV. Explanations on consolidated operation risk:**

The “Basic Indicator Method” has been used for the calculation on the operation risk of the parent company Bank. The amount Subject to Operational Risk is calculated for the year of 2007 as 231.924 thousand YTL by using the year end gross revenue of 2006. 2005 and 2004 of the Bank in accordance with the fourth chapter of the article “Amount Subject to Operational Risk” that came into force as of June 1<sup>st</sup>, 2007, from the Legislation on Measurement and Assessment of Capital Adequacy of Banks published in the Legal Gazette dated November 1<sup>st</sup>, 2006 and numbered 26333.

|    | Basic Indicator Method   | 31.12.2006 | 31.12.2005 | 31.12.2004 |
|----|--|------------|------------|------------|
| 1  | Net Interest Income  | 63.987     | 37.774     | 48.375     |
| 2  | Net Fees And Commissions Income  | 7.464      | 6.367      | 2.950      |
| 3  | Dividend Income  | 3.103      | 12.327     | 1.854      |
| 4  | Trading Profit/Loss (Net)  | 13.561     | -          | 8.167      |
| 5  | Other Operating Income   | 209.721    | 30.896     | 22.856     |
| 6  | Disposal profit-loss of financial assets available for sale and property and equipment held for sale purpose | 185        | 2.384      | 3.699      |
| 7  | Extraordinary income (Including subs. and affi. shares and real estate disposal)                             | 30.895     | 27.305     | 31.681     |
| 8  | Revenue indemnified from insurance   | -          | -          | -          |
| 9  | Gross Income (1+2+3+4+5-6-7-8)   | 266.776    | 55.481     | 48.822     |
| 10 | Capital (9 x %15)  | 40.016     | 8.322      | 7.323      |
| 11 | Average Operational risk   | 18.554     |            |            |
| 12 | Amount Subject to Operational Risk (11x12,5)   | 231.924    |            |            |

**V – Explanations on consolidated exchange rate risk:**

Standard method determined for legal reporting is used in the calculation of the exchange rate risk faced by the parent company Bank.

In addition, the daily exchange rate risk faced by the parent company Bank can be determined by the foreign currency balance sheets that are prepared to include singular positions. Proforma foreign currency balance sheets are used in the calculation of the future possible exchange rate risk (including foreign currency based assets and liabilities).

To limit the amount of exchange risk exposed, a non-speculative foreign currency position risk management is adopted and used in the distribution of balance sheet and off-balance sheet assets according to their currencies.

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**Booth Foreign Currency Buying Exchange Rates Announced by the Bank on the Balance Sheet Date and Previous 5 Working Days:**

| <u>Date</u> | <u>USD</u>  | <u>EURO</u> | <u>100 JPY</u> |
|-------------|-------------|-------------|----------------|
| 31/12/2007  | 1,15630 YTL | 1,70520 YTL | 1,03460 YTL    |
| 28/12/2007  | 1,16170 YTL | 1,68960 YTL | 1,02950 YTL    |
| 27/12/2007  | 1,16520 YTL | 1,68210 YTL | 1,02090 YTL    |
| 26/12/2007  | 1,16720 YTL | 1,67980 YTL | 1,02450 YTL    |
| 25/12/2007  | 1,16830 YTL | 1,68120 YTL | 1,02570 YTL    |
| 24/12/2007  | 1,17520 YTL | 1,68760 YTL | 1,03650 YTL    |

The simple arithmetic average value of the foreign currency buying exchange rates of the parent company Bank for the previous thirty days from the date of financial statements are; USD- 1,16727 YTL, EURO- 1.74160 YTL, 100 JPY- 1.04300 YTL'dır.



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**Information on the exchange rate risk of the Parent Company Bank:**

|  | EURO           | USD           | Yen          | Other FC     | Total          |
|--|----------------|---------------|--------------|--------------|----------------|
| <b>Current period</b>  |                |               |              |              |                |
| <b>Assets</b>  |                |               |              |              |                |
| Cash (cash in vault, effectives, money in transit, cheques purchased) and balances with the Central Bank of Turkey | -              | -             | -            | -            | -              |
| Due from banks   | 10.942         | 3.476         | 15           | 64           | 14.497         |
| Financial assets where fair value change is reflected to income statement  | -              | -             | -            | -            | -              |
| Money market placements  | -              | -             | -            | -            | -              |
| Financial assets available for sale  | -              | -             | -            | -            | -              |
| Loans  | 176.412        | 28.241        | 2.733        | 7.662        | 215.048        |
| Investment and associates, subsidiaries and joint ventures (business partners)                                     | -              | -             | -            | -            | -              |
| Investments held to maturity   | -              | -             | -            | -            | -              |
| Derivative financial assets held for hedging   | -              | -             | -            | -            | -              |
| Property and equipment   | -              | -             | -            | -            | -              |
| Intangible assets  | -              | -             | -            | -            | -              |
| Other assets   | -              | 206           | -            | -            | 206            |
| <b>Total assets</b>  | <b>187.354</b> | <b>31.923</b> | <b>2.748</b> | <b>7.726</b> | <b>229.751</b> |
| <b>Liabilities</b>   |                |               |              |              |                |
| Interbank deposits   | -              | -             | -            | -            | -              |
| Foreign currency deposits  | -              | -             | -            | -            | -              |
| Money market takings   | -              | -             | -            | -            | -              |
| Funds provided from other financial institutions   | 177.119        | 26.115        | -            | 7.613        | 210.847        |
| Marketable securities issued   | -              | -             | -            | -            | -              |
| Miscellaneous payables   | 7              | 77            |              |              | 84             |
| Derivative financial liabilities held for hedging  | -              | -             | -            | -            | -              |
| Other liabilities  | 171            | -             | -            | -            | 171            |
| <b>Total liabilities</b>   | <b>177.297</b> | <b>26.192</b> | <b>-</b>     | <b>7.613</b> | <b>211.102</b> |
| <b>Net on balance sheet position</b>   | <b>10.057</b>  | <b>5.731</b>  | <b>2.748</b> | <b>113</b>   | <b>18.649</b>  |
| <b>Net off balance sheet position</b>  | <b>-</b>       | <b>-</b>      | <b>-</b>     | <b>-</b>     | <b>-</b>       |
| Derivative financial assets  | -              | -             | -            | -            | -              |
| Derivative financial liabilities   | -              | -             | -            | -            | -              |
| Non-cash loans   | 718            | 463           | -            | -            | 1.181          |
| <b>Prior period</b>  |                |               |              |              |                |
| Total assets   | 157.763        | 38.091        | 2.182        | 9.039        | 207.075        |
| Total liabilities  | 141.653        | 25.264        | -            | 8.664        | 175.581        |
| Net on balance sheet position  | 16.110         | 12.827        | 2.182        | 375          | 31.494         |
| Net off balance sheet position   | -              | -             | -            | -            | -              |
| Derivative financial assets  | -              | -             | -            | -            | -              |
| Derivative financial liabilities   | -              | -             | -            | -            | -              |
| Non-cash loans   | 1.852          | 154           | -            | -            | 2.006          |

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**VI – Explanations on consolidated interest rate risk:**

Standard method determined for legal reporting is used in the calculation of the interest rate risk faced by the parent company Bank.

In addition, time left until maturity date and profit-loss effects are analyzed for the marketable security portfolio while taking into possible change scenarios account and ways to compensate possible losses due to interest fluctuations in the market by using different markets are researched.

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

| <b>Current period</b>  | <b>Up to 1<br/>Month</b> | <b>1 – 3<br/>Months</b> | <b>3 – 12<br/>Months</b> | <b>1 – 5<br/>Years</b> | <b>5 Years<br/>and Over</b> | <b>Demand</b>   | <b>Total</b>    |
|--|--------------------------|-------------------------|--------------------------|------------------------|-----------------------------|-----------------|-----------------|
| <b>Assets</b>  |                          |                         |                          |                        |                             |                 |                 |
| Cash (cash in vault, effectives, money in transit, cheques purchased) and balances with the Central Bank of Turkey | 104                      | -                       | -                        | -                      | -                           | 100             | 204             |
| Due from banks   | 134.418                  | -                       | -                        | -                      | -                           | 4.417           | 138.835         |
| Financial assets where fair value change is reflected to income statement  | 4.266                    | 5.209                   | 80.898                   | 20.252                 | -                           | -               | 110.625         |
| Money market placements  | 97.403                   | -                       | -                        | -                      | -                           | -               | 97.403          |
| Financial assets available for sale  | 6.278                    | -                       | -                        | -                      | -                           | 988             | 7.266           |
| Loans  | 97.834                   | 100.798                 | 92.740                   | 14.125                 | 94.004                      | 2.637           | 402.138         |
| Investments held to maturity   | -                        | -                       | -                        | 3.262                  | -                           | -               | 3.262           |
| Other assets   | -                        | -                       | -                        | -                      | -                           | 65.796          | 65.796          |
| <b>Total assets</b>  | <b>340.303</b>           | <b>106.007</b>          | <b>173.638</b>           | <b>37.639</b>          | <b>94.004</b>               | <b>73.938</b>   | <b>825.529</b>  |
| <b>Liabilities</b>   |                          |                         |                          |                        |                             |                 |                 |
| Interbank deposits   | -                        | -                       | -                        | -                      | -                           | -               | -               |
| Other deposits   | -                        | -                       | -                        | -                      | -                           | -               | -               |
| Money market takings   | 6.409                    | -                       | -                        | -                      | -                           | -               | 6.409           |
| Miscellaneous payables   | -                        | -                       | -                        | -                      | -                           | 2.786           | 2.786           |
| Marketable securities issued   | -                        | -                       | -                        | -                      | -                           | -               | -               |
| Funds provided from other financial institutions   | 5.846                    | 114.351                 | 95.194                   | -                      | -                           | -               | 215.391         |
| Other liabilities  | 27.014                   | 27.876                  | 55.705                   | -                      | -                           | 490.348         | 600.943         |
| <b>Total liabilities</b>   | <b>39.269</b>            | <b>142.227</b>          | <b>150.899</b>           | <b>-</b>               | <b>-</b>                    | <b>493.134</b>  | <b>825.529</b>  |
| <b>On balance sheet interest sensitivity gap-Long</b>  | <b>301.034</b>           | <b>-</b>                | <b>22.739</b>            | <b>37.639</b>          | <b>94.004</b>               | <b>-</b>        | <b>455.416</b>  |
| <b>On balance sheet interest sensitivity gap-Short</b>   | <b>-</b>                 | <b>-36.220</b>          | <b>-</b>                 | <b>-</b>               | <b>-</b>                    | <b>-419.196</b> | <b>-455.416</b> |
| <b>Off balance sheet interest sensitivity gap-Long</b>   | <b>-</b>                 | <b>-</b>                | <b>-</b>                 | <b>-</b>               | <b>-</b>                    | <b>-</b>        | <b>-</b>        |
| <b>Off balance sheet interest sensitivity gap-Short</b>  | <b>-1.332</b>            | <b>-</b>                | <b>-</b>                 | <b>-</b>               | <b>-</b>                    | <b>-</b>        | <b>-1.332</b>   |
| <b>Total position</b>  | <b>299.702</b>           | <b>-36.220</b>          | <b>22.739</b>            | <b>37.639</b>          | <b>94.004</b>               | <b>-419.196</b> | <b>-1.332</b>   |

