

Turkey is growing

Turkey's Kalkınma

is growing



Kalkınma

Türkiye Kalkınma Bankası A.Ş. 2010 Annual Report

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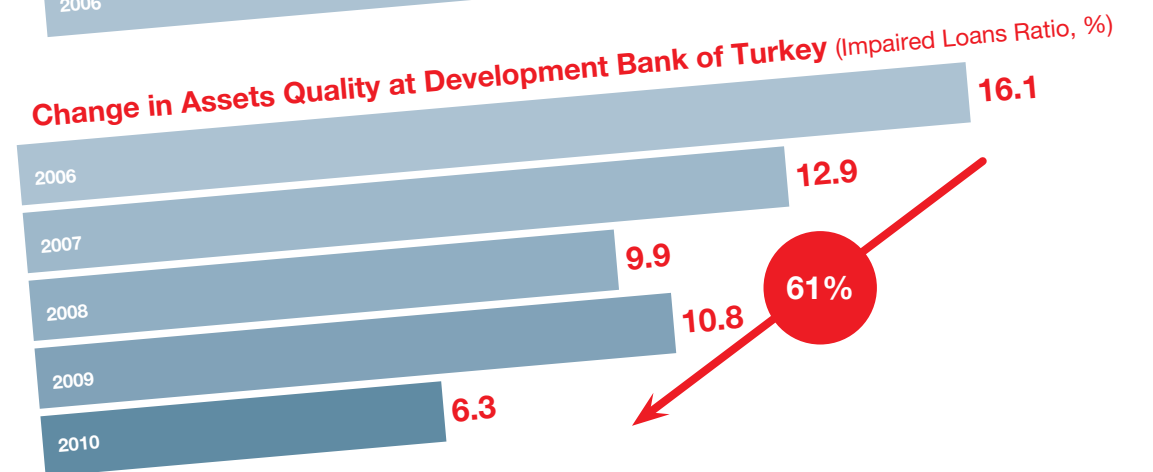
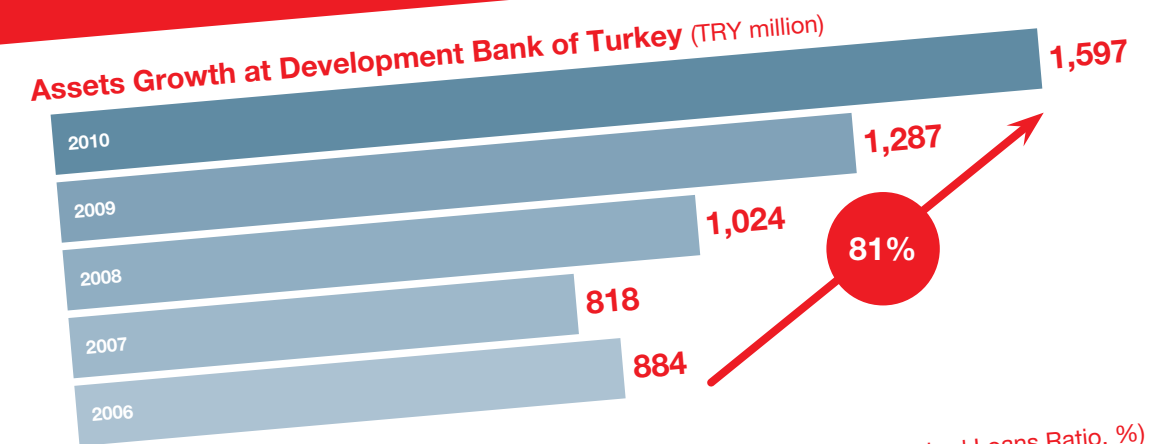
Since its foundation Development Bank of Turkey has assumed an active role in Turkey’s progress towards development and thanks to its competencies and innovative capacity it has always been the driving force behind development and advancement. In accordance with its mission to improve employment, income and wealth, Development Bank of Turkey provides significant financing for fixed and working capital needs of investments for the energy, industrial, tourism, education and healthcare sectors.

The growth rate of total assets as of 2010 year-end compared to the previous year is

24%

Our assets increased by 81% in 5 years.

While continuing to support the projects that will create the future of Turkey, Development Bank of Turkey increased its total assets to TRY 1,597 million as of 2010 year-end, from a total of TRY 884 million in 2006. Meanwhile, non-performing loan ratio dropped down to 6.3% from 16.1% (5.9% as of March 2011).

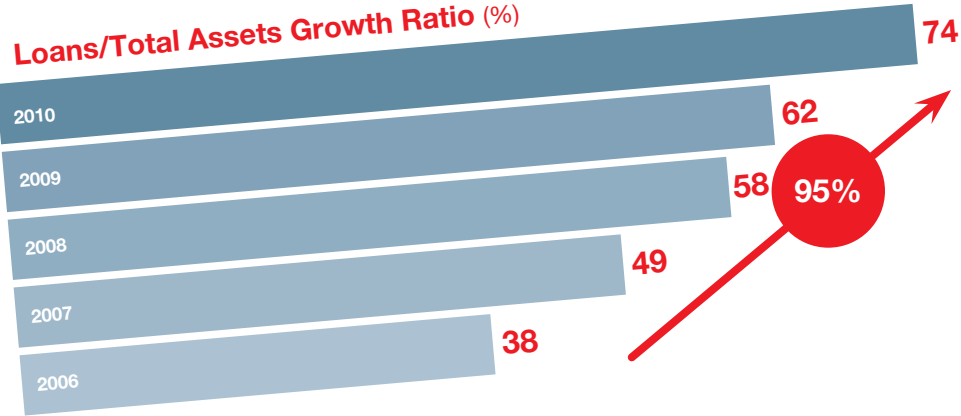
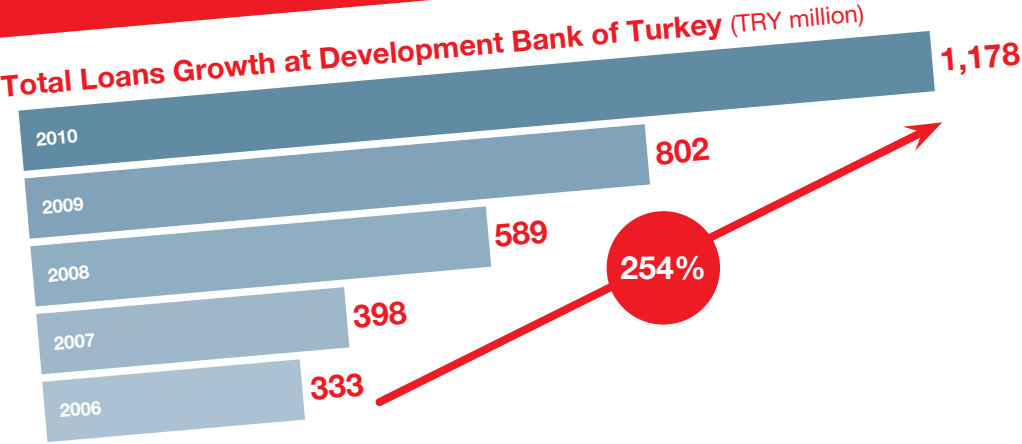


Loans/Total Assets ratio as of 2010 year-end

74%

Our support to real economy reached TRY 1,178 million in 2010.

Development Bank of Turkey focused on the financing of projects that have competitive capacity and allow for increased added value and employment. Thus, it continued its uninterrupted support to the real economy in 2010 as well. Its total loan portfolio increased by 47% and reached TRY 1,178 million as of year-end. Due to this growth in loans, the total loan growth has been realized as 254% in the last five years and loans/ assets ratio has reached 74%.



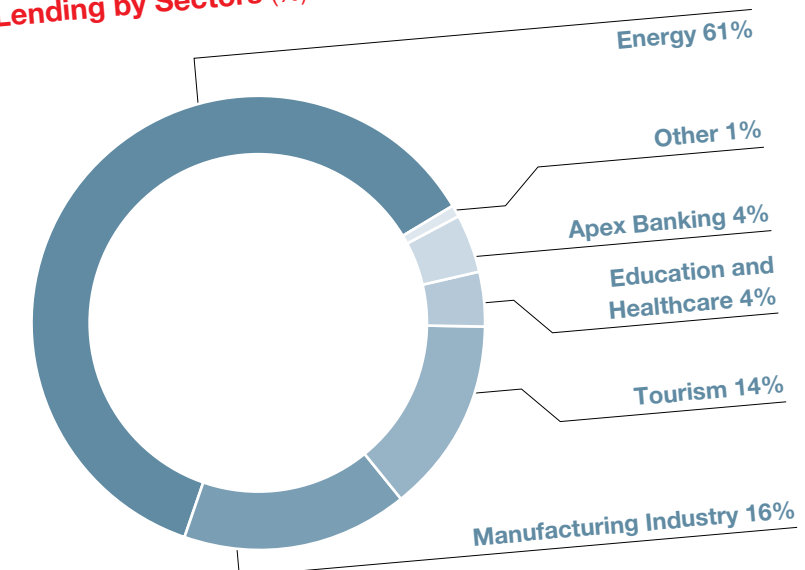
Loans allocated to renewable energy resources as of February 2011 (TRY million)

2,152

The share of loans allocated to energy investments in total loans disbursed reached a level of 61%.

Development Bank of Turkey provides financing to manufacturing, energy, tourism, agro-industry, healthcare, education and mining projects. For the purpose of sustaining our country's "natural riches", the Bank has also increased its support to renewable energy, energy efficiency and environment related investments in the recent years.

Lending by Sectors (%)



Financing of Renewable Energy Investments at Development Bank of Turkey

Loans (as of February 2011)

Loans Allocated: **TRY 2,152 million**
 Loans under Contract: **TRY 1,363 million**
 Total Loans Disbursed: **TRY 662 million**
 Number of Projects Financed: **72**

Production

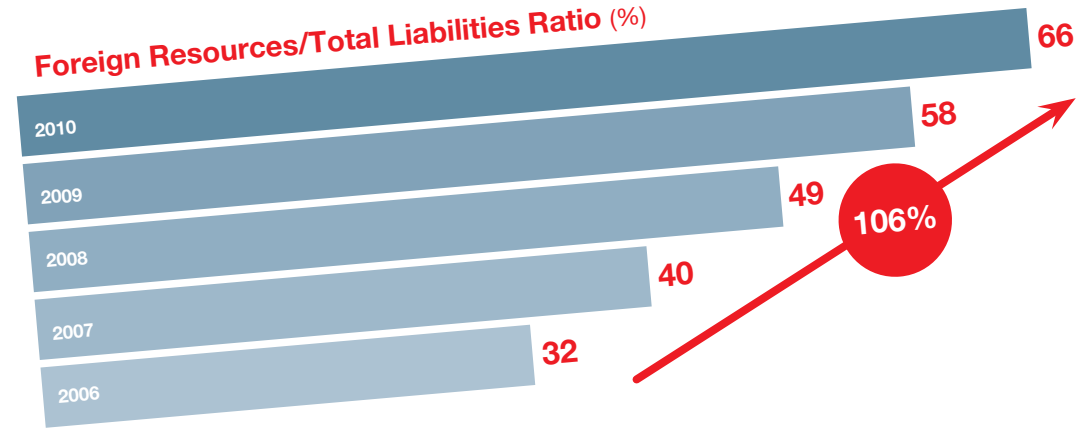
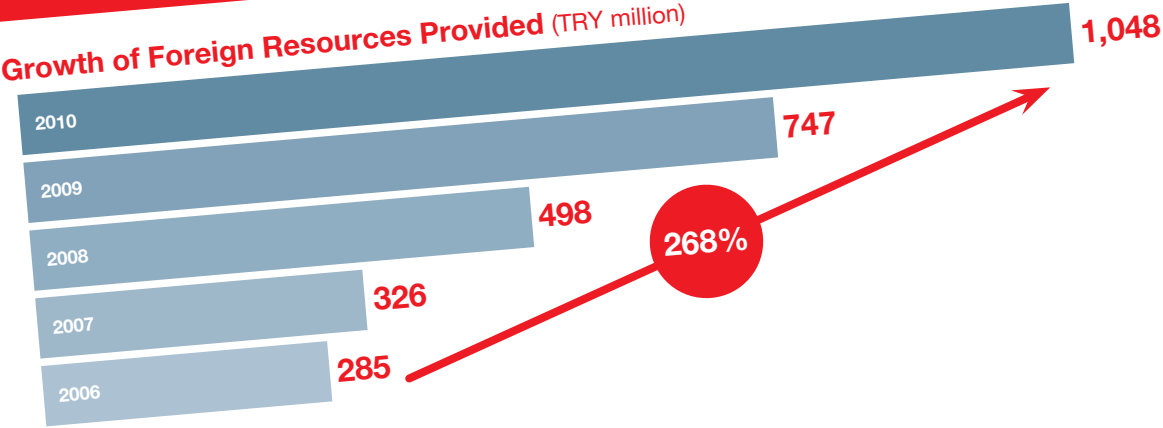
Number of Powerplants in Operation: **19**
 Amount of Energy Produced: **1153 Mw**
 Number of Powerplants to Commence Operation by Year-End 2011: **11**

The increase in total foreign funding obtained in 2010 compared with the previous year

51%

Access to low cost foreign funding grew by 268%.

Development Bank of Turkey continued to provide low cost foreign resources in 2010 as well. In the last five years, Development Bank of Turkey provided a total of approximately TRY 1,048 million mainly from the European Investment Bank, World Bank and Islamic Development Bank. Hence, the share of foreign resources in Development Bank of Turkey's total liabilities became 66%, as of year-end.



Development Bank of Turkey at a Glance

1975
The Bank was founded under the title of Devlet Sanayi ve İşçi Yatırım Bankası (DESiYAB) A.Ş. (State Industry and Laborer Investment Bank).

1983
The Bank’s structure and activities were reorganized.

1988
The Bank was renamed “Türkiye Kalkınma Bankası A.Ş.” and it was authorized to finance sectors outside of the industrial sector as well.

1989
T.C. Turizm Bankası A.Ş. (Tourism Bank of Turkey) was merged into Development Bank of Turkey with all of its assets and liabilities.

1990
The Bank started to implement three emergency support programs in development priority regions and has successfully continued these programs until 2000.

1999
The Bank’s charter act, Law No. 4456, was passed and took effect.

2008
The Bank has developed an apex banking system in order to support companies that are not organized as joint stock companies.

Corporate Profile

Development Bank of Turkey is Turkey’s leading and pioneer development bank.

Mission

With the aim of promoting development and sustainable growth in Turkey, the mission of the Bank is

- Supporting investments of enterprises organized as joint stock companies by providing loans obtained from domestic and international sources,
 - Directly participating in pioneer/model enterprises,
 - Providing technical assistance to entrepreneurs,
 - Facilitating the development of capital markets
- to increase employment, income and welfare.

Vision

As a pioneer of development and sustainable growth, the vision of the Bank is to become an international-scale development and investment bank that

- supports investments on regional, sectoral and technological basis and finances them effectively and quickly,
- supports investors by empowering and encouraging them as well as by providing them with technical assistance.

As a development and investment bank, Development Bank of Turkey

- provides funding support to environmental investments,
 - making sure that industrial, tourism and renewable energy investments, as well as energy efficiency investments, are environmentally-friendly ventures
- to further contribute to environmental policies, which are an integral element of sustainable development.

Summary Financial Indicators

Despite all the ambiguities in global markets, Development Bank of Turkey didn’t compromise its mission and healthy growth and its total assets reached TRY 1,597 million in 2010.

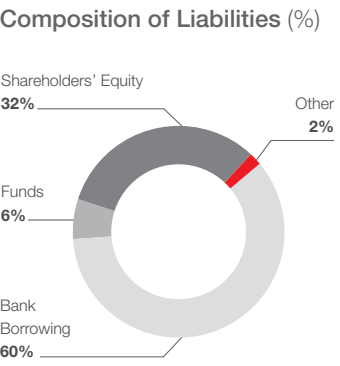
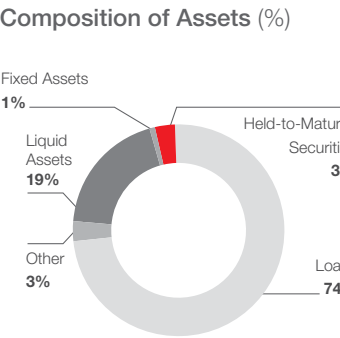
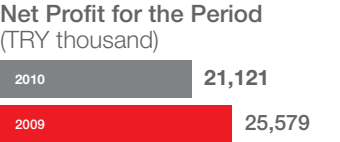
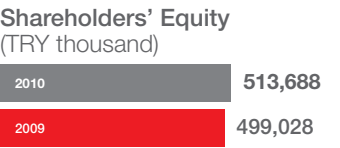
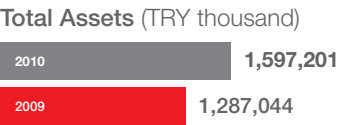
Key Financial Indicators (TRY thousand)		
	2009	2010
Loans (net)	802,324	1,178,241
Total Assets	1,287,044	1,597,201
Bank Borrowings	747,015	1,048,052
Shareholders' Equity	499,028	513,688
Total Income	121,076	110,216
Total Expenditures	89,629	81,714
Provision for Taxes	5,868	7,381
Net Profit for the Period	25,579	21,121

Key Ratios (%)		
	2009	2010
Loans / Total Assets	62.3	73.8
Shareholders' Equity / Total Assets	38.8	32.2
Return on Equity (ROE)	5.1	4.1
Return on Assets (ROA)	2.0	1.3
Capital Adequacy Ratio	70.0	75.2

Capital and Shareholding Structure		
Shareholder	Share Capital	Share (%)
Undersecretariat of Treasury	158,530,452.32	99.08
Other*	1,469,547.68	0.92
Total	160,000,000.00	100.00

The Chairman, Board of Directors, Statutory Auditors and Executive Vice Presidents are not shareholders of the Bank.

* Since this figure includes all real persons and legal entities and these shares are traded on the Istanbul Stock Exchange, the number of shareholders is unknown.



Development Bank of Turkey in Brief

In accordance with its organizational mission, Development Bank of Turkey continues to provide resources to real sector investments, with an increase year-by-year.

With its strong foundation and stable structure, Development Bank of Turkey has assumed a significant mission and has a strategic role in Turkey's development goals. The Bank was founded pursuant to Statutory Decree No. 13 dated November 27, 1975 issued under the authority granted by Empowering Act No. 1877 as a legal entity organized as a joint stock company and a development and investment bank subject to the provisions of private law under the title of Devlet Sanayi ve İşçi Yatırım Bankası (DESIYAB) A.Ş. (State Industry and Laborer Investment Bank). Reorganized in terms of both structure and activities in 1983, the Bank was renamed "Türkiye Kalkınma Bankası A.Ş." on July 15, 1988; it was authorized to finance industries outside of the industrial sector as well. Pursuant to a High Planning Council resolution dated January 20, 1989, T.C. Turizm Bankası A.Ş. (Tourism Bank of Turkey) was taken over by Development Bank of Turkey with all of its assets and liabilities; consequently, the set of sectors served by the Bank was expanded to include the tourism industry as well.

Lastly, the Bank's charter act, Law No. 4456, was passed on October 14, 1999; it was published in the Official Gazette issue No. 23849 dated October 17, 1999 and took effect on this date. Development Bank of Turkey operates under the supervision of the Office of the Prime Ministry as a legal entity organized as a joint stock company and a development and investment bank subject to the provisions of private law, without prejudice to the provisions of its charter act.

The charter act establishing the Bank defines the objectives and areas of operation of the Bank as "extending loans to enterprises organized as joint stock companies based on the criteria of profitability and productivity, providing them with financial and operational support by participating in them, channeling domestic and foreign savings into development-oriented investments, contributing to the development of the capital markets, financing domestic, foreign and international joint investments and performing all kinds of development and investment banking functions in order to promote Turkey's development."

Pursuant to Law No. 4456 organizing the Bank's structure, the three-tier shareholding structure was eliminated and the Bank switched from the nominal capital system to the registered capital system. The Bank has a registered capital of TRY 500 million and an issued capital of TRY 160 million. 99.08% of the issued share capital is owned by the Office of the Prime Ministry, Undersecretariat of Treasury; the remaining shares are publicly held and traded on the Istanbul Stock Exchange.

Development Bank of Turkey, represents a unique and an increasingly more prominent banking segment both in the overall organization of the banking industry and within the development and investment bank classification. While it is in the state-owned bank category based on its shareholding structure, it exists to financially support the investment and entrepreneurial potential of the private sector in all areas, led by industrial and tourism sectors.



Message from the Chairman and CEO

According to IMF's World Economic Outlook Report updated in January, the global economy grew by 5% in 2010 and the developing countries stood out as a driving force behind this growth. Among the advanced economies, USA grew by 2.8%, the Euro Zone by 1.8% and Japan by 4.3% in 2010. The growth rates reached high levels in developing countries such as 10.3% in People's Republic of China, 9.7% in India. According to IMF data, the world trade volume regressed by 10.7% last year; but it increased by 12.0% in 2010.

The recovery rate in global economy didn't meet the expectations; governments faced high unemployment rates, decreasing trends in consumption and consequently economic, social and political problems. In order to re-establish trust in financial markets, many governments endeavored to improve conditions by easing monetary and fiscal policies.

The long awaited recovery after the crisis didn't happen in the US economy. The promising banking reforms passed the Congress only after a lot of stretching, the US\$ rapidly

depreciated against the currencies of developing countries and the problems between People's Republic of China and USA relating to currency and trade deficit issues deepened. However, USA closed the year 2010 successfully by increasing its exports and by substantially decreasing its foreign trade deficit.

On the other hand, the governments in Europe, faced with excessive borrowing problems, made certain decisions in line with belt-tightening policies and yet these decisions took the public to the streets. Many EU countries such as Ireland, Portugal, Spain and Greece, came to the brink of bankruptcy. Another remarkable event in 2010 was that Germany's dominance over other Euro Zone countries became absolutely blatant.

Displaying a positive and a stable performance in 2010, the Turkish economy passed a tough exam. The most striking event in our economy was when Turkey put an absolute end to its partnership with IMF. Turkey continued to grow on the sound foundations it has built through reforms after the 2001 crisis and has successfully managed the negative impacts of the global crisis.

In the Financial Stability Report issued by The Central Bank in December 2010, it is stated that the banking sector has maintained its resilience against internal and external shocks. According to the same report, the potential of obtaining foreign resources has also improved for the banking sector and the share of public sector securities in the balance sheet decreased. According to the data from the Banking Regulation and Supervision Agency (BRSA), impaired loans receded in the overall sector and as of 2010 year-end, the ratio of non-performing loans to total loans decreased down to 3.7%. In direct proportion to consumption, a record increase was reported in loans. Consumer loans increased by 32.9% and total loans increased by 34%. In general, it is observed that our sector manages risks much better meanwhile increasing profitability and total assets.



Abdullah Çelik
Chairman and CEO

The financial results we have achieved as of 2010 year-end, proves our Bank's competence in development banking. While the share of loans in total assets was 38% in 2006, this ratio rose to 74% in 2010.

1,178

Development Bank of
Turkey Loans
(2009: TRY 802 million -
2010: TRY 1,178 million)

In addition to our ongoing advisory activities in Azerbaijan and Bosnia, we also continued to support the entrepreneurs in the Turkish Republic of Northern Cyprus (TRNC) and provide technical support to the Development Bank of TRNC.

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Development Bank of Turkey
Net Profit for the Period
(2009: TRY 25.5 million -
2010: TRY 21.1 million)

74

Development Bank of Turkey
Loans / Total Assets
(2009: 62.3% -
2010: 73.8%)

By obtaining the required resources in a timely manner during the crisis, Development Bank of Turkey continued to finance the manufacturing, tourism, energy, education and healthcare industries without having to compromise its development banking mission or having to change its financing policies. Our Bank adapted quickly to the conditions during the crisis and focused on new advancements by defining strategies that transformed the crisis into opportunities both for our investors and our Bank.

The financial results we have achieved as of 2010 year-end, proves our Bank's competence in development banking. Our Bank's net loan volume reached TRY 1.2 billion and its total assets reached TRY 1.6 billion. While the share of loans in total assets was 38% in 2006, this ratio rose to 74% in 2010. Far exceeding the overall average in the banking sector, this ratio is evidence that we continue to support the real sector with all our might.

Despite increasing competition, our Bank successfully closed the year 2010 in which loans reached a record level. The allocation shares of different industries in our total loans are as; energy 51%, manufacturing industry 16%, tourism 21%, finance 6%, education and healthcare 5% and others 1%.

As Development Bank of Turkey we accelerated our operations in 2010 in order to provide resources to investors under the most convenient conditions and also to allocate these resources to the most promising and competitive areas that are essential to our country's future. The foreign funds acquired by our Bank in 2010 amounts to TRY 321 million.

For a sustainable future for our country, we provide new resources and also place importance to the financing of environmental investments. In 2010 our Bank played an active role in the financing of renewable energy and energy efficiency projects that are extremely important for our Country's future. The loans secured under the

Environment and Energy II Loan Agreement of EUR 150 million, signed with the European Investment Bank last year, was extended. The World Bank loans amounting to US\$ 117 million and EUR 11.2 million, and also a loan of US\$ 7.5 million obtained from World Bank's Clean Technology Fund were allocated to relevant energy projects. We endeavor to obtain more financing opportunities in line with the increasing demand in this area.

Our apex banking operations aimed at financing Small and Medium Enterprises (SME) continues successfully. This financing option is offered as a development loan and is extended to SME's on either middle or long terms. Being offered also by commercial banks, this is the most convenient and advantageous loan option. In 2010 we completed the effect analyses regarding the EUR 20 million obtained from the French Development Agency and allocated to apex banking projects. As examined by an independent auditor, the project results show that the loans reached their purpose.

We also obtained a fund amounting to EUR 50 million from the Council of Europe Development Bank in order to support the R&D and conglomeration activities of the SME's, tourism enterprises and also the sustainable growth and competitive forces of the SME's operating in the IPA region. Regarding the disbursement of the apex banking loan obtained from the World Bank amounting to US\$ 100 million, we signed two loan agreements with two separate banks in September for US\$ 65 million and US\$ 35 million.

EUR 40 million tranche of the EUR 100 million loan that was obtained from the European Investment Bank (EIB) under SME Development Loan II, has been extended to different companies. Additionally, a fund of US\$ 40 million was obtained from the Islamic Development Bank and extended to manufacturing companies. In order to provide more resources for our SME's, we continue to negotiate with international finance institutions.

Aiming to become an internationally acclaimed and an active corporation, our Bank scored many successes on international platforms in 2010.

Representing our country in Asia-Pacific Regional Development Banks' Association (ADFIAP) as Vice President of the Board, 2012 annual meeting has been decided to be hosted by our Bank in Istanbul. We, as Development Bank of Turkey continue to extend our experiences and competencies to the surrounding countries through our advisory services and/or our reports. In addition to our ongoing advisory activities in Azerbaijan and Bosnia, we also continued to support the entrepreneurs in the Turkish Republic of Northern Cyprus (TRNC) and provide technical support to the Development Bank of TRNC. In October, we signed the Memorandum of Understanding on Cooperation with the Syrian State Planning Commission, regarding the modeling work for the upcoming development bank in Syria and our advisory services for the development of entrepreneurship strategies.

In May, our Bank was granted the TS EN ISO 14001 Environmental Management System Certificate for which it has initiated the process in 2008. Hence, our Bank is the first and only public bank to implement the Environmental Management System,

and this is an evidence of our efforts to improve environmental awareness in our country. Development Bank of Turkey Memorial Forest planted in Ankara Sincan is a living example of our environmental consciousness.

I would like to thank all public agencies, all our customers, social and economic stakeholders who have contributed to our success in 2010. I want to share the pride of ADFIAP Outstanding CEO Award bestowed to me in 2010, with my valuable colleagues who carry our Bank to the future with their talents, visions and determination. The most important factors in our Bank's success are without any doubt our human resources and well-established corporate culture.

Yours Sincerely,



Abdullah ÇELİK
Chairman and CEO

Economic Developments in 2010: World and Turkey

While the world economy grew by approximately 5% in 2010, the growth rates in developed and emerging countries were registered as 3% and 7.1% respectively.

ECONOMIC DEVELOPMENTS IN THE WORLD

Starting from the second half of 2008, following the global economic crisis, large scale monetary and fiscal measures have been implemented and these contributed to the recovery in global markets starting from the end of 2009. This recovery continued throughout 2010. On the other hand, this process was observed differently in advanced and emerging economies. The emerging economies have reached fast growth rates and thus served as the driving force behind the global economic recovery. Whereas, the advanced economies, especially the Euro Zone and the USA have been far more vulnerable due to the public imbalance caused by the incentive packages. Other factors that had a negative impact on the recovery rate, were the failure in solving the financial problems in the advanced economies and high unemployment rates all around the world. While the world economy grew by approximately 5% in 2010, the growth rates in developed and emerging countries were registered as 3% and 7.1% respectively.

The public deficits and the impaired debt stocks in advanced economies caused by the policies implemented after the crisis and the financial burdens emerging from the finance sector, triggered a severe debt crisis in some European countries. Debt deficits and debt stock problems that broke out in some Euro Zone economies, such as Greece, Portugal, Spain and Ireland, resulted in serious euro depreciation and affected the credit notes of European countries negatively. With the intervention of the IMF rescue packages, the overall economic scene in the Euro Zone began to improve relatively in the last quarter of 2010.

In order to stabilize the markets during the global crisis, American Central Bank (FED) and EU countries opened the credit taps and as a result, the balance sheets of central banks in developed countries expanded. Consequently, there has been an abundance of liquidity across the world and asset prices inflated significantly. Lax monetary policies and low policy interest rates drew attention to developing countries. The hot money entering these countries strengthened the local currencies and accordingly

these countries started to face some export problems. With the purpose of eliminating these problems, developing countries began to implement strategies to depreciate their home currencies and thus increase their competitive capacities. Consequently this process laid the foundation of a process known as currency wars across the world.

With the impact of the global crisis, the world economy which shrank by 0.6% in 2009 compared with the previous year, grew by 5% in 2010 in the light of this progress. It is estimated that this growth will be 4.4% in 2011. On the other hand, advanced economies which grew by 3% in 2010, are estimated to grow approximately by 2.5% in 2010, whereas developing countries are expected to grow by 6.5% as of 2011 year-end. USA being one of the most adversely effected countries after the crisis, registered a growth rate of approximately 2.8% in 2010. And, it is expected to grow by 3% and 2.7% in 2011 and 2012 respectively. The Euro Zone which grew by 1.8% in 2010, is estimated to grow by 1.5% in 2011 and 1.7% in 2012.

Due to the global crisis and recession, the world's trade volume of goods and services shrank by 10.7% in 2009. However, together with the recovery process that started in 2010 the trade volume increased by approximately 12% and an increase of 7.1% is estimated for 2011. Due to the shrinkage in demand and production following the crisis, imports from developed countries decreased significantly in 2009 and exports decreased by 12.4%. Together with the recovery in 2010 an increase of 11.1% was registered and an increase of 5.5% is estimated in 2011 exports.

The decreasing demand during the crisis resulted in sharp declines in inflation rates. However, while low inflation rates are maintained in advanced economies, inflation rates in developing countries are ascending in line with increased consumer demand and asset prices. Consumer prices in advanced economies increased approximately by 1.5% in 2010 and the inflation rate is expected to be 1.6% in 2011. Whereas in emerging

and developing countries the increase in consumer prices was around 6.3% in 2010 and yet, this rate is expected to drop to 6% by the end of 2011 and 4.8% in 2012. In 2010 the inflation rate in USA was 1.4% and it is expected to be 1.0% in 2011. On the other hand, the increase in consumer prices in the Euro Zone was approximately 1.6% in 2010 and it is expected to be around 1.5% by the end of 2010. The negative inflation trend in Japan is continuing and the decrease rate in consumer prices was 1.0% in 2010 and it is expected to be around 0.3% in 2011.

Due to the impact of the global crisis, oil prices declined by 36.3% by the end of 2009 but then resumed its incline in 2010 with an increase of 27.8%. For the year 2011 a more modest increase of 13.4% is estimated. Non-oil commodity prices decreased by 18.7% by the end of 2009, however an increase of 23% was registered in 2010. And for the year 2011 non-oil commodity prices are expected to increase by 11%.

Unemployment rates that constitute a major problem under the current circumstances, are expected to remain elevated in many developed countries. After ending 2010 at 10.1%, the unemployment rate in the Euro Zone is expected to be 10% in 2011. In the United States, which has a more flexible labor market, the unemployment rate is anticipated to remain at 9.6% in 2011, after closing 2010 at 9.7%. In Japan and the United Kingdom, expected rates of unemployment in 2011 are 5.0% and 7.4%, respectively.

The combined current account deficit of developed economies in 2010 was US\$ 110.1 billion whereas emerging and developing economies had a combined current account surplus of US\$ 312.3 billion. In 2011, the combined current account deficit of the developed economies is expected to decline to US\$ 28.6 billion while the combined current account surplus of the emerging and developing economies surge to US\$ 325.2 billion.

In the light of these expectations, the developed economies are expected to register a lackluster economic growth performance for the most part of 2011 with an average growth rate of 2.5%. On the other hand, additional financial arrangements implemented in the Euro Zone due to the financial crisis are expected to cause a negative impact on the 2011 growth. Whereas, a more optimistic growth is estimated for USA. High public debts, unemployment rates and the problems in banking sectors appear as serious problems in developed countries in the future. However, the economies of emerging and developing countries that drive the global growth, are expected to expand by 6.5% in 2011 and hence pioneer economic recovery.

ECONOMIC DEVELOPMENTS IN TURKEY

Registering an average annual growth rate of 7% from 2001 to 2006, the Turkish economy has been one of the fastest growing OECD countries. Yet, the growth rate dropped to 4.7% in 2007 and to 0.9% in 2008. Due to the contractionary impact of the global crisis, our economy shrank by 4.8% in 2009. Registering positive growth rates in 2010, the Turkish Economy grew by 12% in the first quarter, 10.3% in the second quarter, 5.5% in the third quarter and 9.2% in the last quarter, closing the year with a growth rate of 8.9% compared to the previous year. In 2010, domestic demand and thus production perked up, resulting in an expansion especially in industry and service sectors. While demand side developments was linked to fast incline in special consumption and investments, the increase in stocks contributed to the growth rates. In 2010, manufacturing industry grew by 13.6%, services industry by 9% and agriculture by 1.2%. The highest growth rate was registered in the construction industry with 17.1%. The growth rate in the energy sector was 7.3%.

Industrial production increased by an average of 6.9% in 2007, however contracted by 0.9% and 9.6% in 2008 and 2009, respectively. In 2010 economic recovery made a positive impact on industrial production index as well and by November 2010 the total industrial production grew by 9.1% compared to the same period of the previous year. Accordingly, industrial production index registered an increase of 9.7%. Manufacturing industry capacity utilization rate increased to 75% by December 2010, while it was at a level of 67.6% in December 2009. The increase in capacity utilization was impeded due to the fact that the rising trend in the domestic demand wasn't observed in foreign demand.

Looking at the Turkish economy in terms of taxes, taxes were reduced in 2008 for the first time since the 2001 crisis, and yet began to climb again by the last quarter of 2009. The total reduction in taxes was 8.1% in 2009 and yet they were increased again by 6.4% in the last quarter of 2009 and then by 17.2%, 14.0% and 8.2% in the 1st, 2nd and 3rd quarters of 2010, respectively. These increases in the taxes are indicative of the developments in economic activities and domestic demand.

Global crisis-induced aggregate demand slump and falling commodity prices led to an increase 10.1% in the consumer price index (CPI) in 2008. And yet this rate dropped to 6.5% in 2009. Together with the economic recovery in 2010, inflation rates increased as well and the annual inflation rate was registered as 8.6% in October, 7.3% in November and 6.4% in December. This rising trend in the inflation rate within the year was caused by the price increases in unprocessed foods and also by the price increases in commodities (especially crude oil) due to the expectation that monetary policies in developed countries would be maintained. During the last months of the year, the improvement in the prices of unprocessed foods was significative. Besides the price increases in basic commodities, other than food, energy, liquor, tobacco and gold, were at an acceptable level in general. In line with the regression in annual inflation rate in services, basic inflation indicators were in correlation with medium-term forecasts. Producer price index (PPI) on the other hand was 5.9% in 2009 and rose to 8.9% by December 2010. This increase in PPI is tied to the price increases in

agricultural products. Central Bank of the Republic of Turkey's inflation targets are 4.5% to 7.3% (with a midpoint of 5.9%) for 2011 and 3.3% to 6.9% (with a midpoint of 5.1%) for 2012, maintaining a stable level of 5% in the medium term. These forecasts are based on the assumptions that public savings will be increased in order to limit the risks of trade deficits, tax adjustments will be in accordance with inflation targets, monetary policies will be maintained to secure price stability and also on the fact that the flexibility in the direction and progress of policy composition means must be maintained.

Thanks to the decreasing negative impact of the crisis on financial markets and loan markets, the year 2010 has been a year of lending loans for the Turkish banking industry. The total assets of the sector increased by 15.4% by November 2010 compared to the 2009 year-end and reached TRY 962.3 billion. The industry funded this expansion in the overall loan book in 2010 by increasing deposits, equities and foreign borrowing. The loan book of the overall industry expanded by 35.4% as of December

Registering positive growth rates in 2010, the Turkish Economy grew by 12% in the first quarter, 10.3% in the second quarter, 5.5% in the third quarter and 9.2% in the last quarter.

2010, compared to the 2009 year-end and reached TRY 531.6 billion. Loans/total assets ratio was 51.8% as of November 2010, while this ratio was registered as 47.1% in 2009. The overall securities of the industry increased by 7.4% as of November 2010 and non-performing loan ratio decreased by 6.9%. The banking industry maintained its solid standing in terms of key indicators such as capital adequacy, asset quality, profitability and funding structure. Positive developments in the economy led to an increase in the credit supply and hence increased the efficacy of monetary policies on loan interests and economic activities. Therefore, Central Bank increased the required reserve ratios of banks with a decree dated September 23, 2010 and terminated the practice of paying interest on required reserves. Besides, with a decree dated November 11, 2010 the Monetary Policy Committee of the Central Bank of Turkey decreased the overnight borrowing interest rate by 400 points and lowered it to 1.75% as a measure against the potential negative impacts of rapid credit expansion on the current account balance. The Committee reiterated

the need to keep interest rates low for an extended period of time. In order to maintain financial stability, Central Bank of the Republic of Turkey took certain measures such extending the maturity of liabilities of the banking system, aiming to extend the terms of deposits and foreign capital inflow. Differentiating the required reserve ratios according to terms and including some liabilities which were previously exempt, under reserve requirements are some of the measures taken within this context.

Looking at the economy in terms of employment, Turkey's employment rate was registered as 41.2% in 2009 and 43.5% as of October 2010. Unemployment rate on the other hand was 14% in 2009 and dropped to 11.2% in October 2010. Non-agricultural unemployment rate dropped from 17.4% in 2009 to 14.1% in October 2010. The decline trend in domestic demand gave rise to employment rates as well. However, it is estimated that unemployment rates will retain high levels for a longer while, compared to the period prior to the crisis and consequently no obvious exertion will be felt on unit labor costs.

Based on the data from the Turkish Statistical Institute (TurkStat), cumulative export figure was reported as US\$ 102,143 million as of December 2009 and US\$ 113,930 million as of December 2010. On the other hand, cumulative import figure was reported as US\$ 140,928 million in December 2009 and US\$ 185,493 million in December 2010. Therefore, foreign trade deficit lept to US\$ 71,563 million in 2010 from US\$ 38,786 million in 2009. The fact that an increase of 11.5% was registered in exports compared to an increase of 31.6% in imports during the same period, led to an increase in foreign trade deficit. The ratio of exports to imports dropped to 61.4% in December 2010 from 72.5% in December 2009.

The Turkish economy structurally has a current account deficit and there is a strong correlation between the current deficit and growth rate. Since the structure of Turkish economy is dependent on the importation of intermediate goods and on foreign sources of energy, oil and natural gas in particular, for its needs, these make a negative impact on the current account deficit. Current account deficit declined from US\$ 41.9 billion in 2008 to US\$ 14.4 billion in 2009,

due in great part to the contraction in the economy. Current account deficit reached US\$ 41.6 billion as of November 2010. The fact that the increase in foreign trade deficit was 85.7% between January-November 2010 and soared to 106.8% as of November 2010, was the main cause of the increase in the current account deficit.

Foreign direct investments and long-term capital inflows are of utmost importance for the quality of the current account deficit financing and they reduce the fragility of the economy. Net foreign direct investments declined from US\$ 18.3 billion in 2008 to US\$ 8.4 billion in 2009 and further declined by another 18.2% compared to the same period of the previous year and reached US\$ 6.3 billion as of November 2010. It is estimated that the share of foreign direct investments in the financing of the current account deficit will remain low in the coming period, compared to the period prior to the crisis. Looking at portfolio investments, the net capital inflow was US\$ 851 million

as of November 2009 and this figure increased to US\$ 16,514 million as of November 2010.

For the Turkish economy the year 2010 has been a year of improvement in economic activities and positive growth rates. Since developed countries registered a slow recovery after the crisis, the capital inflow to developing countries increased. Consequently, the home currencies of these countries became stronger and also inflation rates increased. The abundance of global liquidity which leads to rapid capital inflow, effects Turkey as a developing country.

In the light of all these developments the Central Bank of Turkey states that the effective use of monetary policy tools will continue in the coming period if capital inflow continues and leads to further concerns about financial stability as a result of associating the separation between domestic and foreign demands with rapid credit expansion and an impairment in the current account balance.

Thanks to the decreasing negative impact of the crisis on financial markets and loan markets, the year 2010 has been a year of increased lending for the Turkish banking industry.

Positioning in the Banking Sector

Being aware of its social responsibilities and dedicated to its mission, Development Bank of Turkey is an efficient and sound business partner for investors.

THE OBJECTIVE OF DEVELOPMENT BANK OF TURKEY IS TO:

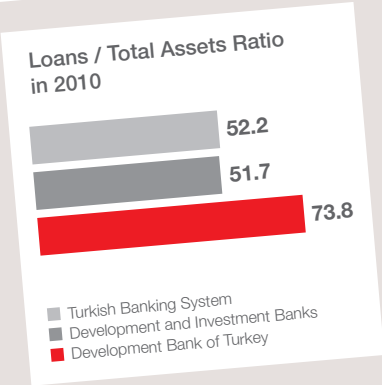
- extend loans to enterprises organized as joint stock companies based on the criteria of profitability and productivity in order to promote Turkey's development,
- provide financial and operational support by participating in them,
- channel domestic and foreign savings into development-oriented investments,
- contribute to the development of the capital markets,
- finance domestic, foreign and international joint investments and
- perform all kinds of development and investment banking functions.

Development Bank of Turkey is a development and investment bank organized as a joint stock company and is subject to the provisions of private law. Pursuant to Law No. 4456 organizing the Bank's structure, the three-tier shareholding structure was eliminated and the Bank switched from the nominal capital system to the registered capital system.

The Bank has a registered capital of TRY 500 million and an issued capital of TRY 160 million. 99.08% of the issued share capital is owned by the Office of the Prime Ministry, Undersecretariat of Treasury; the remaining shares are publicly held and traded on the Istanbul Stock Exchange.

Development Bank of Turkey represents a unique and an increasingly more prominent banking segment both in the overall organization of the banking industry and within the development and investment bank classification. While it is in the state-owned bank category based on its shareholding structure, it exists to financially support the investment and entrepreneurial potential of the private sector in all areas, led by industrial and tourism sectors.

Financial and Operational Performance



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Development Bank of Turkey
Loans/Total Assets Ratio
(2009: 62.3% -
2010: 73.8%)

Comparative Analysis of Assets (%)

Liquid Assets	2006	2007	2008	2009	2010
Turkish Banking System	38.2	35.2	25.7	31.1	31.0
Development and Investment Banks	42.9	43.7	39.3	39.9	39.0
Development Bank of Turkey	49.0	41.9	32.6	25.2	18.7
Loans					
Turkish Banking System	43.8	49.1	50.2	47.1	52.2
Development and Investment Banks	46.9	47.5	51.0	50.7	51.7
Development Bank of Turkey	37.7	48.7	57.5	62.3	73.8
Non-Performing Loans (net) / Loans					
Turkish Banking System	0.4	0.5	0.8	0.9	0.6
Development and Investment Banks	0.1	0.1	0.1	0.6	0.4
Development Bank of Turkey	0.0	0.7	0.0	3.5	2.3
Other Assets					
Turkish Banking System	18.0	15.7	24.1	21.8	16.8
Development and Investment Banks	13.3	9.4	9.9	12.5	9.3
Development Bank of Turkey	13.3	9.4	9.9	12.5	7.5

**Comparative Analysis of Liabilities (%)**

Foreign Resources	2006	2007	2008	2009	2010
Turkish Banking System	88.1	87.0	88.2	86.7	86.6
Development and Investment Banks	50.7	52.6	53.6	53.3	54.4
Development Bank of Turkey	39.2	44.0	52.7	61.2	67.8

Deposits / Foreign Resources

Turkish Banking System	69.9	70.6	70.4	71.2	70.7
Development and Investment Banks	0.0	0.0	0.0	0.0	0.0
Development Bank of Turkey	0.0	0.0	0.0	0.0	0.0

Borrowings / Foreign Resources

Turkish Banking System	17.1	15.0	15.3	12.8	14.9
Development and Investment Banks	58.4	53.0	69.3	65.6	67.0
Development Bank of Turkey	52.0	59.9	68.5	80.6	88.3

Other Foreign Sources / Foreign Resources

Turkish Banking System	13.0	14.5	14.4	16.0	14.4
Development and Investment Banks	41.6	47.0	30.7	34.4	33.0
Development Bank of Turkey	48.0	40.1	31.5	19.4	11.7

Shareholders' Equity

Turkish Banking System	11.9	13.0	11.8	13.3	13.4
Development and Investment Banks	49.3	47.4	46.4	46.7	45.6
Development Bank of Turkey	60.8	56.0	47.3	38.8	32.2

Net Profit / Total Assets (%)	2006	2007	2008	2009	2010
Turkish Banking System	2.3	2.6	1.8	2.4	2.2
Development and Investment Banks	4.8	4.6	4.0	3.7	2.7
Development Bank of Turkey	17.7	5.3	3.6	2.0	1.3

FC Assets / FC Liabilities (%)

Turkish Banking System	87.6	84.4	86.9	84.5	83.8
Development and Investment Banks	94.6	80.7	80.6	87.7	90.0
Development Bank of Turkey	117.7	108.8	103.0	101.1	100.4

Real Asset Growth (%)

Turkish Banking System	22.8	16.4	26.0	13.9	20.7
Development and Investment Banks	19.3	23.1	21.5	17.8	14.6
Development Bank of Turkey	28.1	(7.5)	25.2	25.7	24.1

Interest Margin (US\$ million)

Turkish Banking System	15,126	22,423	20,398	28,068	25,219
Development and Investment Banks	692	997	993	997	817
Development Bank of Turkey	45	72	55	49	41

FC Margin (US\$ million)

Turkish Banking System	(1,221)	1,436	(1,004)	425	384
Development and Investment Banks	(92)	(33)	44	(5)	35
Development Bank of Turkey	8	(3)	5	1	1

Total Assets (US\$ million)

Turkish Banking System	356,203	500,756	482,228	560,076	656,708
Development and Investment Banks	10,897	16,214	15,146	18,036	20,038
Development Bank of Turkey	632	707	683	866	1,042

Share in Banking System (%)

Development and Investment Banks	3.1	3.2	3.1	3.2	3.1
Development Bank of Turkey	0.18	0.14	0.14	0.15	0.16

Share in Development and Investment Banks (%)

Development Bank of Turkey	5.80	4.36	4.51	4.79	5.20
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The Turkish banking system grew by 20.7% on Turkish lira basis in 2010 and reached TRY 1,007 billion (US\$ 657 billion) in total assets. Because of the pressure exerted on investment loans due to global crisis, the assets growth in development and investment banks was registered as 14.6%, remaining below the overall banking industry. Development Bank of Turkey increased its total assets by 24.1%, exceeding US\$ 1 billion in 2010. Despite the crisis, managing to grow its total assets by an annual average of 25% between 2008-2010, the Bank performed better than the growth rates of the industry (average growth of 20.2%) and the group (average growth of 18%). Differentiating from the group average and realizing a rapid assets growth based on loan book expansion, the Bank increased its market share among development and investment banks to 5.2%.

While the share of liquid assets in total assets of the banking system ticked up in 2009, this increase slowed down in 2010 once the negative impacts of the global crisis were over. At the same time, the share of loans which is an indicator of functional performance, began to ascend even though it slightly went down in 2009. Development Bank of Turkey continued to increase the share of loans in its total assets in 2010, as it did so in 2009. Raising the share of loans in its total assets to a record level of 73.8%, the Bank performed better than other bank groups.

Development Bank of Turkey intensified its lending activities in the recent years and funded its loans primarily with foreign resources. In parallel to the rapid increase of foreign borrowings in the Bank's composition of resources, the share of foreign resources in total liabilities increased

from 39.2% in 2006 to 67.8% in 2010. In line with this development in the Bank's liabilities composition, the share of equity in total liabilities declined, leading to an increase in the Bank's leverage and financing ratios. Over the same period, composition of resources did not change significantly for development and investment banks or for the Turkish banking system in general.

In 2010 the Turkish banking system was slow to catch up with the high increase rate in net profits in 2009 and registered an increase of 6.6% in net profits in US\$ basis. This deceleration in the increase of profit happened when the sharp decline in interest rates in 2009 took a more static progress in 2010, resulting in low profits obtained from securities portfolio, far below the figure in 2009. Besides, the decline in interest rates resulted in a lower net interest income obtained from loans,

despite the expansion in loan books. This contraction in interest margins compared to the previous year, was mainly compensated with the increase in non-interest income margins.