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(Figures are in thousand New Turkish Liras (YTL) unless otherwise stated)

**Average interest rates applied to monetary financial instruments: (%)**

|  | EURO | USD  | Jp Yen | TRY   |
|--|------|------|--------|-------|
| <b>Current period</b>  |      |      |        |       |
| <b>Assets</b>  |      |      |        |       |
| Cash (cash in vault, effectives, money in transit, cheques purchased) and balances with the Central Bank of Turkey | -    | -    | -      | -     |
| Due from banks   | 4,24 | 4,60 | -      | 16,48 |
| Financial assets where fair value change is reflected to income statement  | -    | -    | -      | 16,28 |
| Money market placements  | -    | -    | -      | 15,75 |
| Financial assets available for sale  | -    | -    | -      | -     |
| Loans  | 6,56 | 7,14 | 6,49   | 13,94 |
| Investments held to maturity   | -    | -    | -      | 17,29 |
| <b>Liabilities</b>   |      |      |        |       |
| Interbank deposits   | -    | -    | -      | -     |
| Other deposits   | -    | -    | -      | -     |
| Money market takings   | -    | -    | -      | -     |
| Miscellaneous payables   | -    | -    | -      | -     |
| Marketable securities issued   | -    | -    | -      | -     |
| Funds provided from other financial institutions   | 5,00 | 6,01 | -      | 10,00 |

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

| <b>Prior period</b>  | <b>Up to 1 Month</b> | <b>1 – 3 Months</b> | <b>3 – 12 Months</b> | <b>1 – 5 Years</b> | <b>5 Years and Over</b> | <b>Demand</b>   | <b>Total</b>   |
|--|----------------------|---------------------|----------------------|--------------------|-------------------------|-----------------|----------------|
| <b>Assets</b>  |                      |                     |                      |                    |                         |                 |                |
| Cash (cash in vault, effectives, money in transit, cheques purchased) and balances with the Central Bank of Turkey | 54                   | -                   | -                    | -                  | -                       | 60              | 114            |
| Due from banks   | 144.147              | -                   | -                    | -                  | -                       | -               | 144.147        |
| Financial assets where fair value change is reflected to income statement  | 8.404                | 25.199              | 25.969               | 17.630             | 21.928                  | -               | 99.130         |
| Money market placements  | 192.434              | -                   | -                    | -                  | -                       | -               | 192.434        |
| Financial assets available for sale  | 5.430                | -                   | -                    | -                  | -                       | 1.156           | 6.586          |
| Loans  | 12.848               | 20.818              | 31.293               | 48.701             | 224.608                 | -               | 338.268        |
| Investments held to maturity   | -                    | -                   | -                    | -                  | -                       | -               | -              |
| Other assets   | -                    | -                   | -                    | -                  | -                       | 109.143         | 109.143        |
| <b>Total assets</b>  | <b>363.317</b>       | <b>46.017</b>       | <b>57.262</b>        | <b>66.331</b>      | <b>246.536</b>          | <b>110.359</b>  | <b>889.822</b> |
|  |                      |                     |                      |                    |                         |                 |                |
| <b>Liabilities</b>   |                      |                     |                      |                    |                         |                 |                |
| Interbank deposits   | -                    | -                   | -                    | -                  | -                       | -               | -              |
| Other deposits   | -                    | -                   | -                    | -                  | -                       | -               | -              |
| Money market takings   | -                    | 4.489               | -                    | -                  | -                       | -               | 4.489          |
| Miscellaneous payables   | -                    | -                   | -                    | -                  | -                       | 6.326           | 6.326          |
| Marketable securities issued   | -                    | -                   | -                    | -                  | -                       | -               | -              |
| Funds provided from other financial institutions   | 3.679                | 14.691              | 12.862               | 12.497             | 241.393                 | -               | 285.122        |
| Other liabilities  | -                    | -                   | -                    | -                  | -                       | 593.885         | 593.885        |
| <b>Total liabilities</b>   | <b>3.679</b>         | <b>19.180</b>       | <b>12.862</b>        | <b>12.497</b>      | <b>241.393</b>          | <b>600.211</b>  | <b>889.822</b> |
|  |                      |                     |                      |                    |                         |                 |                |
| On balance sheet interest sensitivity gap-Long   | 359.638              | 26.837              | 44.400               | 53.834             | 5.143                   | -               | 489.852        |
| On balance sheet interest sensitivity gap-Short  | -                    | -                   | -                    | -                  | -                       | -489.852        | -489.852       |
| Off balance sheet interest sensitivity gap-Long  | -                    | -                   | -                    | -                  | -                       | -               | -              |
| Off balance sheet interest sensitivity gap-Short   | -                    | -2.135              | -                    | -                  | -                       | -               | -2.135         |
| <b>Total position</b>  | <b>359.638</b>       | <b>24.702</b>       | <b>44.400</b>        | <b>53.834</b>      | <b>5.143</b>            | <b>-489.852</b> | <b>-2.135</b>  |

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(Figures are in thousand New Turkish Liras (YTL) unless otherwise stated)

**Average interest rates applied to monetary financial instruments: (%)**

|  | EURO | USD  | Japanese Yen | TRY   |
|--|------|------|--------------|-------|
| <b>Prior period</b>  |      |      |              |       |
| <b>Assets</b>  |      |      |              |       |
| Cash (cash in vault, effectives, money in transit, cheques purchased) and balances with the Central Bank of Turkey | -    | -    | -            | -     |
| Due from banks   | 3,55 | 5,21 | -            | 18,39 |
| Financial assets where fair value change is reflected to income statement  | -    | -    | -            | 18,97 |
| Money market placements  | -    | -    | -            | 17,50 |
| Financial assets available for sale  | -    | -    | -            | -     |
| Loans  | 4,72 | 7,56 | 4,36         | 13,92 |
| Investments held to maturity   |      |      |              |       |
| <b>Liabilities</b>   |      |      |              |       |
| Interbank deposits   | -    | -    | -            | -     |
| Other deposits   | -    | -    | -            | -     |
| Money market takings   | -    | -    | -            | -     |
| Miscellaneous payables   | -    | -    | -            | -     |
| Marketable securities issued   | -    | -    | -            | -     |
| Funds provided from other financial institutions   | 3,94 | 5,92 | -            | 10,00 |

**VII – Explanations on consolidated liquidity risk:**

The liquidity risk management of the parent company Bank which does not accept any savings due to being a development and investment bank therefore is not exposed to any savings based liquidity risk caused by market fluctuations is performed by proforma cash flow statements prepared for longer periods as well as daily and weekly liquidity management. Those statements are used to determine the liquidity need in future periods and/or liquidity needs in extraordinary situations (if present), alternative liquidity sources that can be utilized and placement areas.

During the prediction of possible cash flows in future period projections, different scenarios are used to calculate possible liquidity risks which the parent company Bank can be exposed with certain probabilities.

Although the basic resource of the parent company Bank to cover TC and FC liquidity needs is auto financing, funds can be obtained from TCMB interbank market, domestic and foreign banks and repo agreements when needed.

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(Figures are in thousand New Turkish Liras (YTL) unless otherwise stated)

**Presentation of assets and liabilities according to their outstanding maturities:**

|  | Demand          | Up to 1 Month  | 1-3 Months    | 3 – 12 Months  | 1 – 5 Years    | 5 Years and Over | Undistrib uted* | Total          |
|--|-----------------|----------------|---------------|----------------|----------------|------------------|-----------------|----------------|
| <b>Current period</b>  |                 |                |               |                |                |                  |                 |                |
| <b>Assets</b>  |                 |                |               |                |                |                  |                 |                |
| Cash (cash in vault, effectives, money in transit, cheques purchased) and Balances with the Central Bank of Turkey | 100             | 104            | -             | -              | -              | -                | -               | 204            |
| Due from banks   | 4.417           | 134.418        | -             | -              | -              | -                | -               | 138.835        |
| Financial assets where fair value change is reflected to income statement  | -               | -              | 15.344        | 80.675         | 14.606         | -                | -               | 110.625        |
| Money market placements  | -               | 97.403         | -             | -              | -              | -                | -               | 97.403         |
| Marketable securities available for sale   | 7.266           | -              | -             | -              | -              | -                | -               | 7.266          |
| Loans  | -               | 9.396          | 13.961        | 72.687         | 274.506        | 28.951           | 2.637           | 402.138        |
| Investments held to maturity   | -               | -              | -             | -              | 3.262          | -                | -               | 3.262          |
| Other assets   | -               | -              | -             | -              | -              | -                | 65.796          | 65.796         |
| <b>Total assets</b>  | <b>11.783</b>   | <b>241.321</b> | <b>29.305</b> | <b>153.362</b> | <b>292.374</b> | <b>28.951</b>    | <b>68.433</b>   | <b>825.529</b> |
| <b>Liabilities</b>   |                 |                |               |                |                |                  |                 |                |
| Interbank deposits   | -               | -              | -             | -              | -              | -                | -               | -              |
| Other deposits   | -               | -              | -             | -              | -              | -                | -               | -              |
| Funds provided from other financial instruments  | -               | 1.134          | 5.537         | 10.421         | 100.985        | 97.314           | -               | 215.391        |
| Money market takings   | -               | 6.409          | -             | -              | -              | -                | -               | 6.409          |
| Marketable securities issued   | -               | -              | -             | -              | -              | -                | -               | -              |
| Miscellaneous payables   | 2.786           | -              | -             | -              | -              | -                | -               | 2.786          |
| Other liabilities  | -               | 1.629          | 1.086         | 3.802          | 90.846         | 13.232           | 490.348         | 600.943        |
| <b>Total liabilities</b>   | <b>2.786</b>    | <b>9.172</b>   | <b>6.623</b>  | <b>14.223</b>  | <b>191.831</b> | <b>110.546</b>   | <b>490.348</b>  | <b>825.529</b> |
| <b>Liquidity gap</b>   | <b>8.997</b>    | <b>232.149</b> | <b>22.682</b> | <b>139.139</b> | <b>100.543</b> | <b>-81.595</b>   | <b>-421.915</b> | <b>-</b>       |
| <b>Prior period</b>  |                 |                |               |                |                |                  |                 |                |
| <b>Total assets</b>  | <b>110.359</b>  | <b>363.317</b> | <b>46.017</b> | <b>57.262</b>  | <b>66.331</b>  | <b>246.536</b>   | <b>-</b>        | <b>889.822</b> |
| <b>Total liabilities</b>   | <b>600.211</b>  | <b>3.679</b>   | <b>19.180</b> | <b>12.862</b>  | <b>12.497</b>  | <b>241.393</b>   | <b>-</b>        | <b>889.822</b> |
| <b>Liquidity gap</b>   | <b>-489.852</b> | <b>359.638</b> | <b>26.837</b> | <b>44.400</b>  | <b>53.834</b>  | <b>5.143</b>     | <b>-</b>        | <b>-</b>       |

(\*)Other assets accounts which compose the balance sheet like fixed assets, investments and subsidiaries, office supplies, deferred expenses and followed up claims necessary for banking operations and non-current assets are shown in this section.

**VIII. Explanations on finical assets and liabilities with their fair value presentation:**

From the investments of the parent company Bank's subsidiary, those which are quoted to the stock market are valued with their weighted average prices at the date of the balance sheet regulated by the Standard for Accounting of Financial Instruments. The other investments, which are not quoted to the stock market are subjected to impairment test

The table below shows the assets and liabilities on the parent company Bank's financial statements with their fair value after adding the total rediscount amount of the period to their book value and carried cost

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|  | Book value     |              | Fair value     |              |
|--|----------------|--------------|----------------|--------------|
|  | Current period | Prior period | Current period | Prior period |
| Financial assets                                 | 705.400        | 683.143      | 648.904        | 681.435      |
| Money market placements                          | 97.366         | 192.161      | 97.403         | 192.434      |
| Due from banks                                   | 138.643        | 143.924      | 138.835        | 144.147      |
| Financial assets available for sale              | 15.132         | 15.149       | 7.266          | 6.586        |
| Investments held to maturity                     | 3.195          | -            | 3.262          | -            |
| Loans  | 451.064        | 331.909      | 402.138        | 338.268      |
| Financial liabilities                            | 330.069        | 292.326      | 334.868        | 295.937      |
| Interbank deposits                               | -              | -            | -              | -            |
| Other deposits                                   | -              | -            | -              | -            |
| Funds provided from other financial institutions | 327.334        | 286.000      | 332.082        | 289.611      |
| Marketable securities issued                     | -              | -            | -              | -            |
| Miscellaneous payables                           | 2.735          | 6.326        | 2.786          | 6.326        |

**IX. Explanations on the transactions made to other parties or their accounts and transactions based on faith:**

Purchases and sales of marketable securities and storage transactions services are given by the parent company Bank for other parties and their accounts. Management and consultancy concerning capital market operations are not given by the parent company Bank in compliance to the Capital Market Law. The parent company Bank also operates tourism and substructure investments in the name of the Ministry of Culture and Tourism.

By the subsidiary of the parent company Bank operations in the context of; purchase-sale brokerage, public offering brokerage, repo and reverse repo purchase-sale, investment consultancy, portfolio management, marketable securities by credits, short selling and borrowing and lending of marketable securities, purchase-sale brokerage of derivative instruments are done through necessary licenses.

There are no transactions made based on faith by the parent company Bank.

SECTION FIVE  
EXPLANATIONS AND NOTES TO THE  
CONSOLIDATED FINANCIAL STATEMENTS

I- Explanations and notes to the assets of the consolidated balance sheet:

**1.a) Cash and balances with the Central Bank:**

|                           | Current period |    | Prior period |    |
|---------------------------|----------------|----|--------------|----|
|                           | TC             | FC | TC           | FC |
| Cash and foreign currency | 100            | -  | 60           | -  |
| Central Bank              | 104            | -  | 54           | -  |
| Other                     | -              | -  | -            | -  |
| Total                     | 204            | -  | 114          | -  |

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

|                            | Current period |    | Prior period |    |
|----------------------------|----------------|----|--------------|----|
|                            | TC             | FC | TC           | FC |
| Demand unrestricted amount | 104            | -  | 54           | -  |
| Time unrestricted amount   | -              | -  | -            | -  |
| Time restricted amount     | -              | -  | -            | -  |
| Total                      | 104            | -  | 54           | -  |

**2. a) Financial assets where the difference in fair value is reflected to the income statement that are subjected to repo agreements or blocked / given as guarantees:**

|                                   | Current period |    | Prior period |    |
|-----------------------------------|----------------|----|--------------|----|
|                                   | TC             | FC | TC           | FC |
| Share certificates                | -              | -  | -            | -  |
| Bonds, notes and other mark. Sec. | 77.114         | -  | 27.706       | -  |
| Other                             | -              | -  | -            | -  |
| Total                             | 77.114         | -  | 27.706       | -  |

**2. b) Positive differences table for derivative financial assets held for trading:**

The parent company Bank does not possess any held for trading derivative financial assets.

**3. a) Information about banks:**

|                             | Current period |        | Prior period |        |
|-----------------------------|----------------|--------|--------------|--------|
|                             | TC             | FC     | TC           | FC     |
| Banks                       |                |        |              |        |
| Domestic banks              | 124.338        | 9.468  | 124.503      | 951    |
| Foreign banks               | -              | 5.029  | -            | 563    |
| Branches and offices abroad | -              | -      | -            | 18.130 |
| Total                       | 124.338        | 14.497 | 124.503      | 19.644 |



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**3. b) Information on foreign bank account:**

|                           | Unrestricted amount |              | Restricted amount |              |
|---------------------------|---------------------|--------------|-------------------|--------------|
|                           | Current period      | Prior period | Current period    | Prior period |
| European Union countries  | 227                 | 228          | 4.697             | -            |
| USA and Canada            | 65                  | 329          | -                 | -            |
| OECD Countries*           | 40                  | 6            | -                 | -            |
| Off-shore banking regions | -                   | -            | -                 | -            |
| Other                     | -                   | -            | -                 | -            |
| Total                     | 332                 | 563          | 4.697             | -            |

\* OECD countries other than European Union countries, USA and Canada

**4.a) Available for sale assets that are subjected to repo agreements or blocked / given as guarantees:**

None.

**4. b) Information on financial assets available for sale:**

|                            | Current period | Prior period |
|----------------------------|----------------|--------------|
| Debt securities            | 6.278          | 5.430        |
| Quoted in a stock exchange | 6.278          | 5.430        |
| Not quoted                 | -              | -            |
| Share certificates         | 13.473         | 13.696       |
| Quoted in a stock exchange | -              | 223          |
| Not quoted                 | 13.473         | 13.473       |
| Impairment provision (-)   | 12.485         | 12.540       |
| Total                      | 7.266          | 6.586        |

**5. Explanations on loans:****5. a) Information on all 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   | -              | -              | -            | -              |
| Corporate shareholders                 | -              | -              | -            | -              |
| Real person shareholders               | -              | -              | -            | -              |
| Indirect Loans granted to shareholders | -              | -              | -            | -              |
| Loans granted to employees             | 3.743          | -              | 3.872        | -              |
| Total                                  | 3.743          | -              | 3.872        | -              |

**5. b) Information on the first and second group loans and other receivables including loans that have been restructured or rescheduled:**

| Cash Loans<br>Non-specialized loans   | Standard loans and other receivables |                             | Loans and other receivables under close monitoring |                             |
|---------------------------------------|--------------------------------------|-----------------------------|--|-----------------------------|
|                                       | Loans and other receivables          | Restructured or rescheduled | Loans and other receivables                        | Restructured or rescheduled |
| Discount notes                        | 198.641                              | 4.394                       | 1.786  | 0                           |
| Export loans                          | -                                    | -                           | -  | -                           |
| Import loans                          | 32.505                               | -                           | -  | -                           |
| Loans given to financial sector       | -                                    | -                           | -  | -                           |
| International loans                   | -                                    | -                           | -  | -                           |
| Consumer loans                        | -                                    | -                           | -  | -                           |
| Credit cards                          | 3.743                                | -                           | -  | -                           |
| Precious metals loans (Gold , etc...) | -                                    | -                           | -  | -                           |
| Other                                 | -                                    | -                           | -  | -                           |
| Specialized lending                   | 162.393                              | 4.394                       | 1.786  |                             |
| Other receivables                     | 178.260                              | 5.958                       | 2.220  | 4.114                       |
| Total                                 | 4.128                                | -                           | -  | -                           |
| Cash Loans                            | 381.029                              | 10.352                      | 4.006  | 4.114                       |