The increase in non-interest income margins became possible when BDDK temporarily displayed more flexibility in the implementation of the legislation which regulates response rates in order to protect the banks against the negative impacts of the crisis.

This implementation contributed to a decrease in the banks' balance of non-performing loans provision and also to the improvement of non-interest income margins. Hence the sector was able to increase its profits slightly. However, this temporary arrangement of BDDK will end in March 2011.

Therefore, it is estimated that practices such as not paying interest on required reserves or increasing required

reserve ratios in line with TCMB's tight monetary policies might negatively affect the 2011 profitability of the banking industry.

Asset profitability of the overall Turkish banking system and of development and investment banks declined in 2010, compared to the previous year. In the same period asset profitability of Development Bank of Turkey also declined accordingly. The Bank's asset size increased in line with the expansion of its loan book, yet the contraction in interest and foreign exchange margins remained above the overall system average due to the fact that assets expanded in foreign currencies. The negative impact of these developments on the net profit resulted in a more rapid contraction of the Bank's asset profitability, compared with the sectoral and group average.

Development Bank of Turkey grew in total assets by 24.1%, exceeding US\$ 1 billion in 2010. Despite the crisis, managing to grow its total assets by an annual average of 25% between 2008-2010, the Bank performed better than the growth rates of the industry and the group.



Starting from the BC period, the city of Antakya has hosted numerous civilizations and today continues to shelter the most precious masterpieces inherited from these civilizations. Antakya offers a wealth of historical and touristic venues. As Güngör Group of Companies we have 24 years of experience in the tourism industry. We have invested in the most needed 4 star hotel in Antakya. However, attracting more domestic and foreign tourists every year with its riches, our city needed more accomodation investments.

Considering the culture and congress tourism potential in Antakya, we devised the Antakya Ottoman Palace concept which would be the first five star hotel in Antakya registered by the Ministry of Culture and Tourism. During the excavation phase we found a source of high quality thermal water and a new potential for health tourism emerged. With a bed capacity of 650, our hotel features 252 rooms as well as offering thermal water with the highest mineral quality in the world. We also appeal to congress tourism with our 11 meeting rooms with various capacities. Our biggest hall has a capacity for 1,600 people. Our hotel is favored mostly by foreign tourists from Middle Eastern countries, specifically from Syria, as well as domestic and European tourists. In 2009 we operated with an occupancy rate exceeding 70%.

Antakya Ottoman Palace thermal and congress hotel was made possible with the loan we obtained from Development Bank of Turkey in 2007. With the support of Development Bank of Turkey, we are proud to have realized this investment and to offer a nicer, better quality service befitting our city and our guests.

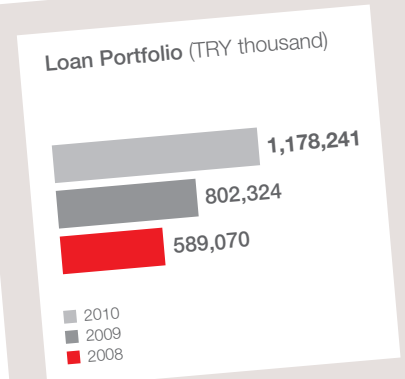
“The goal is to increase the bed capacity in Antakya which is currently 1,800 up to 2,500 with new investments. In this aspect Development Bank of Turkey always stands by entrepreneurs with its investments.”

Ali Güngör
Chairman of the Board
Güngör Group of Companies



Review of Operations in 2010

In 2010 Development Bank of Turkey has continued its consistent growth as well as supporting the investments crucial for Turkey too.



DEVELOPMENT BANK OF TURKEY IN 2010

Having significantly contributed to the growth of many sectors, especially industry and tourism, and many regions in our country, Development Bank of Turkey continued to support the investments crucial for Turkey and to maintain its consistent growth in 2010 as well.

Lending

Lending is among the most important tools utilized by Development Bank of Turkey to fulfill the responsibilities it has assumed as part of Turkey's development efforts. The Bank's lending framework is determined by development plans, the Bank's mission and vision and annual business plans; its lending activities are focused on energy, industrial, tourism and service sectors.

Pursuant to its Charter Act, the Bank lends only to firms organized as joint stock companies. As part of the lending process, investments are evaluated based on international criteria and standards with their technical, sector-specific and financial dimensions and a project assessment report is drafted. In addition, the Bank

conducts on-site examinations and closely follows the implementation process of the investment.

Having implemented significant organizational changes, Development Bank of Turkey, attained a structure that allows it to be more customer oriented, to offer loans equivalent to the industry for reasonable prices and to obtain significant resources from international finance institutions. Operating in a difficult lending area such as project financing, the Bank has once again been the first choice of leading companies in 2010.

In 2010, as part of its credit marketing efforts, Development Bank of Turkey conducted information meetings to promote its funding sources and loan products to 710 companies in 26 provinces and 8 districts in Turkey as well as to 3 firms with investment activities in Cyprus; investors operating in the Bank's area of activity were informed. As a result of these customer-oriented efforts, the Bank received loan applications from 87 companies for a total of TRY 1,806 million.

Additionally, within the framework of apex banking operations and for the purpose of providing financing

to SMEs, the Bank conducted credit marketing activities to promote lending through intermediary finance institutions. As a result of these activities, contracts amounting to TRY 251 million were signed. The Bank's total loan applications amounts to TRY 2,057 million and the breakdown according to industries is 67% energy, 12% finance, 7% industry, 13% tourism and 1 % education-healthcare.

In accord with the development goals, Development Bank of Turkey continued to allocate and disburse loans to projects in the industrial, tourism, services and energy sectors in 2010. During this period, the Bank extended TRY 1,788 million in loans, including the TRY 147 million in apex banking loans while signing contracts for another TRY 1,019 million again including apex banking loans of TRY 147 million.

The Bank's loan book expanded from TRY 802 million at 2009 year-end to TRY 1,178 million as of 2010 year-end with a 47% increase in total loans during 2010. During this period, the loan book of the banking sector expanded by 34% while development and investment banks increased their total loans by 16.9%.

The Bank's lending in 2010 reached TRY 492 million, a 37% increase over TRY 360 million attained in 2009. 61% of the loans made in 2010 were extended to the energy sector, 4% to the financial industry (apex banking), 16% to the manufacturing industry, 14% to the tourism sector, 4% to education and healthcare investments and 1% to investments in other sectors.

Apex Banking

Due to tough credit conditions and inadequacy of financial instruments, SMEs get only 24% share from the total loans disbursed, even though they bear a significant burden in the economy. Because of legal restrictions Development Bank of Turkey lends only to firms organized as joint stock companies and extends its services to small businesses via apex banking projects. Within the context of this model which aims to contribute to employment in Turkey and to increase the competitiveness of SMEs, several projects are developed and meanwhile resources are sought to finance these projects.

In December 2009 an agreement was signed for a TRY 40 million credit facility to serve the medium and long term funding needs of SME-owned

tourist accommodation facilities in Istanbul. Accordingly, TRY 20 million from the Bank's resources was lent to these companies in 2010 via the contracted bank.

The negotiations to secure US\$ 100 million from the World Bank that were initiated in October 2009 under the SME Financing Project II, are completed and The Bank signed an agreement on July 6, 2010 with the World Bank. With the purpose of disbursing this loan of US\$ 100 million to SMEs, in September the Bank signed loan agreements with two separate banks for US\$ 65 million and US\$ 35 million. This "development loan" will be lent to SMEs in medium and short terms through the Bank's apex banking program and it is aimed to be the most propitious and advantageous loan in the industry. 25% of it will be extended to priority development regions.

Additionally, the Bank signed another agreement (CEB Apex-SME) with the Council of Europe Development Bank (CEB) on August 13, 2010 to secure EUR 50 million. Loan agreements with intermediary banks to lend this loan to investors, are at the signature phase. Another agreement with the German Development Bank (KfW) for EUR

100 million to be utilized in Energy Efficiency projects via Apex method, is planned for 2011.

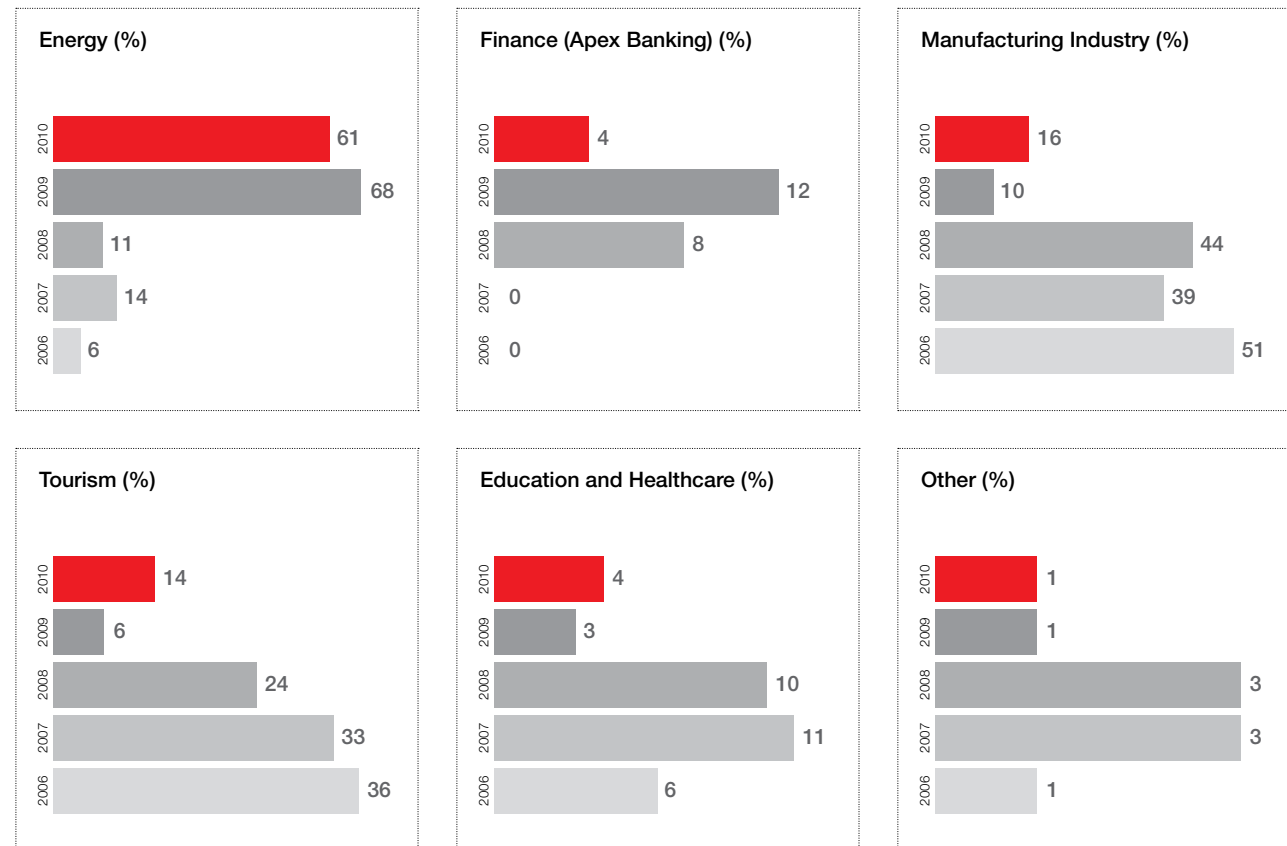
Resource Development and Relations with Financial Institutions

The Bank continues to seek new resources from international finance institutions and at the same time endeavor to obtain resources from other institutions.

Considering the global economic conditions, the Bank seeks to obtain long-term and low-cost resources and also to diversify the resources, in collaboration with the Undersecretariat of Treasury. In this regard.

- The Bank plans to make an agreement with European Investment Bank (EIB) for EUR 150 million to finance SMEs and Energy Efficiency projects in 2011.
- In addition to the loans secured from the World Bank in 2009 to support Renewable Energy and Energy Efficiency projects, it is projected that another US\$ 300 million facility will be obtained in 2011.
- Another projection for 2011 is to secure US\$ 100 million facility from the Islamic Development Bank to be utilized in the financing of machinery and equipment used in energy projects.

Sectoral Breakdown of Loans



World Bank

- Development Bank of Turkey continues to finance renewable energy projects with a responsible attitude toward contributing to the environment and sustainable development. On June 9, 2009 Development Bank of Turkey inked a deal for a US\$ 130 million and EUR 15.7 million Private Sector Renewable Energy and Energy Efficiency Loan with the World Bank. As part of this initiative, the Bank secured a total of US\$ 67.3 million and EUR 10.8 million in 2010 and extended US\$ 117 million and EUR 11.2 million tranche of this total loan to various companies.
- On June 9, 2009 another loan agreement for US\$ 30 million was signed with the World Bank under the Clean Technology Fund project and US\$ 7.5 million of this resource was disbursed in 2010.

European Investment Bank (EIB)

- On December 10, 2009 the Bank signed an Environment and Energy II loan agreement with EIB to utilize

in energy and environment related projects and disbursed EUR 38.8 million tranche of this loan to various companies in 2010.

- The EUR 100 million loan secured from EIB with an agreement signed on June 8, 2009, was also extended to companies in 2010. A total of EUR 40 million secured as SME Development Loan, of which EUR 30 million obtained in 2010, was disbursed in its entirety in 2010.

Islamic Development Bank (IDB)

- The Bank secured a US\$ 40 million facility from the Islamic Development Bank for financing SME investments; the loan agreement was signed on June 3, 2009. Within this scope, US\$ 4 million tranche of this resource was received and disbursed to companies in 2010.

Domestic Resources

- Within the scope of agreements signed between the Republic of Turkey and Turkish Republic of Northern Cyprus (TRNC) and within the framework of TRNC's

development plans and targets defined in its annual plans, it was decided to channel medium and large scale investment projects to TRNC, to use advanced technologies with high added value, to generate employment in TRNC and to provide competitive capacity to TRNC in the international arena. These decisions were secured by the Council of Ministers "Government Subsidies for Investments in TRNC" Decree No. 2001/3003, dated September 10, 2001 and the Bank was appointed as the intermediary bank for this purpose. The financing of investments under the scope of this decree is completed and there hasn't been any resource inflows related to investments in TRNC during 2010. The loans disbursed within this project are currently being collected. A total of TRY 16,816,733, of which TRY 10,808,066 coming from the loans and TRY 6,008,667 coming from interests, was collected from the companies at the end of the

Creating a powerful synergy through collaborating with its subsidiary joint stock companies, Development Bank of Turkey continues to finance development.

amortization period in 2010. And from early payments a total of TRY 8,426,003 was collected in loans and TRY 141,386 in interests and transferred to the Undersecretariat of Treasury.

- Acting as an intermediary to the financing of export, the Bank also lends out resources it secures from Eximbank. Accordingly the Bank obtained US\$ 3 million and EUR 435 thousand from Eximbank and extended these loans to various companies and refunded a total of US\$ 3.6 million and EUR 1.8 million.

Other Developments

- Since the Bank has been successful in the development of incentive programs tailored to TRNC and also in its credit intermediation services in the past, it was once again assigned to financing the investments in TRNC by the Council of Ministers decree no. 2009/15426, dated September 8, 2009. As stated in the Addendum, the Bank aims to disburse loans not exceeding TRY 300 million from its resources. The loans will be extended in 2011 and thereafter.
- After the expiration of the SELP II program, of which the Bank is also a beneficiary, efforts will continue to

restructure the SELP II Fund as the EFT (European Fund for Turkey) and to determine the Bank's position in the establishment and administration of the fund.

Capital Markets Services

Since the transactions of Kalkınma Yatırım Menkul Değerler A.Ş. (KYMD), a 99%-owned subsidiary of the Bank, were suspended temporarily for one year, the Bank obtained a Portfolio Investment certificate and the Portfolio of Mutual Funds is being managed by the Capital Markets Board and the Treasury.

There are three mutual funds, established by Development Bank of Turkey or KYMD, with different risk-return profiles. In addition to the purchasing and redemption service for these mutual funds, the Bank also provides brokerage services for Treasury Bill and Government Bond trading as well as for Istanbul Stock Exchange and Turkish Derivatives Exchange (TurkDEX) transactions as an agent of KYMD.

In 2010, the B Type Variable Fund returned 8.02% for its investors while the A Type Variable Fund and the B Type Liquid Fund achieved returns of 12.84% and 2.39%, respectively.

Venture Capital and Strategic Partnership

Development Bank of Turkey, jointly with the European Investment Fund that also acted as the advisor to the project, led the establishment of the Istanbul Venture Capital Initiative (IVCI), a fund of funds for Turkey-oriented investments and a co-investment program. Assuming a major role in the development of the private sector in Turkey and making its first investment in 2009, this fund, with its EUR 160 million capital, provides access to capital for companies with high growth potential.

Within this framework, Development Bank of Turkey will continue to further strengthen relationships with related organizations (KOSGEB, TTGV, MPM, TOBB, TÜSİAD, etc.) regarding expansion of venture capital and encouraging banks to extend a portion of their loan volumes as venture capital.

From a total of EUR 10 million of capital committed to Istanbul Venture Capital Initiative (IVCI), a tranche of EUR 281,250 was disbursed on November 12, 2010, and the total disbursement reached EUR 800 thousand.

Subsidiaries

At the end of 2010, the Bank had 10 subsidiaries; two are multi-partner and/or publicly-held companies, one is a basic industrial enterprise and seven (including Istanbul Venture Capital Initiative - IVCI) are non-public companies. The Bank's subsidiaries are concentrated in Istanbul with three companies and there is one subsidiary in each of Aegean, Central Anatolia, Central Eastern Anatolia, Southeastern Anatolia and Western Anatolia regions.

Two of these eight subsidiaries operate in the manufacturing industry while six are in the services sector. One of the companies operating in the manufacturing industry is engaged in investment goods and the other in consumer goods.

The Bank's participation share in its subsidiaries is 11.4% in average. In accordance with the mission of broadening the capital base that is stipulated in the Charter Act, the Bank continued to divest shares in its subsidiary companies, in the form of block or common shares, during 2010.

After the activities of Kalkınma Yatırım Menkul Değerler A.Ş. were suspended temporarily until December 31, 2010, the Bank decided to put the certificates of authority out to tender on October 22, 2010. After evaluating the proposals, The Board of Directors

agreed to sell the certificates. Transfer transactions still continue under the jurisdiction of the Capital Markets Board.

The Bank transferred all of its participating shares of 76.83% in Acipayam Selüloz Sanayi ve Ticaret A.Ş., to Republic of Turkey Prime Ministry Privatization Administration on May 21, 2010 and eliminated this subsidiary from its portfolio.

Regional Development

Turkey's National Development Plan proposes a sustainable growth environment that will enhance the welfare of broad segments of society as well as the productivity and international competitiveness of the economy that prioritizes foreign demand and private sector-based employment growth and creation of new fields of employment and that implements institutional and structural regulations that raise competence and quality within the workforce.

Development is the realization of structural transformation in a country by achieving economic, technological and socio-cultural progress. In this respect, financing of development is an activity that requires expertise. Development banks in general are the first to provide financing in this area generally avoided by private and

commercial banks. Other commercial banks usually venture into this area either after it is proven to be successful or extend credit within a consortium structure led by development banks. As a result, development banks are always one step ahead of commercial banks in the development and growth process while commercial banks travel on the paths first opened by development banks.

Funding development projects in accordance with the economic priorities of developing countries and financing small and medium scale private sector investors are carried out via development banks. Development banks aim to provide medium and long term financing to investment projects in line with the country's development strategies. On the other hand, commercial banks and other lending institutions place more importance to profit and risk factors than social benefits while financing investments.

Development Bank of Turkey successfully implemented three emergency support programs in priority development regions as part of Turkey's regional development policies from 1990 to 2000. The Bank added a whole new dimension to development banking in Turkey by launching apex banking in

2008 and supporting commercial banks with its resources and know-how.

Development Bank of Turkey's strategic plan emphasizes the Bank's role in supporting regional development policies. The Bank's second strategic objective is to eliminate regional development disparities.

Of the TRY 491 million placements made by the Bank in 2010, 62% (TRY 304 million) were extended to priority development regions.

The Southeastern Anatolian Project (GAP) Action Plan, with respect to economic development objectives, stipulates that "In order to increase the competitiveness of businesses and entrepreneurs in the GAP region, credit facilities shall be expanded and access to capital shall be simplified, especially for the SMEs." Development Bank of Turkey is among the institutions responsible for implementing this action plan. In this respect, the Bank was charged with paying particular attention to this region in its lending activities, both from internal resources or as an intermediary for external

sources of funding and increasing specialization in the region in lending.

Information Technology

Always striving to provide effective, efficient and high quality service to its clients, Development Bank of Turkey continued its improvement and renovation efforts in 2010 as well in an attempt to obtain the maximum yield from its Information Technology infrastructure.

Aspiring to rank among the best banks in the banking sector with its Information Technology infrastructure, the Bank also aims to increase its personnel performance, process efficiency and competitiveness as a result of its focus on legal compliance, information security, business continuity and infrastructure improvements. The investments made to provide all stakeholders with accurate and reliable information in the easiest and quickest manner will continue in 2011.

Training

Although having highly competent and qualified human resources, the Bank strives to to be a school where

employees can continue to develop themselves. With this purpose the Bank continued to offer several trainings throughout 2010.

With the purpose of enhancing the effectiveness and efficiency of the Bank's activities, occupational training programs were conducted with the participation of experts and trainers from public agencies and universities. Besides, whenever required employees were allowed to participate in trainings provided by various corporations and institutions in Turkey and abroad.

In 2010, 80 seminars, 10 courses, 2 conferences, 3 conventions, 5 meetings, 4 on-the-job trainings and one orientation program were organized, mounting up to 105 in-service trainings; 1,875 employees benefitted from these training programs. Additionally, 12 employees attended 6 different trainings provided by institutions abroad and 7 employees participated in a training activity organized by the Bank at another institution.

The Bank added a whole new dimension to development banking in Turkey by launching apex banking in 2008 and supporting commercial banks with its resources and know-how.

2,140

Development Bank of Turkey
Target Level of Total Loans for
2011 (TRY million)

Environmental Management System

In its activities and lending process, Development Bank of Turkey acts with awareness of its social responsibility since it is a state enterprise and pioneers the development of renewable energy resources. With this mindset the Bank focuses its lending activities on energy and energy efficiency related investments.

Seeing environmental awareness as an essential factor in sustainable development, Development Bank of Turkey was granted the TS EN ISO 14001 Environmental Management System Certificate by Turkish Standards Institution on May 21, 2010, The Bank is the first and the only public bank entitled to the Environmental Management System Certificate.

All employees of the Bank strive to minimize the environmental effects of their activities. The employees planted trees in November 2010 at an event with the participation of the CEO and the senior management. Thus, Development Bank of Turkey Memorial Forest came to life on a land located on the Sincan Elvankent intersection in Ankara.

The Bank participated in the 16th ICC International Energy and Environment Fair organized in Istanbul on May 12-14, 2010 and to RENEX ECO 2010 Renewable Energy Technologies, Energy Efficiency and Insulation Exhibition organized at Istanbul CNR Expo on December 9-12, 2010.

OUTLOOK FOR 2011

Development Bank of Turkey targets total loan placements of TRY 1,051 million for 2011 and the loan book to grow to TRY 2,140 million.

The Bank places a major emphasis on the energy industry for the period ahead; 12% of the total loan placements targeted for 2011 will be geared toward the manufacturing industry investments while 18% will be directed to the tourism industry, 39% to the energy-environment investments, 29% to the finance (apex banking) sector and 2% to the education and healthcare investments. In addition, 30% of the total placement is aimed at investments in underdeveloped regions.

To achieve these goals, the Bank will:

- develop new products,
- expend effort to have the legislation governing the Bank's activities amended and in particular use the interest rate support opportunities offered for the priority development regions,
- take into consideration social benefit-cost analysis, in addition to profitability and productivity, in project evaluations
- and channel the Bank's long term resources into projects aimed at eliminating the regional development disparities at low cost.

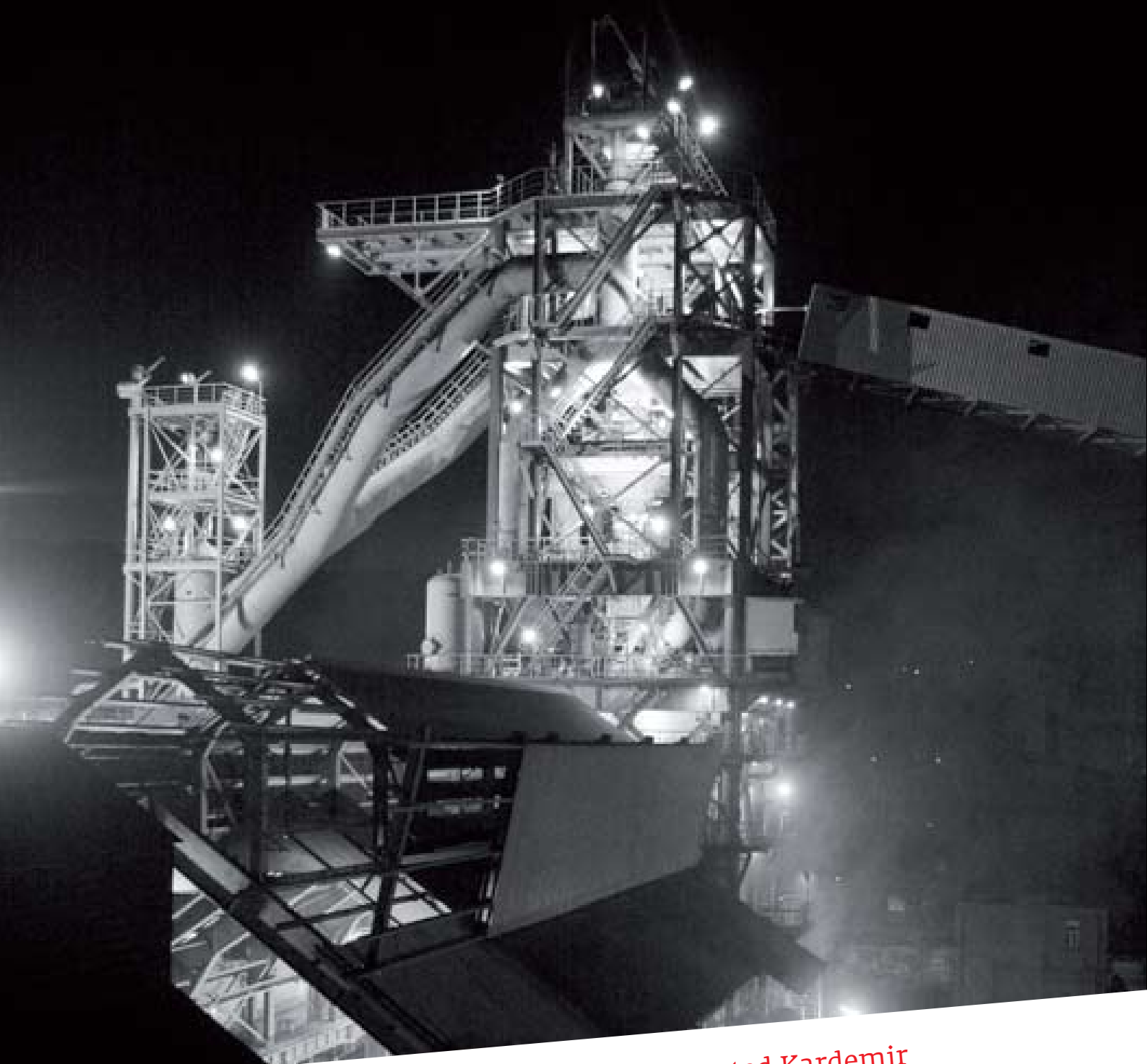
The Bank initiated negotiations with the KfW (German Development Bank) for new resources to be used in financing apex banking projects in 2010.

The negotiations with the World Bank for the US\$ 100 million SME loan to be extended via the apex banking method, were concluded and the agreement was signed on July 6, 2010. This loan is planned to be disbursed by the end of 2011.

After the expiration of the SELP II program, of which the Bank was also a beneficiary, efforts will continue to restructure the SELP II Fund as the EFT (European Fund for Turkey) and to determine the Bank's position in the establishment and administration of the fund.

The incentives offered by various institutions in Turkey will be studied closely; the Bank's know-how in this area will be utilized as a major element of its customer-oriented marketing activities.

The Bank will provide technical, training, operational and financing support to entrepreneurs in cooperation with development agencies that have been or will be established throughout the country as well as with other non-governmental organizations.



Karabük Demir Çelik Fabrikaları is the first integrated iron and steel plant in our country and the only plant that manufactures ore-based long products. As the driving force of our country's heavy industry, Kardemir has prepared the projects, produced and assembled many industrial plants, schools, railroad and highway bridges, dams, sports halls and shipyards across the country since its establishment. Kardemir is a factory that "builds factories".

In its 70-year marathon starting from the late 1930s until today, Kardemir has been successful at times and has also passed through some difficult times. But today, with its latest investments it has reached an annual production capacity of 1,800,000-2,000,000 tons. Kardemir doesn't outsource the energy it uses, it focuses on high added value products such as rails, heavy profiles and high quality thick round steel and successfully conducts cost and production management. In the light of these developments Kardemir is becoming a company with a bright future.

Development Bank of Turkey has always supported Kardemir through difficult times. Following the privatization period, Kalkınma Yatırım Menkul Değerler A.Ş. traded our Company's stocks on the Istanbul Stock Exchange Wholesale Market and thus provided significant funding for our Company. Passing through a difficult time in 2002, Development Bank of Turkey performed the duty that was assigned to it with a decree and prepared the report regarding our Company's debt configuration.

And lately, Development Bank of Turkey has provided the financing for our 50 MW power plant that operates with waste process gases and thus contributed to the realization of our Company's important energy efficiency investment. I wish our longstanding cooperation continues in the future and our companies achieve new successes together.

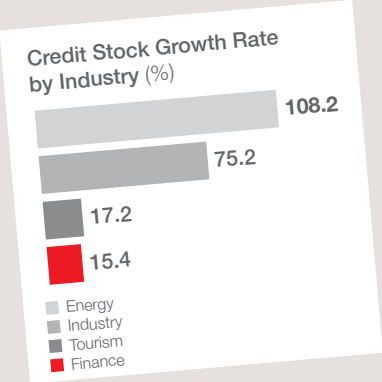
“Development Bank of Turkey has supported Kardemir in its efforts to overcome the desperate straits, and still today continues to provide the financing for the Company's planned investments and hence contribute to its healthy growth sustained via a competitive, high quality and environmentally aware approach.”

Fadıl Demirel
General Manager Kardemir A.Ş.



Research and Development Activities

Performing customer oriented research and development activities that require a depth of expertise, Development Bank of Turkey commands and adds value to development with its experience and competence.



In addition to financing the investors, Development Bank of Turkey assumes the responsibility of evaluating the economic and social contributions of these investments to our country and also to provide technical support to investors. Therefore, research and development activities are among the areas Development Bank of Turkey focuses on particularly. In research units staffed exclusively with specialists, research activities are conducted not only for the benefit of the Bank's own operations but in the areas needed by the Turkish economy as well; all eligible studies are shared publicly via the electronic environment.

Development Bank of Turkey also has a vision of becoming a development and investment bank on a global-scale and the Bank's research activities in 2010 are clustered in main categories as follows:

Regional Studies: Conducted for the purpose of formulating the development strategies of a specific geographic region, these studies research the characteristics that can make an impact on the internal dynamics and investment environment of the region using SWOT analyses; they evaluate the investment areas that can be implemented in the region by also taking into account the time perspective. As a result, the Bank generated the TRC 3 Mardin Sub-Region Strategic Development Report during the year.

General Studies: These studies are conducted in subjects directly or indirectly related to the Bank's areas of business to contribute to the decision-making support processes. Of these reports, which examine competitive conditions in the sectors as well as the events that set the global economic agenda and their repercussions, the ones that are not deemed confidential are shared with the public and posted on the Bank's website.

Country Reports: Development Bank of Turkey makes its information and know-how available not only for domestic investments and investors, but also for overseas investments as well as through advisory services for foreign investors.

As part of this initiative in 2010, the Bank provided advisory services to the Republic of Azerbaijan and the Republic of Bosnia and Herzegovina.

In addition, Development Bank of Turkey, via a consortium formed with two other partners, was awarded the Technical Assistance tender for improving the institutional, human, managerial and physical capacity of the regional offices of the Department of Sustainable Development and Regional Policies (DSDRP) of the Economic Development Ministry of Azerbaijan and for enhancing the coordination between the DSDRP and its regional offices. Accordingly in 2010, the Bank prepared a total of six reports, two reports related to each of the three economic regions in the Republic of Azerbaijan (Ganja-Kazakh, Aran, Nagorno-Karabakh), titled "Identifying the Investment Potential for Economic Rayons" and "Investment Profiles for Identified Investment Areas".

Technology Monitoring and Research

In 2010, Development Bank of Turkey continued to monitor technological developments, new products and services in Turkey and around the world, create a data bank and provide technical assistance and advisory service.

As Turkey's development bank, the Bank is fully cognizant of the importance of environmental awareness to achieve sustainable development. To this end, Development Bank of Turkey participated in many fairs, congresses, conferences and workshops for renewable energy, environment and energy efficiency; it closely monitored developments in these areas. In addition, the Bank contributes to these platforms by sharing its experience and know-how via presentations and reports.

As a result of its diversified researches throughout 2010, the Bank prepared research reports on Software Industry, Venture Capital Innovation and Technology, Evaluation of Municipal Solid Wastes, Golf Tourism, Cogeneration, Biomass, Eco-friendly Building Designs for Sustainable Settlements, Hazardous Waste Disposal and Recycling Facilities, Technologies for Protecting and Cleaning up Ground Water.

Advisory and Technical Support Services

With an extensive experience in advisory services, Development Bank of Turkey provides tangible support to the efforts made by corporations and enterprises in order to develop their potential.

Development Bank of Turkey has extensive experience and a large portfolio in advisory services and it provides tangible support to corporations and enterprises operating in various areas, in their efforts to develop their potential. In line with the domestic and foreign demands, the Bank offers advisory services in numerous areas in order for corporations and enterprises to develop projects and plans for the future, increase their quality and efficiency, make sound investment decisions and take the right steps in technical, regulatory and planning phases. Additionally, the Bank conducts regional and sectoral analyses and studies in Turkey and abroad; gives training on subjects such as designing and evaluating a project and also provides auditing if and when required.

Within the framework of its advisory activities, the Bank conducted a Technical Support Program with the TRNC Development Bank in 2010 for the purpose of restructuring the bank and training its staff. Technical Support Program was completed in March 2011.

Another defining moment of 2010 is the Memorandum of Understanding on Cooperation signed between Development Bank of Turkey and Syrian State Planning Commission. The Memorandum aims for the Bank to provide support to the development of project infrastructure at Syrian State Planning Council and to the modeling work for the upcoming development bank in Syria and also aims to help develop entrepreneurship on behalf of Syrian Chambers of Commerce and Industry.

Development Bank of Turkey works in close collaboration with Development Agencies across the country in order to help achieve the targets set in Regional Plans and Programs.

Within the scope of the Cooperation Protocol signed between the Bank and Dicle Development Agency, a Regional Strategic Development Report was drafted in order to support the development of the Agency's corporate capacity and to identify the regional development axes; the Bank provided feasibility training as well. As a result of the discussions with Karacadağ Development Agency, the Bank will provide feasibility trainings. Kuzeydoğu Anadolu Development Agency was supported via independent assessment expertise. Upon a demand from Mevlana Development Agency, a similar support will be given to them as well.

In addition to these projects and according to the technical cooperation agreement signed between the GAP Administration and the Bank, the studies for identifying the investment potential for the private sector in the Southeastern Region and the evaluation of investment project proposals are completed. As a result, 5 projects are selected and feasibility studies commenced.

Advisory services offered by Development Bank of Turkey cluster essentially in 4 areas:

- **Project Management Consultancy Services for Corporations Supported by National/ International Funds**
- Training Programs for Corporate Capacity Development
- Feasibility Preparation Trainings: Ministries, TRT, İller Bankası (Bank of Provinces), Vakıflar Bankası, TİKA, Halkbank, Development Agencies, Universities.
- Project Cycle Management Trainings: Ministries, İller Bankası (Bank of Provinces), Universities, Development Agencies
- Evaluation of Project Proposals of General Directorate of Agricultural Enterprises (TİGEM)

- **Consultancy Services Regarding Investment Projects, Company and Value Assessment**
- Special Provincial Administration and Karacadağ Memba Suları A.Ş. Feasibility Report
- Asya Enerji Elektrik Üretim Sanayi A.Ş. Feasibility Report
- Edremit Marina Feasibility Report
- Yenport Depoculuk Ve Taşımacılık A.Ş. Feasibility Report
- Karacadağ Memba Suları Şişeleme Pazarlama İthalat İhracat A.Ş. Company Assessment Report
- Development Subsidiaries Assessment
- TUSİAD Pioneering Initiatives Feasibility Reports
- Developmental Pioneering Initiatives Feasibility Reports
- Preparation of Feasibility Reports on 5 Different Investment Proposals in cooperation with GAP Regional Development Administration

- **National and International Technical Support Services**
- Syrian State Planning Commission Technical Support Project
- TRNC Development Bank Technical Support Project
- Establishment of the Kırıkkale Governorship Project Office
- Kardemir A.Ş. Rehabilitation Program
- Sector and Investment Area Studies in Azerbaijan
- Investment Area Studies in Bosnia and Herzegovina
- Dicle Development Agency Strategic Development Report
- Adana Sub-Region (Adana- Mersin) Strategic Development Report
- Bozcaada Gökçeada and Antakya Strategic Development Reports
- Rize Strategic Development Report
- Kars Strategic Development Report
- **Cooperation with Corporations that Provide Consultancy Services to SMEs**
- Entrepreneurship Development Project for GAP Regional Development Administration

Compliance Opinion Regarding the Annual Report

The 2010 Annual Report of Türkiye Kalkınma Bankası A.Ş. has been prepared in accordance with the “Regulation on the Principles and Procedures Concerning the Preparation of the Annual Report by Banks” which was issued by the Banking Regulation and Supervision Agency (BRSA).



Ahmet YAMAN

Chairman of the Board of Directors (A.)



Metin PEHLİVAN

Member of the Board of Directors and
General Manager (A.)



İrfan TOKGÖZ

Chairman of the Audit Committee



Özcan TENGİLİMOĞLU

Vice Chairman of the Audit Committee



Adnan YALÇINCI

Executive Vice President
Responsible for Financial Reporting



Esra CEYLAN

Director of Budgeting

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

We have audited the accuracy and compliance of the financial information in the accompanying annual report of Türkiye Kalkınma Bankası A.Ş. (the “Bank”) with the audit report issued as of December 31, 2010. The Board of Directors of the Bank is responsible for the annual report. As independent auditors, our responsibility is to express an opinion on the audited annual report based on the compliance of financial information provided in the annual report with the audited financial statements and explanatory notes.

Our audit was performed in accordance with the accounting standards and principles and procedures of preparing and issuing annual reports as set out by the Banking Act No: 5411. Those standards require that we plan and perform our audit to obtain reasonable assurance as to whether the annual report is free from material misstatement. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the financial information provided in the accompanying annual report presents fairly, in all material respects, the financial information regarding the financial position of Türkiye Kalkınma Bankası A.Ş. as of December 31, 2010 in accordance with the prevailing accounting principles and standards set out as per the Article 40 of the Banking Act No: 5411. The financial information provided in the annual report is in compliance with the audited financial statements and explanatory notes, and also includes the summary Management report and our audit opinion on these financial statements.

DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.
Member of DELOITTE TOUCHE TOHMATSU



Sibel Türker

Responsible Partner, Chief Auditor
Istanbul, April 5, 2011

Management and Statutory Auditors

BOARD OF DIRECTORS *



Abdullah ÇELİK

Chairman of the Board of Directors and CEO,

Salihli-Manisa, 1969. Abdullah Çelik graduated from Middle East Technical University, Faculty of Economics and Administrative Sciences, Department of Economics in 1991 and received his MBA from Old Dominion University in Virginia. Beginning his professional career at the Ministry of Finance and Customs in 1986, Çelik served as Assistant Specialist at the EU Coordination Department of the Ministry of Finance and Customs in 1992, as Assistant Auditor on the Board of Certified Bank Auditors at the Prime Ministry Undersecretariat of Treasury and Foreign Trade between 1992 and 1995, Auditor in the same unit from 1995 to 2004, Chief Auditor on the Board of Certified Bank Auditors at the Banking Regulation and Supervision Agency of Turkey (BRSA) in 2004 and as Manager of the Institutions II Department of the BRSA from 2004 to 2005. He has been the Bank's Chairman and CEO since December 19, 2005.



Hakan TOKAÇ *

Member of the Board of Directors and Vice Chairman of the Corporate Governance Committee,

Ankara, 1972. Hakan Tokaç graduated from Ankara University, Faculty of Political Science, Department of Public Finance in 1994 and received his MA from the University of Illinois in the United States. Beginning his professional career as Assistant Superintendent at the Department of Foreigners of the General Directorate of Security in 1994, Tokaç served as Assistant Specialist at Undersecretariat of Customs General Directorate of Customs from 1996 to 1997, as Assistant Treasury Specialist and Treasury Specialist at the Undersecretariat of Treasury General Directorate of Public Finance from 1997 to 2004, as Budget and Finance Coordinator at the State Planning Organization EU Education and Youth Programs Center between 2004 and 2006 and as Manager of Strategy Development Department at Undersecretariat of Treasury General Directorate of Public Finance between 2006 and 2007. He has been a Deputy General Manager at the Undersecretariat of Treasury General Directorate of Public Finance since 2007. Hakan Tokaç has been a member of the Bank's Board of Directors since May 1, 2007 and Vice Chairman of its Corporate Governance Committee since May 12, 2008.



Ahmet YAMAN

**Member and Vice Chairman of the Board of Directors
Chairman of the Corporate Governance Committee,**

Bökeler-Ankara, 1966. Ahmet Yaman graduated from Middle East Technical University (METU), Faculty of Architecture, Department of City and Regional Planning in 1987 and received his MA from Cornell University in New York. Beginning his professional career in 1988 as a Research Assistant at Middle East Technical University, Department of City and Regional Planning, Yaman served as Assistant Planning Specialist and Planning Specialist at the State Planning Organization (SPO) General Directorate of Social Sectors from 1989 to 2002, as General Coordinator of SPO EU Education and Youth Programs Center between 2002 and 2003, as Assistant General Manager at the General Directorate of Regional Development from 2003 to 2004 and as General Manager in the same agency from 2004 to 2009. He has been the Deputy Undersecretary of the SPO since 2009. Ahmet Yaman has been a member of the Bank's Board of Directors since May 2, 2008 and Vice Chairman of the Board of Directors and the Chairman of its Corporate Governance Committee since May 12, 2008.



Şerif ÇELENK

Member of the Board of Directors,

Kilis, 1948. Şerif Çelenk graduated from Marmara University, Faculty of Administrative Sciences, Department of Economics-Public Finance in 1973. Beginning his professional career at the Kilis Municipality in 1974, Çelenk served as Inspector and Manager at Pamukbank from 1979 to 1989 and as Manager at Emlak Bank from 1990 to 2001 and at Ziraat Bank from 2001 to 2004. He has been a member of the Bank's Board of Directors since March 2, 2009.



Özcan TENGİLİMOĞLU

Member of the Board of Directors and Vice Chairman of the Audit Committee,

Ankara, 1968. Özcan Tengilimoğlu graduated from Middle East Technical University, Faculty of Economics and Administrative Sciences, Department of Business Administration in 1991. He served as Inspector and Branch Manager at Esbank from 1992 to 2001 and as Branch Manager at Bank Asya between 2001 and 2005; he has been Finance Director of Türksat since 2005. Özcan Tengilimoğlu has been a member of the Bank's Board of Directors since May 2, 2008 and Vice Chairman of its Audit Committee since May 21, 2008.



Mehmet AYDIN

Member of the Board of Directors

Babinir-Batman, 1967. Mehmet Aydın graduated from Ankara University, Faculty of Political Science, Department of Economics in 1988. Beginning his professional career at the General Directorate of Local Administrations of the Ministry of the Interior in 1990, Aydın worked as a Controller from 1990 to 2009. He was the Deputy Director of the Public Procurement Authority between January 14 - July 16, 2010 and has been acting as a Consultant thereafter. He has also been assigned as Advisor to the Minister of Finance since August 2, 2010. Mehmet Aydın has been a member of the Bank's Board of Directors since March 2, 2009.

The Board of Directors of Development Bank of Turkey consists of seven members, six members elected by the General Assembly from among shareholders and the CEO. The Board of Directors serves for a term of three years. A member can be re-elected after the expiration of his or her term of office. The provisions of the Turkish Commercial Code apply in the event of vacancy in membership before the expiration of the term of office. The Bank's Charter Act No. 4456 and its Articles of Association stipulate that the Board of Directors convenes at least twice a month with a quorum consisting of the majority of its members. The Board of Directors holds at least 24 meetings each year. Interim resolutions require unanimous vote. A majority of the members of the Board of Directors should be present to convene a meeting. In 2010, the Board of Directors convened 24 times and passed 341 resolutions, 54 of which were interim resolutions.



İrfan TOKGÖZ

Member of the Board of Directors and Chairman of the Audit Committee,

Acıpayam-Denizli, 1970. İrfan Tokgöz graduated from Ankara University, Faculty of Political Science, Department of Public Finance in 1992; he received his MA from the University of Illinois in the United States. Beginning his professional career as Aspirant District Governor at the Ministry of the Interior in 1994, Tokgöz served as Assistant Treasury Controller at the Undersecretariat of Treasury Board of Treasury Controllers from 1995 to 1998 and as Treasury Controller between 1998 and 2005. He was Chief Treasury Controller from 2005 to 2008 at the same agency and has been the Deputy General Manager of General Directorate of Foreign Investments at the Undersecretariat of Treasury since 2008. İrfan Tokgöz became a member of the Bank's Board of Directors on May 2, 2008 and Chairman of the Audit Committee since May 21, 2008.

* Abdullah Çelik resigned from his duties as of March 14, 2011. As set forth by our Bank's Charter Act No. 4456, Clause 12 (h) and our Bank's Articles of Association, Clause 10 (h), Board Member Ahmet Yaman is appointed as Deputy Chairman of the Board of Directors upon the approval of Minister of State and Deputy Prime Minister, Ali Babacan on March 15, 2011. Pursuant to Banking Law No. 5411 Clause 23/1, Metin Pehlivan will also perform the duties of Member of the Board of Directors.

* He was once again elected as Member of the Board of Directors at our Bank's General Assembly on May 24, 2010.

AUDIT COMMITTEE*

**Mustafa GÜNEŞ****Statutory Auditor,**

Kaman-Kırşehir, 1969. Mustafa Güneş graduated from Ankara University, Faculty of Political Science, Department of Public Finance in 1991. He served as Chief Revenue Controller of Revenues from 2003 to 2005, as Group Head from 2005 to 2007 and as Department Manager from 2007 to 2009 at the Ministry of Finance Revenue Administration. He is currently a Vice President at the Ministry of Finance Revenue Administration and has been a Statutory Auditor of the Bank since April 30, 2008.

**Ferhat KARAŞ****Statutory Auditor,**

Bergama-Izmir, 1974. Ferhat Karas graduated from Ankara University, Faculty of Political Science, Department of Business Administration in 1996 and received his MA from Indiana University, Faculty of Public and Environmental Relations, Department of Public Relations. Beginning his professional career as an Assistant Auditor at the Prime Ministry Board of Internal Auditors in 1997, Karas worked as Auditor from 2001 to 2007 and as Chief Auditor there from 2007 to 2009. He has been Vice President in the same agency since 2009 and a Statutory Auditor of the Bank since January 28, 2010.

**Davut KARATAŞ****Statutory Auditor**

Adırn-Maraş, 1970. Davut Karataş graduated from Ankara University, Faculty of Political Science, Department of Public Administration in 1990. Beginning his professional career as Assistant Auditor at the Turkish Court of Accounts in 1992, Karataş worked as an Auditor from 1994 to 1997. Pursuant to Law No. 3056, Clause 36, he was appointed as Officer at the Prime Ministry General Directorate of Laws and Decisions from 1997 to 2002. Karataş acted as Department Head at the Prime Ministry General Directorate of Laws and Decisions from 2002 to 2003, as Assistant General Manager from 2003 to 2008, as Deputy General Manager from 2008 to 2009 and he has been the General Manager since 2009. Davut Karataş has been the Statutory Auditor of the Bank since May 24, 2010.

The term of office for the Statutory Auditors is three years. A Statutory Auditor can be re-elected after the expiration of his or her term of office. The provisions of the Turkish Commercial Code apply in the event of termination of duty of a Statutory Auditor before the expiration of his or her term of office.

*Mahmut Hadi Ekici served as a member of the Audit Committee from February 20, 2009 to February 15, 2010.

DEPARTMENTS IN INTERNAL SYSTEMS *

Murat DOĞUŞLU**Head of Internal Audit (A.)**

İzmit, 1963. Murat Doğuşlu graduated from Gazi University Faculty of Economics and Administrative Sciences, Department of Economics in 1986. Beginning his professional career as an Assistant Inspector at Akbank 1989, Doğuşlu worked as an Inspector from 1991 to 1992. He worked at the Bank as an Inspector from 1992 to 2009 and as Chief Inspector from 2009 to 2010. He has been the Acting Head of Internal Audit since November 11, 2010.

Ramazan KOYUNCUGİL**Manager of Internal Control (A.)**

Seydişehir-Konya, 1961. Ramazan Koyuncugil graduated from Atatürk University, Faculty of Economics and Administrative Sciences, Department of Business Administration in 1983. Beginning his professional career as an Assistant Specialist at the Ministry of Tourism in 1983, Koyuncugil served as Specialist from 1987 to 1995, Senior Specialist from 1995 to 1997, Manager between 1997 and 1998, Deputy Manager from 1998 to 2006 and Senior Specialist between 2006 and 2009. He has been Deputy Manager of Internal Control since October 13, 2009 and Acting Manager of Internal Control since November 3, 2009.

Semra PEKKAYA**Risk Monitoring Manager**

Polatlı-Ankara, 1969. Semra Pekkaya graduated from Ankara University, Faculty of Political Science, Department of Economics in 1989 and received her MA in Economics from Gazi University, Institute of Social Sciences and her PhD from the same university. Beginning her professional career as an Assistant Specialist at the Bank in 1990, Pekkaya served as Specialist from 1994 to 2000, Senior Specialist between 2000 and 2001, Deputy Manager from 2001 to 2006 and Manager between 2006 and 2009. She has been the Bank's Risk Monitoring Manager since November 3, 2009.

* Özkan Akcan was the Bank's Head of Internal Audit from September 6, 2006 to October 12, 2010. Ramazan Koyuncugil was appointed as Manager of Internal Control on March 15, 2011. Semra Pekkaya resigned from her duties as Risk Monitoring Manager on March 15, 2011 and Özkan Erdal was appointed for this position.

BANK'S SENIOR MANAGEMENT*

**Abdullah ÇELİK****Chairman of the Board of Directors and CEO**

Salihli-Manisa, 1969. Abdullah Çelik graduated from Middle East Technical University, Faculty of Economics and Administrative Sciences, Department of Economics in 1991 and received his MBA from Old Dominion University in Virginia. Beginning his professional career at the Ministry of Finance and Customs in 1986, Çelik served as Assistant Specialist at the EU Coordination Department of the Ministry of Finance and Customs in 1992, as Assistant Auditor on the Board of Certified Bank Auditors at the Prime Ministry Undersecretariat of Treasury and Foreign Trade between 1992 and 1995, Auditor in the same unit from 1995 to 2004, Chief Auditor on the Board of Certified Bank Auditors at the Banking Regulation and Supervision Agency of Turkey (BRSA) in 2004 and Manager of the Institutions II Department of the BRSA from 2004 to 2005. He has been the Bank's Chairman and CEO since December 19, 2005.

**Adnan YALÇINCI****Executive Vice President**

Ankara, 1965. Adnan Yalçinci graduated from Dokuz Eylül University, Faculty of Economics and Administrative Sciences, Department of Public Finance in 1987 and received his MA from Gazi University, Institute of Social Sciences. Beginning his professional career at the Regional Directorate of Forestry in 1986, Yalçinci worked for Türkiye Halk Bankası from 1988 to 1989 and later served as Assistant Specialist and Specialist at the Training Directorate of Ziraat Bank between 1989 and 2001. He served as the Administrator of Mamak/Ankara Branch and the Manager of the 100. Yıl Branch of Ziraat Bank from 2001 to 2005. Adnan Yalçinci has been an Executive Vice President at the Bank since October 14, 2005 and a member of the Board of Directors from 2008 to 2009. Yalçinci is currently in charge of Financial Affairs and Human Resources departments.

**Metin PEHLİVAN****Executive Vice President**

Tosya-Kastamonu, 1969. Metin Pehlivan graduated from Ankara University, Faculty of Political Science, Department of Business Administration in 1991. Beginning his professional career as Assistant Inspector at İş Bank in 1992, Pehlivan served as Deputy Manager at the Department of Corporate Loans from 2000 to 2006, Group Head at Corporate Marketing from 2006 to 2007 and Manager at İstanbul Karaköy Branch from 2007 until 2009. He has been an Executive Vice President of the Bank since September 15, 2009. Metin Pehlivan is currently in charge of Legal, Loan Marketing, Intelligence and Loan Monitoring departments, as well as İstanbul Branch.

**Zekai IŞILDAR****Executive Vice President**

Pınarbaşı-Kayseri, 1963. Zekai Işildar graduated from Middle East Technical University, Department of Mining Engineering in 1986. Beginning his professional career as an Assistant Specialist at the Bank in 1986, Işildar served as Specialist from 1991 to 1997, Manager in 1997, Specialist between 1997 and 1998, Senior Specialist from 1998 to 2003 and Manager from 2003 until 2007. After serving as Acting Executive Vice President from 2007 to 2009, he has been Executive Vice President since January 30, 2009. Zekai Işildar was a member of the Board of Directors between 2008 and 2009 and is currently in charge of Loan Evaluation I, Loan Evaluation II and Corporate Banking and Investments departments.

**Bahattin SEKKİN****Executive Vice President**

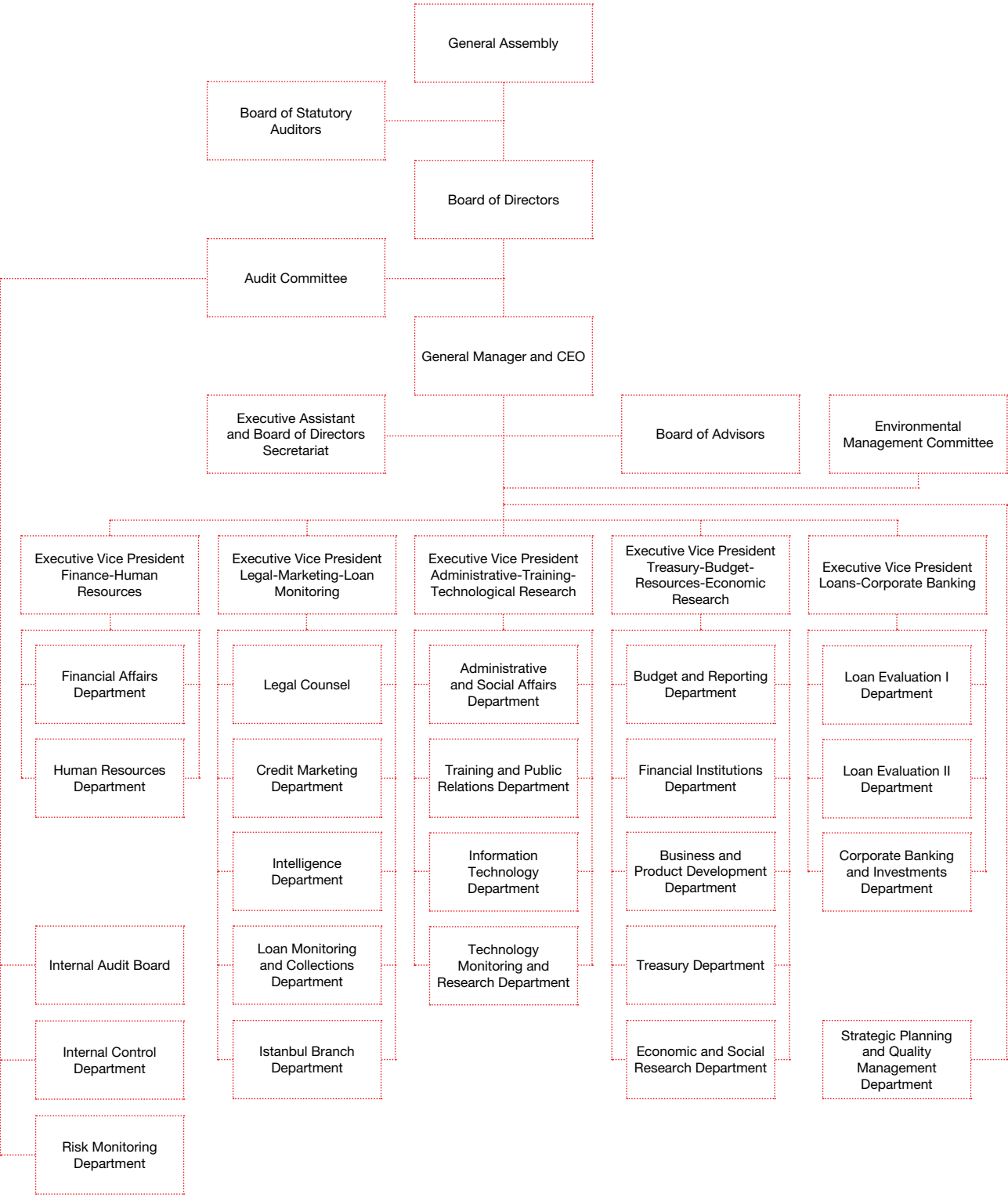
Üçkuyu-Afyonkarahisar, 1956. Bahattin Sekkin graduated from Middle East Technical University, Faculty of Economics and Administrative Sciences, Department of Business Administration in 1980. Beginning his professional career as an Assistant Specialist at the Bank in 1981, Sekkin served as a Specialist between 1985 and 1990, Senior Specialist in 1990, Assistant Manager from 1990 to 1997, Executive Vice President in 1997, Advisor to the General Manager from 1997 to 1998, Executive Vice President in 1998 and Advisor to the General Manager between 1999 and 2003. He was employed as Executive Director at Betonsan A.Ş. from 1987 to 1988 and at Keban Holding Sodyum Bikromat A.Ş. in 1988 and as Executive Vice President at Türk Suudi Yatırım Holding A.Ş. (Turkish Saudi Investment Holding) in 1993. Sekkin has been an Executive Vice President at the Bank since August 22, 2003. Bahattin Sekkin is currently in charge of Administrative Affairs, Training, Information Technology and Technological Research Departments.

**İrfan YAŞAR****Executive Vice President**

Çubuk-Ankara, 1973. İrfan Yaşar graduated from Ankara University, Faculty of Political Science, Department of Public Finance in 1997 and received his MA from the University of Illinois. Beginning his professional career as an Assistant Certified Bank Auditor on the Board of Certified Bank Auditors at the Undersecretariat of Treasury in 1998, Yaşar served as Assistant Certified Bank Auditor on the Board of Certified Bank Auditors at the Banking Regulation and Supervision Agency of Turkey (BRSA) between 2000 and 2002. He also served as Certified Bank Auditor from 2002 to 2008 and as Chief Certified Bank Auditor between 2008 and 2009. He has been an Executive Vice President of the Bank since December 16, 2009. İrfan Yaşar is currently in charge of Treasury, Budget and Reporting, Financial Institutions, Business and Product Development and Economic and Social Research departments.

* Abdullah Çelik resigned from his duties as of March 14, 2011. As set forth by our Bank's Charter Act No. 4456, Clause 12 (h) and our Bank's Articles of Association, Clause 10 (h), Executive Vice President Metin Pehlivan is appointed as Deputy General Manager and CEO upon the approval of Minister of State and Deputy Prime Minister Ali Babacan on March 15, 2011.

Organization Chart for 2010 *



*The Bank's organization chart was modified in line with the changes in task areas and put into effect in accordance with the Regulation on "Modifications on the Personnel Bylaws of Development Bank of Turkey " and published in the Official Gazette No. 27870 dated March 15, 2011.

Committees

AUDIT COMMITTEE

The Audit Committee was formed following the Bank's Board of Directors' resolution No. 227 dated October 31, 2006 to execute audit/oversight activities of the Board of Directors and to perform certain internal systems functions in accordance with the provisions of the Regulation on the Bank's Internal Systems. The Audit Committee conducts its activities in accordance with the Audit Committee Operating Procedures and Principles that were approved by the Board of Directors' resolution No. 36 dated January 24, 2007.

Board of Directors members, İrfan TOKGÖZ and Özcan TENGİLİMOĞLU, were elected to the Audit Committee following the Board of Directors resolution No. 098 dated May 12, 2008. At the Audit Committee meeting No. 2008/5 held on May 21, 2008, İrfan TOKGÖZ and Özcan TENGİLİMOĞLU were appointed Chairman and Vice Chairman of the Committee, respectively.

Internal Audit Board, Internal Control Department and Risk Monitoring Department, which are units of the internal systems, report directly to the Board of Directors; this reporting relationship is executed via the Audit Committee.

The Audit Committee meeting was convened 12 times in 2010.

Members of the Audit Committee and Their Primary Functions

Name	Title	Primary Function
İrfan Tokgöz	Audit Committee Chairman	Deputy General Manager of Foreign Investments, Undersecretariat of Treasury
Özcan Tengilimoğlu	Audit Committee Vice Chairman	Finance Director, Türksat

CORPORATE GOVERNANCE COMMITTEE

The Corporate Governance Committee was formed with the Bank's Board of Directors' resolution No. 185 dated June 15, 2007 in accordance with the Regulation on the Bank's Corporate Governance Principles issued by the Banking Regulation and Supervision Agency and published in the Official Gazette No. 26333 dated November 1, 2006 and the Corporate Governance Principles issued by the Capital Markets Board. The Operating Procedures and Principles of the Corporate Governance Committee were established and put in effect by the Board of Directors' resolution No. 209 dated July 24, 2007.

The function of the Committee is to conduct studies for determining the principles of the Bank's corporate governance policy, to oversee compliance with corporate governance principles, carry out initiatives to make improvements in this respect and make recommendations to the Board of Directors. Since May 12, 2008, the Chairman of the Committee has been Ahmet Yaman, a non-executive member of the Board of Directors; in his absence Hakan Tokağ, also a non-executive member of the Board of Directors as well as the Vice Chairman of the Committee, chairs the committee.

Corporate Governance Committee convened for two meetings during 2010.

Corporate Governance Committee is continuing to work toward improving the Bank's corporate governance practices.

Corporate Governance Committee

Name	Title	Primary Function
Ahmet YAMAN	Corporate Governance Committee Chairman	Deputy Undersecretary, State Planning Organization
Hakan TOKAÇ	Corporate Governance Committee Vice Chairman	Undersecretariat of Treasury, Deputy General Manager of Public Finance
Zekai İŞILDAR	Member	Development Bank of Turkey Executive Vice President
Adnan YALÇINCI	Member	Development Bank of Turkey Executive Vice President
İrfan YAŞAR	Member	Development Bank of Turkey Executive Vice President
Bahattin SEKKİN	Member	Development Bank of Turkey Executive Vice President
Metin ÇINAR	Member	Development Bank of Turkey Corporate Banking and Investments Manager
Kadriye METİN	Member	Development Bank of Turkey Human Resources Manager
Esra CEYLAN	Member	Development Bank of Turkey Budget and Reporting Manager (A.)
Yücel ÖZBİLGİN	Member	Development Bank of Turkey Strategic Planning and Quality Management Manager
Volkan KAPLAN	Member	Development Bank of Turkey Information Technology Manager
Aydın TOSUN	Member	Development Bank of Turkey Financial Affairs Manager
Hakan KILDOKUM	Member	Development Bank of Turkey Capital Markets Legislation Compliance Officer, Corporate Banking and Investments Assistant Manager

LOANS AND PARTICIPATIONS COMMITTEE

The Loans and Subsidiaries Committee was established to determine the principles governing the Bank’s general lending and participation policy, plan the composition of the types of loans that are, or will be, part of the Bank’s loan book, evaluate proposals put forth by related departments, oversee lending activities on a continuous basis and facilitating the changes needed in accord with general economic policies.

The Committee is chaired by the Executive Vice Presidents and consists of the Bank’s executive vice presidents and managers of related departments. Depending on the meeting agenda, other personnel may also be invited to the Committee meetings.

In 2010, the Committee convened for 40 meetings and made 169 decisions to be submitted to the Bank’s Board of Directors.

Members of the Loans and Participations Committee

Name	Title	Primary Function
Abdullah ÇELİK	Chairman	CEO
Zekai İŞILDAR	Vice Chairman	Executive Vice President
Bahattin SEKKİN	Member	Executive Vice President
Adnan YALÇINCI	Member	Executive Vice President
Metin PEHLİVAN	Member	Executive Vice President
İrfan YAŞAR	Member	Executive Vice President
Related Departments	-	Legal Counsel Loan Evaluation I Manager Loan Evaluation II Manager Loan Monitoring and Collections Manager Credit Marketing Manager Intelligence Manager

ASSETS AND LIABILITIES MANAGEMENT COMMITTEE

Assets and Liabilities Management Committee was set up to facilitate an effective and efficient management of the asset and liability items of the Bank’s balance sheet. The Committee conducts its business in accordance with the Bank’s vision, mission, strategic objectives and targets, risk management policies and strategies; it takes into consideration current or potential economic developments, interest rates, maturity and currency.

Executive Vice Presidents are members of the Committee which is chaired by the CEO. In the absence of the Chairman, the Executive Vice President of Financial Institutions Department chairs the meetings. Depending on the meeting agenda, the Chairman of the Committee may invite the related department managers or other personnel to attend the meetings.

In 2010, the Committee convened for 18 meetings and made 18 decisions to be submitted to the Bank’s Board of Directors.

Assets and Liabilities Management Committee

Name	Title	Primary Function
Abdullah ÇELİK	Chairman	CEO
İrfan YAŞAR	Vice Chairman	Executive Vice President
Bahattin SEKKİN	Member	Executive Vice President
Adnan YALÇINCI	Member	Executive Vice President
Zekai İŞILDAR	Member	Executive Vice President
Metin PEHLİVAN	Member	Executive Vice President

ENVIRONMENTAL MANAGEMENT COMMITTEE

As part of Environmental Management Policy, Development Bank of Turkey is aiming to form, administer, improve, monitor and ensure corporate awareness about the Environmental Management System. To this end, Functions, Authorities, Responsibilities and Operating Procedures and Principles of the Environmental Management Committee were established by the Board of Directors resolution No. 106 dated May 25, 2009. Some articles of the Regulation were modified by the Board of Directors resolution No. 9 dated January 11, 2011.

The Committee consists of a total of seven members appointed by the CEO, one of whom is the representative picked from among executive vice presidents or managers and two are deputy representatives elected from among other personnel.

The Committee convened for 8 meetings in 2010.

Environmental Management Committee *

Name	Title	Primary Function
İbrahim SEVİN	Representative	Manager
İbrahim YILDIRIM	Deputy Representative	Assistant Manager
İlhan KALAYCI	Deputy Representative	Assistant Manager
Salih DEMİREL	Member	Senior Specialist
Meral YILDIZ	Member	Senior Specialist
Zeki AVŞAR	Member	Senior Specialist
Kurtay Kurtar ERBAŞ	Member	Senior Supervisor

* Terms of office of the representative Bahattin Sekkin, vice representative Zehra Yiğit and members, Erdoğan Coşkun and Can Ayyıldız have come to the end by December 31, 2010.

INFORMATION TECHNOLOGY COMMITTEE

The Functions, Authorities and Operating Procedures and Principles of the Information Technology (IT) Committee was established by the Development Bank of Turkey Board of Directors resolution No. 152 dated June 30, 2008. This resolution was passed for the purpose of overseeing the compliance of Information Technology systems, platforms and applications with the Bank’s main area of activity, business goals, related legislation and standards, to assess opportunities for cooperation and coordination in these matters and facilitate the implementation of corporate governance principles.

The IT Committee consists of the Bank’s Executive Vice Presidents and the Information Technology Manager; the Executive Vice President of Information Technology is the Chairman of the Committee. In the absence of the Chairman, the acting Executive Vice President chairs the meetings. In addition to these members, other personnel may also be invited to attend the meetings depending on the meeting agenda.

In 2010, the Committee convened for two meetings and made two decisions to be submitted to the Bank’s Board of Directors.

Information Technology Committee		
Name	Title	Primary Function
Bahattin SEKKİN	Chairman	Executive Vice President
Adnan YALÇINCI	Vice Chairman	Executive Vice President
Zekai İŞILDAR	Member	Executive Vice President
Metin PEHLİVAN	Member	Executive Vice President
İrfan YAŞAR	Member	Executive Vice President
Volkan KAPLAN	Member	Information Technology Manager

Summary Report of the Board of Directors

Growing faster than development and investment banks as well as the overall banking sector, the total assets of Development Bank of Turkey reached TRY 1,597 million with a 24.1% increase over levels of the previous year that totaled TRY 1,287 million.

Despite the increasing competition, Development Bank of Turkey closed 2010 successfully with loans reaching record levels. The financial results achieved as of year-end prove our Bank’s competence in development banking. Consequently, growing faster than the development and investment banks as well as the overall banking sector, our Bank’s total assets reached TRY 1,597,201 thousand with a 24.1% increase over the previous year’s level of TRY 1,287,044 thousand.

In recent years, Development Bank of Turkey intensified lending, its primary function; the share of loans in its total assets rose from 62.3% to 73.8%. The Bank’s loan book expanded 46.8% from TRY 802,324 thousand to TRY 1,178,241 thousand.

Development Bank of Turkey funded the increase in its lending volume predominantly with foreign resources. Consequently, share of foreign resources in total liabilities increased to 68% in 2010. Paid-in capital of Development Bank of Turkey is TRY 160,000 thousand. In 2010, the Bank’s shareholders’ equity grew by 2.9% to TRY 513,688 thousand from TRY 499,028 thousand and the share of shareholders’ equity in total liabilities stands at 32%.

The total assets of Development Bank of Turkey grew as a result of the expansion in its loan volume during the period; however, interest margin narrowed due to the falling interest rates in 2010. Accordingly, net profit declined to TRY 21,121 thousand in 2010 from TRY 25,579 thousand the previous year; return on assets (ROA) declined from 2% to 1.3% while return on equity (ROE) fell from 5.1% to 4.1%.

Thanks to its qualified human resources and well-established corporate culture, Development Bank of Turkey will maintain its active involvement in resource development and lending activities and continue to support the financing of competitive projects of real sector investors that create added value and employment in the period ahead, in line with its goal to become a well-known and an active bank in the international arena.

DEVELOPMENT BANK OF TURKEY
BOARD OF DIRECTORS

Human Resources Practices

The personnel policy, recruitment criteria and principles of promotion of Development Bank of Turkey have been set by the Personnel Bylaws.

Article 15 of Law No. 4456 that charters the Bank stipulates that the tasks required for the Bank's services shall be conducted via contract personnel who are not subject to the permanent personnel provisions of the Civil Servants Law No. 657 or other laws and that provisions of the Law No. 5434 on Civil Servants Pension Fund shall apply for the Bank's personnel. In this respect, the Bank's employees became Contract Personnel while retaining their personal employee rights.

The annual salary increases of the Bank's personnel are determined based on the wage caps set by the High Planning Council and their rates of increase. This practice has been put on a legal frame by Article 15 of Law No. 4456.

The personnel policy, recruitment criteria and principles of promotion of Development Bank of Turkey have been set by the Personnel Bylaws. Recruitments are made according to the circulars of the Office of the Prime Ministry and stipulations of the Personnel Bylaws. The recruitments and promotions of specialists and assistant specialists are conducted pursuant to the provisions of the Regulation on Recruitment, Proficiency and Promotion Principles for Specialists and Assistant Specialists; recruitments and promotions of auditors and assistant auditors are conducted pursuant to the provisions of the Internal Audit Board Regulation; while recruitment and promotion of other personnel are performed according to the provisions of the Personnel Bylaws.

As of year-end 2010, the Bank undertook its activities with a total of 712 employees, 667 of who are contract personnel and 45 are fixed term contract personnel. Therefore, the Bank's number of employees decreased approximately by 4% as of year-end 2010, from 741 at year-end 2009.

The Bank's organization consists of the Head Office and the Directorate of the Istanbul Branch.

80% of the Bank's employees hold university or higher degrees. 20% of the Bank's personnel are elementary and high school graduates.

Related Party Transactions

The Chairman and members of the Board of Directors, the CEO and Executive Vice Presidents do not own any shares representing the Bank's capital. If requested, loans may be made to the members of the Board of Directors in accordance with the Bank Personnel Loan Regulation and under the same conditions applicable

to the Bank's personnel. Aside from these loans made within the frame of the banking legislation, no loan or any other form of debt entry has been extended to any member of the Board of Directors or executives, directly or through a third person, nor is there any guarantee or collateral given in their favor.

Support Services

The Bank does not procure any support services that fall within the purview of Regulation on Procurement of Support Services by the Banks and Authorization of Support Service Providers.

Corporate Governance Principles Compliance Report

Development Bank of Turkey implements the Corporate Governance Principles published by Capital Markets Board (CMB) in a disciplinary manner.

1. Declaration of Compliance with Corporate Governance Principles

Türkiye Kalkınma Bankası A.Ş. conducts its business in accordance with the provisions of its Charter Act No. 4456, the Banking Law and other laws and regulations to which it is subject. All of the Bank's activities are conducted within the principles of lucidity, transparency and accountability. The Bank expends maximum effort to comply with the Corporate Governance Principles published by the Capital Markets Board (CMB).

In this scope;

- A Corporate Governance Committee was formed and the Committee's Operating Procedures and Principles were established.
- Information Disclosure Policy and the List of Persons with Access to Inside Information were approved.
- The organization structure needed for the Shareholder Relations Department to execute its functions was put in place.
- The Bank strives to continually improve its website for its effective use in sharing information with investors and shareholders.

SECTION I - SHAREHOLDERS

2. Shareholder Relations Unit

On March 2, 2009, the Board of Directors resolved that the Bank's Corporate Banking and Investments Department shall carry out the functions of the "Shareholder Relations Unit", mandated by the Capital Markets Board Communiqué Series IV, No. 41 on Principles to be Complied with by Partnerships Governed by the Capital Markets Law and these duties are being carried out accordingly.

In 2010, seven applications and information requests were processed and replied.

The contact information of the Shareholder Relations Unit managers is provided below:

Corporate Banking and Investments Department

Department Manager:

Dr. Metin ÇINAR
Phone: +90 312 425 32 05 / +90 312 418 3072
metin.cinar@kalkinma.com.tr
bankacilikyatirimlar@kalkinma.com.tr

Department Assistant Manager:

Güldoğan HANCIOĞLU
Phone: +90 312 425 32 05 / +90 312 418 30 72
guldogan.hancioglu@kalkinma.com.tr
bankacilikyatirimlar@kalkinma.com.tr

3. Exercise of Shareholders' Right to Obtain Information

In 2010, the Bank received seven applications in writing, from small shareholders requesting information regarding position of customer accounts with respect to Bank share certificates, exercise of pre-emptive rights, dividend payment and the Bank's subsidiaries; all of these were responded to or directed in writing or via electronic means as appropriate.

The Bank conducts ongoing efforts to improve use of the electronic environment as a means to make announcements and facilitate effective exercise of shareholder rights; developments pertaining to the Bank's activities are regularly posted on the website.

The Bank's Articles of Association do not recognize the appointment of a special auditor as an individual right. Article 17 of the Bank's Articles of Association, which states "For matters that are not addressed in these Articles of Association, related provisions of the Bank's Charter Act No. 4456, Turkish Commercial Code, Capital Markets Law and Banking Law apply" refer to the arrangements stipulated in the mentioned legislations with respect to the appointment of a special auditor. The Bank did not receive any requests for the appointment of a special auditor in 2010.

4. Information about General Assembly

The Ordinary General Assembly Meeting regarding the Bank's activities in 2009 was held on May 24, 2010 with the representation of 15,853,072,096.5 shares out of the 16,000,000,000 outstanding shares (99.08 %) and the participation of media representatives. Since the Bank's share certificates are listed on the Istanbul Stock Exchange and registered by the Central Registry Agency, the invitation to the shareholders for attending the General Assembly Meeting was announced in the Turkish Trade Registry Gazette issue No. 7559 dated May 7, 2010 and in the daily Dünya and Referans newspapers on May 7, 2010 in accordance with the related legislation. In addition, the invitation was extended to the national media with a Press Bulletin issued on May 21, 2010 and to the public via the Bank's website; as a result, the Bank made all the announcements mandated by the public disclosure-related legislation.

In accordance with the related legislation; the Balance Sheet, Income Statement, Annual Report of the Board of Directors, Dividend Distribution Offer of the Board of Directors, Statutory Auditors' Report and the Independent Audit Report for 2009 were made available at the location of the meeting for the examination of the shareholders prior to the Ordinary General Assembly meeting. Shareholders did not exercise their right to ask questions during the General Assembly meeting regarding the Bank's 2009 activities. The suggestions for the agenda were provided by the representative of the controlling shareholder and the agenda was approved unanimously.

There is no provision in the Articles of Association stipulating that important decisions, such as the sale, purchase or lease of a significant amount of property be taken by the General Assembly. Since the Bank was chartered by legislation and is a state-owned enterprise, these kinds of decisions are subject to the approval of the State Ministry that oversees it or legislative amendment in certain circumstances.

The minutes of General Assembly meetings are published in the Trade Registry Gazette and can also be reached on the Public Disclosure Platform (KAP) website (www.kap.gov.tr).

5. Voting Rights and Minority Rights

The Bank's Articles of Association do not provide for privileges with respect to voting rights. The companies with which the Bank has participation relations did not vote in the General Assembly. The Bank's Charter Act and Articles of Association do not provide for the representation of minority shares in management or the cumulative voting system.

6. Profit Distribution Policy and the Timing of Dividend Payment

There are no privileges in participating in the Bank's profit. Pursuant to the Bank's Charter Act and Articles of Association;

"A first dividend is paid from the Bank's distributable profit, calculated by setting aside provisions for taxes and other legal obligations from the gross profit, in accordance with the provisions of the Turkish Commercial Code, Banking Law and other related legislation.

A portion of up to 5% of the profit remaining after the first dividend distribution as determined by the General Assembly, shall be set aside as a bonus dividend for the employees to be distributed in accordance with the principles set by the Board of Directors, not to exceed three months of gross salary of employees. After other deductions and legal reserves stipulated by the Turkish Commercial Code and the General Assembly are also set aside, the remaining amount is distributed to the shareholders as second dividend by the General Assembly."

Accordingly, the Bank's Board of Directors presents its profit distribution proposal for the approval of the shareholders at the General Assembly.

The distribution of profit is made in accordance with the decision of the General Assembly and within the time frame stipulated by legislation.

7. Transfer of Shares

The Bank's Articles of Association do not contain any provisions restricting the transfer of shares.

SECTION II - PUBLIC DISCLOSURE AND TRANSPARENCY

8. Information Disclosure Policy of the Company

The Bank's Information Disclosure Policy, put together in accordance with CMB's Communiqué Series VIII No: 54 regarding Principles of Public Disclosure of Material Events as well as the Corporate Governance Principles, was approved by the Board of Directors' resolution No. 92 dated April 29, 2009 and has been posted on the Bank's website since May 1, 2009.

The Bank's Board of Directors is authorized for and charged with overseeing, supervising and improving the implementation of the Bank's Information Disclosure Policy.

Implementations of the Bank's Information Disclosure Policy are conducted under the supervision of the Corporate Governance Committee on behalf of the Board of Directors. The Committee consists of two non-executive members of the Bank's Board of Directors as Chairman and Vice chairman; and managers of related departments, the Executive Vice Presidents these departments report to and the Bank's Capital Markets Law Compliance officers as members. The secretarial tasks of the Committee are carried out by the Corporate Banking and Investments Department, which also performs the functions of the Investor Relations Unit. Corporate Banking and Investments Department is in constant contact with other departments of the Bank in accordance with the Information Disclosure Policy.

The Financial Affairs Department and the Budget and Reporting Department are responsible for the announcement of annual and quarterly financial statements and their accompanying notes regarding the Bank's financial position as well as the annual reports.

The loans offered by the Bank, terms of these loans, loan operations mechanism, methods and documents for loan applications are announced on the Bank's website. Quarterly financial statements and independent audit reports regarding the Bank's financial position are made available on the Bank's website as well as on the Istanbul Stock Exchange (ISE) websites. The Public Disclosure Platform, which was established pursuant to the CMB Communiqué on Principles of Public Disclosures by Intermediary Institutions, is periodically published on the website of The Association of Capital Market Intermediary Institutions of Turkey (TSPAKB).

The text of the Charter Act No. 4456 and the Articles of Association, organization structure, annual reports, as well as sector research reports and regional investment opportunities and areas research reports that are prepared in accordance with the Bank's mission are posted on the Bank's website for the information of the public.

In addition to the rules stipulated by the laws and regulations it is subject to, the Bank has adopted the principle of disclosing information to the public, provided that doing so is in line with its mission and such information is not a trade secret.

In 2010, Pursuant to Law No. 4982 on the Right to Information and the Regulation on Procedures and Principles Regarding its Implementation, 72 applications submitted to the Right to Information Unit received replies. Pursuant to the Office of the Prime Ministry Circular No. 2006/3, published in the Official Gazette issue No. 26055 dated January 20, 2006, 36 applications were responded to via the Prime Ministry Communication Center (BİMER)'s Prime Ministry direct application.

9. Material Event Disclosures

The Bank makes timely announcements when circumstances require material event disclosures. 31 material event disclosures were made in 2010. These disclosures are

posted on the Bank's website no later than the business day following their publication on the Public Disclosure Platform.

Regarding the Bank's material event disclosures, one follow-up disclosure request was made by the ISE.

10. Company Website and Its Content

The Bank's website (www.kalkinma.com.tr) contains the following information:

Text of the Charter Act and Articles of Association
Management Structure
Corporate and Financial Information
Announcements
Organization Structure
Annual Reports
Periodic Financial Statement and Reports
Contact Information
Social Responsibility Activities
Human Resources
Information on Capital Markets
Services for Investors

Loans Offered by the Bank, terms of these loans, loan operations mechanism, methods and documents for loan applications

The Bank continues to improve and enhance the website to facilitate effective exercise of shareholder rights.

11. Disclosure of Real Person Controlling Shareholder(s)

There is no real person who holds a controlling majority of the Bank's share capital.

12. Public Disclosure of Persons with Access to Insider Information

The List of Persons with Access to Insider Information, which was put together in accordance with the provisions of the CMB's Communiqué Series VIII No: 54 on Principles of Public Disclosure of Material Events, was approved with the Bank's Board of Directors' resolution No. 92 dated April 29, 2009. The list consists of real persons and corporate entities who act on behalf or account of the Bank, persons who work for the Bank pursuant to an employment contract or via another arrangement are

chosen based on duties, authorities and responsibilities and have regular access to insider information and persons who have administrative responsibilities. In accordance with the stipulations of the legislation, the comprehensive List of Persons with Access to Insider Information is kept up-to-date to be sent to the CMB and the related exchange upon request.

SECTION III - STAKEHOLDERS

13. Informing the Stakeholders

The Bank expends best effort in providing its services in an honest, reliable, comprehensible, timely and impartial manner to employees, creditors, clients and all interested parties. The Bank respects the principle of confidentiality by not disclosing the information it obtains due to its business relations to anybody other than the bodies laws and regulations allow.

The stakeholders and the media are informed verbally, directly in writing and through the electronic media as part of the Bank's Information Disclosure Policy practices. The Bank employs the following methods and tools to inform stakeholders:

- Material Event Disclosures submitted to the Public Disclosure Platform
- Financial Statements and their Accompanying notes, Independent Audit Reports and Declarations submitted to the ISE and the CMB on a periodic basis
- Annual and Interim Activity Reports
- Notices and announcements published in the Turkish Trade Registry Gazette and daily newspapers in certain circumstances (capital increase, General Assembly meetings, etc.)
- The Bank's website <http://www.kalkinma.com.tr>
- Press announcements made during the year via the print and visual media
- Announcements made to data distribution institutions
- Information requests received in writing or via electronic environment

In addition, the Bank conducts informational meetings for employees regarding the Bank's activities, objectives and goals.

14. Stakeholders' Participation in Management

Stakeholders do not participate in management.

15. Human Resources Policy

Pursuant to Article 15, Law No. 4456, the Bank employs contract personnel who are not subject to the provisions of the Civil Servants Law No. 657 or the contract personnel provisions of other related laws.

Recruitment, duties and authorities, qualifications, appointment, advancement, promotion, termination methods, discipline principles, responsibilities, titles and number of the Bank's personnel are governed by the Bank's Personnel Bylaws.

The recruitments and promotions of Auditors and Assistant Auditors are conducted pursuant to the provisions of the Internal Audit Board Regulation; the recruitments and promotions of Specialists and Assistant Specialists are conducted pursuant to the provisions of the Regulation on Recruitment, Proficiency and Promotion Principles for Specialists and Assistant Specialists; while promotion of other personnel is performed according to the provisions of the Personnel Bylaws.

The following principles form the basis of the establishment and implementation of the Bank's Human Resources Policy:

- Choosing and recruiting personnel who possess the qualifications needed for the job and training personnel in accordance with the requirements of their jobs,
- Supporting creativity, entrepreneurialism, success and efforts of employees, financially and emotionally,
- Encouraging personnel to work in accordance with principles of efficiency and profitability and with conservation awareness,
- Informing personnel promptly in matters that are of interest to them and establishing the methods and opportunities of communication to ensure that the personnel can express their opinions and thoughts to the management easily,
- Increasing personnel loyalty to the

Bank and meeting their social and cultural needs, supporting their duties, efforts and activities and ensuring that all employees have equal access to social services and assistance, thus increasing productivity and making the Bank an attractive place to work,

- Being respectful to the employees and safeguarding their personal rights and
- Evaluating the personnel's overall condition and annual work, monitoring them with confidential credential reports in accordance with objective criteria and a sense of fairness.

In accordance with the provisions of the Civil Servant Unions Law No. 4688 and other related legislation, at the Corporate Management Council meetings held with joint participation of the Bank representatives and the representatives of the unionized employees, recommendations aimed at improving the social and personal rights of all employees and their working conditions are discussed and developed.

16. Information on Relations with Clients and Suppliers

The Bank extends the resources it secures to clients as investment and working capital loans in accordance with the principles of profitability, productivity and social benefit. The terms of the loans offered by the Bank are posted on the website at www.kalkinma.com.tr.

The Bank informs its clients at Regional Loan Information meetings organized in various provinces jointly with Chambers of Industry and Commerce and Organized Industrial Zone Administrations as well as via customer visits in various investment regions and by participating in various industry fairs and events.

All Asset Management and Capital Markets transactions are conducted with clear instructions from the clients.

17. Social Responsibility

As Turkey's development bank, Development Bank of Turkey is fully cognizant of the importance of environmental awareness for achieving

sustainable development. Being a state enterprise, the Bank assumes a socially responsible attitude in all of its activities and lending processes and attaches importance and priority to supporting renewable energy resources. Therefore, the Bank provides financing to renewable energy and energy efficiency projects, as well as industrial, tourism, healthcare and education sectors. To this end, Development Bank of Turkey participated in many fairs, congresses, conferences and workshops and closely monitored the developments in these areas; in addition, the Bank contributes to these platforms by sharing its experience and know-how via presentations and reports.

As an institution that provides financial support to sustainable development initiatives, Development Bank of Turkey aimed to become a company equipped with the Environmental Management System (EMS) and was granted the TSI certificate on May 14, 2010, becoming the first public bank equipped with the EMS certificate. This achievement is an evidence that proves the contribution of the Bank's employees to the system and the support of the senior management.

The initial implementation year of EMS which took effect as of January 7, 2010, is completed and almost all of the projections were surpassed. By the end of the first implementation year, the Bank saved 19% on water and 8% on natural gas. Compared to the previous year, the Bank's electricity installed capacity increased by 13% and yet, there was a 1% decrease in consumption. 610 people took EMS trainings and consequently a team of 56 people, trained and experienced enough to manage the system, was established. Under EMS, all documents were transferred to electronic media and significant savings were achieved on paper consumption. Wastes are separated at source, recorded and then disposed by licensed companies.

Additionally, the Bank set up a commission to work on calculating the "Kalkinma Carbon Footprint", one of the other goals of the Bank.

As part of the Kalkınma Forest project, two hectare land was afforested by the Bank's employees. The environment logo and the posters were also designed by the Bank's employees.

In 2010, with the purpose of accelerating our country's development, the Bank presented many papers on energy and environment in various platforms, highlighted primarily at ICCI 2010 16th International Energy and Environment Fair and Conference. Within this frame, the Bank also trained Dicle and Karacadağ Development Agencies on Feasibility Study Preparation.

The Bank contributed to the studies conducted by the Ministry of Environment and Forest and UNDP on developing Turkey's climate change policies. Additionally, other contributions regarding this subject were provided as demanded by the Ministry of Industry and Trade and the Ministry of Energy and Natural Resources.

In conformity with its socially responsible approaches and as a result of its diversified researches, the Bank prepared comprehensive research reports on Evaluation of Municipal Solid Wastes, Cogeneration, Biomass, Eco-friendly Building Designs for Sustainable Settlements, Hazardous Waste Disposal and Recycling Facilities and Technologies for Protecting and Cleaning up Ground Water, throughout the year.

In addition, the Bank conducted informative meetings at the Union of Chambers and Commodity Exchanges of Turkey (TOBB), Chambers of Industry and Commerce and Organized Industrial Zones to promote its loans and lending policies.

A number of social activities and services are provided by the Bank for the benefit of the public. In this scope, a kindergarten is operated by the Bank for children between the ages of three and six, the library of the Bank is kept open for the public and the participation of the Bank's employees

in campaigns such as blood donation is encouraged.

There is no lawsuit filed against the Bank for causing environmental harm.

SECTION IV - BOARD OF DIRECTORS

18. The Structure and Composition of the Board of Directors and Independent Members

The composition of the Bank's Board of Directors is stipulated by the Charter Act No. 4456. The Board of Directors is composed of seven members, six members elected by the General Assembly from among shareholders and the CEO. Pursuant to the Charter Act, the CEO is also the Chairman of the Board of Directors.

The members of the Bank's Board of Directors are elected in accordance with the conditions stipulated by Turkish Commercial Code, Banking Law No. 5411 and the Bank's Charter Act No. 4456.

Board of Directors* Name	Commencement	Date of Duty	Employment Outside of the Bank
Abdullah ÇELİK	Chairman of the Board of Directors and CEO	December 19, 2005	-
Ahmet YAMAN	Vice Chairman of the Board of Directors and Chairman of Corporate Governance Committee	May 2, 2008	State Planning Organization Deputy Undersecretary
Hakan TOKAÇ	Member of the Board of Directors and Vice Chairman of Corporate Governance Committee	May 1, 2007	Undersecretariat of Treasury, Deputy General Manager of Public Finance
İrfan TOKGÖZ	Member of the Board of Directors and Chairman of the Audit Committee	May 2, 2008	Undersecretariat of Treasury, Deputy General Manager of Foreign Investments
Özcan TENGİLİMOĞLU	Member of the Board of Directors and Vice Chairman of the Audit Committee	May 2, 2008	Türksat, Finance Director
Mehmet AYDIN	Member of the Board of Directors	March 2, 2009	Advisor to the Minister of Finance
Şerif ÇELENK	Member of the Board of Directors	March 2, 2009	Retired Banker

Audit Committee** Name	Commencement	Date of Duty	Employment Outside of the Bank
Mustafa GÜNEŞ	Audit Committee Membe	April 30, 2008	Ministry of Finance Revenue Administration, Vice President
Ferhat KARAŞ	Audit Committee Member	January 28, 2010	Office of the Prime Ministry Internal Audit Board, Vice President
Davut KARATAŞ	Audit Committee Member	May 24, 2010	Prime Ministry General Directorate of Laws and Decisions, General Manager

* Abdullah Çelik resigned from his duties as of March 14, 2011. As set forth by our Bank's Charter Act No. 4456, Clause 12 (h) and our Bank's Articles of Association, Clause 10 (h), Board Member Ahmet Yaman is appointed as Deputy Chairman of the Board of Directors upon the approval of Minister of State and Deputy Prime Minister, Ali Babacan on March 15, 2011. Pursuant to Banking Law No. 5411 Clause 23/1, Metin Pehlivan will also perform the duties of Member of the Board of Directors.
** Mahmut Hadi Ekici served as a member of the Audit Committee from February 20, 2009 to February 15, 2010.

19. Qualification of the Members of the Board of Directors

The members of the Board of Directors meet the conditions stipulated by Banking Law No. 5411, Law No. 4456 and the Articles of Association of the Bank while also possessing the qualifications mandated in Article 3.1 of Section IV of the Corporate Governance Principles of the Capital Market Boards.

20. The Bank's Mission, Vision and Strategic Objectives

Law No. 4456 establishing the Bank defines the objectives and areas of operation of the Bank as “extending loans to enterprises organized as joint stock companies based on the criteria of profitability and productivity, providing them with financial and operational support by participating in them, channeling domestic and foreign savings into development-oriented investments, contributing to the development of the capital markets, financing domestic, foreign and international joint investments and performing all kinds of development and investment banking functions in order to promote Turkey's development.”

The Bank's mission and vision were adopted by the Board of Directors and have been publicly announced on the Bank's website.

The Bank's mission is; In accordance with the aim of facilitating development and sustainable growth of Turkey, to increase employment, income and welfare by supporting the investments of the enterprises organized as joint stock companies by providing loans secured from domestic and international sources, directly participating in leader/model enterprises, providing technical assistance support to entrepreneurs and facilitating the development of capital markets.

The Bank's vision is; As the pioneer for development and sustainable growth, to become an international-scale development and investment bank that supports investments on the basis of region, sector and technology, finances them effectively and quickly and supports investors by empowering and encouraging them, including providing technical assistance.

The mission, vision and strategic targets of the Bank are approved by the Board of Directors and the annual budget is prepared in accordance. The Bank's strategic targets are in compliance with the strategic objectives of the Bank and are formulated as sub-objectives of each objective. Strategic targets are satisfactory, common, logical, clear, attainable and numerical attributes set with maximum level of participation from related units.

The statements, which consist of the Bank's activities, level of attainment of objectives and information on past performance and organized on the basis of departments/activities, are provided alongside monthly and annual activity reports as part of the annual business plan and budget. Monthly reports are submitted to the Board of Directors for information while the annual business plan and budget are submitted to the Board of Directors for approval. In addition, semi-annual performance reports are produced.

21. Risk Management and Internal Control Mechanism

The risk management and internal control mechanism of the Bank was established in accordance with the provisions of the Regulation on the “Banks’ Internal Control and Risk Management Systems” published by the Banking Regulation and Supervision Agency (BRSA) on February 8, 2001. Pursuant to the provisions of the Regulation and by

the Board of Directors Resolution No. 311, dated November 19, 2001, Internal Control and Risk Monitoring Departments were established within the Bank. The duties and authorities of the current Internal Audit Board were revised within the context of this Regulation. Pursuant to the Banking Law No. 5411, which was put into effect in 2005 and with the Bank's Board of Directors' resolution No. 227 dated October 31, 2006, an Audit Committee was formed with the non-executive members of the Board, in order to assist the Board of Directors in conducting its audit and oversight activities. Internal Audit Board and Internal Control and Risk Monitoring Departments report to the Board of Directors via this Committee. In accordance with the “Regulation on the Banks’ Internal Systems” issued by the Banking Regulation and Supervision Agency and published in the Official Gazette No. 26333 dated November 1, 2006, the duties and operating procedures of the Audit Committee were established and the bylaws organizing the Bank's internal systems units were revised.

The Bylaws of the Bank's Internal Audit Board, which were revised based on the Regulation on the Banks' Internal Systems that was published by the BRSA, stipulate in detail the duties, authorities and responsibilities of the Internal Audit Board and its inspectors, who perform the Bank's internal audit tasks. Pursuant to Article 31 of the related regulation published by the BRSA, the reports submitted to the Internal Audit Board as a result of the audits and inspections of departments and processes are submitted to the Board of Directors via the Audit Committee after they are reviewed by the Internal Audit Board. However, pursuant to the Bank's Board of Directors' resolution No. 65 dated February 19, 2007, the Committee was authorized to submit only the reports it deems necessary to the Board of Directors.

The Internal Audit Board submits quarterly activity reports to the Audit Committee regarding its activities. These activity reports present information about completed and ongoing audits and inspections as well as summary of information systems audits, reports of deficiencies in internal control, other activities and trainings conducted for inspectors. The annual activity report covering the activities of the Internal Audit Board for the entire year is submitted to the BRSA after it is approved by the Board of Directors; the Risk Assessment Report and the Risk Matrix, which are prepared by the Internal Audit Board annually in accordance with the risk-based audit approach, as well as the Internal Audit Plan, are also submitted to the BRSA after they are approved by the Board of Directors.

In order to safeguard the Bank's internal control activities, the Internal Control Department conducts daily, weekly and monthly controls at the executive departments that have a direct impact on the Bank's profit and loss as of the results of their functions via the pre-determined standard control points. As a result of the internal control activities, measures that need to be taken are planned in coordination with the related departments; improvements are made on a continuous basis. The internal control activities are reported to the Audit Committee, the Head Office and the Internal Audit Board on a monthly basis.

The general principles of the risk policies to be followed by the Bank can be summarized as specializing in areas of business that are consistent with the Bank's function, vision and structure as defined by its Charter Act, taking only those risks that can be identified, controlled and/or managed in this respect and refraining from all risks other than those that occur inevitably because of the nature of the Bank's activities. In this context, the main principle is to take risks that are identified and manageable. The Bank's risk management is conducted under the oversight of committees that are formed based on their areas of activity. Accordingly, the Assets and Liabilities

Management Committee formulates the Bank's risk policy with respect to its current assets and foreign currency position in general, while the Loans and Participations Committee establishes the principles associated with credit risks.

The Risk Monitoring Department identifies and measures the risks the Bank might be exposed to presently and in the future and identifies their current and future potential impacts. Bank risks are monitored in accordance with the risk monitoring criteria that are defined pursuant to BRSA regulations and reported periodically, as well as "Development Bank of Turkey Risk Monitoring Report" that is prepared on a monthly basis by the Bank's Risk Monitoring Department. This report is aimed at studying, defining, forecasting the development trend of risk to which the Bank may be exposed in its core business areas as well as formulating scenarios for future periods. The current and the potential future impact of risks are also measured to the extent allowed by risk measurement and reporting techniques. Based on this report, the Bank's risks are categorized under six main groups: Liquidity Risk, Exchange Rate Risk, Interest Rate Risk, Maturity Risk, Credit Risk and Operational Risk. The Risk Assessment Report prepared according to the defined format, is presented to the Audit Committee that convene monthly and the Bank's current and potential risks are discussed. A copy of the Risk Assessment Report is also submitted to the Assets and Liabilities Management Committee, the Internal Audit Board and to the Chairman of the Board of Directors so that both executive, management and audit mechanisms are informed about Bank's risks. In accordance with article 37 of the Regulation on the Banks' Internal Systems that was issued by the BRSA, the Bank established the limits for quantifiable risks that arise as a natural consequence of its activities; these risk limits were approved by the Board of Directors. The Bank's operations are monitored according to the risk limits approved by the Board

of Directors and on a monthly basis reported to the senior management and to the Board of Directors.