**5. c) Loans according to their maturity structure:**

|  | Standard loans and other receivables |                             | Loans and other receivables under close monitoring |                             |
|--|--------------------------------------|-----------------------------|--|-----------------------------|
|  | Loans and other receivables          | Restructured or rescheduled | Loans and other receivables                        | Restructured or rescheduled |
| Short term loans and other receivables           | 25.484                               | -                           | -  | -                           |
| Non-specialized loans                            | 21.356                               | -                           | -  | -                           |
| Specialized loans                                | -                                    | -                           | -  | -                           |
| Other receivables                                | 4.128                                | -                           | -  | -                           |
| Medium and long term loans and other receivables | 355.545                              | 10.352                      | 4.006  | 4.114                       |
| Non-specialized loans                            | 173.542                              | 4.394                       | 1.786  | -                           |
| Specialized loans                                | 178.260                              | 5.958                       | 2.220  | 4.114                       |
| Other receivables                                | 3.743                                | -                           | -  | -                           |

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**5.  Information on consumer loans, individual credit cards, personnel loans and credit cards:**

|   | Short-term | Medium and long-term | Total |
|---|------------|----------------------|-------|
| Consumer loans-TC                       | -          | -                    | -     |
| Real estate loans                       | -          | -                    | -     |
| Automobile loans                        | -          | -                    | -     |
| Consumer loans                          | -          | -                    | -     |
| Other                                   | -          | -                    | -     |
| Consumer loans- Indexed to FC           | -          | -                    | -     |
| Real estate loans                       | -          | -                    | -     |
| Automobile loans                        | -          | -                    | -     |
| Consumer loans                          | -          | -                    | -     |
| Other                                   | -          | -                    | -     |
| Consumer loans- FC                      | -          | -                    | -     |
| Real estate loans                       | -          | -                    | -     |
| Automobile loans                        | -          | -                    | -     |
| Consumer loans                          | -          | -                    | -     |
| Other                                   | -          | -                    | -     |
| Individual credit cards-TC              | -          | -                    | -     |
| Installment                             | -          | -                    | -     |
| Non-Installment                         | -          | -                    | -     |
| Individual credit cards-FC              | -          | -                    | -     |
| Installment                             | -          | -                    | -     |
| Non-Installment                         | -          | -                    | -     |
| Personnel loans-TC                      | -          | 3.743                | 3.743 |
| Real estate loans                       | -          | -                    | -     |
| Automobile loans                        | -          | -                    | -     |
| Consumer loans                          | -          | 3.743                | 3.743 |
| Other                                   | -          | -                    | -     |
| Personnel loans-Indexed to FC           | -          | -                    | -     |
| Real estate loans                       | -          | -                    | -     |
| Automobile loans                        | -          | -                    | -     |
| Consumer loans                          | -          | -                    | -     |
| Other                                   | -          | -                    | -     |
| Personnel loans-FC                      | -          | -                    | -     |
| Real estate loans                       | -          | -                    | -     |
| Automobile loans                        | -          | -                    | -     |
| Consumer loans                          | -          | -                    | -     |
| Other                                   | -          | -                    | -     |
| Personnel credit cards-TC               | -          | -                    | -     |
| Installment                             | -          | -                    | -     |
| Non-Installment                         | -          | -                    | -     |
| Personnel credit cards-FC               | -          | -                    | -     |
| Installment                             | -          | -                    | -     |
| Non-Installment                         | -          | -                    | -     |
| Overdraft accounts-TC (Retail customer) | -          | -                    | -     |
| Overdraft accounts-FC (Retail customer) | -          | -                    | -     |
| Total                                   | -          | 3.743                | 3.743 |

**5. d) Information on Commercial Installment Loans and Corporate Credit Cards:**

As of the balance sheet date the Bank has not granted any trade or corporate credit cards that can be paid by installments

**5. e) Loans according to tFCe of borrowers:**

|         | Current period | Prior period |
|---------|----------------|--------------|
| Public  | -              | -            |
| Private | 399.501        | 338.268      |
| Total   | 399.501        | 338.268      |

**5. f) International and domestic loans:**

|                | Current period | Prior period |
|----------------|----------------|--------------|
| Domestic loans | 399.501        | 338.268      |
| Foreign loans  | -              | -            |
| Total          | 399.501        | 338.268      |

**5. g) Loans granted to subsidiaries and investments:**

|  | Current period | Prior period |
|--|----------------|--------------|
| Direct loans granted to subsidiaries and investments   | 8.477          | 952          |
| Indirect loans granted to subsidiaries and investments | -              | -            |
| Total  | 8.477          | 952          |

**5. ğ) Specific provisions provided against loans:**

|  | Current period | Prior period |
|--|----------------|--------------|
| Loans and receivables with limited collectibility  | 2.446          | 19.921       |
| Loans and receivables with doubtful collectibility | 2.600          | 1.817        |
| Uncollectible loans and receivables                | 51.169         | 42.280       |
| Total  | 56.215         | 64.018       |

**5.h) Information on loans under follow-up account (Net):****5. h.1) Information on loans and other receivables included in loans under follow-up account which are restructured or rescheduled:**

|  | III. Group:                                       | IV. Group:   | V. Group                            |
|--|---|--|-------------------------------------|
|  | Loans and receivables with limited collectibility | Loans and receivables with doubtful collectibility | Uncollectible loans and receivables |
| Current period                                     | 134   | 602  | 12.496                              |
| (Gross amounts before the specific reserves)       | -   | -  | -                                   |
| Loans and other receivables which are restructured | -   | -  | -                                   |
| Rescheduled loans and other receivables            | 134   | 602  | 12.496                              |
| Prior period                                       | 14.448  | 1.046  | 10.867                              |
| (Gross amounts before the specific reserves)       | -   | -  | -                                   |
| Loans and other receivables which are restructured | -   | -  | -                                   |
| Rescheduled loans and other receivables            | 14.448  | 1.046  | 10.867                              |

**5. h.2) The movement of loans under follow-up:**

|  | III. Group  | IV. Group  | V. Group                            |
|--|---|--|-------------------------------------|
|  | Loans and receivables with limited collectibility | Loans and receivables with doubtful collectibility | Uncollectible loans and receivables |
| Prior period end balance                                     | 19.921  | 1.817  | 42.280                              |
| Additions (+)  | 11.003  | 237  | 10.879                              |
| Transfers from other categories of loans under follow-up (+) | -   | 22.346   | 23.348                              |
| Transfers to other categories of loans under follow-up (-)   | 25.155  | 20.540   | 2.169                               |
| Collections (-)  | 788   | 1.175  | 21.917                              |
| Write-offs (-)   | -   | -  | 1.235                               |
| Commercial and corporate loans                               | -   | -  | -                                   |
| Individual loans   | -   | -  | -                                   |
| Credit cards   | -   | -  | -                                   |
| Other  | -   | -  | -                                   |
| Current period end balance                                   | 4.981   | 2.685  | 51.186                              |
| Specific provision (-)                                       | 2.446   | 2.600  | 51.169                              |
| Net Balance on balance sheet                                 | 2.535   | 85   | 17                                  |

**5. h.3) Information on foreign currency loans and other receivables under follow-up:**

The parent company Bank, in accordance with the regulation concerning "From Uncollectable Receivables, Fees, Commissions and Receivables with Doubtful Collectibility, Uncollectible Loans and Receivables" on the third section of "Bulletin on the Turkish Uniform Chart of Accounts and Explanation" translates the foreign exchange loans to Turkish Currency with the exchange rate of the day that these are transferred to the followed up loans account and are followed in these amounts.

**5.h.4) Information on gross and net loans under follow-up according to borrowers:**

|  | III. Group  | IV. Group  | V. Group                            |
|--|---|--|-------------------------------------|
|  | Loans and receivables with limited collectibility | Loans and receivables with doubtful collectibility | Uncollectible loans and receivables |
| <b>Current period (Net)</b>                              | 2.535   | 85   | 17                                  |
| Loans granted to real persons and legal entities (Gross) | 4.981   | 2.442  | 51.186                              |
| Specific provision (-)                                   | 2.446   | 2.357  | 51.169                              |
| Loans granted to real persons and legal entities (Net)   | 2.535   | 85   | 17                                  |
| Banks (Gross)  | -   | -  | -                                   |
| Specific provision (-)                                   | -   | -  | -                                   |
| Banks (Net)  | -   | -  | -                                   |
| Other loans and receivables (Gross)                      | -   | 243  | -                                   |
| Specific provision (-)                                   | -   | 243  | -                                   |
| Other loans and receivables (Net)                        | -   | -  | -                                   |
| <b>Prior period (Net)</b>                                | -   | -  | -                                   |
| Loans granted to real persons and legal entities (Gross) | 19.921  | 1.817  | 42.280                              |
| Specific provision (-)                                   | 19.921  | 1.817  | 42.280                              |
| Loans granted to real persons and legal entities (Net)   | -   | -  | -                                   |
| Banks (Gross)  | -   | -  | -                                   |
| Specific provision (-)                                   | -   | -  | -                                   |
| Banks (Net)  | -   | -  | -                                   |
| Other loans and receivables (Gross)                      | -   | -  | -                                   |
| Specific provision (-)                                   | -   | -  | -                                   |
| Other loans and receivables (Net)                        | -   | -  | -                                   |

**5.i) The Main Outline for the Liquidation Policy for Credits Rated as Loss and Other Receivables:**

In case the guarantee factors stated in the 9<sup>th</sup> Article of the “Legislation on Determination of Qualities of Loans and Other Receivables by Banks and Procedures and Basis for Reservation of Provisions for Those Loans” are present, then the liquidation of the receivable is realized as soon as possible as a result of administrative and legal undertakings. In case the guarantee factor is not present and even though an evidence of insolvency is acquired for the debtor, a legal follow up is initiated with intensive intelligence actions in order to find out subsequently-acquired property .