22. Authorities and Responsibilities of Members of Board of Directors and Executives

The duties and responsibilities of the members of the Board of Directors are specified by Law No. 4456 and the Articles of Association that were put together in accordance with this law and approved in amended form at the General Assembly meeting held on May 12, 2000.

The basic duty of the Bank's Board of Directors is to facilitate the accomplishment of the objectives stipulated in the legislation and formulated within the framework of General Assembly resolutions, related legislation, development plan and annual programs Development Plans and Annual Programs.

The duties of the Board of Directors and the duties and authorities of the CEO are stipulated by Law No. 4456 and the Bank's Articles of Association. The duties and authorities of the executives are determined by the Board of Directors in accordance with Regulation on Tasks, Authorities, Responsibilities and Organization Principles.

The Board of Directors;

- Resolves to extend loans to companies, participate in their capital, establish new companies under the leadership of the Bank, divest and buy back the shares of subsidiary companies and issue profit guarantees.
- Resolves to open and shut down representation offices, branches and liaison offices in Turkey and abroad.
- Makes the necessary decisions and takes measures to provide financial resources for the Bank.
- Approves, monitors and revises, when necessary, medium and long-term plans and annual business programs prepared according to article 9 of Charter Act.
- Prepares the annual report, balance sheet, profit and loss statement and profit distribution proposal and then submits them to the General Assembly for approval.

- Establishes the organization and operating methods for the effective operation of the Bank's business and activities and makes decisions on regulations.
- Appoints senior executives upon the recommendation of the CEO and determines their duties and authorities.
- When the Chairman of the Board of Directors or the CEO post is vacant for a period of time no longer than six months, the Board chooses another member of the Board of Directors who will fill in for the Chairman and the Executive Vice President who will fill in for the CEO and presents it for the approval of the Minister.
- Selects the candidates for Board of Directors members and for Statutory Auditors in the Bank's subsidiaries from among people who are experts in their respective fields.
- Carries out other duties stipulated by legislation.

If the Board of Directors considers it necessary, it can transfer some authority to the CEO by specifying the limits. The CEO reports to the Board of Director at its first meeting about his/her actions regarding the issues he/she was authorized. The transfer of authority does not imply any changes or decrease in the responsibilities of the Board of Directors.

23. Operating Principles of the Board of Directors

Law No. 4456 and the Articles of Association of the Bank stipulate that the Board of Directors convene at least twice a month with a majority of its members, that the resolutions be passed with a unanimous decision of this majority when the Board of Directors meets with a majority, that the members are not allowed to cast an abstaining vote on any issue and that in the case of equality of votes in any voting, the vote of the Chairman be regarded as two votes. The members of Board of Directors are not furnished with the right to veto.

The procedure of communicating information to the Chairman and members of the Board of Directors is conducted by the Executive Assistant and the Board of Directors Secretariat. The dates and agenda of the Board of Directors meetings are determined by the Chairman of the Board of Directors and the CEO.

The files that are prepared according to the agenda of the meeting are delivered to the members by the Executive Assistant and the Board of Directors Secretariat. The decisions taken at the meetings after the discussions are recorded in the Board of Directors Decision Book in accordance with the related legislation. Opposing votes are taken in writing with their justifications and are also recorded in the Decision Book.

The Chairman of the Board of Directors assure that members attend Board of Directors meetings in person.

The Board of Directors convened for 24 meetings in 2010 and passed 341 resolutions, 54 of which were interim resolutions.

24. Prohibition of Transaction and Competition with the Company

The members of the Board of Directors are prohibited from transacting or competing with the Bank.

25. Code of Ethics

An Ethics Commission was established within the Bank pursuant to article 29 titled "Ethics Commission" of the "Regulation on Codes of Ethical Conduct for Civil Servants and Application Procedures and Principles" published by the Office of the Prime Ministry in the Official Gazette issue No. 25785 dated April 13, 2005. It became effective on this date and with the approval of the Head Office, dated April 22, 2005 and numbered 1165. In accordance with article 23 of the same

regulation with the title "Adhering to Ethical Conduct Principles" the "Ethics Contract" contained in the appendix of the regulation was signed by all Bank employees and placed in their personal files. In addition, the Bank is also a signatory to the Banking Ethics Principles that were declared by the Banks Association of Turkey on July 26, 2006.

26. Number, Structure and Independence of Committees Established by the Board of Directors

Audit Committee

An Audit Committee was formed within the Board of Directors pursuant to article 24 of the Banking Law No. 5411 and Regulation on the Banks' Internal Systems, with the Bank's Board of Directors' resolution No. 227 dated October 31, 2006 in order to assist the Board of Directors in conducting its audit and oversight activities.

Board of Directors members, İrfan Tokgöz and Özcan Tengilimoğlu, were elected to the Audit Committee with the Board of Directors resolution No. 98 dated May 12, 2008. At the Audit Committee meeting No. 2008/5 held on May 21, 2008, İrfan Tokgöz and Özcan Tengilimoğlu were appointed Chairman and Vice Chairman of the Committee, respectively.

The Audit Committee conducts its activities in accordance with the Audit Committee Operating Procedures and Principles that were approved by the Board of Directors' resolution No. 36 dated January 24, 2007. The Committee convened for 12 meetings and made 12 decisions in 2010.

Audit Committee**Chairman:** İrfan TOKGÖZ**Vice Chairman:** Özcan TENGİLİMOĞLU**Corporate Governance Committee**

Corporate Governance Committee was formed with the Bank's Board of Directors' resolution No. 185 dated June 15, 2007 in accordance with the "Regulation on the Bank's Corporate Governance Principles" issued by the Banking Regulation and Supervision Agency and published in the Official Gazette No. 26333 dated November 1, 2006 and the "Corporate Governance Principles" issued by the Capital Markets Board, to conduct studies for determining principles of the Bank's corporate governance policy, to oversee compliance with Corporate Governance Principles, to carry out initiatives to make improvements in this respect and to make recommendations to the Board of Directors. The Operating Procedures and Principles of the Corporate Governance Committee were established and put in effect by the Board of Directors' resolution

No. 209 dated July 24, 2007; the Committee conducts its activities within this framework.

On June 4, 2010 Ahmet Yaman, a non-executive member of the Board of Directors was re-elected as the Chairman of the Committee and in his absence, Hakan Tokaç, also a non-executive member of the Board of Directors was re-elected as the Vice Chairman of the Committee. The secretarial duties of the Corporate Governance Committee are performed by the Corporate Banking and Investments Department.

Corporate Governance Committee convened for two meetings during 2010.

Corporate Governance Committee is continuing to work toward improving the Bank's corporate governance practices.

Corporate Governance Committee**Chairman:** Ahmet YAMAN**Vice Chairman:** Hakan TOKAÇ

Members: Executive Vice Presidents managing the departments participating in the committee. Corporate Banking and Investments Manager
Human Resources Manager
Budget and Reporting Manager
Strategic Planning and Quality Management Manager
Financial Affairs Manager
Information Technology Manager
Capital Markets Legislation Compliance Officer
(pursuant to Capital Markets Board Communiqué Series IV No: 41)

27. Remuneration of the Board of Directors

The salaries of the members of the Board of Directors are determined by the General Assembly. They are not entitled to any other compensation; however, personnel loans are made available to the members of the Board of Directors according to the rules applied for Bank's personnel as prescribed by the Personnel Loan Regulation. Aside from these loans made within the frame of the banking legislation, no loan or any other form of debt entry has been extended to any member of the Board of Directors or executive, directly or through a third person, nor is any guarantee or collateral given in their favor.

Statutory Auditors' Report

TO THE 2010 ORDINARY GENERAL ASSEMBLY OF TÜRKİYE KALKINMA BANKASI A.Ş.

Türkiye Kalkınma Bankası A.Ş., headquartered at Necatibey Cad. No: 98 - Bakanlıklar/ Ankara TURKEY; is engaged in extending loans to enterprises organized as joint stock companies based on the criteria of profitability and productivity, providing them with financial and operational support by participating in them, channeling domestic and foreign savings into development-oriented investments, contributing to the development of the capital markets, financing domestic, foreign and international joint investments and performing all kinds of development and investment banking functions in order to promote Turkey's development.

This report was prepared to inform the Ordinary General Assembly of the situation observed by the Statutory Auditors of the Bank, after examining the transactions and statements of the Bank between January 1, 2010 and December 31, 2010.

The Bank's balance sheet prepared as of December 31, 2010, income statement for the fiscal year ending on the same date, cash flow statement, change in shareholders' equity statement and other explanatory notes have been analyzed.

As the Statutory Auditors, we have examined the proposals submitted to the Bank's Board of Directors beforehand and either all or at least one of the Statutory Auditors attended all meetings of the Board of Directors. In addition, the Statutory Auditors held meetings amongst themselves in relation to the Bank's activities when necessary.

The accounts and transactions of the Bank for the period between January 1, 2010 and December 31, 2010 were examined through legal books and documents in accordance with the Turkish Commercial Code, Articles of Association of the Bank and other regulations as well as generally accepted accounting principles and standards; quarterly investigations and inspections were performed pursuant to tax legislation and commercial law. In addition, cash balance and valuable papers balance were checked, the Bank's valuable papers balance was audited for compliance with the records in legal books and no cause for criticism was observed.

During the same period, the Board of Statutory Auditors was not notified of any denouncements or complaints.

When the records and transactions pertaining to the Bank's financial statements were evaluated together with the Independent Audit Report, it was determined that;

- Financial statements are prepared in compliance with the Turkish Accounting Standards with respect to the Regulation on Procedures and Principles Regarding the Banks' Accounting Practices and Preservation of Documents,
- Financial Statements are prepared in accordance with the "Obligation for Preparation of Consolidated Financial Statements" communiqué on Preparation of Banks' Financial Statements,
- Financial Statements are consistent with the financial position of Türkiye Kalkınma Bankası A.Ş. as of December 31, 2010 and operation results and cash flows for the fiscal year ending on the same date are in compliance with the related legislation and reflect the true situation.

Consequently, as the Statutory Auditors, we have determined that the transactions performed are also consistent with the Independent Audit Report. The Balance Sheet prepared as of December 31, 2010, the Income Statement for the period between January 1, 2010 and December 31, 2010 reflect the operation results related to the above mentioned period truly and accurately; the profit distribution proposal complies with the laws and the Bank's Articles of Association.

It is concluded that consolidated financial statements, operation results, accounts and transactions of Türkiye Kalkınma Bankası A.Ş., Kalkınma Yatırım Menkul Değerler A.Ş. and İstanbul Venture Capital Initiative (IVCI) for the period between January 1, 2010 and December 31, 2010, are in compliance with accounting principles and standards and related legislation and that they reflect the true situation.

We kindly offer for your approval the Bank's financial statements and our request that the Board of Directors be released from liability. April 7, 2011.

STATUTORY AUDITORS



Davut KARATAŞ



Ferhat KARAŞ



Mustafa GÜNEŞ

Assessment of the Audit Committee regarding the Operation of Internal Control, Internal Audit and Risk Management Systems and its Activities during the Fiscal Year

The Bank's Audit Committee conducts its activities within the framework of the provisions of "Regulation on Banks' Internal Systems" that was issued by the Banking Regulation and Supervision Agency and published in Official Gazette issue No. 26333 dated November 1, 2006. The Internal Audit Board and Internal Control and Risk Monitoring Departments, which are part of the internal systems, report to the Board of Directors via the Audit Committee.

Article 7, Paragraph 2, Clause s of the aforementioned Regulation declares that "The authorities and responsibilities of the Members of the Audit Committee consist of reporting its operations and the results of these operations to the Board of Directors at least once every six months; and providing its opinions regarding the measures that need to be taken at the Bank, the practices and applications needed in the Bank and other matters that are important for the Bank's activities to be conducted with confidence in these reports".

The membership of the Board of Directors was reconstituted at the 2008 Ordinary General Assembly Meeting. Of these members; İrfan TOKGÖZ and Özcan TENGİLİMOĞLU, who do not have executive responsibility in the Bank, were elected as Audit Committee members. İrfan TOKGÖZ was elected as Chairman of the Audit Committee and Özcan TENGİLİMOĞLU was elected as Vice Chairman of the Audit Committee and both continued to perform these duties throughout the 2010 fiscal year as well.

The Audit Committee Reports for the second half of 2009 and the first half of 2010 were accepted by the Board of Directors during the 2010 fiscal year; the Internal Control Department is responsible for overseeing and coordinating the tasks and activities in these reports.

The activities performed during the fiscal year 2010, were monitored by the departments that report to the Audit Committee and the presented reports and suggestions were evaluated. The activities performed by these units are spelled out below.

Internal Audit:

The Bank's internal audit activities are conducted by the Internal Audit Board.

The quarterly activity reports on the activities conducted by the Bank's Internal Audit Board are submitted to the Audit Committee. The annual activity report is sent to the Banking Regulation and Supervision Agency after it is approved by the Bank's Board of Directors.

The Internal Audit Board drafted a total of 8 reports during 2010; 3 investigation reports, 4 analysis reports and 1 internal audit report with reply.

Activities of the Internal Control Department:

The monthly activity reports that are drafted by the Internal Control Department as a result of the inspections it performs at departments that are especially reflected in the financial reports, were discussed and evaluated at the Audit Committee meetings.

The Internal Control Department immediately communicates the errors and deficiencies (if there are any) it identifies during the course of its control activities to the related departments, ensures their correction before the financial reports are prepared and tries to implement necessary measures in coordination with the related departments so the same errors do not surface again.

The activities of the related departments are reported to the Audit Committee, the Head Office and the Internal Audit Board on a monthly basis. 12 internal control activity reports were drafted in 2010.

Activities of the Risk Monitoring Department:

Risks that Development Bank of Turkey is currently or potentially exposed to are monitored by the Risk Monitoring Department. The Department presents its assessments via the monthly "Risk Analysis of Development Bank of Turkey Based on Selected Indicators and Risk Groups" report that is structured around TKB Risk Monitoring Format and the risk definitions that are announced in certain intervals in accordance with BRSA regulations.

Analysis of liquidity risk, exchange risk, interest rate risk, maturity risk, credit risk and operational risk are performed and presented as part of this report. This monthly report prepared by the Department, is also presented to the Board of Directors, the Assets and Liabilities Management Committee and the Internal Audit Board after it is debated by the Audit Committee. 12 risk analysis reports were drafted during 2010.



Özcan TENGİLİMOĞLU
Member of the Audit Committee



İrfan TOKGÖZ
Chairman of the Audit Committee

Information about Risk Management Policies

Within the framework of the regulations and limitations of the BRSA, Development Bank of Turkey employs best industry practices and manages its credit risk in accordance with the amount, quality and level of sophistication of its loans.

The Bank's risk policy consists of the following general principles:

Specializing in areas of business that are consistent with its function, vision and structure established by the Charter Act;

In this regard taking only those risks that can be identified, controlled and/or managed, Trying to avoid taking risk other than those that naturally arise due to the nature of its activities and are unavoidable and Ensuring that any risk to be taken is defined and manageable and constitutes the basis of the Bank's risk policy. In addition, the Bank measures the current and potential future impact of the risk it takes to the extent allowed by risk measurement and reporting techniques and the Bank will continue to do so in the future as well. In accordance with article 37 of the Regulation on the Banks' Internal Systems that was issued by the BRSA, the Bank established written limits for quantifiable risk that arise as a natural consequence of its activities; these risk limits were approved by the Board of Directors' Resolution dated December 28, 2010.

The risk management policies to be implemented by the Bank with regards to fundamental risk groups are defined as below.

Credit Risk Policy

Within the framework of the regulations and limitations of the BRSA, Development Bank of Turkey employs best industry practices and manages its credit risk in accordance with the amount, quality and level of sophistication of its loans.

As part of its credit risk management efforts, the Bank conducts the necessary measurements, monitoring tasks, stress tests and scenario analyses that are accordant with the amount, quality and level of sophistication of its loans. The results are then reported to the Audit Committee and the CEO. The Bank takes into consideration the stress test results in formulating its credit policies. Evaluation of new products and services from the perspective of credit risk constitute the fundamental principle of the Bank's policy.

The Bank calculates the amount subject to credit risk in accordance with the Regulation on Measurement and Assessment of Banks' Capital Adequacy that was issued officially by the BRSA. Managing the credit risk so as to attain a standard capital adequacy ratio that is above the legally mandated minimum threshold as defined in the current regulations, is a fundamental principle of the Bank in this context.

Concerning all companies that make a loan demand from the Bank, The Bank's authorized bodies determine whether to establish a lending relationship according to the result obtained in line with credit evaluation procedures and principles, even though this decision depends on the type and maturity of the loan being requested. The Bank's Board of Directors is authorized to set the credit risk limits by taking into consideration the counterparty risk.

The Bank submits reports regarding its credit risk to the BRSA within the framework of effective laws and regulations. The Bank continually measures and prices the credit risk it is exposed to or is able take on in accordance with industry best practices or based on more advanced credit risk models and/or internal rating systems that are offered as alternatives in legal regulations.

The related Departments of the Bank monitor loans and establish credit limits. The Bank calculates the amount subject to credit risk based on collaterals that are stipulated in the Regulation on Measurement and Assessment of Banks' Capital Adequacy and that reduce risk weights of loans.

The financial data of the companies, which the Bank has extended loans to and which have suspended or restructured loan payments, are monitored regularly until the encasing and liquidation of the risk is completed. For the companies whose risk is above a certain amount or there exists a need for an on-site analysis, analyses and evaluations are conducted both in their head offices and at their facilities. A Survey Report that also encompasses recommendations developed as a result of the analyses and evaluations is drafted. The Bank will carry on with this practice with respect to its impaired loan portfolio.

Market Risks Policy

Because market risk consists of interest rate risk, equity position risk and exchange rate risks that arise as a result of the fluctuations in interest rates, exchange rates and stock prices during the course of the operation of the financial markets with regard to balance sheet and off-balance sheet positions in accounts held by banks; the Bank assesses each of these risks separately.

Interest Rate Risk Policy

With regard to its loan portfolio, the Bank's fundamental principle in interest rate risk policy is to eliminate the mismatch between fixed and variable rate resources and fixed and variable rate loan placements by creating a parallelism between them.

With respect to this principle, the Bank takes into consideration the position maturities and probable changes in current interest rates in managing its interest-sensitive assets and optimizes its portfolio by also taking into account alternative returns, acceptable loss and risk limits.

Exchange Rate Risk Policy

In an effort to ensure that the Bank has a foreign currency position commensurate with its shareholders' equity, the Bank establishes the relationship and balance between its foreign currency assets and liabilities in accordance with the provisions of

the "Regulation on the Calculation and Implementation of Foreign Currency Net General Position/Equity Standard Ratio by Banks on Consolidated and Non-Consolidated Basis".

The Bank's exchange rate risk policy is based on keeping its "Foreign Currency Net General Position/Equity Standard Ratio" within the legal limits while also pursuing profitability and productivity within the framework of the Bank's financial position, current economic developments and market trends. To this end, the Bank places its existing foreign currency balance with the best interest rates available and takes advantage of the opportunities that arise in the foreign exchange market at favorable times and conditions for the management of its assets as well as liabilities.

In an effort to manage exchange rate risk in accordance with the aforementioned policy, the Bank occasionally executes forward, futures and swap transactions for hedging purposes during the course of its assets and liabilities management activities.

Liquidity Risk Policy

The liquidity risk becomes the most important risk factor when the structural problem, which is among the fundamental problems of the banking system and arises from funding the long-term loans with short-term resources, is combined with a financial crisis. Therefore, the Bank evaluates the structure of its assets and liabilities with respect to their maturities and determines its projected cash flows based on foreseeable data. In addition, alternative liquidity calculations are performed by taking into consideration the non-performing loan ratio forecasts. Placing the excess liquidity by taking into account alternative returns and meeting the liquidity need with the lowest cost resources are the fundamental principles of the Bank in this area.

In addition, the Bank attempts to identify risk elements ahead of time by monitoring monthly projected cash flows and balance sheet duration regarding the coverage ratio of medium and long-term liabilities on a continuous basis. When risk-bearing situations come to pass, related departments will take the initiative to eliminate the risk.

The Bank has adopted it as a priority principle to perform stress tests in order to be able to evaluate ahead of time the impact of adverse developments in parameters that affect the Bank's financial strength on operations and market risks and to use the stress test results in the Bank's strategic decision-making process.

Operational Risk Policy

Within the framework of the BRSA regulations, the Bank manages its credit risk in accordance with the amount, quality and level of sophistication of its activities and accepts the fact that the operational risk management process encompasses all activities and employees of the Bank. The Bank's main principle in this respect is that the Bank's personnel are aware of operational risks and evaluate their impacts, they take necessary measures to mitigate and/or eliminate risks or develop recommendations to achieve this and they conduct their activities in a control-cognizant manner while performing their duties, authorities and responsibilities. New products and services are assessed from the viewpoint of personnel, process, system and externally-triggered operational risk.

The main objective of the Bank's operational risk management policies is to identify the risks before they occur and to report and analyze them on a regular basis. Accordingly, the basic principle in operational risk management policy is defined as taking the necessary measures in order to prevent the risk from occurring. The most effective policy tool in operational risk management is to intensify the controls over each stage of all of the identified business processes in the Bank.

Assessment of Financial Position, Profitability and Debt Servicing Capability

The Bank's financial position as of December 31, 2010 is presented in the tables below in a comparative format with the respective financial data from December 31, 2009.

	(TRY million)			
	December 2009	December 2010	Change (Value)	Change (%)
Total Assets	1,287.0	1,597.2	310.2	24.1
Total Assets (US\$ million)	866.0	1,042.4	176.4	20.4
Loans	802.3	1,178.2	375.9	46.9
Foreign Resources	788.0	1,083.5	295.5	37.5
Shareholders' Equity	499.0	513.7	14.7	2.9
Free Capital	399.0	419.4	20.4	5.1
Total Income	121.1	110.1	-11.0	-9.1
Total Expenditures	89.6	81.6	-8.0	-8.9
Provision for Taxes	5.9	7.4	1.5	25.4
Profit/Loss	25.6	21.1	-4.5	-17.6
Capital Adequacy Ratio (%)	70.1	75.2	5.1	7.3

Total assets of Development Bank of Turkey reached TRY 1,597.2 million at 2010 year-end with a 24.1% increase over the previous year. Total loans increased by 46.9% to TRY 1,178.2 million at 2010 year-end from TRY 802.3 million at 2009 year-end. This increase of TRY 375.9 million in total loans, exceeded the increase of TRY 310.2 million in total assets, during the same period. Accordingly, share of loans in total assets climbed from 62.3% in December 2009 to 73.8% at 2010 year-end. The growth in the Bank's loan volume was predominantly the result of increase in long-term loans obtained from overseas financial institutions. The borrowings line item surged from TRY 635.2 million in December 2009 to TRY 956.4 million in December 2010, with a 50.6% increase. The shareholders' equity line item on the other hand registered a mere 2.9% increase. Despite the scant increase in shareholders' equity, the capital adequacy ratio increased by 5.1 points over the level at 2009 year-end and reached 75.2% as of December 2010. Even though there has been a significant increase in loans, capital adequacy ratio improved partly due to the sound structure of collateral and to the decline in the base amount of operational risk compared with the previous year.

Composition of Assets (%)	December 2009	December 2010
Cash Balances and Central Bank	0.0	0.0
Securities at Fair Value through Profit or Loss Marketable Securities	9.6	3.1
Banks and Other Financial Institutions	6.6	7.9
Money Markets	8.6	0.0
Marketable Securities	0.4	7.7
Loans	62.3	73.8
Non-Performing Loans (net)	2.2	1.7
Securities Held to Maturity	6.2	3.2
Subsidiaries and Affiliates	1.4	0.9
Tangible Fixed Assets	3.4	2.8
Other Assets	1.5	0.6
Total	100.0	100.0

The Bank's assets is composed mainly of loans and having registered a significant increase in its loan book in the past two years, the Bank's share of loans in total assets exceeded 70%. Thus, the Bank moved to first place in the sectoral ranking. Accordingly, the Bank didn't cease to support investors during the crisis; on the contrary it expanded its loan book via active lending policies. Thus, the Bank became the only bank among publicly traded banks to increase its loans most rapidly during the global economic crisis.

Total Loans (TRY million)	December 2009	December 2010
Loans (net)	802.3	1,178.2
Non-Performing Loans (Gross)	93.8	78.3
Loan Provisions (-)	66.0	50.8
Non-Performing Loans (Net)	27.8	27.5

Asset Quality (%)	December 2009	December 2010
Loans/Total Assets	62.3	73.8
Non-Performing Loans (Net)/Total Assets	2.2	1.7
Non-Performing Loans (Net)/Total Loans	3.5	2.3
Loan Provisions / Non-Performing Loans	70.3	64.9
Non-Performing Loans (Gross)/Total Assets	7.3	4.9
Non-Performing Loans (Gross)/Total Loans	10.8	6.3

Despite the rapid expansion in the Bank's loan book and the fact that there has been no increase in its paid-in capital, the increase in the loan volume had very limited negative impact on the Bank's capital adequacy ratio. The reason for this is that the collaterals provided for the recent loan placements of the Bank consisted mainly of letters of guarantee and thus the share of risk weight of the total loan portfolio is 20% in risk-weighted assets. The Bank realized an increase in its loan volume by achieving a minimal increase in its credit risk.

Thanks to the alleviating negative impacts of the global crisis, the decrease of TRY 15.5 million in gross non-performing loans together with a rapid expansion in the loan book resulted in a 4.5 point drop in the non-performing loan ratio and this ratio declined down to 6.3% in December 2010 (compared to the 10.8% in December 2009). This backslide in the non-performing loan ratio made a positive impact on the Bank's profitability and also contributed to the improvement of the Bank's loan portfolio quality.

Liquid Assets (TRY million)	December 2009	December 2010
Cash Balances and Central Bank	0.3	0.1
Securities at Fair Value through Profit or Loss	123.9	49.0
Banks and Other Financial Institutions	85.4	126.1
Money Markets	110.6	0
Marketable Securities	4.5	123.0
Total	324.7	298.2

In terms of the Bank's assets composition, the share of loans in total assets increased to 73.8% from a level of 62.3%. Another remarkable aspect is the share of liquid assets in the Bank's total assets and also the changes in the composition of liquid assets. The Bank's liquid assets decreased by 8.2% from TRY 324.7 million at 2009 year-end to TRY 298.2 million in December 2010. And the share of liquid assets in total assets dropped from 25.2% to 18.7%. The reason for this development is the fact that the Bank's assets increased with the expansion in its loan book.

Different from the previous year, in 2010 a preference shift was observed in the portfolio composition of securities placements, from Securities at Fair Value through Profit or Loss and Held-to-Maturity portfolio toward Marketable Securities. In line with this shift in preference, the share of Marketable Securities in total assets increased to 7.7% in December 2010, from a level of 0.4% the previous year. The share of Money Market placements in total assets on the other hand became zero in 2010 while this ratio was 8.6% at 2009 year-end.

Composition of Liabilities (%)	December 2009	December 2010
Money Markets	0.0	0.0
Borrowings	49.4	59.9
Funds	8.7	5.7
Provisions	1.9	1.5
Other Liabilities	1.2	0.7
Shareholders' Equity	38.8	32.2
<i>Profit / Loss for the Period</i>	<i>2.0</i>	<i>1.3</i>
Total	100.0	100.0

The share of foreign resources increased within the Bank's resource composition. The borrowings line item surged by 50.6% in 2010 and the share of borrowings in total liabilities in December 2010 rose to 59.9% from 49.4% in the same period of the previous year. As a result of this increase in foreign resources, the share of shareholders' equity in total liabilities dropped to 32.2% from the the previous year's level of 38.8%. Consequently, the Bank increased its financing and leverage ratios significantly compared with the previous year.

Sources of Profit / Loss (TRY million)	December 2009	December 2010
Interest Income (*)	72.8	62.6
Foreign Exchange Income	2.2	1.6
Fee and Commission Income (*)	3.2	4.8
Gains from Securities Trading	3.8	0.7
Other Income	-50.5	-41.2
Profit before Taxes	31.5	28.5
Provision for Taxes (-)	5.9	7.4
Net Profit (Loss)	25.6	21.1

* Since commission income and expenditures related to cash loans started to be monitored under interest income and expenditures, 2009 data is also adapted likewise.

Composition of Revenue / Expenditures (%)	December 2009	December 2010
Income	100.0	100.0
Interest Income	78.9	72.3
Foreign Exchange Income	2.8	3.3
Commission Income	2.7	4.5
Gains from Securities Trading	3.2	0.6
Other Income	12.4	19.3
Expenditures	100.0	100.0
Interest Expenditures	25.3	20.9
Foreign Exchange Expenditures	1.4	2.5
Commission Expenditures	0.2	0.2
Securities Trading Expenditures	0.0	0.0
Other Expenditures	73.1	76.4

Composition of Interest Income/Expenditures (%)	December 2009	December 2010
Interest Income	100.0	100.0
From Loans	60.2	68.3
From Banks	0.2	3.8
From Money Market Operations	14.3	5.6
From Securities	25.3	22.3
Other	0.0	0.0
Interest Expenditures	100.0	100.0
To Money Market Operations	0.0	0.0
To Borrowings	64.1	65.7
Other	35.9	34.3

Analysis of the Bank's income-expenditure structure reveals that interest income and other income constitute a large chunk of its profit. Due to the drop in market interest rates and the fluctuation in foreign exchange rates, even if the balance sheet has mainly grown in foreign currencies (especially euro), the interest margin contracted by TRY 10.2 million in the past year. Other income line item that registered an increase with dividend income and collected bid security amounts, enabled an improvement of TRY 9.4 million in the other income margin. As a result of the increase in lending activity that is the Bank's primary area of business, fee and commission income increased by TRY 1.6 million. While the interest income from loans declined, share of loans in interest income rose from 60.2% to 68.3% from the previous year. Since the Bank maintained its long position in foreign exchange during this period and because euro depreciated against TRY in the past year, the Banks's foreign exchange margin contracted compared to the same period of the previous year. Despite the Bank's long foreign exchange position and the adverse developments in exchange rates, the decline in foreign exchange income margin was delimited thanks to profit-oriented foreign exchange transactions conducted during the year. As a result of these developments, the Bank's net profit for the period decreased by 17.6% to TRY 21.1 million as of December 2010, compared with the previous year. Accordingly, the return on assets (ROA) declined to 1.3% from 2%.

Note: Since commission income and expenditures related to cash loans started to be monitored under interest income and expenditures, 2009 data is also adapted likewise.

The Bank's Credit Rating and its Content

	December 31, 2009	December 31, 2010
Foreign Currency Commitments		
Long-Term	BB+	BB+
Short-Term	B	B
Outlook	Stable	Positive
Turkish Lira Commitments		
Long-Term	BB+	BB+
Short-Term	B	B
Outlook	Stable	Positive
National		
Long-Term	AA+(TUR)	AA+(TUR)
Outlook	Stable	Stable
Individual Rating	D	D
Support Rating	3	3
Baseline Support Rating	BB+	BB+

Five-Year Summary Financial Highlights

Summary Financial Highlights and Key Ratios for the 2006-2010 Period

(TRY thousand)	31.12.2006	31.12.2007	31.12.2008	31.12.2009	31.12.2010
Total Assets	883,819	817,806	1,023,870	1,287,044	1,597,201
Liquid Assets	433,379	342,388	334,289	324,700	298,221
Total Loans (net)	333,404	398,010	589,070	802,324	1,178,241
Non-performing Loans (net)	0	2,637	0	27,861	27,522
Total Foreign Resources	346,286	359,710	539,712	788,016	1,083,513
Paid-in Capital	160,000	160,000	160,000	160,000	160,000
Shareholders' Equity (including profit)	537,533	458,096	484,158	499,028	513,688
Interest Income (net)	62,810	83,317	82,035	72,827	62,551
Non-Interest Income (net)	93,339	(40,229)	(45,356)	(47,248)	(41,430)
Net Profit/Loss	156,149	43,088	36,679	25,579	21,121

(%)					
Total Loans / Total Assets	37.7	48.7	57.5	62.3	73.8
Non-Performing Loans (net) / Total Loans	0	0.6	0.0	3.5	2.3
Shareholders' Equity / Total Assets	60.8	56.0	47.3	38.8	32.2
Return on Assets (ROA)	17.7	5.3	3.6	2.0	1.3
Return on Equity (ROE)	29.0	9.4	7.6	5.1	4.1

Note: Since commission income and expenditures related to cash loans started to be monitored under interest income and expenditures, 2009 data is also adapted likewise.

TÜRKİYE KALKINMA BANKASI A.Ş.

**INDEPENDENT AUDITOR'S
REPORT, UNCONSOLIDATED
FINANCIAL STATEMENTS
AND NOTES FOR THE YEAR
ENDED DECEMBER 31, 2010**

TÜRKİYE KALKINMA BANKASI A.Ş.

**INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2010**

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

1. We have audited the accompanying unconsolidated balance sheet of Türkiye Kalkınma Bankası A.Ş. as at 31 December 2010, and the related unconsolidated statements of income, cash flows, and changes in shareholders' equity for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Responsibility of the Board of Directors of the Bank for the Financial Statements:

2. The Board of Directors of the Bank is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulation on Procedures and Principles Regarding Banks' Accounting Practices and Maintaining Documents" published in the Official Gazette dated November 1, 2006 and numbered 26333, and the Turkish Accounting Standards, Turkish Financial Reporting Standards and other regulations, circulars, communiqués and pronouncements in respect of accounting and financial reporting made by the Banking Regulation and Supervision Agency. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility:

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the regulation on "Licensing and Operations of Audit Firms in Banking" published in the Official Gazette no: 26333 on November 1, 2006 and the International Standards on Auditing. We planned and performed our audit to obtain reasonable assurance whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the consideration of the effectiveness of internal control and appropriateness of accounting policies applied relevant to the Bank's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditors' Opinion:

4. In our opinion, the accompanying unconsolidated financial statements present fairly, in all material respects, the financial position of Türkiye Kalkınma Bankası A.Ş. as at December 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with the prevailing accounting principles and standards set out as per the Article 37 of the Banking Act No: 5411, and other regulations, communiqués and circulars in respect of accounting and financial reporting and pronouncements made by Banking Regulation and Supervision Agency.

Other Matters

The unconsolidated financial statements of the Bank as of and for the year end 31 December 2009 were audited by another auditor. The other independent auditor expressed an unqualified opinion in their audit report dated 3 March 2010 for the unconsolidated financial statements as of 31 December 2009.

Ankara, 09 March 2011

DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.
Member of **DELOITTE TOUCHE TOHMATSU LIMITED**

Additional paragraph for the English translation:

The effect of the differences between the accounting principles summarized in Section 3 and the accounting principles generally accepted in countries in which the accompanying financial statements are to be distributed and International Financial Reporting Standards (IFRS) have not been quantified and reflected in the accompanying financial statements. The accounting principles used in the preparation of the accompanying financial statements differ materially from IFRS. Accordingly, the accompanying financial statements are not intended to present the Bank's financial position and results of its operations in accordance with accounting principles generally accepted in such countries of users of the financial statements and IFRS.

TÜRKİYE KALKINMA BANKASI A.Ş.
THE UNCONSOLIDATED FINANCIAL REPORT AS OF 31 DECEMBER 2010

The Headquarters Address : Necatibey Cad. No: 98
P.K.06100
Bakanlıklar/ANKARA
Telephone and Facsimile : Tel: 0312 231 84 00
Faks: 0312 231 43 41
Website Address : http://www.kalkinma.com.tr
E-mail Address : muhasebe@kalkinma.com.tr

The unconsolidated financial report for the year-end prepared in accordance with the Communiqué on “Financial Statements and Related Disclosures and Notes to be Announced to Public by Banks” as regulated by Banking Regulation and Supervision Agency, consists of the following sections.


- GENERAL INFORMATION ABOUT THE BANK
- UNCONSOLIDATED FINANCIAL STATEMENTS OF THE BANK
- EXPLANATIONS ON ACCOUNTING POLICIES OF THE BANK
- INFORMATION ON THE FINANCIAL STRUCTURE OF THE BANK
- DISCLOSURES AND NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
- OTHER EXPLANATIONS
- INDEPENDENT AUDITORS' REPORT

The unconsolidated financial statements and related disclosures and notes included in this report are prepared, unless otherwise stated, in Thousand Turkish Liras, in accordance with the Procedures And Principles Regarding Banks' Accounting Practices and Maintaining Documents, Turkish Financial Reporting Standards and and the related appendices and interpretations and our Bank's financial records, and they have been independently audited and enclosed.


Abdullah ÇELİK
Head of Board of Directors
and General Manager


İrfan TOKGÖZ
President of Audit
Committee


Özcan TENGİLİMOĞLU
Audit Committee
Member


Adnan YALÇINCI
Assistant General Manager
Responsible for Financial Reporting


Aydın TOSUN
Finance Manager Deputy

Information on the authorized personnel to whom questions related to this financial report may be directed

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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Türkiye Kalkınma Bankası A.Ş.
Notes to the Unconsolidated Financial Statements
For the Year Ended December 31, 2010

(Amounts expresseds in Thousands of Turkish Lira [TRY] unless otherwise stated.)

SECTION ONE
GENERAL INFORMATION

I- Establishment Date of the Bank, Initial Articles of Association, History of the Bank Including the Changes of These Articles:

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 A.Ş.”. Some adjustments were made on the status of the Bank with the Decree Based on Law numbered 165 dated November 14, 1983.

On 15 July 1988, 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 and in parallel with the developments in its service range. The Bank had 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 decision of Supreme Planning Council dated January 20, 1989 and numbered 89/T-2. Also with the Decree Based on Law numbered 401 dated February 12, 1990, some of the articles related to the Bank status were changed.

With the Law dated October 14, 1999 and numbered 4456, Decrees Based on Law numbered 13, 165, 329 and 401 were revoked and the establishment and operating principles of the Bank were rearranged.

II- Capital Structure of the Bank, Shareholders that Retain Direct or Indirect Control and Management of the Bank Solely or Together, Changes about These Issues During the Year And Disclosures about the Group:

The capital ceiling of the Bank which is subject to registered capital system is TRY 500.000 Thousand. The issued capital considering the registered capital is TRY 160.000.000 (The Bank's capital consist of 16 Billion lots that one of each costs TRY 0,01), and the shareholders and their shares in the issued capital are shown below.

Shareholders	Share Amount (Thousand TRY)	Share (%)	Share Capital (Thousand TRY)	Trading Capital (Thousand TRY)
Treasury	158.530	99,08	158.530	-
Other Shareholders	1.470	0,92	1.470	-
Total	160.000	100,00	160.000	-

III- Explanations Regarding the Bank’s Chairman and Members of Board of Directors, Audit Committee Members, Chief Executive Officer and Executive Vice Presidents And Their Shares Attributable to the Bank, if any:

Chairman and Members of the Board of Directors:

Chairman of the Board of Directors	Abdullah ÇELİK
Members of the Board of Directors	Ahmet YAMAN Hakan TOKAÇ Özcan TENGİLİMOĞLU İrfan TOKGÖZ Mehmet AYDIN Şerif ÇELENK

Audit Committee Members	Mustafa GÜNEŞ Ferhat KARAŞ Davut KARATAŞ
General Manager	Abdullah ÇELİK
Vice General Managers	Bahattin SEKKİN Adnan YALÇINCI Zekai İŞILDAR Metin PEHLİVAN İrfan YAŞAR
Deputy Chairman of Supervisory Board	Murat DOĞUŞLU (*)

(*) Murat Doğuşlu has been assigned according to decision of the Board of Directors dated November 9, 2010 and he has started to work as of 11 November 2010.

Executives mentioned above do not own any shares of the Bank in the part which is not publicly traded.

IV- Information About Persons And Institutions that Have Qualified Shares Attributable to the Bank:

The Undersecretariat of Treasury owns 99.08% of the shares of the Bank.

V- Summary of Functions and Lines of Activities of the Bank:

The line of activities of Türkiye Kalkınma Bankası A.Ş. which is a development and investment bank is; to provide loans to enterprises having the status of “Incorporated Company” in the spirit of profitability and productivity for the development of Turkey, to finance and give operational support by participating to enterprises, to direct domestic and foreign savings into development investments, to assist in the development of capital market, to finance domestic, foreign and international joint ventures and carry out all kinds of development and investment banking activities.

SECTION TWO
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- VII-** Statement of Profit Distribution

Türkiye Kalkınma Bankası A.Ş.
Unconsolidated Balance Sheet (Statement of Financial Position)

THOUSANDS OF TRY							
		AUDITED CURRENT PERIOD (31/12/2010)			AUDITED PRIOR PERIOD (31/12/2009)		
ASSETS	Disc.	TRY	FC	Total	TRY	FC	Total
I. CASH AND BALANCES WITH THE CENTRAL BANK "FINANCIAL ASSETS AT FAIR VALUE THROUGH	(1)	132	-	132	247	-	247
II. PROFIT AND LOSS (Net) *	(2)	49.033	-	49.033	123.935	-	123.935
2.1 Trading Financial Assets		49.033	-	49.033	123.935	-	123.935
2.1.1 Public Sector Debt Securities		48.988	-	48.988	123.935	-	123.935
2.1.2 Share Certificates		-	-	-	-	-	-
2.1.3 Financial Assets Held for Trading		45	-	45	-	-	-
2.1.4 Other Marketable Securities		-	-	-	-	-	-
2.2 Financial Assets at Fair Value Through Profit and Loss		-	-	-	-	-	-
2.2.1 Public Sector Debt Securities		-	-	-	-	-	-
2.2.2 Share Certificates		-	-	-	-	-	-
2.2.3 Loans		-	-	-	-	-	-
2.2.4 Other Marketable Securities		-	-	-	-	-	-
III. BANKS	(3)	124.706	1.353	126.059	5.866	79.504	85.370
IV. MONEY MARKET PLACEMENTS		-	-	-	110.620	-	110.620
4.1 Interbank Money Market Placements		-	-	-	110.620	-	110.620
4.2 Istanbul Stock Exchange Money Market Placements		-	-	-	-	-	-
4.3 Receivables from Reverse Repurchase Agreements		-	-	-	-	-	-
V. FINANCIAL ASSETS AVAILABLE FOR SALE (Net)	(4)	122.997	-	122.997	4.528	-	4.528
5.1 Share Certificates		955	-	955	969	-	969
5.2 Public Sector Debt Securities		118.180	-	118.180	-	-	-
5.3 Other Marketable Securities		3.862	-	3.862	3.559	-	3.559
VI. LOANS	(5)	221.475	956.766	1.178.241	241.883	560.441	802.324
6.1 Loans		193.953	956.766	1.150.719	214.022	560.441	774.463
6.1.1 Loans Extended to Risk Group of the Bank		-	-	-	783	-	783
6.1.2 Public Sector Debt Securities		-	-	-	-	-	-
6.1.3 Other		193.953	956.766	1.150.719	213.239	560.441	773.680
6.2 Loans Under Follow-Up		78.337	-	78.337	93.830	-	93.830
6.3 Specific Provisions (-)		50.815	-	50.815	65.969	-	65.969
VII. FACTORING RECEIVABLES		-	-	-	-	-	-
VIII. HELD TO MATURITY INVESTMENTS (Net)	(6)	51.411	-	51.411	80.369	-	80.369
8.1 Public Sector Debt Securities		51.411	-	51.411	80.369	-	80.369
8.2 Other Marketable Securities		-	-	-	-	-	-
IX. INVESTMENTS IN ASSOCIATES (Net)	(7)	5.503	912	6.415	5.082	1.039	6.121
9.1 Accounted with Equity Method		-	-	-	-	-	-
9.2 Unconsolidated Associates		5.503	912	6.415	5.082	1.039	6.121
9.2.1 Financial Investments		-	912	912	-	1.039	1.039
9.2.2 Non-financial Investments		5.503	-	5.503	5.082	-	5.082
X. INVESTMENTS IN SUBSIDIARIES (Net)	(8)	7.192	-	7.192	11.402	-	11.402
10.1 Unconsolidated Financial Subsidiaries		6.442	-	6.442	8.987	-	8.987
10.2 Unconsolidated Non-financial Subsidiaries		750	-	750	2.415	-	2.415
XI. JOINT VENTURES (Net)	(9)	-	-	-	-	-	-
11.1 Accounted with Equity Method		-	-	-	-	-	-
11.2 Unconsolidated Joint Ventures		-	-	-	-	-	-
11.2.1 Financial Joint Ventures		-	-	-	-	-	-
11.2.2 Non-financial Joint Ventures		-	-	-	-	-	-
XII. FINANCE LEASE RECEIVABLES (Net)	(10)	246	-	246	238	-	238
12.1 Finance Lease Receivables		-	-	-	-	-	-
12.2 Operating Lease Receivables		246	-	246	238	-	238
12.3 Other		-	-	-	-	-	-
12.4 Unearned Income (-)		-	-	-	-	-	-
XIII. DERIVATIVE FINANCIAL ASSETS FOR HEDGING PURPOSES	(11)	-	-	-	-	-	-
13.1 Fair Value Risk Hedging		-	-	-	-	-	-
13.2 Cash Flow Risk Hedging		-	-	-	-	-	-
13.3 Net Abroad Investment Risk Hedging		-	-	-	-	-	-
XIV. TANGIBLE ASSETS (Net)	(12)	42.499	-	42.499	43.789	-	43.789
XV. INTANGIBLE ASSETS (Net)	(13)	262	-	262	503	-	503
15.1 Goodwill		-	-	-	-	-	-
15.2 Other		262	-	262	503	-	503
XVI. INVESTMENT PROPERTIES (Net)	(14)	2.492	-	2.492	-	-	-
XVII. TAX ASSET	(15)	6.375	-	6.375	14.717	-	14.717
17.1 Current Assets for Tax		-	-	-	5.653	-	5.653
17.2 Deferred Assets for Tax		6.375	-	6.375	9.064	-	9.064
XVIII. ASSETS HELD FOR SALE AND HELD FROM DISCONTINUED OPERATIONS (Net)	(16)	-	-	-	-	-	-
18.1 Held for Sale Purpose		-	-	-	-	-	-
18.2 Held from Discontinued Operations		-	-	-	-	-	-
XIX. OTHER ASSETS	(17)	2.640	1.207	3.847	1.996	885	2.881
TOTAL ASSETS		636.963	960.238	1.597.201	645.175	641.869	1.287.044

The accompanying notes from an integral part of these financial statements.

Türkiye Kalkınma Bankası A.Ş.
Unconsolidated Balance Sheet (Statement of Financial Position)

THOUSANDS OF TRY							
		AUDITED CURRENT PERIOD (31/12/2010)			AUDITED PRIOR PERIOD (31/12/2009)		
LIABILITIES AND EQUITY	Disc.	TRY	FC	Total	TRY	FC	Total
I. DEPOSITS	(1)	-	-	-	-	-	-
1.1 Deposits Held by the Risk Group of the Bank		-	-	-	-	-	-
1.2 Other		-	-	-	-	-	-
II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	(2)	38	-	38	-	-	-
III. BORROWING FUNDING LOANS	(3)	-	956.379	956.379	2.150	633.016	635.166
IV. MONEY MARKET BALANCES		335	-	335	183	-	183
4.1 Interbank Money Market Takings		-	-	-	-	-	-
4.2 Istanbul Stock Exchange Takasbank Takings		-	-	-	-	-	-
4.3 Funds From Repurchase Agreements		335	-	335	183	-	183
V. MARKETABLE SECURITIES ISSUED (Net)		-	-	-	-	-	-
5.1 Bills		-	-	-	-	-	-
5.2 Asset-backed Securities		-	-	-	-	-	-
5.3 Bonds		-	-	-	-	-	-
VI. FUNDS		91.253	47	91.300	111.621	45	111.666
6.1 Borrower Funds		-	-	-	-	-	-
6.2 Other		91.253	47	91.300	111.621	45	111.666
VII. SUNDRY CREDITORS		3.256	280	3.536	2.415	607	3.022
VIII. OTHER LIABILITIES	(4)	4.066	57	4.123	4.862	1.057	5.919
IX. FACTORING PAYABLES		-	-	-	-	-	-
X. FINANCE LEASE PAYABLES (Net)	(5)	-	-	-	-	-	-
10.1 Finance Lease Payables		-	-	-	-	-	-
10.2 Operating Lease Payables		-	-	-	-	-	-
10.3 Other		-	-	-	-	-	-
10.4 Deferred Finance Lease Expenses (-)		-	-	-	-	-	-
XI. DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING	(6)	-	-	-	-	-	-
11.1 Fair Value Risk Hedging		-	-	-	-	-	-
11.2 Cash Flow Risk Hedging		-	-	-	-	-	-
11.3 Net Abroad Investment Risk Hedging		-	-	-	-	-	-
XII. PROVISIONS	(7)	23.725	-	23.725	24.668	-	24.668
12.1 General Loan Provisions		5.704	-	5.704	7.480	-	7.480
12.2 Restructuring Provisions		-	-	-	-	-	-
12.3 Employee Benefits Provisions		18.020	-	18.020	17.188	-	17.188
12.4 Insurance Technical Reserves (Net)		-	-	-	-	-	-
12.5 Other Provisions		1	-	1	-	-	-
XIII. TAX LIABILITY	(8)	4.077	-	4.077	7.392	-	7.392
13.1 Current Tax Liability		4.077	-	4.077	7.392	-	7.392
13.2 Deferred Tax Liability		-	-	-	-	-	-
XIV. LIABILITIES FOR ASSET HELD FOR SALE AND HELD FROM DISCONTINUED OPERATIONS	(9)	-	-	-	-	-	-
14.1 Held for Sale Purpose		-	-	-	-	-	-
14.2 Held from Discontinued Operations		-	-	-	-	-	-
XV. TIER-II CAPITAL	(10)	-	-	-	-	-	-
XVI. SHAREHOLDERS' EQUITY	(11)	513.688	-	513.688	499.028	-	499.028
16.1 Paid-in Capital		160.000	-	160.000	160.000	-	160.000
16.2 Capital Reserves		210.202	-	210.202	210.733	-	210.733
16.2.1 Share Premium		1.491	-	1.491	1.491	-	1.491
16.2.2 Share Cancellation Profits		-	-	-	-	-	-
16.2.3 Marketable Securities Revaluation Fund		2.637	-	2.637	2.700	-	2.700
16.2.4 Tangible Assets Revaluation Reserves		-	-	-	-	-	-
16.2.5 Intangible Assets Revaluation Reserves		-	-	-	-	-	-
16.2.6 Revaluation Reserves of Real Estates for Investment Purpose		-	-	-	-	-	-
16.2.7 Non-paid-up Shares of Subsidiaries, Associates and Joint Ventures		-	-	-	468	-	468
16.2.8 Hedging Funds (Effective Portion)		-	-	-	-	-	-
16.2.9 Value Increase on Assets Held for Sale		-	-	-	-	-	-
16.2.10 Other Capital Reserves		206.074	-	206.074	206.074	-	206.074
16.3 Profit Reserves		122.365	-	122.365	102.716	-	102.716
16.3.1 Legal Reserves		27.688	-	27.688	26.327	-	26.327
16.3.2 Statutory Reserves		-	-	-	-	-	-
16.3.3 Extraordinary Reserves		94.677	-	94.677	76.389	-	76.389
16.3.4 Other Profit Reserves		-	-	-	-	-	-
16.4 Profit/Loss		21.121	-	21.121	25.579	-	25.579
16.4.1 Prior Years Income/Loss		-	-	-	-	-	-
16.4.2 Period Profit/Loss		21.121	-	21.121	25.579	-	25.579
TOTAL LIABILITIES AND EQUITY		640.438	956.763	1.597.201	652.319	634.725	1.287.044

The accompanying notes from an integral part of these financial statements.