Before and after legal action follow ups; as a result of the examinations of the financial information of the company undertaken by the Bank, in case a company is believed to be able to survive and in case it is believed that the reinstitution of the company shall benefit the economy, then the receivable is tried to be obtained with an agreement.

**5.i) Explanation on policy of derecognition dispoile from financial statements:**

Uncollectible loans or receivables are derecognized from financial statements on the state after the date when provisions rate of these loans and receivables reach 100% and are deemed impossible to collect in accordance with a convincing document or a court order by board of director minutes.

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**6. Information on investments held to maturity:**

**6.a) Comparative net value of investments held to maturity which are subject to repurchase transactions, given as guarantees and which are in blockage:**

None.

**6. b) Public sector debt securities held to maturity:**

|                                     | Current period | Prior period |
|-------------------------------------|----------------|--------------|
| Government bonds                    | 3.262          | -            |
| Treasury bills                      | -              | -            |
| Other public sector debt securities | -              | -            |
| Total                               | 3.262          | -            |

**6. c) The movement of investments held to maturity:**

|   | Current period | Prior period |
|---|----------------|--------------|
| Beginning balance                               | -              | -            |
| Foreign currency differences on monetary assets | -              | -            |
| Purchases during year                           | 3.262          | -            |
| Disposals through sales and redemptions         | -              | -            |
| Impairment provision (-)                        | -              | -            |
| Period end balance                              | 3.262          | -            |

**7. Information on investments (Net):****7.a.1) Reasons for not consolidating qualifying investments:**

Maksan A.Ş. and Türk Suudi Holding A.Ş. are not included in consolidated financial statements in accordance with the Bulletin on the Preparation of Consolidated Financial Statements of Banks due to the fact that these investments are not financial or credit companies. Other investments, are not included in the consolidation due to the fact that they are inactive.

**7. a.2) Information on investments that are not consolidated:**

|   | Description                     | Address (City / Country) | Bank's share percentage-If different voting percentage(%) | Bank's risk group share percentage (%) |
|---|---------------------------------|--------------------------|---|--|
| 1 | MAKSAN A.Ş.                     | MALATYA                  | 31,14   | 31,14                                  |
| 2 | EMİRAY A.Ş. (*)                 | İSTANBUL                 | 10,00   | 10,00                                  |
| 3 | TEŞEBBÜS DESTEKLEME AJANSI (**) | ANKARA                   | 20,00   | 20,00                                  |
| 4 | TÜRK SUUDİ HOLDİNG.A.Ş.         | İSTANBUL                 | 24,69   | 24,69                                  |
| 5 | TÜRSAN (***)                    | MARDİN                   | 17,84   | 17,84                                  |

(\*) The company is in the process of dissolution.

(\*\*) The company is inactive. The Bank has no other initiative over the company except partnership.

(\*\*\*) The company is inactive.

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|   | Total assets | Shareholders' equity | Total fixed assets | Interest income | Income from marketable securities portfolio | Current period profit / loss | Prior period profit / loss | Fair value |
|---|--------------|----------------------|--------------------|-----------------|---|------------------------------|----------------------------|------------|
| 1 | 14.048       | 8.517                | 2.836              | -               | -   | 1.985                        | 1.501                      | 2.652      |
| 2 | -            | -                    | -                  | -               | -   | -                            | -                          | 775        |
| 3 | -            | -                    | -                  | -               | -   | -                            | -                          | -          |
| 4 | 8.157        | 7.627                | 8.035              | 1               | 3   | -114                         | -526                       | 1.883      |
| 5 | -            | -                    | -                  | -               | -   | -                            | -                          | 1          |

Note: 30.09.2007 information.

**7.b) Information on consolidated investments:**

There are no consolidated investments.

**8. Information on subsidiaries (Net):****8.a) Information on subsidiaries that are not consolidated:**

The parent company Bank has reexamined the loan it granted to the subsidiary Acielsan A.Ş. due to the fact that the loan was not paid on maturity in the context of the 4<sup>th</sup> Article of the "Legislation Determining the attributes and the procedure and principals for the provisions to be set for the loans granted by banks and other receivables" published in the Legal Gazette dated November 1<sup>st</sup>, 2006 and numbered 26333, and in accordance with the 8<sup>th</sup> paragraph of the 6<sup>th</sup> Article of the aforementioned legislation, decided to follow up the amount of 3.469.348 YTL partnership interest and 643.481 YTL loan receivable in the loans with low probability of return. The partnership ratio of the Bank in the company is 76.83 %.

The parent company Bank started to follow up the loan receivables and partnership interest of its subsidiary Arıcak A.Ş. on 31.12.2006 in accordance to the Articles mentioned above of the "Legislation Determining the attributes and the procedure and principals for the provisions to be set for the loans granted by banks and other receivables". During the capital increase of the company in 2007 from 7.350 YTL to 500.000 YTL, the whole difference of 482.650 YTL was paid solely by the Bank. After the capital increase, the partnership ratio of the bank has risen to 99,28 % from 51,02 %.

**8.b.1) Information on consolidated subsidiaries:**

|   | Description                           | Address(City/ Country) | Bank's share percentage-If different voting percentage(%) | Bank's risk group share percentage (%) |
|---|---------------------------------------|------------------------|---|--|
| 1 | KALKINMA YATIRIM MENKUL DEĞERLER A.Ş. | İSTANBUL               | 100,00  | 100,00                                 |

|   | Total assets | Shareholders' equity | Total fixed assets | Interest income | Income from marketable securities portfolio | Current period profit / loss | Prior period profit / loss | Fair value |
|---|--------------|----------------------|--------------------|-----------------|---|------------------------------|----------------------------|------------|
| 1 | 16.977       | 9.311                | 433                | 1.304           | -   | 248                          | -77                        | 9.311      |



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**8.b.2) Information on consolidated subsidiaries:**

|  | Current period | Prior period |
|--|----------------|--------------|
| Balance at the beginning of the period               | 9.069          | 9.147        |
| Movements in period                                  | 242            | -78          |
| Purchases  | -              | -            |
| Free shares obtained profit from current years share | -              | -            |
| Dividends from current year income                   | -              | -            |
| Sales  | -              | -            |
| Revaluation increase                                 | 242            | -            |
| Impairment provision                                 | -              | -            |
| Balance at the end of the period                     | -              | -78          |
| Capital commitments                                  | 9.311          | 9.069        |
| Share percentage at the end of the period (%)        | -              | -            |
| Balance at the beginning of the period               | 100,00         | 100,00       |

**8.b.3) Sectoral information on consolidated subsidiaries and the related carrying amounts:**

|                              | Current period | Prior period |
|------------------------------|----------------|--------------|
| Banks                        | -              | -            |
| Insurance companies          | -              | -            |
| Factoring companies          | -              | -            |
| Leasing companies            | -              | -            |
| Finance companies            | -              | -            |
| Other financial subsidiaries | 9.311          | 9.069        |

**8.b.4) Consolidated subsidiaries which are quoted to a stock exchange:**

None.

**9. Information on jointly controlled companies:**

As of the balance sheet date the parent company Bank does not have any jointly controlled companies.

**10. Information on lease receivables (Net):**

The parent company Bank does not have any financial lease operations. The Bank has an operating lease receivable of 2 Thousand YTL.

**11. Information on hedge instruments:**

None.

**12. Information on tangible fixed assets (Net):**

|   | Real Estate | Leased Tangible Assets | Motor Vehicles | Other Tangible Fixed Assets | Total   |
|---|-------------|------------------------|----------------|-----------------------------|---------|
| Balance at the beginning of the period:         |             |                        |                |                             |         |
| Cost  | 128.494     | -                      | 435            | 3.261                       | 132.191 |
| Accumulated Depreciation (-)                    | 15.920      | -                      | 370            | 2.395                       | 18.686  |
| Impairment Provisions                           | 74.413      | -                      | -              | -                           | 74.413  |
| Net Book Value                                  | 38.161      | -                      | 65             | 866                         | 39.092  |
| Balance at the end of current period:           |             |                        |                |                             | -       |
| Net Book Value at the beginning of the period   | 38.161      | -                      | 65             | 866                         | 39.092  |
| Purchases                                       | 541         | -                      |                | 1.479                       | 2.020   |
| Transferred from discontinued activities        | -           | -                      | -              | 19                          | 19      |
| Disposed  | 245         | -                      | 81             | 17                          | 343     |
| Deleted From Impairment Provision               | 2.402       | -                      | -              | -                           | 2.402   |
| Impairment Provisions                           | 85          | -                      | -              | -                           | 85      |
| Current Period Depreciation (-)                 | 2.524       | -                      | 11             | 356                         | 2.891   |
| Depreciation from Sold Off Assets               | -           | -                      | 65             | 3                           | -       |
| Exchange rate dif. From foreign. Aff. (-)       | -           | -                      | -              | -                           | -       |
| Cost at the end of the period                   | 56.694      | -                      | 354            | 4.742                       | 61.791  |
| Accumulated depreciation at the end of per. (-) | 18.444      | -                      | 316            | 2.748                       | 21.509  |
| Closing Net Book Value                          | 38.250      | -                      | 38             | 1.994                       | 40.282  |

**13. Information on intangible assets:**

|          | Current period   |                          | Prior period     |                          |
|----------|------------------|--------------------------|------------------|--------------------------|
|          | Gross book value | Accumulated Depreciation | Gross book value | Accumulated Depreciation |
| Software | 291              | 115                      | 38               | 20                       |

**14. Explanations on real estate held for investment:**

None.

**15. Explanations on deferred tax asset:**

Due to the accounting policies and valuation principals applied at the parent company Bank financial statements and the "timing differences" between the tax legislations the amount of deferred tax assets of 8.041 Thousand YTL was netted-off from the 34 Thousand YTL deferred tax liability of the consolidated subsidiary and was reflected in the financial statements as 8.007 Thousand YTL.

**16. Explanations on Fixed Assets Held For Sale and Discontinued Operations:**

|   | Current period (*) | Prior period |
|---|--------------------|--------------|
| Property and equipment held for sale                | -                  | -            |
| Property and equipment from discontinued operations | -                  | 25           |
| Total   |                    | 25           |

\*Property and equipment from the discontinued operations of the parent company Bank's subsidiary were transferred to the head office

**18. Information on other assets:**

The total of other assets is 3.727 Thousand YTL comprising of 50 Thousand YTL of office supplies, 3.142 Thousand YTL of temporary loan accounts, 529 Thousand YTL sundry receivables and 6 Thousand YTL other receivables.

**a) If the other assets are greater than 10% of balance sheet total excluding off-balance sheet commitments, names and amounts of subaccounts that form at least 20% of other assets:**

Other assets are not greater than 10% of balance sheet total.

**II- Explanations and Notes to the Liability Accounts of the Consolidated Balance Sheet****1. Information on the maturity structure of savings and collected funds:**

The Group does not accept any savings and does not collect any funds.

**2. Information on held for trading derivative liabilities:****2.a) Table of negative differences concerning held for trading derivative liabilities:**

None.

**3. Information on received loans:****3. a) Information about funds borrowed:**

|  | Current period |         | Prior period |         |
|--|----------------|---------|--------------|---------|
|  | TC             | FC      | TC           | FC      |
| Funds borrowed from the Central Bank of Turkey | -              | -       | -            | -       |
| Domestic banks and institutions                | 4.579          | 120.591 | 4.589        | 120.938 |
| Foreign banks, institutions and funds          | -              | 90.221  | -            | 54.495  |
| Total  | 4.579          | 210.812 | 4.589        | 175.433 |

**3. b) Maturity structure of funds borrowed:**

|                      | Current period |         | Prior period |         |
|----------------------|----------------|---------|--------------|---------|
|                      | TC             | FC      | TC           | FC      |
| Short-term           | 4.579          | 16.492  | 4.589        | 9.121   |
| Medium and long-term | -              | 194.320 | -            | 166.312 |
| Total                | 4.579          | 210.812 | 4.589        | 175.433 |

**3.c) Additional explanations concerning the concentrated areas of Bank liabilities:**

Parent Company Bank is not allowed to collect any savings and the liabilities included in the consolidated financial statements consist of funds, middle and long term loans from domestic and international institutions. Most of the loans from international sources are from European Investment Bank, European Commission Development Bank and World Bank. Domestic loans are from Eximbank. Almost all of the domestic funds amounting up to 110.282 YTL are from Undersecretariat of Treasury. The risk of the Incentive Fund used amounting up to 91.352 YTL does not belong to the Bank.

**4. If the Other Liabilities Account Exceeds 10% of the Total of Balance Sheet, Names and Amounts of Sub-accounts That Form at Least 20% of Other Liabilities:**

None.

**5. Information on lease liabilities (Net):**

None.

**6. Information on hedge liabilities:**

None.

**7. Explanations on provisions:****7.a) Information on general provisions:**

|   | Current period | Prior period |
|---|----------------|--------------|
| General provisions                                | 1.800          | 1.349        |
| Provisions for first group loans and receivables  | 1.671          | 1.199        |
| Provisions for second group loans and receivables | 41             | 32           |
| Provisions for non cash loans                     | 1              | 3            |
| Others  | 87             | 115          |

**7.b) Provisions for principal foreign exchange losses foreign currency loans and receivables from financial leasing contracts:**

The exchange rate decrease provision's capital of the foreign currency based loans is 545 Thousand YTL.

**7.c) Special provisions for non-cash loans which are non-reimbursed and converted to cash**

None.

**7.d) Other Provisions:**

The Group calculated and reflected the provisions for termination indemnities in accordance with the 19<sup>th</sup> Turkish Accounting Standart to the financial statements.

As of December 31<sup>st</sup>, 2007, the amount of Group's provisions for termination indemnities is 14.737 Thousand YTL.(31.12.2006: 12.901 Thousand YTL).

The amount of lawsuit and debt provision is 133 Thousand YTL excluding the provisions for the Group employee's rights and general loan provisions.

**8. Information on liabilities for tax:****8.a) Current tax liabilities:**

**8.a.1) Explanations on provision for taxes:**

| Corporate Tax and Deferred Tax | Current period |    | Prior period |    |
|--------------------------------|----------------|----|--------------|----|
|                                | TP             | YP | TP           | YP |
| Corporate Tax Payable          | 10.683         | -  | 38.366       | -  |
| Deferred Tax Liability         | -              | -  | -            | -  |
| Total                          | 10.683         | -  | 38.366       | -  |

**8.a.2) Information on taxes payable:**

|  | Current period | Prior period |
|--|----------------|--------------|
| Corporate taxes payable                  | 10.683         | 38.366       |
| Taxation of securities                   | 152            | 19           |
| Property tax                             | 1              | 1            |
| Banking Insurance Transaction Tax (BITT) | 103            | 107          |
| Foreign exchange legislation tax         | -              | -            |
| Value added tax payable                  | 6              | 5            |
| Other                                    | 631            | 581          |
| Total                                    | 11.576         | 39.079       |

**8.a.3) Information on premiums:**

|  | Current period | Prior period |
|--|----------------|--------------|
| Social security premiums-Employee                    | 99             | 84           |
| Social security premiums-Employer                    | 139            | 117          |
| 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                      | 7              | 6            |
| Unemployment insurance-Employer                      | 14             | 12           |
| Other  | -              | -            |
| Total  | 259            | 219          |

The current tax liability of 11.835 Thousand YTL in the balance sheet is the sum of amounts included in notes (8.a.2) and (8.a.3).

**9. Explanation on liabilities for property and equipment held for sale purposes and held from discontinued operations**

Group does not have any liabilities from property and equipment held for sale purposes and held from discontinued operations.

**10. Explanations on number, maturity date, interest rate of the capital like loans acquired by the Bank, the company that provided the loan, the option to convert to share certificates:**

None.

**11. Information on shareholders' equity:**

**TÜRKİYE KALKINMA BANKASI A.Ş.****Notes to the Financial Statements****Dated 31 December 2007**

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**11.a) Paid-in capital:**

|                 | Current period | Prior period |
|-----------------|----------------|--------------|
| Common stock    | 160.000        | 160.000      |
| Preferred stock | -              | -            |

**11.b) Paid-in capital, explanations on if the recorded capital is applied in the Bank and the capital ceiling if recorded capital is applied:**

| Capital System   | Paid-in Capital | Ceiling |
|------------------|-----------------|---------|
| Recorded Capital | 160.000         | 500.000 |

**11.c) Capital increases in current period and their sources and other information on the increased capital share:**

There has been no capital increase in the current period.

**11.ç) Information on the capital reserves added to capital in the current period:**

None.

**11.d) Capital commitments until the last financial year and the end of the following period, the general purpose of those commitments and possible sources for those commitments:**

There have been no capital commitments.

**11.e) The previous period indicators concerning the revenue, profitability and liquidity of the Bank, and the projected effects of foresights based on the ambiguities of these indicators:**

The previous period revenues, profitability and liquidity of the Bank and the projections of future periods are followed by the Directorate of Strategic Planning and Quality Management. It is estimated that the Bank will retain its rate of increase of equities and will not experience any difficulties for capital sufficiency based on the current economic conditions in the country and the foresights concerning revenue, profitability and liquidity.

**11.f) Summarized information on the privileged shares representing the capital:**

The Bank has no privileged shares.

**11.g) Information on Financial Assets Revaluation Fund:**

|   | Current period |    | Prior Period |    |
|---|----------------|----|--------------|----|
|   | TC             | FC | TC           | FC |
| From investment and associates, subsidiaries and joint ventures (business partners) | -              | -  | 82           | -  |
| Revaluation difference  | 4.618          | -  | 3.769        | -  |
| Foreign exchange difference   | -              | -  | -            | -  |
| Total   | 4.618          | -  | 3.851        | -  |

**12. Explanations on minority's share:**

There is no minority's share in the attached consolidated financial statements.

**III. Explanations and Notes to the Consolidated Off-Balance Sheet Accounts****1. Explanation on the Off-Balance Sheet Liabilities:****1.a) Type and amount of irrevocable loan commitments:**

None.

**1.b) Type and amount of possible losses and commitments caused by off-balance sheet accounts including the ones below:**

None.

**1.b.1) Guarantees, bank bill guarantees and holdings and guarantees that represent financial guarantees and non-cash loans including other letters of credit:**

As of 31.12.2007 Group's letters of credit commitments are 1.181 Thousand YTL.

**1.b.2) Absolute guarantees, temporary guarantees, bill guarantees and similar operations:**

Parent Company Bank's Turkish Currency guarantee letters amount up to 1.954 Thousand YTL.