Türkiye Kalkınma Bankası A.Ş.
Unconsolidated off Balance Sheet Accounts

THOUSANDS OF TRY							
		AUDITED CURRENT PERIOD (31/12/2010)		AUDITED PRIOR PERIOD (31/12/2009)			
	Disc.	TRY	FC	Total	TRY	FC	Total
A.							
OFF BALANCE SHEET CONTINGENCIES AND COMMITMENTS (I+II+III)"		96.100	1.343.902	1.440.002	23.172	618.634	641.806
I.							
GUARANTEES AND SURETYSHIPS	(1), (3)	47	7.500	7.547	47	11.052	11.099
1.1.		47	-	47	47	-	47
1.1.1.		-	-	-	-	-	-
1.1.1.1.		-	-	-	-	-	-
1.1.1.2.		-	-	-	-	-	-
1.1.2.		47	-	47	47	-	47
1.1.3.		-	-	-	-	-	-
1.2.		-	-	-	-	-	-
1.2.1.		-	-	-	-	-	-
1.2.2.		-	-	-	-	-	-
1.3.		-	7.500	7.500	-	11.052	11.052
1.3.1.		-	7.500	7.500	-	11.052	11.052
1.3.2.		-	-	-	-	-	-
1.4.		-	-	-	-	-	-
1.5.		-	-	-	-	-	-
1.5.1.		-	-	-	-	-	-
1.5.2.		-	-	-	-	-	-
1.6.		-	-	-	-	-	-
1.7.		-	-	-	-	-	-
1.8.		-	-	-	-	-	-
1.9.		-	-	-	-	-	-
II.							
COMMITMENTS	(1), (3)	87.546	1.327.979	1.415.525	23.125	607.582	630.707
2.1.		1.000	18.773	19.773	-	20.348	20.348
2.1.1.		1.000	-	1.000	-	-	-
2.1.2.		-	-	-	-	-	-
2.1.3.		-	18.773	18.773	-	20.348	20.348
2.1.4.		-	-	-	-	-	-
2.1.5.		-	-	-	-	-	-
2.1.6.		-	-	-	-	-	-
2.1.7.		-	-	-	-	-	-
2.1.8.		-	-	-	-	-	-
2.1.9.		-	-	-	-	-	-
2.1.10.		-	-	-	-	-	-
2.1.11.		-	-	-	-	-	-
2.1.12.		-	-	-	-	-	-
2.1.13.		-	-	-	-	-	-
2.2.		86.546	1.309.206	1.395.752	23.125	587.234	610.359
2.2.1.		86.546	1.309.206	1.395.752	23.125	587.234	610.359
2.2.2.		-	-	-	-	-	-
III.							
DERIVATIVE FINANCIAL INSTRUMENTS	(2)	8.507	8.423	16.930	-	-	-
3.1		-	-	-	-	-	-
3.1.1		-	-	-	-	-	-
3.1.2		-	-	-	-	-	-
3.1.3		-	-	-	-	-	-
3.2		8.507	8.423	16.930	-	-	-
3.2.1		8.507	8.423	16.930	-	-	-
3.2.1.1		4.259	4.212	8.471	-	-	-
3.2.1.2		4.248	4.211	8.459	-	-	-
3.2.2		-	-	-	-	-	-
3.2.2.1		-	-	-	-	-	-
3.2.2.2		-	-	-	-	-	-
3.2.2.3		-	-	-	-	-	-
3.2.2.4		-	-	-	-	-	-
3.2.3		-	-	-	-	-	-
3.2.3.1		-	-	-	-	-	-
3.2.3.2		-	-	-	-	-	-
3.2.3.3		-	-	-	-	-	-
3.2.3.4		-	-	-	-	-	-
3.2.3.5		-	-	-	-	-	-
3.2.3.6		-	-	-	-	-	-
3.2.4		-	-	-	-	-	-
3.2.4.1		-	-	-	-	-	-
3.2.4.2		-	-	-	-	-	-
3.2.5		-	-	-	-	-	-
3.2.5.1		-	-	-	-	-	-
3.2.5.2		-	-	-	-	-	-
3.2.6		-	-	-	-	-	-
B.							
CUSTODY AND PLEDGED ASSETS (IV+V+VI)		2.493.819	4.904.230	7.398.049	2.951.281	3.993.268	6.944.549
IV.							
CUSTODIES		6.891	433	7.324	14.438	430	14.868
4.1.		-	-	-	-	-	-
4.2.		6.891	-	6.891	14.438	-	14.438
4.3.		-	-	-	-	-	-
4.4.		-	-	-	-	-	-
4.5.		-	-	-	-	-	-
4.6.		-	-	-	-	-	-
4.7.		-	433	433	-	430	430
4.8.		-	-	-	-	-	-
V.							
PLEDGED ASSETS		2.485.328	4.903.797	7.389.125	2.935.843	3.992.838	6.928.681
5.1.		-	-	-	-	-	-
5.2.		212.618	995.895	1.208.513	255.137	603.635	858.772
5.3.		-	-	-	-	-	-
5.4.		-	-	-	-	-	-
5.5.		1.599.713	2.927.380	4.527.093	2.009.265	2.753.867	4.763.132
5.6.		79.817	733.536	813.353	52.594	291.320	343.914
5.7.		593.180	246.986	840.166	618.847	344.016	962.863
VI.							
ACCEPTED BILL GUARANTEES AND SURETIES		1.600	-	1.600	1.000	-	1.000
TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)		2.589.919	6.248.132	8.838.051	2.974.453	4.611.902	7.586.355

The accompanying notes from an integral part of these financial statements.

Türkiye Kalkınma Bankası A.Ş.
Unconsolidated Statement of Income

THOUSANDS OF TRY			
		Audited CURRENT PERIOD (01/01/2010-31/12/2010)	Audited PRIOR PERIOD (01/01/2009-31/12/2009)
	Disc.		
INCOME AND EXPENSES			
I.			
INTEREST INCOME	(1)	79.598	95.480
1.1		54.377	57.526
1.2		-	-
1.3		3.011	161
1.4		4.457	13.663
1.5		17.752	24.119
1.5.1		5.948	15.768
1.5.2		-	-
1.5.3		4.707	-
1.5.4		7.097	8.351
1.6		-	-
1.7		1	11
II.			
INTEREST EXPENSE	(2)	17.047	22.653
2.1		-	-
2.2		11.198	14.515
2.3		-	-
2.4		-	-
2.5		5.849	8.138
III.			
NET INTEREST INCOME (I-II)	(12)	62.551	72.827
IV.			
NET FEES AND COMMISSIONS INCOME		4.817	3.150
4.1		4.947	3.300
4.1.1		178	9
4.1.2		4.769	3.291
4.2		130	150
4.2.1		-	-
4.2.2		130	150
V.			
DIVIDEND INCOME	(3)	3.220	346
VI.			
NET TRADING PROFIT	(4)	2.800	6.009
6.1		693	3.828
6.2		507	-
6.3		1.600	2.181
VII.			
OTHER OPERATING INCOME	(5)	17.443	14.698
VIII.			
TOTAL OPERATING INCOME (III+IV+V+VI+VII)		90.831	97.030
IX.			
LOANS AND OTHER RECEIVABLES IMPAIRMENT LOSS PROVISIONS (-)	(6)	4.306	11.783
X.			
OTHER OPERATING EXPENSES(-)	(7)	58.023	53.800
XI.			
NET OPERATING INCOME/(LOSS) (VIII-IX-X)		28.502	31.447
XII.			
AMOUNT RECORDED IN EXCESS AS GAIN AFTER MERGER		-	-
XIII.			
PROFIT/LOSSES FROM EQUITY METHOD APPLIED SUBSIDIARIES		-	-
XIV.			
GAIN/(LOSS) ON NET MONETARY POSITION		-	-
XV.			
INCOME/(LOSS) BEFORE TAXES (XI+XII+XIII+XIV)	(8)	28.502	31.447
XVI.			
TAX INCOME PROVISION (±)	(9)	(7.381)	(5.868)
16.1		(5.350)	(6.409)
16.2		(2.031)	541
XVII.			
NET OPERATING INCOME AFTER TAX (XV±XVI)	(10)	21.121	25.579
XVIII.			
INCOME FROM DISCONTINUED OPERATIONS		-	-
18.1		-	-
18.2		-	-
18.3		-	-
XIX.			
EXPENSES FROM DISCONTINUED OPERATIONS (-)		-	-
19.1		-	-
19.2		-	-
19.3		-	-
XX.			
INCOME/EXPENSE BEFORE TAXES FROM DISCONTINUED OPERATIONS (XVIII-XIX)	(8)	-	-
XXI.			
PROVISION FOR TAXES ON INCOME FROM DISCONTINUED OPERATIONS (±)	(9)	-	-
21.1		-	-
21.2		-	-
XXII.			
NET PROFIT/LOSSES FROM DISCONTINUED OPERATIONS (XX±XXI)	(10)	-	-
XXIII.			
NET PROFIT/(LOSS) (XVII+XXII)	(11)	21.121	25.579
Earnings/Losses per share		0,00132	0,00160

The accompanying notes from an integral part of these financial statements.

Türkiye Kalkınma Bankası A.Ş.
Statement of Unconsolidated Profit and Loss Accounted for Under Equity

	AUDITED	
	CURRENT PERIOD (01/01/2010- 31/12/2010)	PRIOR PERIOD (01/01/2009- 31/12/2009)
STATEMENT OF PROFIT AND LOSS ACCOUNTED FOR UNDER EQUITY		
I. Additions to marketable securities revaluation differences for available for sale financial assets	(721)	(1.367)
II. Tangible assets revaluation differences	-	-
III. Intangible assets revaluation differences	-	-
IV. Foreign exchange differences for foreign currency transactions	-	-
V. Profit/Loss from derivative financial instruments for cash flow hedge purposes (Effective portion of fair value differences)	-	-
VI. Profit/Loss from derivative financial instruments for hedge of net investment in foreign operations (Effective portion of fair value differences)	-	-
VII. The effect of corrections of errors and changes in accounting policies	-	-
VIII. Other profit loss items accounted under equity due to TAS	-	-
IX. Deferred tax of valuation differences	658	-
X. Total Net Profit/Loss accounted under equity (I+II+...+IX)	(63)	(1.367)
XI. Profit/Loss	(468)	-
11.1.1. Change in fair value of marketable securities (Transfer to Profit/Loss)	-	-
11.2. Reclassification and transfer of derivatives accounted for cash flow hedge purposes to Income Statement	-	-
11.3. Transfer of hedge of net investments in foreign operations to Income Statement	-	-
11.4. Other	(468)	-
XII. Total Profit/Loss accounted for the period (X±XI)	(531)	(1.367)

The accompanying notes from an integral part of these financial statements.

Türkiye Kalkınma Bankası A.Ş.
Unconsolidated Statement of Changes In Shareholders' Equity

	THOUSANDS OF TRY									
	Disc.	Paid-in Capital	"Effect of Initiation Adjustments"	Share Premium	Share Certificate	Legal Reserves	Statutory Reserves	Extraordinary Reserves	Other Reserves	Prior Period Net Income (Loss)
CHANGES IN SHARE HOLDERS' EQUITY										
PRIOR PERIOD (31/12/2009)										
I. Balance at end of prior period	160.000	206.074	1.491	-	24.359	-	51.020	-	36.679	4.067
II. Corrections according to TAS 8	-	-	-	-	-	-	-	-	-	-
2.1. The effect of corrections of errors	-	-	-	-	-	-	-	-	-	-
2.2. The effects of changes in accounting policy	-	-	-	-	-	-	-	-	-	-
III. New Balance (I + II)	160.000	206.074	1.491	-	24.359	-	51.020	-	36.679	4.067
CHANGES WITHIN THE PERIOD										
IV. Increase/Decrease generated by merger	-	-	-	-	-	-	-	-	-	-
V. Valuation changes in marketable securities	-	-	-	-	-	-	-	-	-	-
VI. Hedging Funds (Effective Portion)	-	-	-	-	-	-	-	-	-	-
6.1. Cash-flow hedge	-	-	-	-	-	-	-	-	-	-
6.2. Hedges for investment made in foreign countries	-	-	-	-	-	-	-	-	-	-
VII. Revaluation changes of property and equipment	-	-	-	-	-	-	-	-	-	-
VIII. Revaluation changes of intangible assets	-	-	-	-	-	-	-	-	-	-
IX. Free shares from investment and associates, subsidiaries and joint ventures	-	-	-	-	-	-	-	-	-	-
X. Foreign exchange differences	-	-	-	-	-	-	-	-	-	-
XI. Changes after disposal of securities	-	-	-	-	-	-	-	-	-	-
XII. Changes after reclassification of securities	-	-	-	-	-	-	-	-	-	-
XIII. Effect of changes in shareholders equity of investments and associates to bank's shareholders equity	-	-	-	-	-	-	-	-	-	-
XIV. Increase in capital	-	-	-	-	-	-	-	-	-	-
14.1. Cash	-	-	-	-	-	-	-	-	-	-
14.2. From internal resources	-	-	-	-	-	-	-	-	-	-
XV. Share cancellation profits	-	-	-	-	-	-	-	-	-	-
XVI. Share cancellation to paid-in capital	-	-	-	-	-	-	-	-	-	-
XVII. Adjustment to paid-in capital	-	-	-	-	-	-	-	-	-	-
XVIII. Other	-	-	-	-	-	-	-	-	-	-
XIX. Net profit or losses	-	-	-	-	-	-	-	-	-	-
XX. Profit distribution	-	-	-	-	-	-	-	-	-	-
20.1. Dividends distributed	-	-	-	-	-	-	-	-	-	-
20.2. Transfers to legal reserves	-	-	-	-	-	-	-	-	-	-
20.3. Other	-	-	-	-	-	-	-	-	-	-
Closing Balance (III+IV+V +...+XVIII-XIX+XX)	160.000	206.074	1.491	-	26.327	-	76.389	-	25.579	2.700
CURRENT PERIOD (31/12/2010)										
I. Balance at end of prior period	160.000	206.074	1.491	-	26.327	-	76.389	-	25.579	2.700
CHANGES WITHIN THE PERIOD										
IV. Increase/Decrease generated by merger	-	-	-	-	-	-	-	-	-	-
V. Valuation changes in marketable securities	-	-	-	-	-	-	-	-	-	-
VI. Hedging Funds (Effective Portion)	-	-	-	-	-	-	-	-	-	-
6.1. Cash-flow hedge	-	-	-	-	-	-	-	-	-	-
6.2. Hedges for investment made in foreign countries	-	-	-	-	-	-	-	-	-	-
VII. Revaluation changes of property and equipment	-	-	-	-	-	-	-	-	-	-
VIII. Revaluation changes of intangible assets	-	-	-	-	-	-	-	-	-	-
IX. Free shares from investment and associates, subsidiaries and joint ventures	-	-	-	-	-	-	-	-	-	-
X. Foreign exchange differences	-	-	-	-	-	-	-	-	-	-
XI. Changes after disposal of securities	-	-	-	-	-	-	-	-	-	-
XII. Changes after reclassification of securities	-	-	-	-	-	-	-	-	-	-
XIII. Effect of changes in shareholders equity of investments and associates to bank's shareholders equity	-	-	-	-	-	-	-	-	-	-
XIV. Increase in capital	-	-	-	-	-	-	-	-	-	-
14.1. Cash	-	-	-	-	-	-	-	-	-	-
14.2. From internal resources	-	-	-	-	-	-	-	-	-	-
XV. Share cancellation profits	-	-	-	-	-	-	-	-	-	-
XVI. Share cancellation to paid-in capital	-	-	-	-	-	-	-	-	-	-
XVII. Adjustment to paid-in capital	-	-	-	-	-	-	-	-	-	-
XVIII. Other	-	-	-	-	-	-	-	-	-	-
XIX. Net profit or losses	-	-	-	-	-	-	-	-	-	-
XX. Profit distribution	-	-	-	-	-	-	-	-	-	-
20.1. Dividends distributed	-	-	-	-	-	-	-	-	-	-
20.2. Transfers to legal reserves	-	-	-	-	-	-	-	-	-	-
20.3. Other	-	-	-	-	-	-	-	-	-	-
Closing Balance (III+IV+V +...+XVIII-XIX+XX)	160.000	206.074	1.491	-	27.688	-	94.677	-	21.121	2.637

The accompanying notes from an integral part of these financial statements.

Türkiye Kalkınma Bankası A.Ş.
Unconsolidated Statement of Cash Flows

	THOUSANDS OF TRY	
	AUDITED	AUDITED
	CURRENT PERIOD	PRIOR PERIOD
	Disc. (01/01/2010 31/12/2010)	(01/01/2009-31/12/2009)
A. CASH FLOWS FROM BANKING OPERATIONS		
1.1. Operating profit before changes in operating assets and liabilities (+)	3.430	19.840
1.1.1.Interest received (+)	89.959	51.759
1.1.2.Interest paid (-)	(16.410)	(17.504)
1.1.3.Dividend received(+)	3.220	346
1.1.4.Fees and commissions received (+)	4.947	15.053
1.1.5.Other income (+)	2.539	18.526
1.1.6.Collections from previously written off loans (+)	20.943	5.596
1.1.7.Cash payments to personnel and service suppliers (-)	(42.459)	(39.337)
1.1.8.Taxes paid (-)	(3.689)	(6.243)
1.1.9.Other (+/-)	(55.620)	(8.356)
1.2. Assets and Liabilities Subject to Banking Operations	(1.196)	20.749
1.2.1.Net (increase) decrease in financial assets held for sale (+/-)	67.069	(3.904)
1.2.2.Net (increase) decrease in financial assets at fair value through profit or loss (+/-)	-	-
1.2.3.Net (increase) decrease in due from banks and other financial institutions (+/-)	(20.000)	-
1.2.4.Net (increase) decrease in loans (+/-)	(335.298)	(217.162)
1.2.5.Net (increase) decrease in other assets (+/-)	(962)	6.850
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 loans borrowed (+/-)	309.512	244.237
1.2.9.Net increase (decrease) in matured payables (+/-)	-	-
1.2.10.Net increase (decrease) in other liabilities (+/-)	(21.517)	(9.272)
I. Net cash provided from banking operations (+/-)	2.234	40.589
B. CASH FLOWS FROM INVESTMENT ACTIVITIES		
II. Net cash provided from investing activities (+/-)	(87.798)	(56.432)
2.1.Cash paid for purchase of joint ventures, associates and subsidiaries(-)	(542)	(1.157)
2.2.Cash obtained from sale of entities joint ventures, associates and subsidiaries (+)	4.688	-
2.3.Fixed assets purchases (-)	(1.166)	(9.507)
2.4.Fixed assets sales(+)	3.158	1.650
2.5.Cash paid for purchase of financial assets available for sale (-)	(268.747)	(532)
2.6.Cash obtained from sale of financial assets available for sale (+)	150.584	-
2.7.Cash paid for purchase of investment securities (-)	(30.958)	(46.886)
2.8.Cash obtained from sale of investment securities (+)	55.371	-
2.9.Other (+/-)	(186)	-
C. CASH FLOWS FROM FINANCING ACTIVITIES		
III. Net cash provided from financing activities (+/-)	(5.930)	(8.009)
3.1.Cash obtained from loans borrowed and securities issued (+)	-	-
3.2.Cash used for repayment of loans borrowed and securities issued (-)	-	-
3.3.Marketable securities issued (+)	-	-
3.4.Dividends paid (-)	(5.930)	(9.342)
3.5.Payments for finance leases (-)	-	-
3.6.Other (+/-)	-	1.333
IV.Effect of change in foreign exchange rate on cash and cash equivalents(+/-)	952	2.181
V. Net increase/(decrease) in cash and cash equivalents (I+II+III+IV)	(90.542)	(21.671)
VI. Cash and cash equivalents at beginning of the period (+)	(2)	196.215
VII. Cash and cash equivalents at end of the period (V+VI)	(3)	196.215

The accompanying notes from an integral part of these financial statements.

Türkiye Kalkınma Bankası A.Ş.
Profit Distribution Table

	THOUSANDS OF TRY	
	AUDITED	AUDITED
	CURRENT PERIOD	PRIOR PERIOD
	(31.12.2010)	(31.12.2009)
I.DISTRIBUTION OF CURRENT YEAR INCOME		
1.1.CURRENT YEAR INCOME	28.502	31.988
1.2.TAXES AND DUTIES PAYABLE	7.381	6.409
1.2.1.Corporate tax (Income tax)	5.350	6.409
1.2.2.Income withholding tax	-	-
1.2.3.Other taxes and duties (*)	2.031	-
A. NET INCOME FOR THE YEAR (1.1-1.2)	21.121	25.579
1.3.PRIOR YEARS LOSSES (-)	-	-
1.4.FIRST LEGAL RESERVES (-)	-	1.279
1.5.OTHER STATUTORY RESERVES (-)	-	-
B. NET INCOME AVAILABLE FOR DISTRIBUTION [(A-(1.3+1.4+1.5))	21.121	24.300
1.6.FIRST DIVIDEND TO SHAREHOLDERS (-)	-	5.115
1.6.1.To owners of ordinary shares	-	5.115
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 (-)	-	815
1.8.DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
1.9.SECOND DIVIDEND TO SHAREHOLDERS (-)	-	-
1.9.1.To owners of ordinary shares	-	-
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 (-)	-	82
1.11.STATUTORY RESERVES (-)	-	-
1.12.GENERAL RESERVES	-	18.288
1.13.OTHER RESERVES	-	-
1.14.SPECIAL FUNDS	-	-
II. DISTRIBUTION OF RESERVES		
2.1.APPROPRIATED RESERVES	-	-
2.2.SECOND LEGAL RESERVES (-)	-	-
2.3.DIVIDENDS TO SHAREHOLDERS (-)	-	-
2.3.1.To owners of ordinary shares	-	-
2.3.2.To owners of preferred shares	-	-
2.3.3.To owners of preferred shares (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 (-)	-	-
III. EARNINGS PER SHARE		
3.1.TO OWNERS OF ORDINARY SHARES	0,00132	0,00160
3.2.TO OWNERS OF ORDINARY SHARES (%)	0,13	0,16
3.3.TO OWNERS OF PRIVILAGED SHARES	-	-
3.4.TO OWNERS OF PRIVILAGED SHARES (%)	-	-
IV. DIVIDEND PER SHARE		
4.1.TO OWNERS OF ORDINARY SHARES	-	0,00032
4.2.TO OWNERS OF ORDINARY SHARES (%)	-	0,03
4.3.TO OWNERS OF PRIVILAGED SHARES	-	-
4.4.TO OWNERS OF PRIVILAGED SHARES (%)	-	-

(*) Profit Distribution decision is taken by the General Assembly of the Bank. As of the report date, the General Assembly meeting has not been held yet.

The accompanying notes from an integral part of these financial statements.

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Notes to the Unconsolidated Financial Statements
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SECTION THREE
ACCOUNTING POLICIES

I-Explanations on Basis of Presentation:

a. The preparation of financial statements and related notes according to Turkish Accounting Standards and Regulation on the Procedures and Principles Regarding Banks’ Accounting Practices and Maintaining Documents

Unconsolidated financial statements are prepared in accordance with Regulation on the “Procedures and Principles Regarding Banks’ Accounting Practices and Maintaining Documents” dated 1 November 2006 and numbered 26333 which is related to Banking Law numbered 5411, the Turkish Accounting Standards (TMS) and Turkish Financial Reporting Standards (TFRS) effective by the Turkish Accounting Standards Board and related appendixes and interpretations concerning those standards (all together refered as “Turkish Accounting Standards” or TMS). The Bank keeps its records in Turkish Liras (TRY) in accordance with the Banking Law, Turkish Trade Law and Turkish Tax Legislations.

b. Basis of valuation used in the preparation of financial statements:

Accounting policies for the preparation of financial statements and valuation principles used are applied in line with Turkish Accounting Standards and the related legislations, communiqués and decrees published by the Banking Regulation and Supervision Agency.

c. Accounting policies used for the correct interpretation of financial statements:

Financial statements are prepared in Turkish Liras and are based on historical cost except financial assets and liabilities presented with fair value.

All of the financial statements as of 31 December 2010 are presented comparatively with the audited balances as of 31 December 2009. In order to give information about financial position and performance trends, unconsolidated financial statements of the Bank has been prepared comparatively with the prior period balances. In the aspect of having compliance with the presentation of current year unconsolidated financial statements, the comparative information can be reclassified and important differences are explained when necessary.

Unless otherwise stated, all balances in the financial statements, related notes and explanations expressed in Thousand Turkish Lira.

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

The majority of the liabilities of the balance sheet of the Bank consists of funds obtained from domestic and international markets. The majority of funds obtained domestically consist of funds provided by international institutions such as World Bank and Council of European Developoment Bank via Turkish Treasury and budget originated funds. The Bank acts as an intermediary for those funds provided by the Turkish Treasury to be utilized in various sectors. The funds obtained internationally consist of medium and long term loans borrowed from World Bank, and European Investment Bank and Council of European Developoment Bank, Islamic Development Bank and French Development Agency.

During the utilization of the funds obtained, the Bank pays attention for utilization of loans in line with borrowing conditions while taking assets-liability consistency into account, and tries to avoid maturity, exchange rate and liquidity risks.

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 off-balance sheet assets according to currencies, foreign currency management policy is applied in the most effective way.

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Commercial placements are directed to high-profit and low-risk assets by taking Bank-specific and domestic economic expectations, market conditions, expectations and inclinations of loan customers, risks like interest, liquidity, exchange rate etc. into account, and safety policy is kept in the foreground for placement activities. Basic macro goals concerning balance sheet sizes are determined during budgeting and the transactions are carried out according to work programmes prepared in this context.

The exchange rates, interest and price movements are closely monitored; transaction and control limits that are developed from the Bank’s previous experiences are based on when taking positions as well as legal limits. In this way, limit excesses are prevented.

During foreign currency transactions, procedures detailed below are applied.

- a.** Foreign currency monetary assets and liabilities are translated to Turkish Lira (TRY) with the buying exchange rates announced by the Bank at the end of period and foreign exchange differences are accounted as foreign exchange gain or loss.
- b.** There is no exchange rate differences capitalized as of balance sheet date.
- c.** Basic principles of exchange rate risk management policy: Decisions to avoid exchange rate and parity risks are taken by the Asset-Liability Committee that meets regularly. The decisions are in line with the models prepared in the context of the basic boundaries of Foreign Currency Net General Position/Shareholders’ Equity Ratio which is included in legal requirements, 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 income statement of the related period.

III-Explanations on Derivative Instruments:

The derivative transactions of the Bank are composed of foreign exchange swap and forward exchange agreements. The Bank has no derivative instruments decomposed from the main contract. Derivative financial instruments are recorded with the fair value at the date of agreement and valued at fair value in the following reporting periods. In addition, the receivables and payables arising from these transactions are accounted at off-balance sheet accounts. Depending on valuation difference being positive or negative, mentioned differences are presented on the related balance sheet accounts. Moreover, the receivables and payables arising from these transactions are accounted at off-balance sheet accounts.

IV-Explanations on Interest Income and Expenses:

Interest income and expenses are recognized on an accrual basis using the effective interest method (the rate that equals the future cash flows of a financial asset or liability to its present net book value) in conformity with TAS 39 “Financial Instruments: Recognition and Measurement”.

If a financial asset possesses on uncollected interest accrual before its acquisition by the Bank, interest collected afterwards is separated into periods such as before acquisition and after acquisition, and only the part of after acquisition is recognized as interest income on the income statement.

Realized and unrealized interest accruals of non-performing loans and other receivables are cancelled in line with the Communiqué on “Methods and Principles on Determining the Nature of Loans, Other Receivables and Allocation of Provisions” published in the Official Gazette dated November 1, 2006 and numbered 26333 and those amounts are not included in the income statement unless collected.

V-Explanations on Fees and Commission Income and Expenses:

Fees and commissions received from cash loans, that are not attributable to interest rates applied, and fees for banking services are recorded as income on the date of collection. Fees and commissions paid for the funds borrowed, which are not attributable to interest rates of the funds borrowed, are recorded as expense on the date of the payment. All other commissions and fees income and expenses, excluding the above mentioned and including commissions received from non-cash loans are recorded on an accrual basis.

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VI-Explanations on Financial Assets:

Financial assets mainly constitute the Bank’s commercial activities and operations. These instruments have the ability to expose, affect and diminish the liquidity, credit and interest rate risks in the financial statements.

The financial assets of the Bank are classified and accounted as “ Financial Assets at Fair Value Through Profit and Loss”, “Finacial Assets Available-for-Sale”, “Loans and Receivables” or “Investments Held to Maturity”. The sale and purchase of financial assets are accounted by “delivery date”. The classification of financial asstes has been decided by management of the bank considering the purpose of purchase on purchase date.

Financial Assets at Fair Value through Profit and Loss:

Financial assets held for trading are financial assets, which are either acquired for generating a profit from short-term fluctuations in price or dealer’s margin, or are financial assets included in a portfolio with a pattern of short-term profit taking. “Financial Assets at Fair Value through Profit and Loss” represent the financial assets at fair value through profit and loss at the initial recognition and those are not obtained for trading purposes.

Trading securities are initially recognized at cost and carried at fair value in the financial statements. Marketable securities that are traded in Istanbul Stock Exchange (ISE) are carried at weighted average exchange prices of ISE as of the balance sheet date.

The difference between the cost and fair value of held for trading securities is accounted under “Other i Interest and Income Accrual” or “Impairment Loss for Marketable Securities” accounts. Profit or loass recognized is in profit or loss accounts. Interest received from financial assets held for trading is reflected as interest income.

Regular purchases and sales of financial instrumets are 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 fair value differences of Financial Assets at Fair Value through Profit and Loss are recognized in profit or loss accounts.

The Bank classifies Financial Assets at Fair Value through Profit and Loss under Financial Assets Held for Trading. The Bank has no financial assets classified as Financial Assets at Fair Value through Profit and Loss.

Financial Assets Available-for-Sale:

Financial assets available-for-sale represent non-derivative financial assets except for loans and receivables, investments held to maturity and financial assets at fair value through profit and loss.

Financial assets available-for-sale are initially recognized at cost including the transaction costs and carried at fair value in the financial statements. Marketable securities that are traded in Istanbul Stock Exchange (ISE) are carried at weighted average exchange prices of ISE as of the balance sheet date. In the case a price does not occur in an active market, it is accepted that fair value cannot be reliably determined and amortized value which is calculated using the internal rate of return is accepted as the fair value. The difference between the cost and fair value is accounted as interest income accrual or impairment loss. Interest income for available-for-sale financial assets with fixed or floating interest rate shows the difference between cost and amortized amount calculated using internal rate of return and accounted as interest income from marketable securities. Unrealized gains and losses arising from changes in fair value of the financial assets available-for-sale and which are denoting the difference between fair value and amortized cost of financial assets, are recognized in the “Marketable Securities Revaluation Fund”. Amounts accounted under equity are reflected to income statement when financial assets available-for-sale are sold.

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Loans and Receivables:

Loans and receivables represent unquoted financial assets in an active market that provide money, goods or services to the debtor with fixed or determinable payments.

Loans and receivables are initially recognized with cost and carried at amortized cost calculated using the internal rate of return at the subsequent recognition. Transaction fees, dues and other expenses paid for loan guarantees are reflected to the customers.

Granted loans by the Bank consists of foreign currency based loans, investment ve working capital loans, fund originated loans in Turkish Currency and export financing and investment loans in Foreign Currency.

Foreign currency indexed loans are followed at TRY accounts after converting into TRY by using the opening exchange rates. Repayments are calculated using the exchange rates at the repayment dates and exchange differences are recognized under the foreign currency income and expense accounts in the income statement.

Non-performing loans are classified in accordance with the Communiqué on “Methods and Principles on Determining the Nature of Loans, Other Receivables and Allocation of Provisions” published in the Official Gazette dated November 1, 2006 and numbered 26333. For the cash loans classified as non-performing, specific provision is set for the remaining loan balance after deducting collateral amount, which is calculated by taking collaterals admission rates into account, and by using the rates specified in the communiqué. Specific provisions are reflected to “820 Provisions and Impairment Expenses – 82000 Specific Provisions Expenses” account. Provisions released in same year are recognized as a credit under the “Provision Expenses”, released portion of the previous period provisions are recognized under “Other Operating Income” account.

Collections are accounted under “Non-performing Loans (including collections from Doubtful Receivables)” and “Interest on Uncollectible Loans and Other Receivables” accounts.

Investments Held To Maturity:

Investments held to maturity are non-derivative financial assets, other than those which are classified at fair value through profit and loss or available for sale or loans and receivables at initial recognition, for which there is an intention of holding until maturity and the relevant conditions for fulfillment of such intention, including the funding ability, and for which there are fixed or determinable payments with fixed maturity.

The Bank does not have any financial assets that are previously classified as investments held-to-maturity but prohibited to be classified in this portfolio for two years because of incompliance with the principles of financial assets classification.

Investments held to maturity are subsequently measured at amortized cost using internal rate of return, and they are accounted for by setting forth provision for impairment loss or by posting interest income accrual.

Interests received from investments held to maturity are recognized as interest income.

Cash and Cash Equivalents:

Cash and cash equivalents are cash on hand, demand deposits and other highly liquid short-term investments with maturity of 3 months or less following the date of purchase, which is readily convertible to a known amount of cash, and does not bear the risk of significant amount of value change. The carrying amoutn of these assets represents their fair values.

Türkiye Kalkınma Bankası A.Ş.
Notes to the Unconsolidated Financial Statements
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(Amounts expresseds in Thousands of Turkish Lira [TRY] unless otherwise stated.)

VII-Explanations on Impairment of Financial Assets:

At each balance sheet date, the Bank reviews the carrying amounts of its financial asset or group of financial assets whether there is an objective indication that those assets have suffered an impairment loss. If such indication exists, the Bank measures the related impairment amount.

If expected recoverable amount of financial assets which is the discounted amount of expected future cash flows using internal rate of return, or fair value of the financial assets are lower than their carrying amount, these financial assets are considered as impaired. Provision is set for impairment loss and the provision is reflected to income statement.

The changes in the value of financial assets held for sale are reflected to income statement in the related period.

If expenses financial assets available for sale are subject to permanent impairment, the amount is debited to “Value Loss Expenses for Securities” account in line with the related Turkish Accounting Standard.

Impairment losses attributable to the investments held to maturity are measured as the difference between the present value of estimated future cash flows which is the discounted amount using the original interest rate of financial asset and the carrying amount of the asset. The related difference is recognized as a loss and it decreases the carrying value of the financial asset. In subsequent periods, if the impairment loss amount decreases, impairment loss recognized is reversed.

Loans portfolio is regularly monitored by management of the Bank and if any doubts on the collectibility of the loans arise, the related loans are classified in accordance with the Communiqué on “Methods and Principles on Determining the Nature of Loans, Other Receivables and Allocation of Provisions” published in the Official Gazette numbered 26333 and dated November 1, 2006. For the cash loans classified as non-performing, specific provision is set for the remaining loan balance after deducting collateral amount, which is calculated by taking collaterals admission rates into account, and by using the rates specified in the communiqué. Besides specific provisions, the Bank allocates general loan loss provision in line with related regulations.

VIII-Explanations on Offsetting of Financial Assets and Liabilities:

Financial assets and liabilities are offset on balance sheet when the Bank has a legally enforceable right to set off, and the intention of collecting or paying the net amount of related assets and liabilities or the right to offset the assets and liabilities simultaneously.

IX-Explanations On Sales And Repurchase Agreements And Lending Of Securities:

Securities sold in repurchase agreements (repo) are accounted in balance sheet accounts in line with Uniform Chart of Account. Accordingly, the government bonds and treasury bills sold to the clients in the context of repurchase agreements are classified as “Subject to Repurchase Agreements” and are valued by market prices in or discounted values using internal rate of returns according to the holding purposes in the Bank portfolio. Funds gained by repurchase agreements are shown as a separate entry in the liability accounts and interest expense accrual is calculated for these funds.

Securities that were purchased in back selling commitment (reverse repurchase agreements) are shown as a line item under ‘Money Market Placements” line. For the difference between the purchase of securities and resale prices determined by the reverse repo agreements for the period; income accrual is calculated using the internal rate of return method. There are no marketable securities that are subjected to lending.

Türkiye Kalkınma Bankası A.Ş.
Notes to the Unconsolidated Financial Statements
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X-Explanations on Assets Held For Sale and Discontinued Operations:

Assets that are classified as held for sale are measured at the lower of its carrying amount and fair value less costs to sell. In order to classify a tangible fixed asset as held for sale, the asset (or the disposal group) should be available for an immediate sale in its present condition subject to the terms of any regular sales of such assets (or such disposal groups) and the sale should be highly probable. For a highly probable sale, the appropriate level of management must be committed to a plan to sell the asset (or the disposal group), and an active programme to complete the plan should be initiated to locate a customer. Also, the asset (or the disposal group) should have an active market sale value, which is a reasonable value in relation to its current fair value. The Bank has no assets classified as held for sale. Events or circumstances may extend the completion of the sale more than one year. Such assets are still classified as held for sale if there is sufficient evidence that the delay in the sale process is due to the events and circumstances occurred beyond the control of the entity or the entity remains committed to its plan to sell the asset (or disposal group).

A discontinued operation is a component of a bank that either has been disposed of, or is classified as held for sale. Gains or losses relating to discontinued operations are presented separately in the income statement. The Bank has no discontinued operations.

XI-Explanations on Goodwill and Other Intangible Assets:

As at the balance sheet date, there is no goodwill recorded in the unconsolidated balance sheet of the Bank.

Intangible fixed assets first are carried at cost which includes acquisition costs and other direct costs beared necessary for the assets to become ready for use. Subsequent to recognition, intangible assets are presented in financial statements at cost less any accumulated amortization and accumulated impairment losses, if any.

Amortization is charged on a straight-line basis over their estimated useful lives which is 33,33%.

Useful life of other intangible assets are determined by the consideration of items like expected usage period of the asset, technical, technological or other kind of obsolance and maintenance costs incurred to obtain economical benefit from the assets.

Expenses related to existing computer software and computer software improvement that enhance original content and useful life, are capitalized over the software. Those capitalized expenses are amortized over the remaining useful life of the related assets using the “Straight line method”.

XII-Explanations on Tangible Fixed Assets:

Tangible fixed assets are carried at cost which includes acquisition costs and other direct costs beared necessary for the assets to become ready for use, and if results of appraisal reports exceed the costs, they are not subject to any revaluation. Subsequent to recognition, tangible fixed assets are presented in financial statements at cost less any accumulated depreciation and accumulated impairment losses, if any.

The Bank’s tangible fixed assets purchased before January 1, 2005 are carried at restated cost in the balance sheet before December 31, 2004 and its tangible fixed assets that are purchased subsequent to January 1, 2005 are valued at historical cost.

Gain or loss arising from the disposal or retirement of an item of tangible fixed assets is determined as the difference between the sales proceeds and the carrying amount of that asset and is recognized in profit or loss.

Ordinary maintenance and repair expenses of tangible fixed assets items are recognized as expenses. Investment expenditures that increase the future benefit by enhancing the capacity of tangible assets are capitalized. Investment expenditures include cost items that extend the useful life of the asset, increase the servicing capabilities of the asset, improve the quality of goods or services produced or reduces the costs.

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There are no mortgages, pledges or similar precautionary measures on tangible fixed assets or commitments given for the purchase or any restrictions designated for the use of those tangible fixed assets.

Tangible fixed assets are amortized by using the straight-line method over their estimated useful lives. Estimated depreciation rates of tangible fixed assets are as follows;

	Depreciation Rate
Buildings	%2
Vehicles	%20
Other Tangible Assets	%6,66-%33,33

There is no change in accounting estimations that has material effect in the current period or that is expected to have effect in the subsequent periods.

The Bank has no discontinued operations, and accounts tangible fixed assets acquired due to receivables in line with the Regulation on “Procedures and Principles for Sales and Purchase of Precious Metal and Disposal of Commodities That Have Been Acquired due to Receivales by Banks” which is published at Official Gazette datd November 1, 2006 and numbered 26333. These assets are not subject to revaluation.

XIII-Explanations on Leasing Transactions:

The Bank, as the lessee, recognizes its leasing operations in accordance with the requirements of the Turkish Accounting Standards (TAS 17) “Leases”. Lease receivables other than financial lease receivables and from the rental of assets that are not used in banking operations, not collected as of the balance sheet are included under lease receivables account.

As of balance sheet data, the Bank has two real estates under operational leasing agreement and these real estates are presented as investment property on balance sheet.

Investment property, which is property, held to earn rentals and/or for capital appreciation is carried at cost less accumulated depreciation and any accumulated impairment losses. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day to day servicing of an investment property. Depreciation is provided on investment property on a straight line basis. The depreciation period for investment property is 50 years.

XIV-Explanations on Provisions and Contingent Liabilities:

The Bank provides provision in case of an existing liability (legal or implicit) as a result of an incident that took place in the past, there is possibility of disposal of assets that bring economic benefit and the liability is measurable.

Provisions other than the specific and general provisions set for loans and other receivables and provisory liabilities are accounted in accordance with “Turkish Accounting Standart on Provisions, Contingent Liabilities and Contingent Assets Corresponding” (TAS 37).

For transactions that can affect financial structure, provisions are provided by using the existing data if they are accurate, otherwise by using the estimates.

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XV-Explanations on Employee Benefit Liabilities:

Employee benefits liabilities are recognised in accordance with the Turkish Accounting Standard No:19 “Employee Benefits”.

There is no fund to which the Bank personnel are members. However, personnel are members of Personnel Assistance and Additional Social Security Foundation of Türkiye Kalkınma Bankası A.Ş. the Bank has no obligations regarding this foundation, accordingly no provision is reserved in the accompanying financial statements.

Under the Turkish legislation as supplemented by union agreements, lump sum payments are made to all employees who retire or whose employment is terminated without due cause. According to the related legislation, depending on the status and position of the employee in the Bank and social security institution, retirement pay provision is calculated in two ways; if the employee is a state employee, the calculation is based on retirement pension for the working period of the state employee, and if the employee is a blue-collar worker, the calculation is based on the final salary at the date of retirement or leave (to the extend that the payments and/or salary amount does not exceed the Retirement Payment Provision ceiling).

Unused vacations of the Bank personnel which are not used in the prior 1 year period are cancelled and these unused vacations does not cause a liability for the Bank. Therefore, the Bank does not calculate unused vacation liability and there is no unused vacation provision in the accompanying unconsolidated financial statements.

The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying financial statements as at 31 December 2010, the provision has been calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of the employees. The provisions at the respective balance sheet dates have been calculated assuming an annual inflation rate of 5.10% and a discount rate of 10%, resulting in a real discount rate of approximately 4.66% (31 December 2009: inflation rate 4.80% and discount rate of 11%, real discount rate of approximately 5.92%). As the maximum liability is revised semi annually, the maximum amount of TRY 2.623,23 effective from 1 January 2011 has been taken into consideration in calculation of provision from employment termination benefits.

XVI-Explanations on Taxation:

In accordance with the Article 32 of the Corporate Tax Law No: 5520, the corporate tax rate is calculated at the rate of 20%. The tax legislation requires advance tax to be calculated using the corporate tax rate and paid based on earnings generated for each quarter. The amounts thus calculated and paid are offset against the corporate tax liability for the year. Accrued advance tax as of December 31, 2010 have been paid in 17 February 2010, to be offset against the final corporate tax liability for the current year.

Tax expense is the sum of the current tax expense and deferred tax charge. Current year tax liability is calculated over taxable profit. Taxable profit is different from the profit in the income statement since taxable income for the following years or deductible income or expenses and non-taxable and non-deductible income or expense items are excluded.

In accordance with the Turkish Accounting Standard (TAS 12) “Income Tax”, the bank calculates and recognizes deferred tax asset and liability for temporary differences between the carrying amounts of balances at financial statements and the corresponding tax bases used in the computation of taxable profit, using income liability method. According to tax legislation, differences on the date of acquisition of assets and liabilities that do not affect taxable profit or accounting profit are excluded from deferred tax calculation.

Deferred tax asset or liability is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, using the enacted tax rates and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from the initial recognition of other assets and liabilities other than goodwill or business combination in a transaction that affects neither the taxable profit nor the accounting profit.

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The carrying amount of a deferred tax asset is reviewed at each balance sheet date. The carrying amount of a deferred tax asset can be reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to be applied in the period in which the liability is settled or the asset realized and reflected to income statement as expense or income, except when deferred tax relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with equity.

Prepaid corporation taxes and corporation tax liabilities are offset as they relate to income taxes levied by the same taxation authority. Deferred tax assets and liabilities are also offset.

XVII-Additional Explanations on Borrowings:

The Bank accounts its debt instruments in accordance with the Turkish Accounting Standard (TAS 39) “Financial Instruments: Recognition and Measurement”. In the following periods, all financial liabilities are carried at amortized cost by using the internal rate of return method. The Bank has no borrowings that require hedging techniques for accounting and valuation of debt instruments and liabilities representing the borrowings.

The Bank continues its financial support that it provided and still providing by acquiring sources from domestic and international markets. The Bank acts as an intermediary for funds provided by Turkish Treasury to be utilized domestically. Funds are recorded to the Banks’s liabilities on the date of transfer. The maturity dates and interest rates of these funds are determined by the public authority by Communiqué on Investment Incentive.

The present foreign funds of the Bank are medium and long term loans from World Bank, European Investment Bank, Council of European Development Bank, Islamic Development Bank and French Development Agency and are recorded to related accounts on the date and with the cost the funds are available to the Bank.

The Bank generally prefers providing loans in parallel to the borrowing terms like maturity date, interest rate, interest type and currency type to avoid maturity, exchange rate and liquidity risks.

The Bank has issued no convertible bonds and debt instruments.

XVIII-Explanations on Shares Issued:

Transaction costs related to share issuance are recognized as expenses.

The Bank has not issued shares in 2009 and 2010.

XIX-Explanations on Bill Guarantees and Acceptances:

Commitments regarding bill guarantees and acceptances of the Bank are presented in the “Off Balance Sheet” commitments.

XX-Explanations on Government Incentives:

There are no government incentives utilized by the Bank in the current and prior period.

XXI-Explanations on Segment Reporting:

Besides investment banking, the sale and purchase of investment funds of the Bank, sale and purchase of government bonds and treasury bills and repurchase agreements and money swaps are conducted by the Treasury Department.

Additionally, investments funds which had been managed by Kalkınma Yatırım Menkul Değerler A.Ş., a subsidiary of the Bank, until December 31, 2009 were managed by the Treasury Department of the Bank effective March 17, 2010 subsequent receipt of permission of BRSA and management certificate from CMB.

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As of 31 December 2010, explanations on segment reporting in line with “Financial Statements to be Publicly Announced and the Accompanying Policies and Disclosures” are shown below.

		Investment		Total
Current Period – 31.12.2010	Treasury	Banking	Undistributed ⁽¹⁾	Operations of the Bank
Operating Income/Expense				
Interest income	25.220	54.377	1	79.598
Interest income on loans	-	54.377	-	54.377
Interest income on banks	3.011	-	-	3.011
Interest income on interbank money market placements	4.457	-	-	4.457
Interest income on marketable securities	17.752	-	-	17.752
Other interest income	-	-	1	1
Interest expense	(11)	(17.036)	-	(17.047)
Interest expense on borrowings	-	(11.198)	-	(11.198)
Other interest expense	(11)	(5.838)	-	(5.849)
Net fees and commissions income	(130)	4.609	338	4.817
Fees and commissions received	-	4.609	338	4.947
Fees and commissions paid	(130)	-	-	(130)
Dividend income	-	3.220	-	3.220
Trading profit/loss (net)	1.285	1.515	-	2.800
Profit/loss from capital market operations (net)	693	-	-	693
Profit/loss from derivative transactions (net)	507	-	-	507
Foreign exchange gains/losses (net)	85	1.515	-	1.600
Other operating income	116	13.902	3.425	17.443
Provisions for losses on loans and other receivables	-	(4.306)	-	(4.306)
Other operating expense	-	-	(58.023)	(58.023)
Profit before tax	-	-	-	28.502
Tax provision	-	-	-	(7.381)
Net profit for the period	-	-	-	21.121

SEGMENT ASSETS ⁽²⁾	348.545	1.200.823	47.833	1.597.201
Financial assets where fair value through profit and loss	49.033	-	-	49.033
Banks and money market placements	126.059	-	-	126.059
Financial assets available-for-sale	122.042	-	955	122.997
Loans	-	1.178.241	-	1.178.241
Investments held to maturity	51.411	-	-	51.411
Associates and subsidiaries	-	13.607	-	13.607
Tangible assets (net)	-	7.768	34.731	42.499
Intangible assets (net)	-	-	262	262
Investment properties	-	-	2.492	2.492
Other assets	-	1.207	9.393	10.600

SEGMENT LIABILITIES ⁽²⁾	373	1.053.383	543.445	1.597.201
Derivative financial liabilities held for trading	38	-	-	38
Funds borrowed and funds	-	1.047.679	-	1.047.679
Money market balances	335	-	-	335
Provisions	-	5.704	18.021	23.725
Shareholders’ equity	-	-	513.688	513.688
Other liabilities	-	-	11.736	11.736

⁽¹⁾ Income and balance sheet items that cannot be decomposed between treasury and investment banking operations, are presented at this column.

⁽²⁾ There is no receivable and payable due to fund transfer between segments.

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Prior Period – 31.12.2009	Treasury	Investment Banking	Undistributed ⁽¹⁾	Total Operations of the Bank
Operating Income/Expense				
Interest income	37.943	57.526	11	95.480
Interest income on loans	-	57.526	-	57.526
Interest income on banks	161	-	-	161
Interest income on interbank money market placements	13.663	-	-	13.663
Interest income on marketable securities	24.119	-	-	24.119
Other interest income	-	-	11	11
Interest expense	(19)	(22.634)	-	(22.653)
Interest expense on borrowings	-	(14.515)	-	(14.515)
Other interest expense	(19)	(8.119)	-	(8.138)
Net fees and commissions income	(150)	3.270	30	3.150
Fees and commissions received	-	3.270	30	3.300
Fees and commissions paid	(150)	-	-	(150)
Dividend income	-	346	-	346
Trading profit/loss (net)	4.267	1.742	-	6.009
Profit/loss from capital market operations (net)	3.828	-	-	3.828
Profit/loss from derivative transactions (net)	-	-	-	-
Foreign exchange gains/losses (net)	439	1.742	-	2.181
Other operating income	-	3.494	11.204	14.698
Provisions for losses on loans and other receivables	-	(8.854)	(2.929)	(11.783)
Other operating expense	-	-	(53.800)	(53.800)
Profit before tax	-	-	-	31.447
Tax provision	-	-	-	(5.868)
Net profit for the period	-	-	-	25.579
SEGMENT ASSETS ⁽²⁾	403.853	825.014	58.177	1.287.044
Financial assets where fair value through profit and loss	123.935	-	-	123.935
Banks and money market placements	195.990	-	-	195.990
Financial assets available-for-sale	3.559	-	969	4.528
Loans	-	802.324	-	802.324
Investments held to maturity	80.369	-	-	80.369
Associates and subsidiaries	-	17.523	-	17.523
Tangible assets (net)	-	4.299	39.490	43.789
Intangible assets (net)	-	-	503	503
Other assets	-	868	17.215	18.083
SEGMENT LIABILITIES ⁽²⁾	183	754.312	532.549	1.287.044
Derivative financial liabilities held for trading	-	-	-	-
Funds borrowed and funds	-	746.832	-	746.832
Money market balances	183	-	-	183
Provisions	-	7.480	17.188	24.668
Shareholders' equity	-	-	499.028	499.028
Other liabilities	-	-	16.333	16.333

⁽¹⁾ Income and balance sheet items that cannot be decomposed between treasury and investment banking operations, are presented at this column.

⁽²⁾ There is no receivable and payable due to fund transfer between segments.

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XXII-Explanations on Other Matters:

The General Assembly of year 2009 was carried out on May 24, 2010. In accordance with the decision taken by Board of Directors on May 7, 2010, of the profit for the year 2009 amounting to TRY 25.579 Thousand, TRY 1.279 Thousand is transferred to first degree legal reserves. Of the net distributable profit amounting to TRY 24.300 Thousand, which is the remaining profit after deduction of first degree legal reserve, TRY 5.115 Thousand and TRY 815 Thousand are distributed as dividend to shareholders and personnel respectively, TRY 82 Thousand is transferred to second degree legal reserves and TRY 18.288 Thousand is transferred to extraordinary reserves.

Aciselsan A.Ş. a subsidiary of the Bank with a capital share of 76,83%, was included in the privatization scope and programme as of April 20, 2010 over its nominal value. Accordingly, the Bank has decided to transfer its shares to Privatization Administration at cost and the transfer was realized on May 24, 2010. It has been decided that the privatization process be completed within 18 months. Loss resulting from this transfer amounting to TRY 1.202 Thousand was accounted under other operating expenses.

Liquidation process of Emiray A.Ş. was finalized on August 31, 2010 and it was removed from associates. Loss resulting from liquidation amounting to TRY 70 Thousand was accounted under other operating expenses.

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SECTION FOUR
INFORMATION ON FINANCIAL STRUCTURE

I –Explanations Related To the Capital Adequacy Ratio:

The capital adequacy standard ratio of the Bank (including market risk) is 75,22% (31 December 2009: 70,05%).

Capital adequacy standard ratio is calculated in accordance with the Communiqué on “Measurement and Assessment of the Capital Adequacy of Banks”, which was published in the Official Gazette dated November 1, 2006 and numbered 26333.

In the calculation of capital adequacy standard ratio, information prepared in accordance with the legislation on recording and accounting system is used. Additionally, the market risk, credit risk and operational risk amount are calculated in accordance with the Communiqué on “Measurement and Assessment of the Capital Adequacy of Banks” and taken into consideration in the capital adequacy standard ratio calculation.

Amounts deducted from the capital in the calculation of shareholders’ equity are not considered in the calculation of risk-weighted assets, non-cash loans and contingent liabilities. In the calculation of risk weighted assets, assets subject to depreciation and impairment are carried at their carrying values less accumulated depreciation and impairment losses.

For the calculation of the amount subject to credit risk regarding the transactions on the non-cash loans, the receivable amount from counter parties is calculated by using the conversion rates presented in Clause 1 in Article 5 of the Communiqué on “Measurement and Assessment of Banks’ Capital Adequacy Ratios”, less the specific provision amount set in accordance with the Communiqué on “Determining the Nature of Loans and Receivables and Principles and Procedures on the Allocation of Loan and Receivable Provisions”, if any, and the net amount is multiplied by the conversion rates presented in Clause 1 in Article 5 of the Communiqué on “Measurement and Assessment of the Capital Adequacy of Banks”. Then the risk ratios declared in the capital adequacy analysis form are used to weight the resulting amount.

Credit derivative contracts are included in the capital adequacy standard ratio by considering the principles declared in Communiqué on “Consideration of Credit Derivative Contracts in the Calculation of Capital Adequacy Standard Ratio” in the calculation of credit risk base amounts and capital requirement for general market risk and specific risk.

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Information on capital adequacy ratio:

	0%	10%	20%	50%	100%	150%	200%
Credit Risk Base Amount						-	-
Balance sheet items (Net)	140.796	-	883.869	237.732	159.065	-	-
Cash and cash equivalents	119	-	-	-	-	-	-
Matured marketable securities		-	-	-	-	-	-
Balances at the Central Bank of Republic of Turkey	13	-	-	-	-	-	-
Balances at domestic, foreign banks, head offices and branches abroad	-	-	125.541	-	-	-	-
Interbank money market placements	-	-	-	-	-	-	-
Receivables from reverse repos transactions	-	-	-	-	-	-	-
Required reserve deposits	-	-	-	-	-	-	-
Loans	79.758	-	753.244	234.649	71.929	-	-
Non-performing loans (net)	-	-	-	-	27.522	-	-
Finance lease receivables	-	-	-	-	246	-	-
Financial assets available-for-sale	-	-	-	-	-	-	-
Investments held to maturity	47.802	-	-	-	-	-	-
Receivables from the asset sale on credit terms	462	-	-	-	59	-	-
Sundry debtors		-	-	-	97	-	-
Interest and income accruals	6.216	-	5.084	3.083	896	-	-
Subsidiaries, associates and jointly controlled entities (joint ventures) (net)	-	-	-	-	13.607	-	-
Tangible fixed assets	-	-	-	-	44.279	-	-
Other assets	6.426	-	-	-	430	-	-
Off-balance sheet items	1.000	-	1.739	17	18.836	-	-
Non-cash loans and commitments	1.000	-	1.489	17	18.836	-	-
Derivative instruments	-	-	250	-	-	-	-
Non-risk weighted accounts	-	-	-	-	-	-	-
Total risk-weighted assets	141.796	-	885.608	237.749	177.901	-	-

Summary for capital adequacy standard ratio:

	Bank	
	Current Period (31.12.2010)	Prior Period (31.12.2009)
Credit Risk Base Amount (CRBA)	473.897	391.361
Market Risk Base Amount (MRBA)	36.125	25.163
Operational Risk Base Amount(ORBA)	173.647	286.900
Equity	514.234	492.716
Equity/(CRBA+MRBA+ORBA)*100	75,22	70,05

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Information on equity items:

	Current Period (31.12.2010)	Prior Period (31.12.2009)
CORE CAPITAL		
Paid-in Capital	160.000	160.000
Nominal capital	160.000	160.000
Capital commitments (-)	-	-
Inflation Adjustment for Paid-in Capital	206.074	206.074
Share Premium	1.491	1.491
Share Cancellation Profits	-	-
Legal Reserves	27.688	26.327
I. Degree Legal Reserve (Turkish Commercial Code 466/1)	14.006	12.727
II. Degree Legal Reserve (Turkish Commercial Code 466/2)	13.682	13.600
Reserves per Specific Acts	-	-
Statutory Reserves	-	-
Extraordinary Reserves	94.677	76.389
Reserves allocated per General Assembly Minute	94.677	76.389
Retained Earnings	-	-
Accumulated Loss	-	-
Foreign Currency Share Capital Exchange Difference	-	-
Inflation Adjustment for the Legal, Statutory and Extraordinary Reserves	-	-
Profit	21.121	25.579
Net profit for the period	21.121	25.579
Retained Earnings	-	-
Portion of Provisions Allocated for Potential Risk up to 25% of Core Capital Amount	-	-
Subsidiary and Associate Shares and Gains on Sale of Properties To Be Added To Capital	-	-
Portion of Primary Tier-II Capital up to 15% of Core Capital	-	-
Portion of Losses that cannot be covered by reserves (-)	-	-
Net loss for the period	-	-
Accumulated Loss	-	-
Leasehold Improvements (-)	25	
Prepaid Expenses (-)	2.734	2.131
Intangible Assets (-)	262	503
Deferred Tax Asset in excess of 10% of the Core Capital (-)	-	-
Excess Amount defined in 3rd Clause, 56th Article of the Banking Act (-)	-	-
Total Core Capital	508.030	493.226
SUPPLEMENTARY CAPITAL		
General Loan Provisions	5.704	7.480
45% of Movable Assets Revaluation Fund	-	-
45% of Immovable Assets Revaluation Fund	-	-
Bonus Shares of Subsidiaries,Associates and Jointly Controlled Entities (Joint Ventures)	-	468
Proportion of Primary Tier-II Capital excluded from the Core Capital Calculation	-	-
Tier –II Capital	-	-
45% of Marketable Securities Revaluation Fund	1.187	1.215
From Subsidiaries and Associates	-	-
From Financial Assets Available For Sale	1.187	1.215
Inflation adjustments for capital reserves, profit reserves and retained earnings/ accumulated losses (Except inflation adjustments for legal reserves, statutory reserves and extraordinary reserves)	-	-
Total Supplementary Capital	6.891	9.163

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	Current Period (31.12.2010)	Prior Period (31.12.2009)
TIER-III CAPITAL		
CAPITAL	514.921	502.389
DEDUCTIONS FROM CAPITAL	687	9.673
Equity shares in banks and financial institutions (domestic, foreign), 10% or more of whose capital is owned by the Bank and which are excluded from consolidation	-	8.987
Equity shares in banks and financial institutions (domestic, foreign), less than 10% of whose capital is owned by the Bank and which exceed the 10% of Bank's Core and Supplementary Capital	-	-
Secondary subordinated loans granted to banks and financial institutions (Domestic, Foreign) or Qualified Shareholders and placements that possess the nature of their Primary or Secondary Subordinated Debt	-	-
Loans granted being non-compliant with the Articles 50 and 51 of the Banking Law	-	-
The net book value of properties exceeding 50% of equity and properties held for sale and properties and commodity to be disposed, acquired in exchange of loans and receivables according to the Article 57 of the Banking Law and have not been disposed yet after 5 years after foreclosure	687	686
Other	-	-
TOTAL EQUITY	514.234	492.716

II-Explanations Related To Credit Risk

The Bank is not subject to the general loan restrictions defined by the 54th 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 54th article of the Banking Law.

All loan placements of the Bank are allocated in accordance with reports prepared by Intelligence Unit and Loan Assessment Unit and with aporovals of Loan Investment Committee and Board of Directors in acoordance with legal legislations. Since the placements of the Bank are in the form of project financing, the amount of loan that can be disbursed to a firm is basically determined during project assessment stage and disbursements are made in a controlled manner through monitoring of expenditures.

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

All of the loans disbursed by the Bank has collaterals. Real estate and tangible assets mortgages, business company liens, foreign currency notes and other liquid assets, bank guarantee letters and suretyships of reals persons or companies comprise loan collaterals.

a) The share of receivables from the top 100 cash loan customers in the overall cash loan portfolio stands at 84,31% (31.12.2009: 98,80%).

b) The share of receivables from the top 100 non-cash loan customers in the overall non-cash loan portfolio stands at 100% (31.12.2009: 100%).

c) The share of cash and non-cash receivables from the top 100 customers in the overall cash and non-cash loan portfolio stands at 72,2% (31.12.2009: 51,6%).

d) General loan loss provision related to the credit risk incurred by the Bank is TRY 5.704 Thousand (31.12.2009: 7.480 Thousand TRY).

In the calculation of the above ratios, specific provisions are not considered.

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Credit risk by types of borrowers and geographical concentration:

	Loans to Real Persons and Legal Entities		Loans to Banks and Other Financial Institutions		Securities*		Other Loans**	
	Current Period	Prior period	Current Period	Prior period	Current Period	Prior period	Current Period	Prior period
Borrowers' concentration:	1.098.906	734.080	68.376	59.191	215.145	190.276	44.250	31.447
Private Sector	1.094.068	728.914	-	-	3.862	3.559	7.547	11.099
Public Sector	-	-	-	-	209.993	185.565	-	-
Banks	-	-	68.376	59.191	-	-	17.930	-
Retail customers	4.838	5.166	-	-	335	183	-	-
Share certificates	-	-	-	-	955	969	18.773	20.348
Geographical concentration:	1.098.906	734.080	68.376	59.191	215.145	190.276	44.250	31.447
Domestic	1.098.906	734.080	68.376	59.191	215.145	190.276	25.477	11.099
EU countries	-	-	-	-	-	-	18.773	20.348
OECD countries ***	-	-	-	-	-	-	-	-
Off-shore banking regions	-	-	-	-	-	-	-	-
USA, Canada	-	-	-	-	-	-	-	-
Other countries	-	-	-	-	-	-	-	-

* Includes financial assets at fair value through profit or loss, available-for-sale financial assets and investments held-to-maturity.

** Includes the transactions that are not presented in the first 3 columns but defined as loan in the Article 48 of the Banking Act No: 5411.

*** OECD countries other than EU countries, USA and Canada.

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Information according to geographical concentration:

	Assets	Liabilities	Non-Cash Loans	Fixed capital investments	Net Profit/Loss
Current Period (31.12.2010)					
Domestic	1.527.189	360.256	7.547	44.991	21.121
EU countries	563	459.753	-	-	-
OECD countries *	27	-	-	-	-
Offshore banking regions	-	-	-	-	-
USA, Canada	94	214.750	-	-	-
Other Countries	-	25.029	-	-	-
Associates, subsidiaries and jointly controlled entities(joint ventures)	13.607	-	-	-	-
Unallocated assets/liabilities **	10.730	516.292			
Total ***	1.552.210	1.576.080	7.547	44.991	21.121
Prior Period (31.12.2009)					
Domestic	1.129.957	316.900	11.099	43.789	25.579
EU countries	78.231	350.730	-	-	-
OECD countries *	23	-	-	-	-
Offshore banking regions	-	-	-	-	-
USA, Canada	477	75.005	-	-	-
Other Countries	-	20.713	-	-	-
Associates, subsidiaries and jointly controlled entities(joint ventures)	16.484	-	-	-	-
Unallocated assets/liabilities **	18.083	498.117			
Total ***	1.243.255	1.261.465	11.099	43.789	25.579

* OECD countries other than EU countries, USA and Canada.

** Assets and liabilities that cannot be allocated on a consistent basis. TRY 513.688 Thousand of undistributed liabilities is shareholders' equity (31 December 2009: TRY 499.028 Thousand).

*** The sum of assets and fixed capital investments reflect total assets in the balance sheet.

*** The sum of liabilities and ne profit/loss reffect total liabilities in the balance sheet.

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Sector concentrations for cash loans:

	Current Period(31.12.2010)				Prior Period(31.12.2009)			
	TRY	(%)	FC	(%)	TRY	(%)	FC	(%)
Agricultural	-	-	8.234	0,86	4.359	2,04	6.371	1,14
Farming and Raising Livestock	-	-	8.234	0,86	4.307	2,02	6.371	1,14
Forestry, Wood and Paper	-	-	-	-	52	0,02	-	-
Fishery	-	-	-	-	-	-	-	-
Manufacturing	29.284	15,10	723.772	75,65	37.080	17,33	369.963	66,01
Mining and Quarry	316	0,17	-	0,00	-	0,00	-	0,00
Production	28.067	14,47	141.764	14,82	35.811	16,74	91.202	16,27
Electricity, Gas and Water	901	0,46	582.008	60,83	1.269	0,59	278.761	49,74
Construction	-	-	-	-	6.748	3,15	362	0,06
Services	159.895	82,44	224.760	23,49	160.669	75,07	183.745	32,79
Wholesale and Retail Trade	-	-	-	-	-	-	-	-
Hotel, Tourism, Food and Beverage Services	92.403	47,64	146.923	15,36	104.939	49,03	116.463	20,78
Transportation and Communication	-	-	-	-	-	-	-	-
Financial Institutions	30.115	15,53	38.500	4,02	16.269	7,60	43.185	7,71
Real Estate and Renting Services	-	-	-	-	-	-	-	-
Self-Employment Services	18.307	9,44	-	-	-	-	-	-
Education Services	2.723	1,40	3.993	0,42	11.146	5,21	4.332	0,77
Health and Social Services	16.347	8,43	35.344	3,69	28.315	13,23	19.765	3,53
Other	4.774	2,46	-	-	5.166	2,41	-	-
Total	193.953	100,00	956.766	100,00	214.022	100,00	560.441	100,00

The table below shows the maximum exposure to credit risk for the components of the financial statements.

	Current Period (31.12.2010)	Prior Period (31.12.2009)
Maximum Exposure		
Cash and balances with the Central Bank of the Republic of Turkey	132	247
Financial assets where fair value through profit and loss	49.033	123.935
Banks	126.059	85.370
Financial assets available for sale	122.997	4.528
Loans	1.178.241	802.324
Investments held to maturity	51.411	80.369
Total	1.527.873	1.096.773
Contingent liabilities	7.547	11.099
Derivative financial instruments	16.930	-
Commitments	19.773	20.348
Total	44.250	31.447
Total credit risk exposure	1.572.123	1.128.220

Since internal rating model is not applicable for the Bank, credit quality categories could not be identified.

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Net values of the collaterals of closely monitored loans, collateral types and risk matches:

	Current Period (31.12.2010)		Prior Period (31.12.2009)	
	Net value of collateral	Credit balance	Net value of collateral	Credit balance
Type of Collateral				
Real estate mortgage (*)	901.083	79.213	1.217.921	108.669
Vehicle pledge	-	-	-	-
Cash collateral (Cash provisions, securities pledge etc.)	1.365	1.127	32.467	26.426
Pledge on wages	-	-	-	-
Cheques/Notes	-	-	-	-
Other (suretyship, commercial enterprise under pledge, commercial papers etc.)	-	-	11	-
Non-collateralized	-	-	-	-
Total	902.448	80.340	1.250.399	135.095

(*) Amounts of mortgages are taken into consideration.

Net values of the collaterals of non-performing loans, collateral types and risk matches:

	Current Period (31.12.2010)		Prior Period (31.12.2009)	
	Net value of collateral	Credit balance	Net value of collateral	Credit balance
Type of collateral				
Real estate mortgage (**)	627.306	78.337	786.815	93.830
Cash collateral	-	-	-	-
Vehicle pledge	-	-	-	-
Other (suretyship, commercial enterprise under pledge, commercial papers etc.) (*)	103.132	-	103.132	-
Total	730.438	78.337	889.947	93.830

(*) As collateral, real estate mortgages has been obtained for loans. In addition to the existing collateral, commercial enterprise pledge has been obtained for loans amounting to TRY 23.121 Thousand.

(**) Amounts of mortgages are taken into consideration.

Credit quality per class of financial assets as of 31 December 2010:

Current Period (31.12.2010)	Neither past due nor impaired	Past due but not impaired	Past due and impaired	Total
Cash and balances with the Central Bank of the Republic of Turkey	132	-	-	132
Financial assets where fair value through profit and loss	49.033	-	-	49.033
Banks	126.059	-	-	126.059
Financial assets available for sale	122.002	-	955	122.997
Loans	1.149.588	1.131	27.522	1.178.241
Corporate Loans	883.180	531	15.487	899.198
Consumer Loans	4.838	-	-	4.838
Specialized Loans	261.570	600	12.035	274.205
Investments held to maturity	51.411	-	-	51.411
Subsidiaries, associates and jointly controlled entities (joint ventures)	-	-	13.607	13.607

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Credit quality per class of financial assets as of 31 December 2009:

Prior Period (31.12.2009)	Neither past due nor impaired	Past due but not impaired	Past due and impaired	Total
Cash and balances with the Central Bank of the Republic of Turkey	247	-	-	247
Financial assets where fair value through profit and loss	123.935	-	-	123.935
Banks	85.370	-	-	85.370
Financial assets available for sale	3.559	-	969	4.528
Loans	771.550	2.913	27.861	802.324
Corporate Loans	538.328	1.496	13.893	553.717
Consumer Loans	5.166	-	-	5.166
Specialized Loans	228.056	1.417	13.968	243.441
Investments held to maturity	80.369	-	-	80.369
Subsidiaries, associates and jointly controlled entities (joint ventures)	10.026	-	7.497	17.523

Aging analysis of past due but not impaired loans per classes of financial statements:

Current Period (31.12.2010)	31-60 Days	61-90 Days	Total
Loans			
Corporate Loans	459	72	531
Consumer Loans	-	-	-
Specialized Loans	584	16	600
Total	1.043	88	1.131

Prior Period (31.12.2009)	31-60 Days	61-90 Days	Total
Loans			
Corporate Loans	683	813	1.496
Consumer Loans	-	-	-
Specialized Loans	1.401	16	1.417
Total	2.084	829	2.913

Carrying amount per class of financial assets whose terms have been renegotiated:

	Current Period (31.12.2010)	Prior Period (31.12.2009)
Loans		
Corporate Loans	22.738	4.820
Consumer Loans	-	-
Specialized Loans	15.641	1.100
Total	38.379	5.920

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III-Explanations Related to Market Risk:

The Bank has established market risk management operations and taken necessary measures in accordance with “Measurement and Assessment of the Capital Adequacy of Bank” issued in the Official Gazette numbered 26333 and dated November 1, 2006.

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 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:

	Current Period Total
(I) Capital requirement calculated for general market risk-Standart Method	1.119
(II) Capital requirement calculated for specific risk-Standart Method	385
(III) Capital requirement calculated for currency risk-Standart Method	1.386
(IV) Capital requirement calculated for commodity risk-Standart Method	-
(V) Capital requirement calculated for clearing risk-Standart Method	-
(VI) Total capital requirement calculated for market risk resulting from options-Standart Method	-
(VII) Capital requirement calculated for market risk in Bank using risk measurement model	-
(VIII) Total capital requirement calculated for market risk (I+II+III+IV+V+VI)	2.890
(IX) Amount subject to market risk (12,5 x VIII) or (12,5 x VII)	36.125

b) Average market risk calculated as of the end of each month during the period

	Current period (31.12.2010)			Prior period (31.12.2009)		
	Average	Maximum	Minimum	Maximum	Average	Minimum
Interest rate risk	566	734	344	708	837	622
Share risk	629	774	-	-	-	-
Currency risk	1.437	2.831	893	1.685	2.687	1.156
Commodity risk	-	-	-	-	-	-
Clearance risk	-	-	-	-	-	-
Options risk	-	-	-	-	-	-
Amount subject to total risk	2.632	4.339	1.237	2.393	3.524	1.778

IV-Explanations Related to Operational Risk:

Operational risk is defined as the probability of loss or damage due to the overlooked errors and irregularities arising from failures of the internal controls of the Bank, and not responding timely by the Bank’s management and the personel, errors and irregularities of the information systems, and due to the disasters like earthquake, fire or flood, or terrorist attacks. From this point, all major operation groups include operational risk.

The Bank manages operational risk according to volume, nature and complexity of operations and within the context of BRSA regulations; accepts that operational risk management covers all operations and personnel. The Bank, as the basis of operational risk management policies, aims to detect risks before they occur, a regular reporting and evaluation process. Accordingly, the basic principle of operational risk management policy is to take precautions to prevent realization of risks. Intensification of controls over each stage of business processes that are determined by the Bank is the most effective policy tool of operational risk management. It is essantial that the Bank personnel has to be aware of the risks and review the effects of these risks, take necessary precautions in order to reduce and/or prevent such risks or make proposals for improvements while fullfilling their duties, powers and responsibilities and conduct their activities in control consciousness. New products and services are evaluated in terms of personnel, processes, systems and operational risks in terms of foreign origin.

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The Bank calculated required capital for operational risk, for the first time, as of 31 December 2006 using “Basic Indicator Approach” in line with article 15 of the related regulation. In the following periods, base subject to operational risk is calculated on an annual basis and reported to BRSA. Operational risk is calculated as TRY 173.647 Thousand for 2010, and TRY 162.050 Thousand for 2011 using the gross income of the Bank for the years 2010, 2009 and 2008.

V- Explanations Related to 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).

The Bank has no hedge instruments against foreign exchange debt instruments and net foreign exchange investments.

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.

Foreign currency buying exchange rates announced by the Bank on the financial statement date and previous 5 working days are as shown below:

Date	USD	EURO	100 JPY
31/12/2010	1,53220	2,04060	1,84600
30/12/2010	1,54010	2,02200	1,89430
29/12/2010	1,54420	2,02060	1,88180
28/12/2010	1,52950	2,01190	1,85690
27/12/2010	1,53120	2,00170	1,85240
24/12/2010	1,53150	2,00550	1,84740

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: TRY 1,50349, EURO: TRY 1,98214, 100 JPY: TRY 1,80825.

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Information on the exchange rate risk of the Bank:

	EURO	USD	Yen	Other FC ⁽¹⁾	Total
Current period (31.12.2010)					
Assets					
Cash (cash in vault, effectives, money in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey	-	-	-	-	-
Banks	878	319	54	102	1.353
Financial assets where fair value through profit and loss	-	-	-	-	-
Money market placements	-	-	-	-	-
Financial assets available for sale	-	-	-	-	-
Loans ⁽²⁾	646.870	294.031	-	17.397	958.298
Subsidiaries, associates and jointly controlled entities (joint ventures)	912	-	-	-	912
Investments held to maturity	-	-	-	-	-
Derivative financial assets for hedging purposes	-	-	-	-	-
Tangible Assets	-	-	-	-	-
Intangible Assets	-	-	-	-	-
Other assets ⁽⁴⁾	76	1.131	-	-	1.207
Total assets	648.736	295.481	54	17.499	961.770
Liabilities					
Interbank deposits	-	-	-	-	-
Other deposits	-	-	-	-	-
Money market borrowings	-	-	-	-	-
Funds provided from other financial institutions	645.226	292.520	-	18.680	956.426
Marketable securities issued	-	-	-	-	-
Sundry creditors	188	92	-	-	280
Derivative financial liabilities for hedging purposes	-	-	-	-	-
Other liabilities	28	29	-	-	57
Total liabilities	645.442	292.641	-	18.680	956.763
Net balance sheet position	3.294	2.840	54	(1.181)	5.007
Net off-balance sheet position	-	1	-	-	1
Assets on derivative instruments	1.837	2.375	-	-	4.212
Liabilities on derivative instruments	1.837	2.374	-	-	4.211
Non-cash loans	7.471	29	-	-	7.500
Prior Period (31.12.2009)					
Total assets	457.671	163.267	46	20.885	641.869
Total liabilities	452.803	161.209	-	20.713	634.725
Net balance sheet position	4.868	2.058	46	172	7.144
Net off-balance sheet position	-	-	-	-	-
Assets on derivative instruments	-	-	-	-	-
Liabilities on derivative instruments	-	-	-	-	-
Non-cash loans	5.418	5.634	-	-	11.052

⁽¹⁾ Of the foreign currencies presented in the other FC column of assets, 99,42% is İD, 0,19% is GBP and 0,39% is CHF. Of the foreign currencies presented in the other FC column of liabilities is ID.

⁽²⁾ TRY 1.532 Thousand equivalent of USD 1.000 Thousand of loans are originated as foreign currency indexed loans and in balance sheet included in TRY loans.

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Exchange rate risk sensitivity:

The analysis below presents the sensitivity of the Bank to 10% change in USD, EUR and JPY.

Increase in exchange rates		Effect on Profit/Loss (*)		Effect on Equity	
	%	Current Period	Prior Period	Current Period	Prior Period
USD	10	284	575	-	-
EURO	10	329	415	-	-
JPY	10	5	5	-	-
Other	10	(118)	17	-	-
Decrease in exchange rates		Effect on Profit/Loss (*)		Effect on Equity	
	%	Current Period	Prior Period	Current Period	Prior Period
USD	10	(284)	(575)	-	-
EURO	10	(329)	(415)	-	-
JPY	10	(5)	(5)	-	-
Other	10	118	(17)	-	-

(*) Indicates the values before tax.

VI-Explanations Related to Interest Rate Risk

The Bank’s basic principle in the interest rate risk management policy is to provide alignment by parallelism between loans disbursed with fixed and floting rate and funds provided with fixed and floting rate. Accordingly, interest rate, currency and maturity alignment material is respected during the disbursement of loans funded by foreign long-term borrowings, which form the material part of the loan portfolio. Almost the entire loan portfolio is financed by floating rate borrowings, then interest rate risk from changes in interest rates seems not probable for the loan portfolio because of the correlation provided between the source and the uses. Other loans in the portfolio is financed by the equity of the Bank.

Within the framework of the Bank’s basic principle of interest rate risk policy, optimization of portfolio distribution in the management of interest-sensitive assets other than loans is provided by considering possible changes in duration of positions and current interest rate limits; by taking into account alternative return, limits of tolerable loss and risk. In this context, to measure the interest rate risk exposure of the Bank, the effect of days to maturity and profit/loss are analyzed considering the scenerios of possible changes in interest rates for securities portfolio. Alternatives for compensation of probables losses that may arise as a result of fluctuations in market interest are examined using different markets. Interest rate sensitivity analysis are also made for the positions besides securities portfolio.

In order to minimize the possibility of unfavorable effects of market interest rate changes on the Bank’s financial position, risk limits are are used for the management of interest rate risk. These limits are set by Asset-Liability Committee and approved by Board of Directors. The Bank monitors and controls whether interest-sensitive assets are within the determined limits.

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Interest rate sensitivity of assets, liabilities and off-balance sheet items (based on days to repricing dates):

Current Period (31.12.2010)	Up to 1 Month	1 – 3 Months	3 – 12 Months	1 – 5 Years	5 Years and Over	Non-Interest Bearing	Total
Assets							
Cash (cash in vault, effectives, money in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey ⁽¹⁾	13	-	-	-	-	119	132
Banks ⁽¹⁾	100.194		20.024	-	-	5.841	126.059
Financial assets where fair value through profit and loss	3.940	8.933	32.575	3.585	-	-	49.033
Money market placements	-	-	-	-	-	-	-
Financial assets available for sale ⁽³⁾	43.767	16.307	41.906	16.204	-	4.813	122.997
Loans ⁽²⁾	328.227	274.394	368.863	95.726	83.509	27.522	1.178.241
Investments held to maturity	29.925	11.876	9.610	-	-	-	51.411
Other assets ⁽⁴⁾	-	-	-	-	-	69.328	69.328
Total assets	506.066	311.510	472.978	115.515	83.509	107.623	1.597.201
Liabilities							
Interbank deposits	-	-	-	-	-	-	-
Other deposits	-	-	-	-	-	-	-
Money market borrowings	335	-	-	-	-	-	335
Sundry creditors	-	-	-	-	-	3.536	3.536
Marketable securities issued	-	-	-	-	-	-	-
Funds provided from other financial institutions	374.379	257.262	330.931	69.488	15.572	47	1.047.679
Other liabilities ⁽⁴⁾	-	-	-	-	-	545.651	545.651
Total liabilities	374.714	257.262	330.931	69.488	15.572	549.234	1.597.201
Long position on balance sheet	131.352	54.248	142.047	46.027	67.937	-	441.611
Short position on balance sheet	-	-	-	-	-	(441.611)	(441.611)
Long position on off-balance sheet	-	-	-	-	-	-	-
Short position on off-balance sheet	-	-	-	-	-	-	-
Total position	131.352	54.248	142.047	46.027	67.937	(441.611)	-

⁽¹⁾ Balances without fixed maturity are shown in the “Up to 1 Month” ve “Non-interest Bearing” columns.

⁽²⁾ Net balance of non-performing loans is shown in “Non-interest Bearing” column.

⁽³⁾ Securities representing a share in capital and investment funds are shown in “Non-interest Bearing” column.

⁽⁴⁾ Deferred tax asset, shareholders’ equity and other non-interest bearing assets and liabilities are shown in “Non-interest Bearing” column.

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

Current period (31.12.2010)	EURO	USD	JPY	TRY
Assets	-	-	-	-
Cash (cash in vault, effectives, money in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey	-	-	-	
Banks	-	-	-	7,40
Financial assets where fair value through profit and loss	-	-	-	6,54
Money market placements	-	-	-	
Financial assets available for sale	-	-	-	6,76
Loans	3,81	2,98	-	10,67
Investments held to maturity	-	-	-	8,76
Liabilities	-	-	-	-
Interbank deposits	-	-	-	-
Other deposits	-	-	-	-
Money market borrowings	-	-	-	-
Sundry creditors	-	-	-	-
Marketable securities issued	-	-	-	-
Funds provided from other financial institutions	1,65	0,95	-	6,69

(*) Rates shown in the table are calculated by using the annual domestic interest rates.

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Interest rate sensitivity of assets, liabilities and off-balance sheet items (based on days to repricing dates):

Prior period (31.12.2009)	Up to 1 Month	1 – 3 Months	3 – 12 Months	1 – 5 Years	5 Years and Over	Non- Interest Bearing	Total
Assets							
Cash (cash in vault, effectives, money in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey ⁽¹⁾	162	-	-	-	-	85	247
Banks ⁽¹⁾	77.261	-	-	-	-	8.109	85.370
Financial assets where fair value through profit and loss	11.191	23.300	61.664	27.780	-	-	123.935
Money market placements	110.620	-	-	-	-	-	110.620
Financial assets available for sale ⁽³⁾	3.559	-	-	-	-	969	4.528
Loans ⁽²⁾	194.214	251.989	158.420	67.118	102.722	27.861	802.324
Investments held to maturity	9.912	19.270	31.709	19.478	-	-	80.369
Other assets	-	-	-	-	-	79.651	79.651
Total assets	406.919	294.559	251.793	114.376	102.722	116.675	1.287.044
Liabilities	-	-	-	-	-	-	-
Interbank deposits	-	-	-	-	-	-	-
Other deposits	-	-	-	-	-	-	-
Money market borrowings	183	-	-	-	-	-	183
Sundry creditors	-	-	-	-	-	3.022	3.022
Marketable securities issued	-	-	-	-	-	-	-
Funds provided from other financial institutions	166.326	183.470	280.999	98.900	17.137	-	746.832
Other liabilities	983	-	-	-	-	536.024	537.007
Total liabilities	167.492	183.470	280.999	98.900	17.137	539.046	1.287.044
Long position on balance sheet	239.427	111.089	-	15.476	85.585	-	451.577
Short position on balance sheet	-	-	(29.206)	-	-	(422.371)	(451.577)
Long position on off-balance sheet	-	-	-	-	-	-	-
Short position on off-balance sheet	(11.099)	-	-	-	-	-	(11.099)
Total position	228.328	111.089	(29.206)	15.476	85.585	(422.371)	(11.099)

⁽¹⁾ Balances without fixed maturity are shown in the “Up to 1 Month” ve “Non-interest Bearing” columns.

⁽²⁾ Net balance of non-performing loans is shown in “Non-interest Bearing” column.

⁽³⁾ Securities representing a share in capital and investment funds are shown in “Non-interest Bearing” column.

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

Prior Period (31.12.2009)	EURO	USD	JPY	TRY
Assets	-	-	-	-
Cash (cash in vault, effectives, money in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey	-	-	-	-
Banks	0,16	-	-	-
Financial assets where fair value through profit and loss	-	-	-	7,64
Money market placements	-	-	-	6,50
Financial assets available for sale	-	-	-	-
Loans	3,32	2,88	-	12,04
Investments held to maturity	-	-	-	12,86
Liabilities	-	-	-	-
Interbank deposits	-	-	-	-
Other deposits	-	-	-	-
Money market borrowings	-	-	-	-
Sundry creditors	-	-	-	-
Marketable securities issued	-	-	-	-
Funds provided from other financial institutions	1,44	0,94	-	10,00

(*) Rates shown in the table are calculated by using the annual domestic interest rates.

Interest rate sensitivity:

In this part, the sensitivity of the Bank's assets and liabilities to changes in the interest rates has been analyzed.

During the measurement of the Bank's interest rate sensitivity, it is assumed that asset and liability items with fixed-rate are renewed with shock given prices at the end of maturity, whereas, assets and liabilites with floating rate are renewed with shock given prices at the end of re-pricing period.

Held for trading and available for sale financial assets portfolios are evaluated separately from other balance sheet items. For financial assets held for trading, the difference between the current market value and value after interest rate shock is presented as effect on profit/loss. Changes in available for sale financial assets after shock are presented as effect on equity.

The possible changes that may occur in the Bank's profit/loss and equity in case of 3 points increase/decrease in TRY and 1 point increase/decrease FC interest rates on the reporting day, ceteris paribus, are given below.

Change in Interest Rate ⁽¹⁾		Effect on Profit/Loss		Effect on Equity ⁽²⁾	
TRY	FC	Current Period	Prior Period	Current Period	Prior Period
3 points increase	1 point increse	4.219	5.252	(1.507)	-
3 points decrease	1 point decrease	(4.617)	(4.960)	1.523	-

⁽¹⁾ The effects on the profit/loss and shareholders' equity are stated with their before tax values.

⁽²⁾ The effect on the shareholders' equity is arising from the change of the fair value of securities followed under Available for Sale Financial Assets.

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VII-Explanations Related to Liquidity Risk:

In the Bank, liquidity risk management is performed through proforma cash flows. These cash flows are prepared using forecasted data considering the maturity structure of assets and liabilities. The proforma cash flows includes information required to determine liquidity needs (if any) that would arise in the coming periods and/or extraordinary situations, alternative liquidity sources and placement areas. During preparation of projections for future cash flows based on these information, liquidity risk exposure of the Bank is measured using different scenarios (for example, credit collection ratios)

Besides, monthly proforma cash flows related to coverage ratios for medium and long term liabilities and balance sheet durations are monitored continuously in order to identify risk factors in advance. In the case situations creating risk are present, initiatives are taken by related departmantms to eliminate this situation. In order to evaluate the effects of negative developments at the parameters that affect the financial strength of the Bank to operations and market risks, it is essential to apply stress tests and to used the results within the Bank's strategic decision making process.

Liquidity risk may arise as the most important risk factor when structural problem caused by disbursement of long-term loans using short term borrowings is coupled with a financial crisis. Since the Bank is an investment and development bank and does not accept deposits, unlike the other banks in the system, facing the risk of liquidity crisis due to deposit withdrawals as a result of adverse events in the market is eliminated. Analyzing the structure of the Bank's assets and borrowings, loans provided by international financial institutions consists of medium and long-term loans with floating interest rate, and these funds are disbursed by taking into account the re-pricing period. Balance sheet mainly consists of loans that, given the impact of interest rate shocks on the profitability is thought to be limited to a portfolio of liquid assets and liabilities. In addition, the share of the equity in liabilities thus released funds is high and it makes the Bank advantageous in the liquidity risk management. Assessment of maturity/yield alternatives for the placement of liquidity surplus and maturity/cost alternatives to meet liquidity needs is the basic principle of the Bank liquidity management.

According to Communiqué on “Measurement and Assesment of Liquidity Adequacy of Banks”, weekly and monthly calculated foreign currency and total liquidity adequacy ratios are required to be 80 % and 100% at minimum, respectively. Foreign currency adequacy ratio refers to ratio of foreign currency assets to foreign currency liabilities, whereas, total liquidity adequacy ratio refers to ratio of total assets to total liabilities. The maximum, minimum and average liquidity ratios calculated in the year 2010 are presented below in comparison a with prior period.

Current Period	First Maturity Segment (Weekly)		Second Maturity Segment (Monthly)	
	FC	FC + TRY	FC	FC + TRY
Average (%)	360,54	597,86	254,11	516,92
Maximum (%)	1.343,08	1.591,30	986,83	1.197,65
Minimum (%)	89,36	149,97	86,34	151,10

Prior Period	First Maturity Segment (Weekly)		Second Maturity Segment (Monthly)	
	FC	FC + TRY	FC	FC + TRY
Average (%)	4.923,31	1.906,75	1.070,89	1.268,54
Maximum (%)	18.480,34	2.762,72	1.863,76	1.830,41
Minimum (%)	176,94	1.094,64	322,99	877,19

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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	Undistributed	Total
Current Period (31.12.2010)								
Assets								
Cash (cash in vault, effectives, money in transit, cheques purchased) and Balances with the Central Bank of the Republic of Turkey	132	-	-	-	-	-	-	132
Banks	5.841	99.700	-	20.518	-	-	-	126.059
Financial assets at fair value through profit and loss	-	2.899	8.933	32.575	4.626	-	-	49.033
Money market placements	-	-	-	-	-	-	-	-
Financial assets available-for-sale	3.858	27.865	16.307	41.906	16.204	15.902	955	122.997
Loans	-	29.697	92.979	84.309	549.097	394.637	27.522	1.178.241
Investments held-to-maturity	-	497	11.876	9.614	9.237	20.187	-	51.411
Other assets	-	24	49	173	-	-	69.082	69.328
Total assets	9.831	160.682	130.144	189.095	579.164	430.726	97.559	1.597.201
Liabilities								
Interbank deposits	-	-	-	-	-	-	-	-
Other deposits	-	-	-	-	-	-	-	-
Funds provided from other financial instruments	-	100.627	14.135	46.546	305.230	580.992	149	1.047.679
Money market borrowings	-	335	-	-	-	-	-	335
Marketable securities issued	-	-	-	-	-	-	-	-
Sundry creditors	3.536	-	-	-	-	-	-	3.536
Other liabilities	-	974	3.103	-	-	-	541.574	545.651
Total liabilities	3.536	101.936	17.238	46.546	305.230	580.992	541.723	1.597.201
Liquidity Gap	6.295	58.746	112.906	142.549	273.934	(150.266)	(444.164)	-
Prior Period (31.12.2009)								
Total Assets	9.325	218.995	74.042	189.839	475.847	211.484	107.512	1.287.044
Total Liabilities	3.022	8.261	15.186	37.862	299.468	387.078	536.167	1.287.044
Liquidity Gap	6.303	210.734	58.856	151.977	176.379	(175.594)	(428.655)	-

⁽¹⁾ Assets which are required for banking operations and could not be converted into cash in short-term, such as; tangible assets, associates, subsidiaries, office supply inventory, prepaid expenses and non-performing loans; and other liabilities such as provisions which are not considered as payables and equity are classified as undistributed

⁽²⁾ Deferred tax asset is included under the "Undistributed" column.

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In compliance with the Turkish Financial Reporting Standard No:7, the following table indicates the maturities of the Bank's major financial liabilities which are not qualified as derivatives. The following tables have been prepared by referencing the earliest dates of payments without discounting the liabilities. The interest to be paid to the related liabilities is included in the following table. Adjustments column shows the items that may cause possible cash flows in the following periods. The balances of the related liabilities in balance sheet do not include these amounts.

	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Adjustments	Total
Current Period (31.12.2010)								
Liabilities								
Funds provided from other financial institutions	-	102.767	16.156	59.277	357.147	624.767	(112.435)	1.047.679
Money market borrowings	-	335	-	-	-	-	-	335
Total	-	103.102	16.156	59.277	357.147	624.767	(112.435)	1.048.014
Prior Period (31.12.2009)								
Liabilities								
Funds provided from other financial institutions	-	8.504	17.198	48.642	363.364	442.866	(133.742)	746.832
Money market borrowings	-	183	-	-	-	-	-	183
Total	-	8.687	17.198	48.642	363.364	442.866	(133.742)	747.015

The following table shows the outstanding maturities of non-cash loans.

	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
Current Period (31.12.2010)							
Letters of Credit	-	709	-	6.791	-	-	7.500
Endorsements	-	-	-	-	-	-	-
Letters of Guarantee	47	-	-	-	-	-	47
Acceptances	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total	47	709	-	6.791	-	-	7.547
Prior Period (31.12.2009)							
Letters of Credit	-	-	-	11.052	-	-	11.052
Endorsements	-	-	-	-	-	-	-
Letters of Guarantee	47	-	-	-	-	-	47
Acceptances	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total	47	-	-	11.052	-	-	11.099

The following table shows the outstanding maturities of derivative financial assets and liabilities as of 31 December 2010 (31 December 2009: None).

	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
Current Period (31.12.2010)						
Forwards contracts-buy	7.597	874	-	-	-	8.471
Forwards contracts-sale	7.586	873	-	-	-	8.459
Swaps-buy	-	-	-	-	-	-
Swaps-sale	-	-	-	-	-	-
Futures-buy	-	-	-	-	-	-
Futures-sale	-	-	-	-	-	-
Options-buy	-	-	-	-	-	-
Options-sale	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total	15.183	1.747	-	-	-	16.930

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VIII-Explanations on Presentation of Financial Assets and Liabilities at Fair Value:

In the determination of fair values of financial assets and liabilities, discounted balances which are calculated considering outstanding maturities, are considered. Publicly traded securities are subject to valuation with daily weighted average price on the balance sheet date on the basis of the market price in accordance with Financial Instruments Accounting Standard (TAS 39).

	Book Value		Fair Value	
	Current Period (31.12.2010)	Prior Period (31.12.2009)	Current Period (31.12.2010)	Prior Period (31.12.2009)
Financial Assets	1.478.708	1.083.211	1.478.911	1.084.559
Receivables from Money Market	-	110.620	-	110.620
Banks	126.059	85.370	126.107	85.370
Financial Assets Available-for-Sale	122.997	4.528	122.997	4.528
Investments Held-to-Maturity	51.411	80.369	51.566	81.717
Loans	1.178.241	802.324	1.178.241	802.324
Financial Liabilities	1.051.215	749.854	1.051.215	749.854
Interbank Deposits	-	-	-	-
Other Deposits	-	-	-	-
Funds Provided from Other Financial Institutions	1.047.679	746.832	1.047.679	746.832
Marketable securities issued	-	-	-	-
Sundry Creditors	3.536	3.022	3.536	3.022

(*) Financial assets and liabilities presented above includes interest accruals.

Methods and estimations used for the fair value determination of financial instruments which are not presented with their fair values in financial statements:

- i-For the fair value determination of loans, interest rates as of balance sheet date are considered.
- ii-For the fair value determination of banks, interest rates as of balance sheet date are considered.
- iii-For the fair value determination of investments held-to-maturity, market prices as of balance sheet date are considered.

Information on fair value measurements recognized in the financial statements:

TFRS 7 “Financial Instruments: Disclosures” standard requires the items, which are recognized in the balance sheet at their fair values to be shown in the notes by being classified within a range. According to this standard, the related financial instruments are classified into three levels in such a way that they will express the significance of the data used in fair value measurements. At the first level, there are financial instruments, whose fair values are determined according to quoted prices in active markets for identical assets or liabilities, at the second level, there are financial instruments, whose fair values are determined by directly or indirectly observable market data, and at the third level, there are financial instruments, whose fair values are determined by the data, which are not based on observable market data. The financial assets, which are recognized in the balance sheet at their values, are shown below as classified according to the aforementioned principles of ranking.

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Current Period (31.12.2010)	Level 1	Level 2	Level 3
Financial assets at fair value through profit and loss	48.988	45	-
Debt securities	48.988	-	-
Share certificates	-	-	-
Derivative financial assets held-for-trading	-	45	-
Other	-	-	-
Financial assets available-for-sale*	122.042	-	-
Debt securities	118.180	-	-
Other	3.862	-	-
Investment in subsidiaries and associates **	-	-	-
Derivative financial liabilities	-	38	-

(*) Since they are not traded in an active market, share certificates (TRY 955 Thousand) under financial assets available-for-sale are shown in the financial statements with their acquisition costs, therefore not included in the table.

(**) Since the unlisted investments in associates and subsidiaries are recognized at acquisition cost within the framework of TAS 39, these companies are not included in the table.