**1.c.1) Non-cash loans:**

|   | Current period | Prior period |
|---|----------------|--------------|
| Guarantees given against cash loans         | -              | -            |
| With maturity of 1 year or less than 1 year | -              | -            |
| With maturity of more than 1 year           | -              | -            |
| Other non-cash loans                        | 1.332          | 3.960        |
| Total                                       | 1.332          | 3.960        |

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**1.c.2) Sectoral risk concentrations of non-cash loans:**

|                                      | Current period |        |       |        | Prior period |        |       |        |
|--------------------------------------|----------------|--------|-------|--------|--------------|--------|-------|--------|
|                                      | TC             | (%)    | FC    | (%)    | TC           | (%)    | FC    | (%)    |
| Agricultural                         | 2              | 1,32   | -     | 0,00   | 2            | 0,10   | -     | 0,00   |
| Farming and raising livestock        | 2              | 1,32   | -     | 0,00   | 2            | 0,10   | -     | 0,00   |
| Forestry                             | -              | 0,00   | -     | 0,00   | -            | 0,00   | -     | 0,00   |
| Fishing                              | -              | 0,00   | -     | 0,00   | -            | 0,00   | -     | 0,00   |
| Manufacturing                        | 112            | 74,17  | 1.181 | 100,00 | 124          | 6,35   | 2.006 | 100,00 |
| Mining                               | -              | 0,00   | -     | 0,00   | -            | 0,00   | -     | 0,00   |
| Production                           | 112            | 74,17  | 1.181 | 100,00 | 124          | 6,35   | 2.006 | 100,00 |
| Electric, gas and water              | -              | 0,00   | -     | 0,00   | -            | 0,00   | -     | 0,00   |
| Construction                         | 2              | 1,32   | -     | 0,00   | 2            | 0,10   | -     | 0,00   |
| Services                             | 35             | 23,18  | -     | 0,00   | 1            | 0,05   | -     | 0,00   |
| Wholesale and retail trade           | -              | 0,00   | -     | 0,00   | -            | 0,00   | -     | 0,00   |
| Hotel, food and beverage services    | 1              | 0,66   | -     | 0,00   | 1            | 0,05   | -     | 0,00   |
| Transportation and telecommunication | -              | 0,00   | -     | 0,00   | -            | 0,00   | -     | 0,00   |
| Financial Institutions               | 34             | 22,52  | -     | 0,00   | -            | 0,00   | -     | 0,00   |
| Real estate and renting services     | -              | 0,00   | -     | 0,00   | -            | 0,00   | -     | 0,00   |
| Self-employment services             | -              | 0,00   | -     | 0,00   | -            | 0,00   | -     | 0,00   |
| Education services                   | -              | 0,00   | -     | 0,00   | -            | 0,00   | -     | 0,00   |
| Health and social services           | -              | 0,00   | -     | 0,00   | -            | 0,00   | -     | 0,00   |
| Other                                | -              | 0,00   | -     | 0,00   | 1.825        | 93,40  | -     | 0,00   |
| Total                                | 151            | 100,00 | 1.181 | 100,00 | 1.954        | 100,00 | 2.006 | 100,00 |

**1.c.3) Information about the 1st and 2nd group non-cash loans and other receivables including those that have been restructured or rescheduled:**

|                                     | I st Group - Standart loans and other receivables |       | II nd Group – Loans and other receivables under close follow-up |    |
|-------------------------------------|---|-------|---|----|
|                                     | TC  | FC    | TC  | FC |
| Non-cash loans                      | 151   | 1.181 | -   | -  |
| Letters of guarantee                | 151   | -     | -   | -  |
| Bank acceptances                    | -   | -     | -   | -  |
| Letters of credit                   | -   | 1.181 | -   | -  |
| Endorsements                        | -   | -     | -   | -  |
| Underwriting commitments            | -   | -     | -   | -  |
| Factoring commitments               | -   | -     | -   | -  |
| Other commitments and contingencies | -   | -     | -   | -  |

**2. Explanations on derivatives:**

None.

**3. Explanations on conditional assets and liabilities:**

The parent company Bank pledged to purchase a 10 Million EURO nominal value portion “Group A” stocks of the Istanbul Venture Capital Initiative (IVCI-A Luxemburg Investment Company Fund), which is a joint stock company established in compliance with the Luxemburg Legal Legislations and has a 150 Million EURO pledged capital, and pledges to pay the aforementioned amount on a date to be specified in accordance with the fund’s investment plan.

Participation of the Bank has been approved by the board of directors of the aforementioned company on 13.11.2007 and a share purchase agreement has been signed on that date.



**4. Explanations on Services Given to Other Parties of Their Accounts:**

Purchases and sales of marketable securities and storage transactions services are given by the parent company Bank for other parties and their accounts. Utilizing the licences obtained by the subsidiary of the parent company Bank from Capital Market Board, operations in the context of purchase-sale brokerage, public offering brokerage, repurchasing and reverse repurchasing, purchase-sale, investment consultancy, portfolio management, marketable securities by credits, short selling and borrowing and lending of marketable securities, purchase-sale brokerage of derivative instruments are carried out by the subsidiary.

**IV- Explanations and notes to the consolidated income statement:****1.a) Information about interest income received from loans:**

|  | Current period |        | Prior period |        |
|--|----------------|--------|--------------|--------|
|  | TC             | FC     | TC           | FC     |
| Interest on loans (*)                                    | 31.247         | 13.021 | 23.194       | 10.510 |
| Short term loans   | 3.009          | 625    | 1.027        | 806    |
| Medium and long term loans                               | 20.908         | 12.396 | 16.834       | 9.704  |
| Interest on loans under follow-up                        | 7.330          | -      | 5.333        | -      |
| Premiums received from resource utilization support fund | -              | -      | -            | -      |

(\*)Includes fees and commissions received from cash-loans.

**1.b) Information on interest received from banks:**

|                                  | Current period |     | Prior period |     |
|----------------------------------|----------------|-----|--------------|-----|
|                                  | TC             | FC  | TC           | FC  |
| From The Central Bank of Turkey  | -              | -   | -            | -   |
| From domestic banks              | 6.703          | 339 | 2.452        | 164 |
| From foreign banks               | -              | 577 | -            | 355 |
| From branches and offices abroad | -              | -   | -            | -   |
| Total                            | 6.703          | 916 | 2.452        | 519 |

**1. c) Information on interest received from marketable securities portfolio:**

|   | Current period |    | Prior period |    |
|---|----------------|----|--------------|----|
|   | TC             | FC | TC           | FC |
| Financial assets held for trading   | -              | -  | -            | -  |
| Financial assets where fair value change is reflected to income statement | 16.827         | -  | 11.476       | -  |
| Financial assets available for sale                                       | -              | -  | -            | -  |
| Investments held to maturity  | 67             | -  | -            | -  |
| Total   | 16.894         | -  | 11476        | -  |

**1.ç) Information on interest income received from associates and subsidiaries:**

|   | Current period | Prior period |
|---|----------------|--------------|
| Interests received from associates and subsidiaries | 23             | -            |

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(Figures are in thousand New Turkish Liras (YTL) unless otherwise stated)

**2.a) Information on interest payable to funds borrowed:**

|                             | Current period |        | Prior period |       |
|-----------------------------|----------------|--------|--------------|-------|
|                             | TC             | FC     | TC           | FC    |
| Banks                       | 689            | 5.643  | 327          | 3.301 |
| The Central Bank of Turkey  | -              | -      | -            | -     |
| Domestic banks              | 689            | 1.858  | 327          | 1.888 |
| Foreign banks               | -              | 3.785  | -            | 1.413 |
| Branches and offices abroad | -              | -      | -            | -     |
| Other institutions          | 1.118          | 4.432  | 940          | 3.234 |
| Total                       | 1.807          | 10.075 | 1.267        | 6.535 |

\* Includes fees and commissions payable to cash-loans.

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

None.

**2.c) Information on interest on securities issued:**

The Group has not issued any securities.

**4. Information on dividend income:**

|   | Current period | Prior period |
|---|----------------|--------------|
| Financial assets held for trading   | -              | 12           |
| Financial assets where fair value change is reflected to income statement | -              | -            |
| Financial assets available for sale                                       | 81             | 3.006        |
| Other   | 142            | 85           |
| Total   | 223            | 3.103        |

**4. Net trading income/loss:**

|                                      | Current period | Prior period |
|--------------------------------------|----------------|--------------|
| <b>Income</b>                        | 3.738          | 21.324       |
| Profit on trading account securities | 2.059          | 2.963        |
| Derivative financial transactions    | -              | -            |
| Other                                | 2.059          | 2.963        |
| Foreign exchange gains               | 1.679          | 18.361       |
| <b>Loss (-)</b>                      | 5.317          | 7.763        |
| Losses on trading account securities | 0              | 1            |
| Derivative financial transactions    | -              | -            |
| Other                                | -              | 1            |
| Foreign exchange losses              | 5.317          | 7.762        |

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**5. Information on other operating income:**

|                                    | Current period | Prior period |
|------------------------------------|----------------|--------------|
| Income arising from sale of assets | 786            | 177.144      |
| Sale of subsidiary and affiliates  | 267            | 176.834      |
| Sale of real estate property       | 478            | 9            |
| Sale of fixed assets               | 41             | 301          |
| Reversed provision                 | 23.534         | 29.169       |
| Other                              | 1.341          | 3.425        |
| Total                              | 25.661         | 209.738      |

**6. a) Provision expenses of banks loans and other receivables losses:**

|   | Current period | Prior period |
|---|----------------|--------------|
| Specific provisions for loans and other receivables   | 11.065         | 31.901       |
| III. Group  | 642            | 20.341       |
| IV. Group   | 1.791          | 339          |
| V. Group  | 8.632          | 11.221       |
| General provision expenses  | 480            | 155          |
| Provision expenses for possible losses  | -              | -            |
| Marketable securities impairment expense  | 1              | 986          |
| Financial assets where fair value change is reflected to income statement                         | -              | 985          |
| Investment securities available for sale  | 1              | 1            |
| Impairment expense related to associates, subsidiaries and investment securities held to maturity | 597            | 144          |
| Investment and associates   | 597            | 144          |
| Subsidiaries  | -              | -            |
| Joint ventures (business partners)  | -              | -            |
| Investment securities held to maturity  | -              | -            |
| Other   | -              | -            |
| Total   | 12.143         | 33.186       |

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**7. a) Information related to other operational expenses:**

|  | Current period | Prior period |
|--|----------------|--------------|
| Personnel expenses   | 36.840         | 30.540       |
| Reserve for employee termination benefits  | 2.878          | 2.063        |
| Bank social aid fund deficit provision   | -              | -            |
| Fixed assets impairment expense  | -              | -            |
| Depreciation expenses of fixed assets  | 2.871          | 2.620        |
| Intangible assets impairment expense   | -              | -            |
| Goodwill impairment expense  | -              | -            |
| Amortization expenses of intangible assets   | -              | -            |
| Shares (capital method applied) impairment expense   | -              | -            |
| Impairment expense for investment securities that will be disposed                               | 85             | 14           |
| Amortization expenses of investment securities that will be disposed                             | 87             | 66           |
| Impairment expenses for property and equipment held for sale purpose and discontinued operations | -              | -            |
| Other operating expenses   | 6.005          | 8.385        |
| Operational leasing expenses   | 38             | 44           |
| Maintenance expenses   | 753            | 452          |
| Advertisement expenses   | 95             | 153          |
| Other expenses   | 5.119          | 7.737        |
| Loss on sales of assets  | 11             | 8.906        |
| Other  | 1.908          | 15.168       |
| Total  | 50.684         | 67.763       |