Prior Period (31.12.2009)	Level 1	Level 2	Level 3
Financial assets at fair value through profit and loss	123.935	-	-
Debt securities	123.935	-	-
Share certificates	-	-	-
Derivative financial assets held-for-trading	-	-	-
Other	-	-	-
Financial assets available-for-sale*	3.559	-	-
Debt securities	-	-	-
Other	3.559	-	-
Investment in subsidiaries and associates **	-	-	-
Derivative financial liabilities	-	-	-

(*) Since they are not traded in an active market, share certificates (TRY 969 Thousand) under financial assets available-for-sale are shown in the financial statements with their acquisition costs, therefore not included in the table.

(**) Since the unlisted investments in associates and subsidiaries are recognized at acquisition cost within the framework of TAS 39, these companies are not included in the table.

In the current period, there is no transition between Level 1 and Level 2.

IX-Explanations Related to Transactions Made on Behalf and Account of Others, Fiduciary Transactions:

The Bank acts as an intermediary for purchases and sales of securities on behalf of others and provides custody services. Besides, the Bank acts as an intermediary for implementation of tourism and infrastructure investments on behalf of Republic of Turkey Ministry of Culture and Tourism.

The Bank has no fiduciary transactions.

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SECTION V

EXPLANATIONS AND NOTES RELATED TO

THE UNCONSOLIDATED FINANCIAL STATEMENTS

I-EXPLANATIONS AND NOTES RELATED TO ASSETS:

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

	Current Period (31.12.2010)		Prior Period (31.12.2009)	
	TRY	FC	TRY	FC
Cash and foreign currency	119	-	85	-
Central Bank of the Republic of Turkey	13	-	162	-
Other	-	-	-	-
Total	132	-	247	-

1.a.1) Information on required reserve deposits:

Since the Bank is not authorized to accept deposits, it is not subject to Central Bank of the Republic of Turkey's Communiqué No: 2005/1 "Required Reserves".

1.b) Information on the account of Central Bank of the Republic of Turkey:

	Current Period (31.12.2010)		Prior Period (31.12.2009)	
	TRY	FC	TRY	FC
Unrestricted Demand Deposit	13	-	162	-
Unrestricted Time Deposit	-	-	-	-
Restricted Time Deposit	-	-	-	-
Total	13	-	162	-

2.a) Information on financial assets at fair value through profit and loss given as collateral or blocked and subject to repurchase repurchase agreement (Net):

2.a.1) Financial assets at fair value through profit and loss subject to repurchase agreements:

	Current Period (31.12.2010)		Prior Period (31.12.2009)	
	TRY	FC	TRY	FC
Share certificates	-	-	-	-
Bonds, treasury bills and similar securities	369	-	214	-
Other	-	-	-	-
Total	369	-	214	-

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2.a.2) Financial assets at fair value through profit and loss given as collateral or blocked:

	Current Period (31.12.2010)		Prior Period (31.12.2009)	
	TRY	FC	TRY	FC
Share certificates	-	-	-	-
Bonds, treasury bills and similar securities	15.891	-	33.100	-
Other	-	-	-	-
Total	15.891	-	33.100	-

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

	Current Period (31.12.2010)		Prior Period (31.12.2009)	
	TRY	FC	TRY	FC
Derivative financial assets held-for-trading				
Forward Transactions	45	-	-	-
Swap Transactions	-	-	-	-
Futures Transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
Total	45	-	-	-

3.a) Information on banks:

	Current Period (31.12.2010)		Prior Period (31.12.2009)	
	TRY	FC	TRY	FC
Banks				
Domestic	124.706	669	5.866	773
Foreign	-	684	-	78.731
Foreign Head Office and Branches	-	-	-	-
Total	124.706	1.353	5.866	79.504

3.b) Information on foreign bank accounts:

	Unrestricted Amount		Restricted Amount	
	Current Period (31.12.2010)	Prior Period (31.12.2009)	Current Period (31.12.2010)	Prior Period (31.12.2009)
EU Countries	563	78.231	-	-
USA and Canada	94	477	-	-
OECD Countries*	27	23	-	-
Off-Shore Banking Regions	-	-	-	-
Other	-	-	-	-
Total	684	78.731	-	-

*OECD Countries other than European Union Countries, USA and Canada

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4) Information on financial assets available-for-sale:

4.a.1) Financial assets available-for-sale subject to repurchase agreements:

As of balance sheet date, the Bank has no financial assets available-for-sale subject to repurchase agreements.

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

	Current Period (31.12.2010)		Prior Period (31.12.2009)	
	TRY	FC	TRY	FC
Share certificates	-	-	-	-
Bonds, treasury bills and similar securities	57.048	-	-	-
Other	-	-	-	-
Total	57.048	-	-	-

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

	Current Period (31.12.2010)	Prior Period (31.12.2009)
Debt Securities	122.042	3.559
Quoted on a stock exchange (*)	122.042	3.559
Unquoted	-	-
Share Certificates	13.046	13.473
Quoted on a stock exchange	-	-
Unquoted	13.046	13.473
Provision for impairment (-)	12.091	12.504
Total	122.997	4.528

(*) Available-for-sale financial assets amounting to TRY 3.862 Thousand (2009: TRY 3.559 Thousand) which are classified as "Other securities" at balance sheet, consists of investment funds.

5. Information on loans:

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

	Current Period (31.12.2010)		Prior Period (31.12.2009)	
	Cash	Non-Cash	Cash	Non-Cash
Direct loans granted to shareholders	-	-	-	-
Legal Entities	-	-	-	-
Individuals	-	-	-	-
Indirect loans granted to shareholders	-	-	-	-
Loans granted to employees	4.838	-	5.166	-
Total	4.838	-	5.166	-

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5.b) Information on the first and second group loans and other receivables including restructured or rescheduled 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
Cash Loans				
Non-specialized loans	835.778	5.452	31.210	16.109
Discount notes	-	-	-	-
Export loans	1.263	-	819	958
Import loans	-	-	-	-
Loans given to financial sector	68.615	-	-	-
Foreign loans	-	-	-	-
Sonsumer loans	4.838	-	-	-
Credit cards	-	-	-	-
Precious metal loans	-	-	-	-
Other	761.062	5.452	30.391	15.151
Specialized loans	220.805	8.344	25.871	7.150
Other receivables	-	-	-	-
Total	1.056.583	13.796	57.081	23.259

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	89.425	-	1.777	-
Non-specialized loans	86.125	-	1.777	-
Specialized loans	3.300	-	-	-
Other receivables	-	-	-	-
Medium and long term loans and other receivables	967.158	13.796	55.304	23.259
Non-specialized loans	749.653	5.452	29.433	16.109
Specialized loans	217.505	8.344	25.871	7.150
Other receivables	-	-	-	-

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

	Short Term	Medium and Long Term	Total
Consumer Loans-TRY	-	-	-
Real estate loans	-	-	-
Vehicle loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Consumer Loans –Indexed to FC	-	-	-
Real estate loans	-	-	-
Vehicle loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Consumer Loans-FC	-	-	-
Real estate loans	-	-	-
Vehicle loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Individual Credit Cards-TRY	-	-	-
With Installments	-	-	-
Without Installments	-	-	-
Individual Credit Cards-FC	-	-	-
With Installments	-	-	-
Without Installments	-	-	-
Personnel Loans-TRY	-	4.838	4.838
Real estate loans	-	-	-
Vehicle loans	-	-	-
Consumer loans	-	-	-
Other	-	4.838	4.838
Personnel Loans-Indexed to FC	-	-	-
Real estate loans	-	-	-
Vehicle loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Personnel Loans-FC	-	-	-
Real estate loans	-	-	-
Vehicle loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Personnel Credit Cards-TRY	-	-	-
With Installments	-	-	-
Without Installments	-	-	-
Personnel Credit Cards-FC	-	-	-
With Installments	-	-	-
Without Installments	-	-	-
Overdraft Accounts-TRY (Real Persons)	-	-	-
Overdraft Accounts-FC (Real Persons)	-	-	-
Total	-	4.838	4.838

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

The Bank has not granted any commercial loans with installments and corporate credit cards as of balance sheet date.

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5.e) Loans according to type of borrowers:

	Current Period (31.12.2010)	Prior Period (31.12.2009)
Public	20.000	-
Pricate	1.130.719	774.463
Total	1.150.719	774.463

5.f) Breakdown of domestic and international loans:

	Current Period (31.12.2010)	Prior Period (31.12.2009)
Domestic loans	1.150.719	774.463
International loans	-	-
Total	1.150.719	774.463

5.g) Loans granted to subsidiaries and associates:

	Current Period (31.12.2010)	Prior Period (31.12.2009)
Direct loans granted to subsidiaries and associates	-	783
Indirect loans granted to subsidiaries and associates	-	-
Total	-	783

5.ğ) Specific provisions provided against loans:

	Current Period (31.12.2010)	Prior Period (31.12.2009)
Loans and other receivables with limited collectibility	14	17
Loans and other receivables with doubtful collectibility	3	73
Uncollectible loans and receivables	50.798	65.879
Total	50.815	65.969

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

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

	III. Group Loans and Other Receivables With Limited Collectibility	IV. Group Loans and Other Receivables With Doubtful Collectibility	V. Group Uncollectible Loans and Other Receivables
Current Period (31.12.2010)	430	-	894
(Gross amounts before specific provisions)	-	-	-
Restructured loans and other receivables	-	-	-
Rescheduled loans and other receivables	430	-	894
Prior Period(31.12.2009)	-	-	2.163
(Gross amounts before specific provisions)	-	-	-
Restructured loans and other receivables	-	-	-
Rescheduled loans and other receivables	-	-	2.163

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5.h.2) Information on the movement of non-performing receivables:

	III. Group Loans and Other Receivables With Limited Collectibility	IV. Group Loans and Other Receivables With Doubtful Collectibility	V. Group Uncollectible Loans and Other Receivables
Prior period end balance	2.048	1.592	90.190
Additions (+) (**)	2.770	609	11.734
Transfer from other categories of non-performing loans (+)	-	2.075	1.543
Transfer to other categories of non-performing loans (-)	(2.075)	(1.543)	-
Collections (-) (*) (***)	(5)	(2.709)	(23.071)
Write-offs (-) (**)	-	-	(4.821)
Corporate and commercial loans	-	-	-
Consumer loans	-	-	-
Credit cards	-	-	-
Other	-	-	(4.821)
Current period end balance	2.738	24	75.575
Specific provisions (-)	(14)	(3)	(50.798)
Net balance on balance sheet	2.724	21	24.777

(*) Collections from loans in V. Group includes the balance amounting to TRY 2.994 Thousand which has been collected after classification to loans under close monitoring. Collections from loans in IV. Group includes the balance amounting to TRY 1.848 Thousand which has been collected after classification to loans under close monitoring.

(**) The Bank does not recognize interests accruals of non-performing loans if uncollected. TRY 4.821 Thousand of other non-performing receivables is written-off reciprocally with its specific provision since the balance is related with interest accruals that are not collected. Therefore, non-performing receivables are provided not to include interest accruals.

(***) Default interest amounting to TRY 7.769 Thousand which has been collected in current period has been presented at both “Additions” and “Collections” lines.

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5.h.3) Information on foreign currency non-performing loans:

In accordance with the third section of Communiqué on Turkish Uniform Chart of Accounts and its Explanations “Receivables to be Refined, Fees, Commissions and Receivables with Doubtful Collectibility and Uncollectible Loans and Receivables”, the Bank translates the foreign currency loans to Turkish Lira with the exchange rates on the day of classification to non-performing loan accounts and follow in these TRY balances.

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

	III. Group Loans and Other Receivables With Limited Collectibility	IV. Group Loans and Other Receivables With Doubtful Collectibility	V. Group Uncollectible Loans and Other Receivables
Current Period (Net) (31.12.2010)	2.724	21	24.777
Loans to Real Persons and Legal Entities (Gross)	2.738	24	75.575
Specific Provisions (-)	14	3	50.798
Loans to Real Persons and Legal Entities (Net)	2.724	21	24.777
Banks (Gross)	-	-	-
Specific Provisions (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	-
Specific Provisions (-)	-	-	-
Other Loans and Receivables (Net)	-	-	-
Prior Period (Net) (31.12.2009)	2.031	1.519	24.311
Loans to Real Persons and Legal Entities (Gross)	2.048	1.592	90.190
Specific Provisions (-)	17	73	65.879
Loans to Real Persons and Legal Entities (Net)	2.031	1.519	24.311
Banks (Gross)	-	-	-
Specific Provisions (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	-
Specific Provisions (-)	-	-	-
Other Loans and Receivables (Net)	-	-	-

5.i) Main principles of liquidating non performing loans and other receivables:

In case collaterals complying with Article 9 of the Communiqué on “Procedures and Principles for the Determination of Qualification of Loans and Other Receivables and Allocation of Provisions” are present, liquidation of receivables are realized by converting collaterals into cash immediately as a result of either administrative or legal procedures.

In the case collaterals are not present, the Bank is engaged in intense intelligence in various periods to determine whether any property holdings are subsequently acquired in order to apply for legal procedures, even if there is evidence of insolvency for the debtor.

Before and after liquidation process; the Bank reviews financial information of the debtor companies. Then, in the case it is agreed that the companies show indications of operating on an ongoing basis and probably are going to have contributions to production; the Bank tries to make collections through rescheduling the payment terms.

5.i) Explanations on write-off policy:

Uncollectible loans or receivables are written-off with the decision of Board of Directors, after the date 100% provision is set considering the collaterals using the rates determined in the related communiqué, when they are deemed impossible to collect in accordance with a convincing document or a court order.

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6. Information on held-to-maturity investments:

6.a) Information on comparative net values of held-to-maturity investments subject to repurchase agreements and given as collateral or blocked:

a.1) Held-to-maturity investments subject to repurchase agreements:

None.

a.2) Held-to-maturity investments given as collateral or blocked:

	Current Period (31.12.2010)		Prior Period (31.12.2009)	
	TRY	FC	TRY	FC
Bills	-	-	-	-
Bonds and similar investment securities	51.411	-	80.369	-
Other	-	-	-	-
Total	51.411	-	80.369	-

6.b) Information on held-to-maturity debt securities:

	Current Period (31.12.2010)	Prior Period (31.12.2009)
Government Bonds	51.411	80.369
Treasury Bills	-	-
Other public sector debt securities	-	-
Total	51.411	80.369

6.c) Information on held-to-maturity investments:

	Current Period (31.12.2010)	Prior Period (31.12.2009)
Debt Securities	51.411	80.369
Quoted on a stock exchange	51.411	80.369
Unquoted	-	-
Provision for impairment(-)	-	-
Total	51.411	80.369

6.ç) Movement of held-to-maturity investments:

	Current Period (31.12.2010)	Prior Period (31.12.2009)
Balance at the beginning of the period	80.369	25.332
Foreign currency differences on monetary assets	-	-
Purchases during the year (*)	34.839	68.997
Disposals through sales and redemptions (*)	(63.797)	(13.960)
Provision for impairment (-)	-	-
Balance at the end of the period	51.411	80.369

(*) Purchases during the year includes interest accrual differences equal to TRY 3.881 Thousand and disposals during the year includes interest accrual differences equal to TRY 8.426 Thousand.

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7. Information on associates (net):

7.a. Information on associates:

	Description	Address (City/Country)	The Bank's share percentage-if different voting percentage(%)	The Bank's risk group share percentage (%)
1	Maksan A.Ş.	Malatya	20,00	31,14
2	Teşebbüs Destekleme Ajansı	Ankara	20,00	20,00
3	Türk Suudi Holding A.Ş.	İstanbul	22,22	24,69
4	Türsan	Mardin	17,84	17,84
5	Yozgat Otelcilik A.Ş. (*)	Yozgat	20,00	3,75
6	İstanbul Risk Sermayesi Girişimi	Lüksemburg	11,11	6,25

(*) Yozgat Otelcilik AŞ in which the investment balance is TRY 426 Thousand and which was classified in available for sale financial assets as of December 31, 2009, has been classified to associates as of December 31, 2010 in accordance with Communiqué on “Preparation of Consolidated Financial Statements of Banks”.

7.b. Financial statement information of associates as sorted in (7.a):

	Total Assets	Shareholders' Equity	Total Fixed Asset	Interest Income	Income From Marketable Securities	Current Period Profit/Loss	Prior Period Profit/Loss	Fair Value (*)
1	20.132	12.468	2.396	264	-	295	3.129	-
2	-	-	-	-	-	-	-	-
3	5.639	5.622	5.448	26	-	(541)	(1.296)	-
4	-	-	-	-	-	-	-	-
5	242	240	170	3	-	(22)	(16)	-
6	15.218	14.595	-	15	-	(3.118)	(2.789)	-

(*) As of balance sheet date, valuation of associates are not available, there fore fair values could not be reliably determined.

(**) The information of Maksan A.Ş.,Türk Suudi Holding A.Ş. and Yozgat Otelcilik A.Ş. are provided from the unaudited financial statements as of December 31, 2010. The information of Istanbul Venture Capital Initiative, "IVCI", is provided from the unaudited financial statements as of December 31, 2010 (Capital commitment of IVCI is EUR 160 Million and the Bank's capital commitment is EUR 10 Million. The Bank has made EUR 800.000 capital payment). Prior period information are provided from unaudited financial statements as of December 31, 2009.

(***) Teşebbüs Destekleme Ajansı and Türsan are inactive.

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7.c. Movement of associates:

	Current Period 31.12.2010	Prior Period 31.12.2009
Balance at the beginning of the period	6.121	5.714
Movements during the period	294	407
Additions (*)	968	465
Bonus shares certificates	-	-
Shares in current year profit	-	-
Disposals	(1.218)	-
Revaluation increase	-	-
Provision for impairment (*)	544	(58)
Balance at the end of the period	6.415	6.121
Capital commitments	-	-
Share percentage at the end of the period (%)	-	-

(*) Cost of Yozgat Otelcilik A.Ş. which is equal to TRY 426 Thousand and classified in available-for-sale financial assets as of 31 December 2009, and its impairment provision equal to TRY 417 Thousand have been classified under associates as of 31 December 2010 in accordance with Communiqué on “Preparation of Consolidated Financial Statements of Banks”.

7.ç. Sectoral information about associates and their carrying amounts:

	Current Period 31.12.2010	Prior Period 31.12.2009
Banks	-	-
Insurance companies	-	-
Factoring companies	-	-
Leasing companies	-	-
Financing companies	-	-
Other financial associates	912	1.039

7.d. Associates quoted in the stock exchange:

None.

8. Information on subsidiaries (net):

8.a. Information on subsidiaries:

Description	Adress (City/Country)	The Bank's share percentage-if different- voting percentage (%)	The Bank's risk group share percentage (%)
1 Kalkınma Yatırım Menkul Değerler A.Ş.(*)	İstanbul	100,00	100,00
2 Arıcak A.Ş.	İstanbul	100,00	99,71

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8.b. Information on subsidiaries as sorted in (8.a):

	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	6.246	5.702	255	666	-	(436)	92	-
2	9.883	8.539	9.873	-	-	(653)	(728)	-

(*) With the decision of the Bank's Board of Directors dated 28 December 2010 and numbered 2009-19-10/218, it is decided to recommend the company's Board of Directors for temporary suspension of the company's activities. On October 13, 2009, the company's Board of Directors applied to Capital Market Board for temporary suspension of activities for six months beginning from December 31, 2009. Capital Market Board has given approval for temporary suspension of the company's activities for 12 months beginning from December 31, 2009.

(**) The information of Kalkınma Yatırım Menkul Değerler A.Ş. and Arıcak A.Ş. are provided from audited financial statements as of December 31, 2010. Prior period information are provided from audited financial statements December 31, 2009.

8.c. Movement of subsidiaries:

	Current Period 31.12.2010	Prior Period 31.12.2009
Balance at the beginning of the period	11.402	10.652
Movements during the period	(4.210)	750
Additions	-	750
Bonus shares certificates	-	-
Shares in current year profit	-	-
Disposals	(3.470)	-
Revaluation increase	-	-
Provision for impairment	(740)	-
Balance at the end of the period	7.192	11.402
Capital commitments	-	-
Share percentage at the end of the period (%)	-	-

8.ç. Sectoral information about subsidiaries and their carrying amounts:

	Current Period 31.12.2010	Prior Period 31.12.2009
Banks	-	-
Insurance companies	-	-
Factoring companies	-	-
Leasing companies	-	-
Financing companies	-	-
Other financial subsidiaries	6.442	8.987

8.d Subsidiaries quoted in the stock exchange:

None.

9. Information on jointly controlled entities (joint ventures):

None.

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10. Information on finance lease receivables(Net):

The Bank has no financial leasing transaction. Receivable from operating leasing is TRY 246 Thousand (31 December 2009: TRY 238 Thousand).

11. Information on derivative financial assets for hedging purposes:

None.

12. Information on tangible fixed assets:

Current Period (31.12.2010)	Real-Estates	Non-Current Assets to be Disposed	Vehicles	Other	Total
Cost					
Balance at the beginning of the period	122.816	4.761	279	4.500	132.356
Provision for impairment	(62.335)	(269)	-	-	(62.604)
Movements during the period					
-Additions	467	5.636	93	606	6.802
-Disposals (-)	-	(2.344)	(279)	(28)	(2.651)
-Classified as investment property (-)	(3.762)	-	-	-	(3.762)
-Provision for impairment (-)	-	(114)	-	-	(114)
-Reversal from provision for impairment (-)	540	257	-	-	797
Balance at the end of the period	57.726	7.927	93	5.078	70.824
Accumulated Depreciation					
Balance at the beginning of the period	23.099	193	279	2.392	25.963
Movements during the period					
-Depreciation charge (*)	2.388	83	17	953	3.441
-Disposals (-)	-	(33)	(277)	(30)	(340)
-Reversal from depreciation (-)	-	(84)	-	-	(84)
-Classified as investment property (-)	(655)	-	-	-	(655)
-Provision for impairment (-)	-	-	-	-	-
Balance at the end of the period	24.832	159	19	3.315	28.325
Net book value at the end of the period	32.894	7.768	74	1.763	42.499

(*) TRY 21 Thousand of depreciation charge of non-current assets to be disposed which is equal to TRY 83 Thousand was presented under other operating expenses.

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Prior Period (31.12.2009)	Real-Estates (*)	Non-Current Assets to be Disposed	Vehicles	Other	Total
Cost					
Balance at the beginning of the period	122.816	4.873	279	4.264	132.232
Provision for impairment	(69.611)	(184)	-	-	(69.795)
Movements during the period					
-Additions	-	1.381	-	383	1.764
-Disposals (-)	-	(1.493)	-	(147)	(1.640)
-Provision for impairment (-)	-	(85)	-	-	(85)
-Reversal from provision for impairment (-)	7.276	-	-	-	7.276
Balance at the end of the period	60.481	4.492	279	4.500	69.752
Accumulated Depreciation					
Balance at the beginning of the period	20.643	353	279	1.698	22.973
Movements during the period					
-Depreciation charge	2.456	55	-	841	3.352
-Disposals (-)	-	(180)	-	(147)	(327)
-Reversal from depreciation (-)	-	(35)	-	-	(35)
-Provision for impairment (-)	-	-	-	-	-
Balance at the end of the period	23.099	193	279	2.392	25.963
Net book value at the end of the period	37.382	4.299	0	2.108	43.789

(*) Includes investment properties.

13. Information on intangible assets:

	Current Period (31.12.2010)	Prior Period (31.12.2009)
Cost		
Balance at the beginning of the period	1.371	1.276
Movements during the period		
-Additions	186	95
-Disposals(-)	-	-
Balance at the end of the period	1.557	1.371
Accumulated Depreciation		
Balance at the beginning of the period	868	419
Movements during the period		
-Depreciation charge	427	449
-Disposals	-	-
Balance at the end of the period	1.295	868
Net book value at the end of the period	262	503

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14. Information on investment properties:

As of 31 December 2010 the Bank has investment properties held for rent whose net book value is TRY 2.492 Thousand. According to appraisal report prepared by an independent and CMB registered real-estate appraiser company and issued in January 2010, fair value of the investment properties is determined as TRY 5.449 Thousand. For some of the real-estates, TRY 540 Thousand provision is set. As of 31 December 2010, the Bank has rental income equal to TRY 266 Thousand.

	Current Period (31.12.2010)
Cost	
Balance at the beginning of the period	-
Provision for impairment	-
Movements during the period	-
-Additions	-
-Disposals(-)	-
-Classified as investment property (-)	3.762
-Provision for impairment(-)	(540)
-Reversal from provision for impairment (-)	-
Balance at the end of the period	3.222
Accumulated Depreciation	
Balance at the beginning of the period	-
Movements during the period	-
-Accumulated depreciation classified to investment properties (-)	655
-Depreciation charge	75
-Classified to investment properties(-)	-
-Disposals	-
-Provision for impairment(-)	-
Balance at the end of the period	730
Net book value at the end of the period	2.492

(*) In prior year's financial statements, investment properties have been classified under tangible fixed assets (real-estates).

15. Information on deferred tax assets:

As of 31 December 2010, the Bank has deferred tax asset amounting to 6.375 ThTRY. The Bank has computed deferred tax asset or liability on temporary differences arising from carrying values of assets and liabilities in the accompanying financial statements and their tax bases. In the case assets or liabilities which are subject to deferred tax calculation are presented under shareholders' equity, calculated deferred tax asset/liability has been also presented under shareholders' equity. The Bank has no deferred tax assets calculated for period losses or tax deductions as of December 31, 2010 (December 31,2009:TRY 9.064 Thousand).

	Current Period (31.12.2010)	Prior Period (31.12.2009)
Deferred tax asset/liability		
Provision for impairment of tangible fixed assets	76	53
Retirement pay provision	3.605	3.305
Provision for non-performing loans	2.841	4.170
Valuation of financial assets	(155)	(181)
Other	8	1.717
Total	6.375	9.064

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Movement of deferred tax assets:

	Current Period (31.12.2010)	Prior Period (31.12.2009)
Net book value at the beginning of the period	9.064	8.523
Deferred tax income/loss (Net)	(2.031)	541
Deferred tax classified under shareholders' equity	(658)	-
Total	6.375	9.064

16. Information on assets held for sale and discontinued operations:

None.

17. Information on other assets:

Other assets amounting to TRY 3.847 Thousand (31 December 2009: TRY 2.881 Thousand) include inventory amounting to TRY 50 Thousand (31 December 2010: TRY 36 Thousand), prepaid expenses amounting to TRY 2.734 Thousand (31 December 2010: TRY 2.131 Thousand), temporary account debtor amounting to TRY 430 Thousand (31 December 2010: TRY 596 Thousand), sundry receivables amounting to TRY 97 Thousand (31 December 2010: TRY 116 Thousand), receivables from asset sales on credit terms amounting to TRY 521 Thousand, accrual of fund management fee amounting to TRY 14 Thousand, receivables from state institutions and organizations amounting to TRY 1 Thousand (31 December 2010: TRY 2 Thousand).

II. Explanations and Notes Related to Liabilities:

1. Information on maturity Structure of Deposits:

The Bank is not authorized to accept deposits.

2. Information on derivative financial liabilities held-for-trading:

2.a) Negative differences related to derivative financial liabilities held-for-trading:

	Current Period (31.12.2010)		Prior Period (31.12.2009)	
Derivative financial liabilities held-for-trading	TRY	FC	TRY	FC
Forward transactions	38	-	-	-
Swap transactions	-	-	-	-
Futures transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
Total	38	-	-	-

3. Information on funds borrowed:

3.a) Information on banks and other financial institutions:

	Current Period (31.12.2010)		Prior Period (31.12.2009)	
	TRY	FC	TRY	FC
From Central Bank of the Republic of Turkey	-	-	-	-
From domestic banks and institutions	-	256.824	2.150	186.568
From foreign banks, institutions and funds	-	699.555	-	446.448
Total	-	956.379	2.150	633.016

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3.b) Maturity structure of funds borrowed:

	Current Period (31.12.2010)		Prior Period (31.12.2009)	
	TRY	FC	TRY	FC
Short-term	-	98.658	2.150	15.637
Medium and long-term	-	857.721	-	617.379
Total	-	956.379	2.150	633.016

3.c) Additional information for the areas of libility concentrations:

As the Bank is not authorized to accept deposits, liabilities are composed of funds obtained from domestic and international financial institutions, medium and long term loans.

Most of the loans from international finance institutions are from World Bank, European Investment Bank, European Commission Development Bank, Islamic Development Bank and French Development Agency. Domestic loans are from Eximbank and Undersecretariat of Treasury.

3.c.1) Explanations on funds:

Material part of the domestic funds amounting to TRY 91.300 Thousand is from Undersecretariat of Treasury. Loans disbursed to investor companies in Cyprus from funds obtained from Undersecretariat of Treasury amount to TRY 78.505 Thousand and the risk of these loans does not belong to the Bank.

3.c.2) Information on funds provided under repurchase agreements:

TRY 335 Thousand which is provided under repurchase agreements belongs to real persons and legal entities.

4. If other liabilities exceed 10% of the balance sheet total, name and amount of sub-accounts constituting at least 20% of grand total:

Other liabilities do not exceed 10% of the balance sheet total.

5. Explanations on financial lease payables (net):

The Bank has no financial lease payables.

6. Information on derivative financial liabilities for hedging purposes:

The Bank has no derivative financial liabilities for hedging purposes.

7. Explanations on Provisions:

7.a) Information on General Provisions:

	Current Period (31.12.2010)	Prior Period (31.12.2009)
General Provisions	5.704	7.480
Allocated for Group-I loans and receivables	4.045	4.224
Allocated for Group-II loans and receivables	1.356	2.399
Allocated for non-cash loans	14	21
Other	289	836

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

There are no foreign exchnage loss provisions on the foreign currency indexed loans and finance lease receivables.

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7.c) Specific provisions provided for unindemnified non-cash loans:

There are no specific provisions for unindemnified non-cash loans.

7.ç) Employee benefits provisions:

The Bank accounts for the provisions for employee benefits in accordance with the Turkish Accounting Standards No: 19 and recognizes in financial statements.

As of 31 December 2010, the Bank set provision for employee benefits equal to TRY 18.020 Thousand.

	Current Period (31.12.2010)	Prior Period (31.12.2009)
Liabilities at the beginning of period	17.188	15.285
Charge for the period	2.399	2.544
Payments in the period	(1.567)	(641)
Liabilities at the end of period	18.020	17.188

8. Explanations on tax liabilities:

8.a) Information on current tax liability:

8.a.1) Information on tax provision:

	Current Period (31.12.2010)		Prior Period (31.12.2009)	
	TRY	FC	TRY	FC
Corporation tax and deferred tax				
The corporate tax payable (*)	3.103	-	6.409	-
Deferred tax payable	-	-	-	-
Total	3.103	-	6.409	-

(*) The balance as of 31 December 2010 is the net value of tax provision amounting to TRY 5.350 Thousand and prepaid taxes amounting to TRY 2.247 Thousand.

8.a.2) Information on taxes payable:

	Current Period (31.12.2010)	Prior Period (31.12.2009)
Corporate tax payable	3.103	6.409
Taxation on income on marketable securities	33	24
Property tax	1	1
Banking insurance transaction tax (BITT)	126	81
Foreign exchange transaction tax	-	-
Value added tax payable	34	-
Other	578	662
Total	3.875	7.177

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8.a.3) Information on premiums:

	Current Period (31.12.2010)	Prior Period (31.12.2009)
Social security premiums-Employee	77	82
Social security premiums-Employer	108	115
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	202	215

8.b) Information on deferred tax liabilities, if any:

None.

9. Information on liabilities regarding assets held for sale and discontinued operations:

None.

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

None.

11. Information on shareholder's equity:

11.a) Presentation of paid-in capital:

	Current Period (31.12.2010)	Prior Period (31.12.2009)
Common Stock	160.000	160.000
Preferred Stock	-	-

11.b) Paid-in capital amount, explanation whether the registered share capital system is applicable for the Bank, if so amount of registered capital ceiling:

Capital System	Paid-in capital	Ceiling
Registered capital	160.000	500.000

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

There is no share capital increases in the current period.

11.ç) Information on additions from capital reserves to capital in the current period:

There is no increase from capital reserves.

11.d) Capital commitments in the last fiscal year and that continue until the end of the following interim period, general purpose of these commitments and projected resources required to meet these commitments:

The Bank has no capital commitments.

Türkiye Kalkınma Bankası A.Ş.
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11.e) Indicators of the Bank's income, profitability and liquidity for the prior periods and possible effects of these future assumptions based on the uncertainty of these indicators on the Bank's equity:

The income of the prior periods, profitability and liquidity of the Bank and projections for the successive periods are followed by Strategic Planning and Quality Management Directorate. Given the conditions of Turkish economy and the Bank's prior period performance; within the framework of forecasts for revenue, profitability and liquidity, it is estimated that Bank keeps the rate of increase in shareholders' equity and is not going to experience significant decreases in capital adequacy ratio.

11.f) Information on preferred shares:

The Bank has no preferred shares.

11.g) Information on marketable securities valuation differences:

	Current Period (31.12.2010)		Prior Period (31.12.2009)	
	TRY	FC	TRY	FC
From associates, subsidiaries and jointly controlled entities (joint ventures)	-	-	-	-
Valuation difference	2.637	-	2.700	-
Foreign exchange difference	-	-	-	-
Total	2.637	-	2.700	-

12. Information on minority interests:

None.

III. Explanations and Notes Related to Off-Balance Sheet Accounts

1. Information on off-balance sheet liabilities:

1.a) Nature and amount of irrevocable loan commitments:

	Current Period (31.12.2010)	Prior Period (31.12.2009)
Asset purchase commitments	1.000	-
Share capital commitments to associates and subsidiaries	18.773	20.348
Total	19.773	20.348

1.b) Nature and amount of possible losses and commitments from the off-balance sheet items including the below mentioned:

The Bank has no possible losses arising from the off-balance sheet items.

1.b.1) Non-cash loans including guarantees, bank acceptances, guarantees substituting financial guarantees and other letters of credit:

Amount of the Bank's letter of credit committment is TRY 7.500 Thousand. The Bank has no guarantee and bank acceptances.

1.b.2) Definite guarantees, tentative guarantees, suretyships and similar transactions:

Total amount of the Bank's TRY letter of guarantees is TRY 47 Thousand (31 December 2009: TRY 47 Thousand.). TRY 1 Thousand of this amount is letter of customs guarantee and other part is letters of certain guarantees.

Türkiye Kalkınma Bankası A.Ş.

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1.c.1) Total non-cash loans:

	Current Period (31.12.2010)	Prior Period (31.12.2009)
Non-cash loans for providing cash loans	-	-
With original maturity of one year or less	-	-
With original maturity more than one year	-	-
Other non-cash loans	7.547	11.099
Total	7.547	11.099

1.c.2) Non-cash loans sectoral risk concentrations:

	Current Period (31.12.2010)				Prior Period (31.12.2009)			
	TRY	(%)	FC	(%)	TRY	(%)	FC	(%)
Agriculture	2	4,26	28	0,37	2	4,26	-	-
Farming and raising livestock	2	4,26	28	0,37	2	4,26	-	-
Forestry	-	-	-	-	-	-	-	-
Fishery	-	-	-	-	-	-	-	-
Industry	9	19,15	7.472	99,63	9	19,15	11.052	100
Mining and quarry	-	-	-	-	-	-	-	-
Manufacturing	9	19,15	-	-	9	19,15	-	-
Electricity, gas and water	-	-	7.472	99,63	-	-	11.052	100
Construction	1	2,13	-	-	1	2,13	-	-
Service	35	74,47	-	-	35	74,47	-	-
Wholesale and retail trade	-	-	-	-	-	-	-	-
Hotel and food services	-	-	-	-	-	-	-	-
Transportation and communication	-	-	-	-	-	-	-	-
Financial institutions	35	74,47	-	-	35	74,47	-	-
Real estate and leasing services	-	-	-	-	-	-	-	-
Self-employment services	-	-	-	-	-	-	-	-
Educational services	-	-	-	-	-	-	-	-
Health and social services	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total	47	100	7.500	100	47	100	11.052	100

1.c.3) Non-cash loans classified in Group I and II:

None.

2. Information on derivative financial instruments:

The Bank's derivative instruments generally consist forward foreign currency buy/sell transactions. Derivatives are classified as held-for-trading according to TAS 39 "Financial Instruments: Recognition and Measurement".

3. Information on contingent liabilities and assets:

İstanbul Venture Capital Initiative (IVCI-A Luxembourg Investment Company Fund) is settled as a stock company having variable capital and subject to laws of Luxembourg. The Bank has committed to buy "Group A" shares equal to nominal value of EUR 10 million and to pay this amount at the date determined by Fund according to its investment plan. The Fund's initial capital commintment was EUR 150 Million and its capital was increased to EUR 160 Million with new participants in March 2009. The Bank's participation was approved by Board of Directors of IVCI on 13 November 2007 and share purchase aggrement was signed at the same date.

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The Bank made payment of share capital amounting to EUR 800.000 constituting payments equal to EUR 300.000 on 7 November, 2008, EUR 218.750 on 6 July 2009 and EUR 281.250 on 12 November 2010.

A lawsuit amounting to TRY 1.493 Thousand which is included in lawsuits against the Bank has not been finalized yet. Since the lawsuit is not deemed likely to result against the Bank, provision has not been provided in the financial statement.

4. Services supplied on behalf of others:

The Bank acts as an intermediary for purchases and sales of securities on behalf of others and provides custody services.

IV. Explanations and Notes Related to Income Statement:

1.a) Information on interest income on loans:

	Current Period (31.12.2010)		Prior Period (31.12.2009)	
	TRY	FC	TRY	FC
Interest on Loans (*)	29.265	25.112	38.028	19.498
Short term loans	99	2.860	1.132	849
Medium and long term loans	21.397	22.252	31.300	18.649
Interest on non-performing loans	7.769	-	5.596	-
Premiums from resource utilization support fund	-	-	-	-

(*) Includes fees and commissions obtained from cash loans.

1.b) Information on interest income on banks:

	Current Period (31.12.2010)		Prior Period (31.12.2009)	
	TRY	FC	TRY	FC
From Central Bank of the Republic of Turkey	-	-	-	-
From domestic banks	2.980	31	2	49
From foreign banks	-	-	-	110
From foreign head office and branches	-	-	-	-
Total	2.980	31	2	159

1.c) Information on interest income on marketable securities:

	Current Period (31.12.2010)		Prior Period (31.12.2009)	
	TRY	FC	TRY	FC
From financial assets held-for-trading	5.948	-	15.768	-
From financial assets at fair value through profit and loss	-	-	-	-
From financial assets available-for-sale	4.707	-	-	-
From investments held-to-maturity	7.097	-	8.351	-
Total	17.752	-	24.119	-

1.ç) Interest income from subsidiaries and associates:

	Current Period (31.12.2010)	Prior Period (31.12.2009)
Interest Income from Subsidiaries and Associates	15	204

(*) Interest income from subsidiaries and associates for current period presents the interest received from Aciselsan A.Ş. which was transferred to Privatisation Administration on 24 May 2010.

Türkiye Kalkınma Bankası A.Ş.

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(Amounts expresseds in Thousands of Turkish Lira [TRY] unless otherwise stated.)

2.a) Information on interest expense on borrowings:

	Current Period (31.12.2010)		Prior Period (31.12.2009)	
	TRY	FC	TRY	FC
Banks(*)	95	422	1.003	676
Central Bank of the Republic of Turkey	-	-	-	-
Domestic Banks	95	420	1.003	665
Foreign Banks	-	2	-	11
Foreign Head Office and Branches	-	-	-	-
Other Institutions	513	10.168	707	12.129
Total	608	10.590	1.710	12.805

2.b) Interest expenses to subsidiaries and associates:

None.

2.c) Information on interest on securities issued:

The Bank has no securities issued.

3. Information on dividend income:

	Current Period (31.12.2010)	Prior Period (31.12.2009)
From financial assets held-for-trading	-	-
From financial assets at fair value through profit and loss	-	-
From financial assets available-for-sale	31	113
Other	3.189	233
Total	3.220	346

4. Information on trading profit/loss:

	Current Period (31.12.2010)	Prior Period (31.12.2009)
Profit	5.008	7.252
Profit from the capital market operations	694	3.828
Profit on derivative financial instruments	637	-
Foreign exchange gains	3.677	3.424
Loss (-)	2.208	1.243
Loss from the the capital market operations	1	-
Loss on derivative financial instruments	130	-
Foreign exchange losses	2.077	1.243

5. Information on other operating income:

	Current Period (31.12.2010)	Prior Period (31.12.2009)
Income from sale of assets	1.388	2.692
Reversals from prior years' provisions	14.853	10.770
Other	1.202	1.236
Total	17.443	14.698

Türkiye Kalkınma Bankası A.Ş.

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6. Provision expenses for impairment on loans and other receivables:

	Current Period (31.12.2010)	Prior Period (31.12.2009)
Specific provisions on loans and other receivables	534	8.854
Group-III loans and receivables	14	17
Group-IV loans and receivables	3	73
Group-V loans and receivables	517	8.764
General loan provision expenses	-	2.929
Provision expenses for possible losses	-	-
Marketable securities impairment expenses	-	-
Financial assets at fair value through profit and loss	-	-
Financial assets available-for-sale	-	-
Impairment losses from associates, subsidiaries, jointly controlled entities (joint ventures) and investments held-to-maturity	3.772	-
Associates	1.227	-
Subsidiaries	2.545	-
Jointly controlled entities (joint ventures)	-	-
Investments held-to-maturity	-	-
Other	-	-
Total	4.306	11.783

7. Information on other operating expenses:

	Current Period (31.12.2010)	Prior Period (31.12.2009)
Personnel expenses	42.139	39.168
Provision for employee termination benefits	2.399	2.544
Provision expense for bank social aid fund deficits	-	-
Fixed assets impairment expense	-	-
Depreciation expenses of fixed assets	3.433	3.297
Intangible assets impairment expense	-	-
Goodwill impairment expense	-	-
Amortization expenses of intangible assets	427	449
Impairment expense for equity shares subject to the equity method accounting	-	-
Impairment expense of assets that will be disposed	30	85
Amortization expenses of assets that will be disposed	62	55
Impairment expense for non-current assets held for sale and discontinued operations	-	-
Other operating expenses	6.583	6.938
Operational leasing expenses	47	45
Maintenance expenses	723	1.431
Advertisement expenses	154	173
Other expenses (*)	5.659	5.289
Loss on sale of assets	1.272	1
Other	1.678	1.263
Total	58.023	53.800

(*) Other expenses consist of cleaning expenses equal to TRY 1.598 Thousand (December 31,2009: TRY 1.256 Thousand), heating, lighting and water expenses equal to TRY 719 Thousand (December 31,2009: TRY 725 Thousand), rent expenses equal to TRY 513 Thousand (December 31,2009: TRY 483 Thousand), security expenses equal to TRY 553 Thousand (December 31,2009: TRY 435 Thousand), nursery expenses equal to TRY 309 Thousand (December 31,2009: TRY 290 Thousand), communication expenses equal to TRY 319 Thousand (December 31,2009: TRY 303 Thousand), computer usage expenses equal to TRY 255 Thousand (December 31,2009: TRY 270 Thousand), vehicle expenses equal to TRY 253 Thousand (December 31,2009: TRY 176 Thousand) and depreciation expenses equal to TRY 21 Thousand which is allocated in the current period for three real estates regarding the year 2009 (December 31,2009: None). Remaining balance amounting to TRY 1.119 Thousand (December 31,2009: TRY 1.351 Thousand) consists of other miscellaneous expenses.

Türkiye Kalkınma Bankası A.Ş.
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8. Information on profit/loss from continuing and discontinued operations before taxes:

As of 31 December 2010, the Bank’s income before tax from the continuing operations is TRY 28.502 Thousand and the Bank has no discontinued operations.

9. Information on tax provisions for continuing and discontinued operations:

As of December 31, 2010, the Bank’s income tax provision from continuing operations amounting to TRY (7.381) Thousand (31 December 2009: TRY (5.868) Thousand) consists of TRY (5.350) Thousand of current tax charge (31 December 2009: TRY (6.409) Thousand) and TRY (2.031) Thousand of deferred tax (charge)/benefit (31 December 2009: TRY 541 Thousand).

10. Information on net profit/loss of the period from continuing and discontinued operations:

The Bank has earned net profit equal to TRY 21.121 Thousand from continuing operations between 1 January 2010 and 31 December 2010.

11. Information on net profit/loss:

11.a) The nature and amount of income and expenses from ordinary banking operations, if their nature, amount and frequency is required for the complete understanding of the performance of the Bank in the current period:

None.

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

There is no changes in accounting estimates.

12.If the other items in the income statement exceed 10 % of the income statement total, sub-accounts amounting to at least 20 % of these items are presented below:

None.

V. Explanations and Notes Related to Statement of Changes in Shareholders’ Equity:

In legal records, paid-in capital is TRY 160.000 Thousand. As of the balance sheet date, the balance of legal reserves is TRY 27.688 Thousand and the balance of extraordinary reserves is TRY 94.677 Thousand.

Marketable securities valuation differences is TRY 2.637 Thousand and arising from valuation differences of securities avalaible-for-sale.

VI. Explanations and Notes Related to Cash Flow Statement:

1. Information related to cash and cash equivalents:

Operating profit before changes in operating assets and liabilities is TRY 3.431 Thousand (December 31, 2009: TRY 19.840 Thousand). The balance consists of interest income on loans and securities amounting to TRY 89.959 Thousand (December 31, 2009: TRY 51.759 Thousand) and interest expense on borrowings amounting to TRY 16.410 Thousand (December 31,2009: TRY 17.504 Thousand).

The effect of change in foreign exchange rate on cash and cash equivalents is stated, approximately, as TRY 952 Thousand as of December 31, 2010. (December 31, 2009: TRY 2.181 Thousand)

Cash in TRY, cash in foreign currency, unrestricted accounts of Central Bank of the Republic of Turkey, money in transit, bank cheques purchased, money market transactions and placements up to 3 months are identified as cash and cash equivalents.

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2. Cash and cash equivalents at the beginning of the period:

	Current Period (31.12.2010)	Prior Period (31.12.2009)
Cash	8.355	10.824
Cash in TRY and foreign currency	85	60
Demand deposits at banks	8.270	10.764
Cash equivalents	187.860	207.062
Interbank money market placements	110.600	170.000
Time deposits at banks	77.260	37.062
Total cash and cash equivalents	196.215	217.886

The total amount arising from prior period transactions equals to total amount of current period cash and cash equivalents.

3. Cash and cash equivalents at the end of the period:

	Current Period (31.12.2010)	Prior Period (31.12.2009)
Cash	5.973	8.355
Cash in TRY and foreign currency	119	85
Demand deposits at banks and Central Bank of the Republic of Turkey	5.854	8.270
Cash equivalents	99.700	187.860
Interbank money market placements	-	110.600
Time deposist at banks	99.700	77.260
Total cash and cash equivalents	105.673	196.215

VII. Explanations Related to Risk Group of the Bank:

Predicted limitations determined in the Banking Law are maintained through internal regulations in the Bank which has no transactions related to deposit acceptance. For the transactions with risk groups, normal customer relationships and market conditions are taken into account. The Bank adopts policies that restrict the balance of transactions with risk groups in total assets and liabilities. Practices are carried out in accordance with this policy.

a) Current Period:

Risk Group	Subsidiaries, Associates and Jointly Controlled Entities (Joint Ventures)		Direct or Indirect Shareholders of the Bank		Other Real and Legal Persons in the Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables	-	-	-	-	-	-
Beginning Balance	783	-	-	-	-	-
Closing Balance	-	-	-	-	-	-
Interest and Commissions Income	15	-	-	-	-	-

(*) Current period amount from subsidiaries and associates is the interest received from Aciselsan A.Ş. which was transferred to Privatisation Administration on 24 May 2010.

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b) Prior period:

Risk Group	Subsidiaries, Associates and Jointly Controlled Entities (Joint Ventures)		Direct or Indirect Shareholders of the Bank		Other Real and Legal Persons in the Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables	-	-	-	-	-	-
Beginning Balance	703	-	-	-	-	-
Closing Balance	783	-	-	-	-	-
Interest and Commissions Income	145	-	-	-	-	-

c) Information on forward transactions, option contracts and similar transactions between the Bank and its risk groups:

None.

3) Information on remuneration and benefits provided for the senior management of the Bank:

Salaries and dividend paid to members of Board of Directors, Supervisory Board, General Manager ve Vice General Managers are presented below.

	Current Period (31.12.2010)	Prior Period (31.12.2009)
Salary	858	755
Dividend and fringe benefits	127	126
Total	985	881

VIII. Explanations Related to the Bank’s Domestic, Foreign and Off-shore Branches and Representatives Abroad:

	Number	Number of Employees			
Domestic branches (*)	1	14	Country		
Foreign rep-offices	-	-	1-		
			2-		
			3-		
			Total Assets	Capital	
Foreign branches	-	-	1-	-	-
			2-	-	-
			3-	-	-
Off-shore branches	-	-	1-	-	-
			2-	-	-
			3-	-	-

(*) Total number of employees is 712 and 14 of them are employed at İstanbul Branch.

IX. Explanations Related to the Subsequent Events:

None.

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Notes to the Unconsolidated Financial Statements
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SECTION VI
OTHER EXPLANATIONS

I. Other explanations on Operations of the Bank:

The summary of information on the Bank’s rating by international rating agencies:

The international ratings of the Bank are performed by Fitch IBCA and summary of the results as of 31 December 2010 and 31 December 2009 are presented below:

	31.12.2010	31.12.2009
Foreign Currency Commitments		
Long Term	BB+	BB+
Short Term	B	B
Outlook	Positive	Stable
Turkish Lira Commitments		
Long Term	BB+	BB+
Short Term	B	B
Outlook	Positive	Stable
National		
Long Term	AA+(TUR)	AA+(TUR)
Outlook	Stable	Stable
Individual Rating	D	D
Support Points	3	3
Support Rating Floor	BB+	BB+

SECTION VII
INDEPENDENT AUDITOR'S REPORT

I. Explanations on Independent Auditor’s Report:

The unconsolidated financial statements as of 31 December 2010 were audited by DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (Member of Deloitte Touche Tohmatsu Limited) and Independent Auditor's Report dated March 09, 2010 is presented preceding the unconsolidated financial statements.