**8. Explanations on profit/loss before taxes from continuing operations and discontinued:**

As of 2007, Group's profit before taxes from continuing operations is 54.736 Thousand YTL. The Parent company Bank has no terminated operations in 2007. However, consolidated subsidiary closed its branch and two liaison offices in 2007. Profit and loss regarding those discontinued operations are showed as profit and loss from discontinued operations in the income statements. In addition, even though these operations were discontinued in 2007, in accordance with TFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" income and loss regarding from mentioned operations have been reclassified in the previous year's income statement

The 46 Thousand YTL portion of the 190 Thousand YTL operating income for the operations discontinued in 2007 consists of interest for loans, a 73 Thousand YTL portion consists of obtained commissions and a 71 Thousand YTL portion consists of reversed provisions. The 269 Thousand YTL portion of the 846 Thousand YTL operating income concerning discontinued operations stated in the consolidated income statement for 2006 consists of interest for loans, a 574 Thousand YTL portion consists of obtained commissions and a 3 Thousand YTL portion consists of reversed provisions.

The whole of 325 Thousand YTL operation expenses concerning the discontinued operations in 2007 consists of general administration costs. The whole of 857 Thousand YTL operating expenses concerning discontinued operations stated in the consolidated income table for 2006 consists of general administration costs.

Profit/loss before taxes from discontinued operations is 135 Thousand YTL in 2007. (2006: 11 Thousand YTL).

**9. Explanations on tax provision from continuing operations and discontinued operations:**

Current tax expenses calculated from continuing operations of the Group is 10.683 Thousand YTL. Deferred tax expenses are 582 Thousand YTL.

**9.a) Calculated current tax income-loss or deferred tax income-loss:**

For the 01.01.2007-31.12.2007 period, 2.121 Thousand YTL deferred tax expenses accrued and 1.539 Thousand YTL deferred tax income accrued to the Group.

**9.b) Deferred tax income or expenses caused by temporary differences:**

At the end of the 01.01.2007-31.12.2007 period a total of 1.539 Thousand YTL tax income accrued in comparison to the 582 Thousand YTL deferred tax expenses accruing after netting-off from the 2.121 thousand YTL tax expense for the Group.

**9.c) Deferred tax income or expense reflected to the income statement due to temporary differences, financial loss and tax deduction or exception:**

As a result of deduction of the tax income and expenses added and subtracted to the deferred tax assets, 582 Thousand YTL is reflected to the income statement. A net balance of 582 Thousand YTL reflected to the income statement has resulted as expenses due to the temporary difference financial loss and tax deduction and exception.

**10. Net profit/losses from continuing and discontinued operations:**

The Group acquired 43.336 Thousand YTL net profit from their continuing and discontinued operations during the 01.01.2007-31.12.2007 period.

**11. Explanation on net profit/loss for the period:**

**11.a) If the explanation of the type, amount and rate of reoccurrence of the income and expenses from ordinary banking operations is necessary for the understanding of Bank's performance for the period, the types and amounts of those items:**

None.

**11.b) The effect of a change in estimate related to financial statement items on profit / loss including future effects if there is a possibility that the change will affect future periods:**

Since there are no changes in accounting estimates, there are no issues that need to be explained.

**12. From the other items in the income statement, if they exceed 10% of income statement total, sub-accounts that make up at least 20% of those items:**

As of 31.12.2007, a portion of 5.306 Thousand YTL of the 6.347 Thousand YTL Other Interest Expenses Account consists of the interest paid to KKTC (Turkish Republic of Northern Cyprus); a 3.944 Thousand YTL portion of the 9.649 Thousand YTL Other Obtained Fee and Commissions consist of Medium and Long Term Fund Based Loans and Other Receivables.

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**V. Explanations and Notes to the Consolidated Statement of Changes in Shareholders' Equity:**

Nominal paid-in capital in the legal records of the Group is 160.000 Thousand YTL, and legal reserves amount is 22.054 Thousand YTL, extraordinary reserves amount is 20.356 Thousand YTL, actuarial loss from the subsidiary is 40 Thousand YTL, as of the balance sheet date.

In the current period, complete change in the other reserves account of the parent company Bank is due to the distribution of the 2006 profit.

The portion of 4.618 Thousand YTL the financial assets revaluation fund consists of valuation fund of financial assets available for sale.

Total amount of the bonus shares from shareholders is 468 Thousand YTL.

**VI. Explanations and Notes to the Consolidated Cash Flow Statement:****Information on the cash and cash equivalents:**

|                                 | Current Period | Previous Period |
|---------------------------------|----------------|-----------------|
| Cash                            | 5.121          | 6.162           |
| Cash                            | 100            | 60              |
| Demand Deposits at Banks        | 4.917          | 6.102           |
| Cash Equivalents                | 231.197        | 330.037         |
| Interbank Money Market          | 97.366         | 192.161         |
| Time Deposits at Banks          | 133.831        | 137.876         |
| Total Cash and Cash Equivalents | 236.214        | 336.199         |

**VII. Explanations on the Risk Group in Which the Bank is Included:**

In the Bank which has no savings operations, the limitations stated in the Banking Law and internal regulations are preserved and normal customer relationships and market conditions are considered in related party transactions. The policy of keeping the bank assets and liabilities in the amount that will not be under the command of related risk group and in fair levels in total balance sheet is adopted and applications are carried out in the direction of this policy.

**a) Current Period:**

| Bank's risk group                       | Investment and associates, subsidiaries and joint ventures (business partners) |          | Direct and indirect shareholders of the Bank |          | Real and legal persons that have been included in the risk group |          |
|---|--|----------|--|----------|--|----------|
|   | Cash   | Non-cash | Cash   | Non-cash | Cash   | Non-cash |
| Loans and other receivables             | -  | -        | -  | -        | -  | -        |
| Balance at the beginning of the period  | 952  | 236      | -  | -        | -  | -        |
| Balance at the end of the period        | 8.477  | 102      | -  | -        | -  | -        |
| Interest and commission income received | 379  | 21       | -  | -        | -  | -        |

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(Figures are in thousand New Turkish Liras (YTL) unless otherwise stated)

**b) Previous Period:**

| Bank's risk group                       | Investment and associates, subsidiaries and joint ventures (business partners) |          | Direct and indirect shareholders of the Bank |          | Real and legal persons that have been included in the risk group |          |
|---|--|----------|--|----------|--|----------|
|   | Cash   | Non-cash | Cash   | Non-cash | Cash   | Non-cash |
| Loans and other receivables             | -  | -        | -  | -        | -  | -        |
| Balance at the beginning of the period  | 915  | 172      | -  | -        | -  | -        |
| Balance at the end of the period        | 952  | 236      | -  | -        | -  | -        |
| Interest and commission income received | -  | 12       | -  | -        | -  | -        |

**c) Information on forward and option agreements and other similar agreements made with the Bank's risk group:**

None.

**VIII. Explanations on the Domestic, International, Off-shore Branches or Affiliates or International Representative Offices**

|                                   | Number | Number of employees | Country of incorporation | Total assets | Statutory share capital |
|-----------------------------------|--------|---------------------|--------------------------|--------------|-------------------------|
| Domestic branch                   | 1      | 7                   |                          |              |                         |
| Foreign representation            | -      | -                   |                          |              |                         |
|                                   |        |                     |                          |              |                         |
|                                   |        |                     | 1-                       |              |                         |
|                                   |        |                     | 2-                       |              |                         |
|                                   |        |                     | 3-                       |              |                         |
| Foreign branch                    | -      | -                   | 1-                       | -            | -                       |
|                                   |        |                     | 2-                       |              |                         |
|                                   |        |                     | 3-                       |              |                         |
| Off-share banking region branches | -      | -                   | 1-                       | -            | -                       |
|                                   |        |                     | 2-                       |              |                         |
|                                   |        |                     | 3-                       |              |                         |

In 2007 the Bank opened a branch in Istanbul. In 2007 the consolidated subsidiary of the Bank closed one branch and two liaison offices.

**IX- Explanations and Notes concerning Events after the Balance Sheet Date**

None.

**SECTION SIX  
OTHER EXPLANATIONS****I. Other Explanations Concerning Bank's Operations****Summarized Information on the Bank's Rating Determined by International Rating Organizations:**

Bank's international ratings are determined by Fitch IBCA and summarized information on the ratings for the period ended on 31 December 2007 are given below.

**Foreign Currency**

|            |        |
|------------|--------|
| Long Term  | BB-    |
| Short Term | B      |
| Outlook    | Stable |

**Local Currency**

|            |        |
|------------|--------|
| Long Term  | BB-    |
| Short Term | B      |
| Outlook    | Stable |

**National**

|           |         |
|-----------|---------|
| Long term | A (tur) |
| Outlook   | Stable  |

|                                       |   |
|---------------------------------------|---|
| <b>Individual Rating (Individual)</b> | D |
| <b>Support Rating</b>                 | 3 |

**SECTION SEVEN  
INDEPENDENT AUDIT REPORT****I. Issues Concerning the Independent Audit Report That Need to be Explained**

Consolidated financial statements dated 31 December 2007 and for the period then ended have been audited by Rehber Bağımsız Denetim ve Yeminli Mali Müşavirlik A.Ş. and the independent audit report dated 17 March 2008 is included at the beginning of financial statements.

**II. Explanations and Notes Prepared by the Independent Auditor**

None.



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