II. Explanations and Notes Prepared by Independent Auditor:

None.

**TÜRKİYE KALKINMA BANKASI A.Ş.
AND ITS FINANCIAL AFFILIATES**

**INDEPENDENT AUDITOR'S
REPORT, CONSOLIDATED
FINANCIAL STATEMENTS
AND NOTES FOR THE YEAR
ENDED DECEMBER 31, 2010**

**TÜRKİYE KALKINMA BANKASI A.Ş.
AND ITS FINANCIAL AFFILIATES**

**INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2010**

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

1. We have audited the accompanying consolidated balance sheet of Türkiye Kalkınma Bankası A.Ş. and its consolidated financial affiliates ("the Group") as at 31 December 2010, and the related consolidated statements of income, cash flows and changes in shareholders' equity for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Responsibility of the Board of Directors of the Bank for the Financial Statements:

2. The Board of Directors of the Parent Bank is responsible for the preparation and fair presentation of the financial statements in accordance with the regulation on "Procedures And Principles Regarding Banks' Accounting Practices and Maintaining Documents" published in the Official Gazette dated November 1, 2006 and numbered 26333 and the Turkish Accounting Standards, Turkish Financial Reporting Standards and other regulations, circulars, communiqués and pronouncements in respect of accounting and financial reporting made by the Banking Regulation and Supervision Agency. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility:

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the regulation on "Licensing and Operations of Audit Firms in Banking" published in the Official Gazette no: 26333 on November 1, 2006 and the International Standards on Auditing. We planned and performed our audit to obtain reasonable assurance whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the consideration of the effectiveness of internal control and appropriateness of accounting policies applied relevant to the Bank's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditor's Opinion:

4. In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Türkiye Kalkınma Bankası A.Ş. and its consolidated financial affiliates as at December 31, 2010 and the consolidated results of its operations and its cash flows for the year then ended in accordance with the prevailing accounting principles and standards set out as per the Articles 37 and 38 of the Banking Act No: 5411, and other regulations, communiqués and circulars in respect of accounting and financial reporting and pronouncements made by Banking Regulation and Supervision Agency.

Other Matter

The consolidated financial statements as of and for the year ended 31 December 2009 were audited by another auditor. The other independent auditor expressed an unqualified opinion in their audit report dated 25 March 2010 for the consolidated financial statements as of 31 December 2009.

Ankara, 08 April 2011

DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.
Member of **DELOITTE TOUCHE TOHMATSU LIMITED**

Additional paragraph for the English translation:

The effect of the differences between the accounting principles summarized in Section 3 and the accounting principles generally accepted in countries in which the accompanying financial statements are to be distributed and International Financial Reporting Standards (IFRS) have not been quantified and reflected in the accompanying financial statements. The accounting principles used in the preparation of the accompanying financial statements differ materially from IFRS. Accordingly, the accompanying financial statements are not intended to present the Bank's financial position and results of its operations in accordance with accounting principles generally accepted in such countries of users of the financial statements and IFRS.

TÜRKİYE KALKINMA BANKASI A.Ş.
AND ITS FINANCIAL AFFILIATES CONSOLIDATED FINANCIAL REPORT AS OF AND
FOR THE YEAR ENDED 31 DECEMBER 2010

The Headquarters Address : Necatibey Cad. No: 98
P.K.06100
Bakanlıklar/ANKARA
Telephone and Facsimile : Tel: 0312 231 84 00
Faks: 0312 231 43 41
Website Address : http://www.kalkinma.com.tr
E-mail Address : muhasebe@kalkinma.com.tr

The consolidated financial report for the year-end prepared in accordance with the Communiqué on “Financial Statements and Related Disclosures and Notes to be Announced to Public by Banks” as regulated by Banking Regulation and Supervision Agency, consists of the following sections.

- GENERAL INFORMATION ABOUT THE PARENT BANK
- CONSOLIDATED FINANCIAL STATEMENTS OF THE PARENT BANK
- EXPLANATIONS ON ACCOUNTING POLICIES OF THE GROUP
- INFORMATION ON THE FINANCIAL STRUCTURE OF THE GROUP
- DISCLOSURES AND NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
- OTHER EXPLANATIONS
- INDEPENDENT AUDITORS' REPORT

The consolidated subsidiaries, associates, and joint ventures in the scope of this consolidated financial report are as below:

	Subsidiaries	Associates	Joint Ventures
1	Kalkınma Yatırım Menkul Değerler A.Ş.	İVCİ (İstanbul Risk Sermaye Girişimi)	-

The consolidated financial statements and related disclosures and notes included in this report are prepared, unless otherwise stated, in Thousand Turkish Liras, in accordance with the Regulation on the Procedures And Principles Regarding Banks' Accounting Practices and Maintaining Documents, Turkish Financial Reporting Standards and and the related appendices and interpretations and our Bank's financial records, and they have been independently audited and enclosed.



Ahmet YAMAN
Chairman of Board of
Directors (By Proxy)



Metin PEHLİVAN
Board of Directors Member
and General Manager (By Proxy)




İrfan TOKGÖZ
President of Audit
Committee



Özcan TENGİLİMOĞLU
Audit Committee
Member



Adnan YALÇINCI
Assistant General Manager
Responsible for Financial Reporting



Aydın TOSUN
Finance Manager Deputy

Information on the authorized personnel to whom questions related to this financial report may be directed

Name Surname/Title: Funda ÖZER/ Finance Manager
Tel No: 0 312 - 418 84 87
Fax No: 0 312 - 418 22 94

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Türkiye Kalkınma Bankası A.Ş.
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2010

(Amounts expresseds in Thousands of Turkish Lira [TRY] unless otherwise stated.)

SECTION ONE
GENERAL INFORMATION

I- Establishment Date of the Parent Bank, Initial Articles of Association, History of the Parent Bank Including the Changes of These Articles:

Türkiye Kalkınma Bankası A.Ş. (“the Parent 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 A.Ş.”. Some adjustments were made on the status of the Bank with the Decree Based on Law numbered 165 dated November 14, 1983.

On 15 July 1988, 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 and in parallel with the developments in its service range. The Parent Bank had 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 decision of Supreme Planning Council dated January 20, 1989 and numbered 89/T-2. Also with the Decree Based on Law numbered 401 dated February 12, 1990, some of the articles related to the Bank status were changed.

With the Law dated October 14, 1999 and numbered 4456, Decrees Based on Law numbered 13, 165, 329 and 401 were revoked and the establishment and operating principles of the Bank were rearranged.

II- Capital Structure of the Parent Bank, Shareholders that Retain Direct or Indirect Control and Management of the Bank Solely or Together, Changes about These Issues During the Year And Disclosures about the Group:

The capital ceiling of the Parent Bank which is subject to registered capital system is TRY 500.000 Thousand. The issued capital considering the registered capital is TRY 160.000.000 (The Parent Bank’s capital consist of 16 Billion lots that one of each costs TRY 0,01), and the shareholders and their shares in the issued capital are shown below.

Shareholders	Share Amount (Thousand TRY)	Share (%)	Share Capital (Thousand TRY)	Trading Capital (Thousand TRY)
Treasury	158.530	99,08	158.530	-
Other Shareholders	1.470	0,92	1.470	-
Total	160.000	100,00	160.000	-

III- Explanations Regarding the Parent Bank’s Chairman and Members of Board of Directors, Audit Committee Members, Chief Executive Officer and Executive Vice Presidents And Their Shares Attributable to the Parent Bank, if any:

Chairman and Members of the Board of Directors:

Chairman of the Board of Directors	Ahmet YAMAN (*)
Members of the Board of Directors	Ahmet YAMAN Hakan TOKAÇ Özcan TENGİLİMOĞLU İrfan TOKGÖZ Mehmet AYDIN Şerif ÇELENK Metin PEHLİVAN

(*) Ahmet Yaman has been assigned by proxy according to decision of the Board of Directors dated March 15, 2011.

Türkiye Kalkınma Bankası A.Ş.
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2010

(Amounts expressed in Thousands of Turkish Lira [TRY] unless otherwise stated.)

Audit Committee Members	Mustafa GÜNEŞ Ferhat KARAŞ Davut KARATAŞ
General Manager	Metin PEHLİVAN (*)
Vice General Managers	Metin PEHLİVAN Bahattin SEKKİN Adnan YALÇINCI Zekai İŞILDAR İrfan YAŞAR
Deputy Chairman of Supervisory Board	Murat DOĞUŞLU (**)

(*) Metin Pehlivan has been assigned by proxy dated March 15, 2010.

(**) Murat Doğuşlu has been assigned according to decision of the Board of Directors dated November 9, 2010 and he has started to work as of 11 November 2010.

Executives mentioned above do not own any shares of the Parent Bank in the part which is not publicly traded.

IV-Information About Persons And Institutions that Have Qualified Shares Attributable to the Parent Bank:

The Undersecretariat of Treasury owns 99.08% of the shares of the Parent Bank.

V-Summary of Functions and Lines of Activities of the Parent Bank:

The line of activities of Türkiye Kalkınma Bankası A.Ş. which is a development and investment bank is; to provide loans to enterprises having the status of “Incorporated Company” in the spirit of profitability and productivity for the development of Turkey, to finance and give operational support by participating to enterprises, to direct domestic and foreign savings into development investments, to assist in the development of capital market, to finance domestic, foreign and international joint ventures and carry out all kinds of development and investment banking activities.

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- IV- Consolidated Statement of Profit or Loss Accounted under Shareholders` Equity
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- VI- Consolidated Statement of Cash Flow
- VII- Consolidated Statement of Profit Distribution

Türkiye Kalkınma Bankası A.Ş.
Consolidated Balance Sheet (Statement of Financial Position)

		THOUSANDS OF TRY						
		AUDITED CURRENT PERIOD (31/12/2010)			AUDITED PRIOR PERIOD (31/12/2009)			
	ASSETS	Disc.	TRY	FC	Total	TRY	FC	Total
I.	CASH AND BALANCES WITH THE CENTRAL BANK "FINANCIAL ASSETS AT FAIR VALUE THROUGH	(1)	138	-	138	254	-	254
II.	PROFIT AND LOSS (Net) "	(2)	49.033	-	49.033	123.935	-	123.935
2.1	Trading Financial Assets		49.033	-	49.033	123.935	-	123.935
2.1.1	Public Sector Debt Securities		48.988	-	48.988	123.935	-	123.935
2.1.2	Share Certificates		-	-	-	-	-	-
2.1.3	Financial Assets Held for Trading		45	-	45	-	-	-
2.1.4	Other Marketable Securities		-	-	-	-	-	-
2.2	Financial Assets at Fair Value Through Profit and Loss		-	-	-	-	-	-
2.2.1	Public Sector Debt Securities		-	-	-	-	-	-
2.2.2	Share Certificates		-	-	-	-	-	-
2.2.3	Loans		-	-	-	-	-	-
2.2.4	Other Marketable Securities		-	-	-	-	-	-
III.	BANKS	(3)	130.628	1.353	131.981	15.391	79.504	94.895
IV.	MONEY MARKET PLACEMENTS		-	-	-	110.620	-	110.620
4.1	Interbank Money Market Placements		-	-	-	110.620	-	110.620
4.2	Istanbul Stock Exchange Money Market Placements		-	-	-	-	-	-
4.3	Receivables from Reverse Repurchase Agreements		-	-	-	-	-	-
V.	FINANCIAL ASSETS AVAILABLE FOR SALE (Net)	(4)	122.997	-	122.997	4.528	-	4.528
5.1	Share Certificates		955	-	955	969	-	969
5.2	Public Sector Debt Securities		118.180	-	118.180	-	-	-
5.3	Other Marketable Securities		3.862	-	3.862	3.559	-	3.559
VI.	LOANS	(5)	221.475	956.766	1.178.241	241.902	560.441	802.343
6.1	Loans		193.953	956.766	1.150.719	214.041	560.441	774.482
6.1.1	Loans Extended to Risk Group of the Bank		-	-	-	783	-	783
6.1.2	Public Sector Debt Securities		-	-	-	-	-	-
6.1.3	Other		193.953	956.766	1.150.719	213.258	560.441	773.699
6.2	Loans Under Follow-Up		78.350	-	78.350	93.843	-	93.843
6.3	Specific Provisions (-)		50.828	-	50.828	65.982	-	65.982
VII.	FACTORING RECEIVABLES		-	-	-	-	-	-
VIII.	HELD TO MATURITY INVESTMENTS (Net)	(6)	51.411	-	51.411	80.369	-	80.369
8.1	Public Sector Debt Securities		51.411	-	51.411	80.369	-	80.369
8.2	Other Marketable Securities		-	-	-	-	-	-
IX.	INVESTMENTS IN ASSOCIATES (Net)	(7)	5.503	912	6.415	5.082	623	5.705
9.1	Accounted with Equity Method		-	912	912	623	623	623
9.2	Unconsolidated Associates		5.503	-	5.503	5.082	-	5.082
9.2.1	Financial Investments		-	-	-	-	-	-
9.2.2	Non-financial Investments		5.503	-	5.503	5.082	-	5.082
X.	INVESTMENTS IN SUBSIDIARIES (Net)	(8)	750	-	750	2.415	-	2.415
10.1	Unconsolidated Financial Subsidiaries		-	-	-	-	-	-
10.2	Unconsolidated Non-financial Subsidiaries		750	-	750	2.415	-	2.415
XI.	JOINT VENTURES (Net)	(9)	-	-	-	-	-	-
11.1	Accounted with Equity Method		-	-	-	-	-	-
11.2	Unconsolidated Joint Ventures		-	-	-	-	-	-
11.2.1	Financial Joint Ventures		-	-	-	-	-	-
11.2.2	Non-financial Joint Ventures		-	-	-	-	-	-
XII.	FINANCE LEASE RECEIVABLES (Net)	(10)	246	-	246	238	-	238
12.1	Finance Lease Receivables		-	-	-	-	-	-
12.2	Operating Lease Receivables		246	-	246	238	-	238
12.3	Other		-	-	-	-	-	-
12.4	Unearned Income (-)		-	-	-	-	-	-
XIII.	DERIVATIVE FINANCIAL ASSETS FOR HEDGING PURPOSES	(11)	-	-	-	-	-	-
13.1	Fair Value Risk Hedging		-	-	-	-	-	-
13.2	Cash Flow Risk Hedging		-	-	-	-	-	-
13.3	Net Abroad Investment Risk Hedging		-	-	-	-	-	-
XIV.	TANGIBLE ASSETS (Net)	(12)	42.754	-	42.754	44.088	-	44.088
XV.	INTANGIBLE ASSETS (Net)	(13)	263	-	263	506	-	506
15.1	Goodwill		-	-	-	-	-	-
15.2	Other		263	-	263	506	-	506
XVI.	INVESTMENT PROPERTIES (Net)	(14)	2.492	-	2.492	-	-	-
XVII.	TAX ASSET	(15)	6.375	-	6.375	14.791	-	14.791
17.1	Current Assets for Tax		-	-	-	5.783	-	5.783
17.2	Deferred Assets for Tax		6.375	-	6.375	9.008	-	9.008
XVIII.	ASSETS HELD FOR SALE AND HELD FROM DISCONTINUED OPERATIONS (Net)	(16)	-	-	-	-	-	-
18.1	Held for Sale Purpose		-	-	-	-	-	-
18.2	Held from Discontinued Operations		-	-	-	-	-	-
XIX.	OTHER ASSETS	(17)	2.701	1.207	3.908	2.162	885	3.047
	TOTAL ASSETS		636.766	960.238	1.597.004	646.281	641.453	1.287.734

The accompanying notes from an integral part of these financial statements.

Türkiye Kalkınma Bankası A.Ş.
Consolidated Balance Sheet (Statement of Financial Position)

		THOUSANDS OF TRY						
		AUDITED CURRENT PERIOD (31/12/2010)			AUDITED PRIOR PERIOD (31/12/2009)			
	LIABILITIES AND EQUITY	Disc.	TRY	FC	Total	TRY	FC	Total
I.	DEPOSITS	(1)	-	-	-	-	-	-
1.1	Deposits Held by the Risk Group of the Bank		-	-	-	-	-	-
1.2	Other		-	-	-	-	-	-
II.	DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	(2)	38	-	38	-	-	-
III.	BORROWING FUNDING LOANS	(3)	-	956.379	956.379	2.167	633.016	635.183
IV.	MONEY MARKET BALANCES		335	-	335	183	-	183
4.1	Interbank Money Market Takings		-	-	-	-	-	-
4.2	Istanbul Stock Exchange Takasbank Takings		-	-	-	-	-	-
4.3	Funds From Repurchase Agreements		335	-	335	183	-	183
V.	MARKETABLE SECURITIES ISSUED (Net)		-	-	-	-	-	-
5.1	Bills		-	-	-	-	-	-
5.2	Asset-backed Securities		-	-	-	-	-	-
5.3	Bonds		-	-	-	-	-	-
VI.	FUNDS		91.253	47	91.300	111.621	45	111.666
6.1	Borrower Funds		-	-	-	-	-	-
6.2	Other		91.253	47	91.300	111.621	45	111.666
VII.	SUNDRY CREDITORS		3.418	280	3.698	2.542	607	3.149
VIII.	OTHER LIABILITIES	(4)	4.066	57	4.123	4.862	1.057	5.919
IX.	FACTORING PAYABLES		-	-	-	-	-	-
X.	FINANCE LEASE PAYABLES (Net)	(5)	-	-	-	-	-	-
10.1	Finance Lease Payables		-	-	-	-	-	-
10.2	Operating Lease Payables		-	-	-	-	-	-
10.3	Other		-	-	-	-	-	-
10.4	Deferred Finance Lease Expenses (-)		-	-	-	-	-	-
XI.	DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING	(6)	-	-	-	-	-	-
11.1	Fair Value Risk Hedging		-	-	-	-	-	-
11.2	Cash Flow Risk Hedging		-	-	-	-	-	-
11.3	Net Abroad Investment Risk Hedging		-	-	-	-	-	-
XII.	PROVISIONS	(7)	24.037	-	24.037	25.216	-	25.216
12.1	General Loan Provisions		5.704	-	5.704	7.480	-	7.480
12.2	Restructuring Provisions		-	-	-	-	-	-
12.3	Employee Benefits Provisions		18.220	-	18.220	17.541	-	17.541
12.4	Insurance Technical Reserves (Net)		-	-	-	-	-	-
12.5	Other Provisions		113	-	113	195	-	195
XIII.	TAX LIABILITY	(8)	4.146	-	4.146	7.535	-	7.535
13.1	Current Tax Liability		4.097	-	4.097	7.535	-	7.535
13.2	Deferred Tax Liability		49	-	49	-	-	-
XIV.	LIABILITIES FOR ASSET HELD FOR SALE AND HELD FROM DISCONTINUED OPERATIONS	(9)	-	-	-	-	-	-
14.1	Held for Sale Purpose		-	-	-	-	-	-
14.2	Held from Discontinued Operations		-	-	-	-	-	-
XV.	TIER -II CAPITAL	(10)	-	-	-	-	-	-
XVI.	SHAREHOLDERS' EQUITY	(11)	512.948	-	512.948	498.883	-	498.883
16.1	Paid-in Capital		160.000	-	160.000	160.000	-	160.000
16.2	Capital Reserves		210.202	-	210.202	210.297	-	210.297
16.2.1	Share Premium		1.491	-	1.491	1.491	-	1.491
16.2.2	Share Cancellation Profits		-	-	-	-	-	-
16.2.3	Marketable Securities Revaluation Fund		2.637	-	2.637	2.700	-	2.700
16.2.4	Tangible Assets Revaluation Reserves		-	-	-	-	-	-
16.2.5	Intangible Assets Revaluation Reserves		-	-	-	-	-	-
16.2.6	Revaluation Reserves of Real Estates for Investment Purpose		-	-	-	-	-	-
16.2.7	Non-paid-up Shares of Subsidiaries, Associates and Joint Ventures		-	-	-	468	-	468
16.2.8	Hedging Funds (Effective Portion)		-	-	-	-	-	-
16.2.9	Value Increase on Assets Held for Sale		-	-	-	-	-	-
16.2.10	Other Capital Reserves		206.074	-	206.074	205.638	-	205.638
16.3	Profit Reserves		123.279	-	123.279	103.331	-	103.331
16.3.1	Legal Reserves		28.602	-	28.602	26.942	-	26.942
16.3.2	Statutory Reserves		-	-	-	-	-	-
16.3.3	Extraordinary Reserves		94.677	-	94.677	76.389	-	76.389
16.3.4	Other Profit Reserves		-	-	-	-	-	-
16.4	Profit/Loss		19.467	-	19.467	25.255	-	25.255
16.4.1	Prior Years Income/Loss		(1.059)	-	(1.059)	-	-	-
16.4.2	Period Profit/Loss		20.526	-	20.526	25.255	-	25.255
TOTAL LIABILITIES AND EQUITY			640.241	956.763	1.597.004	653.009	634.725	1.287.734

The accompanying notes from an integral part of these financial statements.

Türkiye Kalkınma Bankası A.Ş.
Consolidated off Balance Sheet Accounts

THOUSANDS OF TRY							
	Disc.	AUDITED CURRENT PERIOD (31/12/2010)			AUDITED PRIOR PERIOD (31/12/2009)		
		TRY	FC	Total	TRY	FC	Total
"A. OFF BALANCE SHEET CONTINGENCIES AND COMMITMENTS (I+II+III)"		96.100	1.343.902	1.440.002	23.172	618.634	641.806
I. GUARANTEES AND SURETYSHIPS	(1), (3)	47	7.500	7.547	47	11.052	11.099
1.1. Letters of Guarantee		47	-	47	47	-	47
1.1.1. Guarantees Subject to Public Procurement Law		-	-	-	-	-	-
1.1.2. Guarantees Given for Foreign Trade Operations		-	-	-	-	-	-
1.1.3. Other Letters of Guarantee		47	-	47	47	-	47
1.2. Bank Loans		-	-	-	-	-	-
1.2.1. Import Acceptances		-	-	-	-	-	-
1.2.2. Other Bank Acceptances		-	-	-	-	-	-
1.3. Letters of Credit		-	7.500	7.500	-	11.052	11.052
1.3.1. Documentary Letters of Credit		-	7.500	7.500	-	11.052	11.052
1.3.2. Other Letters of Credit		-	-	-	-	-	-
1.4. Guaranteed Prefinancings		-	-	-	-	-	-
1.5. Endorsements		-	-	-	-	-	-
1.5.1. Endorsements to Central Bank of Turkish Republic		-	-	-	-	-	-
1.5.2. Other Endorsements		-	-	-	-	-	-
1.6. Purchase Guarantees on Marketable Security Issuance		-	-	-	-	-	-
1.7. Factoring Guarantees		-	-	-	-	-	-
1.8. Other Guarantees		-	-	-	-	-	-
1.9. Other Suretyships		-	-	-	-	-	-
II. COMMITMENTS	(1), (3)	87.546	1.327.979	1.415.525	23.125	607.582	630.707
2.1. Irrevocable Commitments		1.000	18.773	19.773	-	20.348	20.348
2.1.1. Forward Asset Purchase Commitments		1.000	-	1.000	-	-	-
2.1.2. Forward Deposit Purchase and Sale Commitments		-	-	-	-	-	-
2.1.3. Capital Commitments to Subsidiaries and Associates		-	18.773	18.773	-	20.348	20.348
2.1.4. Loan Granting Commitments		-	-	-	-	-	-
2.1.5. Securities Underwriting Commitments		-	-	-	-	-	-
2.1.6. Payment Commitments for Reserve Deposits		-	-	-	-	-	-
2.1.7. Payment Commitments for Cheques		-	-	-	-	-	-
2.1.8. Tax and Fund Liabilities from Export Commitments		-	-	-	-	-	-
2.1.9. Commitments for Credit Card Expenditure Limits		-	-	-	-	-	-
2.1.10. Commitments for Credit Cards and Banking Services Promotions		-	-	-	-	-	-
2.1.11. Receivables from Short Sale Commitments		-	-	-	-	-	-
2.1.12. Payables for Short Sale Commitments		-	-	-	-	-	-
2.1.13. Other Irrevocable Commitments		-	-	-	-	-	-
2.2. Revocable Commitments		86.546	1.309.206	1.395.752	23.125	587.234	610.359
2.2.1. Revocable Loan Granting Commitments		86.546	1.309.206	1.395.752	23.125	587.234	610.359
2.2.2. Other Revocable Commitments		-	-	-	-	-	-
III. DERIVATIVE FINANCIAL INSTRUMENTS	(2)	8.507	8.423	16.930	-	-	-
3.1. Derivative Financial Instruments for Hedging		-	-	-	-	-	-
3.1.1. Fair Value Risk Hedging Transactions		-	-	-	-	-	-
3.1.2. Cash flow Risk Hedging Transactions		-	-	-	-	-	-
3.1.3. Net Abroad Investment Risk Hedging Transactions		-	-	-	-	-	-
3.2. Transactions for Trading		8.507	8.423	16.930	-	-	-
3.2.1. Forward Foreign Currency Buy/Sell Transactions		8.507	8.423	16.930	-	-	-
3.2.1.1. Forward Foreign Currency Transactions-Buy		4.259	4.212	8.471	-	-	-
3.2.1.2. Forward Foreign Currency Transactions-Sell		4.248	4.211	8.459	-	-	-
3.2.2. Currency and Interest Rate Swaps		-	-	-	-	-	-
3.2.2.1. Currency Swap-Buy		-	-	-	-	-	-
3.2.2.2. Currency Swap-Sell		-	-	-	-	-	-
3.2.2.3. Interest Rate Swap-Buy		-	-	-	-	-	-
3.2.2.4. Interest Rate Swap-Sell		-	-	-	-	-	-
3.2.3. Currency, Interest Rate and Marketable Securities Options		-	-	-	-	-	-
3.2.3.1. Currency Call Options		-	-	-	-	-	-
3.2.3.2. Currency Put Options		-	-	-	-	-	-
3.2.3.3. Interest Rate Call Options		-	-	-	-	-	-
3.2.3.4. Interest Rate Put Options		-	-	-	-	-	-
3.2.3.5. Marketable Securities Call Options		-	-	-	-	-	-
3.2.3.6. Marketable Securities Put Options		-	-	-	-	-	-
3.2.4. Currency Futures		-	-	-	-	-	-
3.2.4.1. Currency Futures-Buy		-	-	-	-	-	-
3.2.4.2. Currency Futures-Sell		-	-	-	-	-	-
3.2.5. Interest Rate Buy/Sell Futures		-	-	-	-	-	-
3.2.5.1. Interest Rate Futures-Buy		-	-	-	-	-	-
3.2.5.2. Interest Rate Futures-Sell		-	-	-	-	-	-
3.2.6. Other		-	-	-	-	-	-
B. CUSTODY AND PLEDGED ASSETS (IV+V+VI)		2.493.819	4.904.230	7.398.049	2.951.281	3.993.268	6.944.549
IV. CUSTODIES		6.891	433	7.324	14.438	430	14.868
4.1. Assets Under Management		-	-	-	-	-	-
4.2. Custody Marketable Securities		6.891	-	6.891	14.438	-	14.438
4.3. Cheques in Collection Process		-	-	-	-	-	-
4.4. Commercial Notes in Collection Process		-	-	-	-	-	-
4.5. Other Assets in Collection Process		-	-	-	-	-	-
4.6. Underwritten Securities		-	-	-	-	-	-
4.7. Other Custodies		-	433	433	-	430	430
4.8. Custodians		-	-	-	-	-	-
V. PLEDGED ASSETS		2.485.328	4.903.797	7.389.125	2.935.843	3.992.838	6.928.681
5.1. Marketable Securities		-	-	-	-	-	-
5.2. Collateral Notes		212.618	995.895	1.208.513	255.137	603.635	858.772
5.3. Commodity		-	-	-	-	-	-
5.4. Warranty		-	-	-	-	-	-
5.5. Land and Buildings		1.599.713	2.927.380	4.527.093	2.009.265	2.753.867	4.763.132
5.6. Other Pledged Assets		79.817	733.536	813.353	52.594	291.320	343.914
5.7. Pledges		593.180	246.986	840.166	618.847	344.016	962.863
VI. ACCEPTED BILL GUARANTEES AND SURETIES		1.600	-	1.600	1.000	-	1.000
TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)		2.589.919	6.248.132	8.838.051	2.974.453	4.611.902	7.586.355

The accompanying notes from an integral part of these financial statements.

Türkiye Kalkınma Bankası A.Ş.
Consolidated Statement of Income

		THOUSANDS OF TRY		
		Audited CURRENT PERIOD (01/01/2010-31/12/2010)	Audited PRIOR PERIOD (01/01/2009-31/12/2009)	
INCOME AND EXPENSES		Disc.		
I.	INTEREST INCOME	(1)	80.264	96.815
1.1	Interest on loans		54.377	57.928
1.2	Interest received from reserve deposits		-	-
1.3	Interest received from banks		3.677	1.012
1.4	Interest received from money market placements		4.457	13.691
1.5	Interest income on marketable securities		17.752	24.173
1.5.1	Financial assets held for trading		5.948	15.822
1.5.2	Financial assets at fair value through profit and loss		-	-
1.5.3	Financial assets available-for-sale		4.707	-
1.5.4	Investments held-to-maturity		7.097	8.351
1.6	Finance lease income		-	-
1.7	Other interest income		1	11
II.	INTEREST EXPENSE	(2)	17.047	22.653
2.1	Interest on deposits		-	-
2.2	Interest on borrowings		11.198	14.515
2.3	Interest on money market borrowings		-	-
2.4	Interest on marketable securities issued		-	-
2.5	Other interest expense		5.849	8.138
III.	NET INTEREST INCOME (I - II)		63.217	74.162
IV.	NET FEES AND COMMISSIONS INCOME		4.795	2.757
4.1	Fees and commissions income		5.248	3.300
4.1.1	Non-cash loans		178	9
4.1.2	Other		5.070	3.291
4.2	Fees and commissions expenses		453	543
4.2.1	Non-cash loans		-	13
4.2.2	Other		453	530
V.	DIVIDEND INCOME	(3)	325	346
VI.	NET TRADING PROFIT	(4)	2.800	7.445
6.1	Profit/Loss from capital market operations		693	5.264
6.2	Profit/Loss from financial derivative transactions		507	-
6.3	Foreign exchange gains/losses		1.600	2.181
VII.	OTHER OPERATING INCOME	(5)	17.476	14.933
VIII.	TOTAL OPERATING INCOME (III+IV+V+VI+VII)		88.613	99.643
IX.	LOANS AND OTHER RECEIVABLES IMPAIRMENT LOSS PROVISIONS (-)	(6)	1.090	11.783
X.	OTHER OPERATING EXPENSES(-)	(7)	59.368	56.274
XI.	NET OPERATING INCOME/(LOSS) (VIII-IX-X)		28.155	31.586
XII.	AMOUNT RECORDED IN EXCESS AS GAIN AFTER MERGER		-	-
XIII.	PROFIT/LOSSES FROM EQUITY METHOD APPLIED SUBSIDIARIES		(255)	(416)
XIV.	GAIN / (LOSS) ON NET MONETARY POSITION		-	-
XV.	INCOME/(LOSS) BEFORE TAXES (XI+XII+XIII+XIV)	(8)	27.900	31.170
XVI.	TAX INCOME PROVISION (±)	(9)	(7.374)	(5.915)
16.1	Current tax provision		(5.350)	(6.471)
16.2	Deferred tax provision		(2.024)	556
XVII.	NET OPERATING INCOME AFTER TAX (XV±XVI)	(10)	20.526	25.255
XVIII.	INCOME FROM DISCONTINUED OPERATIONS		-	-
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		-	-
XIX.	EXPENSES FROM DISCONTINUED OPERATIONS (-)		-	-
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 discontinued operations		-	-
XX.	INCOME/EXPENSE BEFORE TAXES FROM DISCONTINUED OPERATIONS (XVIII-XIX)	(8)	-	-
XXI.	PROVISION FOR TAXES ON INCOME FROM DISCONTINUED OPERATIONS (±)	(9)	-	-
21.1	Current tax provision		-	-
21.2	Deferred tax provision		-	-
XXII.	NET PROFIT/LOSSES FROM DISCONTINUED OPERATIONS (XX±XXI)	(10)	-	-
XXIII.	NET PROFIT/(LOSS) (XVII+XXII)	(11)	20.526	25.255
Earnings/Losses per share			0,00128	0,00158

The accompanying notes from an integral part of these financial statements.

Türkiye Kalkınma Bankası A.Ş.
Statement of Consolidated Profit and Loss Accounted for Under Equity

	AUDITED	
	CURRENT PERIOD (01/01/2010- 31/12/2010)	PRIOR PERIOD (01/01/2009- 31/12/2009)
STATEMENT OF PROFIT AND LOSS ACCOUNTED FOR UNDER EQUITY		
I. Additions to marketable securities revaluation differences for available for sale financial assets	(721)	(1.367)
II. Tangible assets revaluation differences	-	-
III. Intangible assets revaluation differences	-	-
IV. Foreign exchange differences for foreign currency transactions	-	-
V. Profit/Loss from derivative financial instruments for cash flow hedge purposes (Effective portion of fair value differences)	-	-
VI. Profit/Loss from derivative financial instruments for hedge of net investment in foreign operations (Effective portion of fair value differences)	-	-
VII. The effect of corrections of errors and changes in accounting policies	-	-
VIII. Other profit loss items accounted under equity due to TAS	-	-
IX. Deferred tax of valuation differences	658	-
X. Total Net Profit/Loss accounted under equity (I+II+...+IX)	(63)	(1.367)
XI. Profit/Loss	(468)	-
11.1.1. Change in fair value of marketable securities (Transfer to Profit/Loss)	-	-
11.1.2. Reclassification and transfer of derivatives accounted for cash flow hedge purposes to Income Statement	-	-
11.1.3. Transfer of hedge of net investments in foreign operations to Income Statement	-	-
11.1.4. Other	(468)	-
XII. Total Profit/Loss accounted for the period (X±XI)	(531)	(1.367)

The accompanying notes from an integral part of these financial statements.

Türkiye Kalkınma Bankası A.Ş.
Consolidated Statement of Changes In Shareholders' Equity

	THOUSANDS OF TRY									
	Disc.	Paid-in Capital	Adjustment on	Share Premium	Share Cancellation	Legal Reserves	Statutory Reserves	Extraordinary Reserves	Other Reserves	Total Shareholders' Equity
CHANGES IN SHARE HOLDERS' EQUITY										
PRIOR PERIOD										
I. Balance at end of prior period (31/12/2009)		160.000	205.783	1.491	-	24.973	-	51.020	-	485.283
II. Corrections according to TAS 8		-	-	-	-	-	-	-	-	-
2.1. The effect of corrections of errors		-	-	-	-	-	-	-	-	-
III. The effects of changes in accounting policy		-	-	-	-	-	-	-	-	-
III.1. New Balance (I + II)		160.000	205.783	1.491	-	24.973	-	51.020	-	485.283
Changes within the period										
IV. Increase/Decrease generated by merger		-	-	-	-	-	-	-	-	-
V. Valuation changes in marketable securities		-	(145)	-	-	-	-	-	-	(1.512)
VI. Hedging Funds (Effective Portion)		-	-	-	-	-	-	-	-	-
6.1. Cash-flow hedge		-	-	-	-	-	-	-	-	-
6.2. Hedges for investment made in foreign countries		-	-	-	-	-	-	-	-	-
VII. Revaluation changes of property and equipment		-	-	-	-	-	-	-	-	-
VIII. Revaluation changes of intangible assets		-	-	-	-	-	-	-	-	-
IX. Foreign exchange differences for investment and associates, subsidiaries and joint ventures (business partners)		-	-	-	-	-	-	-	-	-
X. Foreign exchange differences		-	-	-	-	-	-	-	-	-
XI. Changes after disposal of securities		-	-	-	-	-	-	-	-	-
XII. Changes after reclassification of securities		-	-	-	-	-	-	-	-	-
XIII. Effect of changes in shareholders equity of investments and associates to bank's shareholders equity		-	-	-	-	-	-	-	-	(802)
XIV. Increase in capital		-	-	-	-	-	-	-	-	-
14.1. Cash		-	-	-	-	-	-	-	-	-
14.2. Other internal resources		-	-	-	-	-	-	-	-	-
XV. Issuance of share certificates at end of period		-	-	-	-	-	-	-	-	-
XVI. Share cancellation profits		-	-	-	-	-	-	-	-	-
XVII. Adjustment to paid-in capital		-	-	-	-	-	-	-	-	-
XVIII. Other		-	-	-	-	-	-	-	-	-
XIX. Net profit or losses		-	-	-	-	-	-	-	-	-
XX. Profit distribution		-	-	-	-	1.969	-	25.369	-	25.255
20.1. Dividends distributed		-	-	-	-	-	-	-	-	(9.341)
20.2. Transfers to legal reserves		-	-	-	-	1.969	-	25.369	-	(9.342)
20.3. Other		-	-	-	-	-	-	-	-	1
Closing Balance (III+IV+V +...+XVIII+XIX+XX)		160.000	205.638	1.491	-	26.942	-	76.389	-	498.883
CURRENT PERIOD										
(31/12/2010)										
I. Balance at end of prior period		160.000	205.638	1.491	-	26.942	-	76.389	-	498.883
Changes within the period										
IV. Increase/Decrease generated by merger		-	-	-	-	-	-	-	-	-
V. Valuation changes in marketable securities		-	-	-	-	-	-	-	-	-
VI. Hedging Funds (Effective Portion)		-	-	-	-	-	-	-	-	(63)
6.1. Cash-flow hedge		-	-	-	-	-	-	-	-	-
6.2. Hedges for investment made in foreign countries		-	-	-	-	-	-	-	-	-
VII. Revaluation changes of property and equipment		-	-	-	-	-	-	-	-	-
VIII. Revaluation changes of intangible assets		-	-	-	-	-	-	-	-	-
IX. Free shares from investment and associates, subsidiaries and joint ventures (business partners)		-	-	-	-	-	-	-	-	-
X. Foreign exchange differences		-	-	-	-	-	-	-	-	-
XI. Changes after disposal of securities		-	-	-	-	-	-	-	-	-
XII. Changes after reclassification of securities		-	-	-	-	-	-	-	-	-
XIII. Effect of changes in shareholders equity of investments and associates to bank's shareholders equity		-	-	-	-	-	-	-	-	-
XIV. Increase in capital		-	-	-	-	-	-	-	-	-
14.1. Cash		-	-	-	-	-	-	-	-	-
14.2. Other internal resources		-	-	-	-	-	-	-	-	-
XV. Issuance of share certificates at end of period		-	-	-	-	-	-	-	-	-
XVI. Share cancellation profits		-	-	-	-	-	-	-	-	-
XVII. Adjustment to paid-in capital		-	-	-	-	-	-	-	-	-
XVIII. Other		-	-	-	-	-	-	-	-	-
XIX. Net profit or losses		-	-	-	-	-	-	-	-	-
XX. Profit distribution		-	-	-	-	-	-	-	-	-
20.1. Dividends distributed		-	-	-	-	-	-	-	-	-
20.2. Transfers to legal reserves		-	-	-	-	-	-	-	-	-
20.3. Other		-	-	-	-	-	-	-	-	-
Closing Balance (III+IV+V +...+XVIII+XIX+XX)		160.000	205.074	1.491	-	28.602	-	94.677	-	512.948
CURRENT PERIOD										
(31/12/2010)										
I. Balance at end of prior period		160.000	205.638	1.491	-	26.942	-	76.389	-	498.883
Changes within the period										
IV. Increase/Decrease generated by merger		-	-	-	-	-	-	-	-	-
V. Valuation changes in marketable securities		-	-	-	-	-	-	-	-	-
VI. Hedging Funds (Effective Portion)		-	-	-	-	-	-	-	-	(63)
6.1. Cash-flow hedge		-	-	-	-	-	-	-	-	-
6.2. Hedges for investment made in foreign countries		-	-	-	-	-	-	-	-	-
VII. Revaluation changes of property and equipment		-	-	-	-	-	-	-	-	-
VIII. Revaluation changes of intangible assets		-	-	-	-	-	-	-	-	-
IX. Free shares from investment and associates, subsidiaries and joint ventures (business partners)		-	-	-	-	-	-	-	-	-
X. Foreign exchange differences		-	-	-	-	-	-	-	-	-
XI. Changes after disposal of securities		-	-	-	-	-	-	-	-	-
XII. Changes after reclassification of securities		-	-	-	-	-	-	-	-	-
XIII. Effect of changes in shareholders equity of investments and associates to bank's shareholders equity		-	-	-	-	-	-	-	-	-
XIV. Increase in capital		-	-	-	-	-	-	-	-	-
14.1. Cash		-	-	-	-	-	-	-	-	-
14.2. Other internal resources		-	-	-	-	-	-	-	-	-
XV. Issuance of share certificates at end of period		-	-	-	-	-	-	-	-	-
XVI. Share cancellation profits		-	-	-	-	-	-	-	-	-
XVII. Adjustment to paid-in capital		-	-	-	-	-	-	-	-	-
XVIII. Other		-	-	-	-	-	-	-	-	-
XIX. Net profit or losses		-	-	-	-	-	-	-	-	-
XX. Profit distribution		-	-	-	-	-	-	-	-	-
20.1. Dividends distributed		-	-	-	-	-	-	-	-	-
20.2. Transfers to legal reserves		-	-	-	-	-	-	-	-	-
20.3. Other		-	-	-	-	-	-	-	-	-
Closing Balance (III+IV+V +...+XVIII+XIX+XX)		160.000	205.074	1.491	-	28.602	-	94.677	-	512.948

The accompanying notes from an integral part of these financial statements.

Türkiye Kalkınma Bankası A.Ş.
Consolidated Statement of Cash Flows

	THOUSANDS OF TRY	
	AUDITED	AUDITED
	CURRENT PERIOD	PRIOR PERIOD
	Disc. (01/01/2010 31/12/2010)	(01/01/2009-31/12/2009)
A. CASH FLOWS FROM BANKING OPERATIONS		
1.1. Operating profit before changes in operating assets and liabilities (+)	69	20.124
1.1.1.Interest received (+)	90.613	53.094
1.1.2.Interest paid (-)	(16.410)	(17.504)
1.1.3.Dividend received(+)	325	346
1.1.4.Fees and commissions received (+)	4.947	15.053
1.1.5.Other income (+)	2.873	20.197
1.1.6.Collections from previously written off loans (+)	20.943	5.596
1.1.7.Cash payments to personnel and service suppliers (-)	(42.940)	(41.146)
1.1.8.Taxes paid (-)	(3.682)	(6.658)
1.1.9.Other (+/-)	(56.600)	(8.854)
1.2. Assets and Liabilities Subject to Banking Operations	(1.451)	15.507
1.2.1.Net (increase) decrease in financial assets held for sale (+/-)	67.069	(3.904)
1.2.2.Net (increase) decrease in financial assets at fair value through profit or loss (+/-)	-	-
1.2.3.Net (increase) decrease in due from banks and other financial institutions (+/-)	(20.000)	-
1.2.4.Net (increase) decrease in loans (+/-)	(335.279)	(216.163)
1.2.5.Net (increase) decrease in other assets (+/-)	(913)	7.031
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 loans borrowed (+/-)	309.495	244.236
1.2.9.Net increase (decrease) in matured payables (+/-)	-	-
1.2.10.Net increase (decrease) in other liabilities (+/-)	(21.823)	(15.693)
I. Net cash provided from banking operations (+/-)	(1.382)	35.631
B. CASH FLOWS FROM INVESTMENT ACTIVITIES		
II. Net cash provided from investing activities (+/-)	(87.798)	(55.517)
2.1.Cash paid for purchase of joint ventures, associates and subsidiaries(-)	(542)	(251)
2.2.Cash obtained from sale of entities joint ventures, associates and subsidiaries (+)	4.688	-
2.3.Fixed assets purchases (-)	(1.166)	(9.498)
2.4.Fixed assets sales(+)	3.158	1.650
2.5.Cash paid for purchase of financial assets available for sale (-)	(268.747)	(532)
2.6.Cash obtained from sale of financial assets available for sale (+)	150.584	-
2.7.Cash paid for purchase of investment securities (-)	(30.958)	(46.886)
2.8.Cash obtained from sale of investment securities (+)	55.371	-
2.9.Other (+/-)	(186)	-
C. CASH FLOWS FROM FINANCING ACTIVITIES		
III. Net cash provided from financing activities (+/-)	(5.930)	(8.810)
3.1.Cash obtained from loans borrowed and securities issued (+)	-	-
3.2.Cash used for repayment of loans borrowed and securities issued (-)	-	-
3.3.Marketable securities issued (+)	-	-
3.4.Dividends paid (-)	(5.930)	(10.143)
3.5.Payments for finance leases (-)	-	-
3.6.Other (+/-)	-	1.333
IV.Effect of change in foreign exchange rate on cash and cash equivalents(+/-)	952	2.181
V. Net increase / (decrease) in cash and cash equivalents (I+II+III+IV)	(94.158)	(26.515)
VI. Cash and cash equivalents at beginning of the period (+)	(2)	205.717
VII. Cash and cash equivalents at end of the period (V+VI)	(3)	205.717

The accompanying notes from an integral part of these financial statements.

Türkiye Kalkınma Bankası A.Ş.
Consolidated Profit Distribution Table

	THOUSANDS OF TRY	
	AUDITED	AUDITED
	CURRENT PERIOD	PRIOR PERIOD
	(31.12.2010)	(31.12.2009)
I.DISTRIBUTION OF CURRENT YEAR INCOME		
	-	-
1.1.CURRENT YEAR INCOME	-	-
1.2.TAXES AND DUTIES PAYABLE	-	-
1.2.1.Corporate tax (Income tax)	-	-
1.2.2.Income withholding tax	-	-
1.2.3.Other taxes and duties (*)	-	-
A. NET INCOME FOR THE YEAR (1.1-1.2)	-	-
1.3.PRIOR YEARS LOSSES (-)	-	-
1.4.FIRST LEGAL RESERVES (-)	-	-
1.5.OTHER STATUTORY RESERVES (-)	-	-
B. NET INCOME AVAILABLE FOR DISTRIBUTION [(A-(1.3+1.4+1.5))		
1.6.FIRST DIVIDEND TO SHAREHOLDERS (-)	-	-
1.6.1.To owners of ordinary shares	-	-
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 (-)	-	-
1.8.DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
1.9.SECOND DIVIDEND TO SHAREHOLDERS (-)	-	-
1.9.1.To owners of ordinary shares	-	-
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 (-)	-	-
1.11.STATUTORY RESERVES (-)	-	-
1.12.GENERAL RESERVES	-	-
1.13.OTHER RESERVES	-	-
1.14.SPECIAL FUNDS	-	-
II. DISTRIBUTION OF RESERVES		
2.1.APPROPRIATED RESERVES	-	-
2.2.SECOND LEGAL RESERVES (-)	-	-
2.3.DIVIDENDS TO SHAREHOLDERS (-)	-	-
2.3.1.To owners of ordinary shares	-	-
2.3.2.To owners of preferred shares	-	-
2.3.3.To owners of preferred shares (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 (-)	-	-
III. EARNINGS PER SHARE		
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 (%)	-	-
IV. DIVIDEND PER SHARE		
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 (%)	-	-

(*) According to tax legislation applicable in Turkey, no consolidated profit is distributed.

The accompanying notes from an integral part of these financial statements.

Türkiye Kalkınma Bankası A.Ş.
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2010

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SECTION THREE
ACCOUNTING POLICIES

I- Explanations on Basis of Presentation:

a. The preparation of consolidated financial statements and related notes according to Turkish Accounting Standards and Regulation on the Procedures And Principles Regarding Banks’ Accounting Practices and Maintaining Documents:

Consolidated financial statements are prepared in accordance with Regulation on the “Procedures And Principles Regarding Banks’ Accounting Practices and Maintaining Documents” dated 1 November 2006 and numbered 26333 which is related to Banking Law numbered 5411, the Turkish Accounting Standards (TMS) and Turkish Financial Reporting Standards (TFRS) effective by the Turkish Accounting Standards Board and related appendixes and interpretations concerning those standards (all together refered as “Turkish Accounting Standards” or TMS). The Bank keeps its records in Turkish Liras (TRY) in accordance with the Banking Law, Turkish Trade Law and Turkish Tax Legislations.

b. Basis of valuation used in the preparation of consolidated financial statements:

Accounting policies for the preparation of consolidated financial statements and valuation principles used are applied in line with Turkish Accounting Standards and the related legislations, communiqués and decrees published by the Banking Regulation and Supervision Agency.

c. Accounting policies used for the correct interpretation of consolidated financial statements:

Consolidated financial statements are prepared in Turkish Liras and are based on historical cost except financial assets and liabilities presented with fair value.

All of the consolidated financial statements as of 31 December 2010 are presented comparatively with the audited balances as of 31 December 2009. In order to give information about financial position and performance trends, consolidated financial statements of the Parent Bank has been prepared comparatively with the prior period balances. In the aspect of having compliance with the presentation of current year consolidated financial statements, the comparative information can be reclassified and important differences are explained when necessary.

Unless otherwise stated, all balances in the consolidated financial statements, related notes and explanations expressed in Thousand Turkish Lira.

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

The majority of the liabilities of the balance sheet of the Parent Bank consists of funds obtained from domestic and international markets. The majority of funds obtained domestically consist of funds provided by international institutions such as World Bank and Council of European Develpoment Bank via Turkish Treasury and budget originated funds. The Parent Bank acts as an intermediary for those funds provided by the Turkish Treasury to be utilized in various sectors. The funds obtained internationally consist of medium and long term loans borrowed from World Bank, and European Investment Bank and Council of European Develpoment Bank, Islamic Development Bank and French Development Agency.

During the utilization of the funds obtained, the Parent Bank pays attention for utilization of loans in line with borrowing conditions while taking assets-liability consistency into account, and tries to avoid maturity, exchange rate and liquidity risks.

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

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Commercial placements are directed to high-profit and low-risk assets by taking Parent Bank-specific and domestic economic expectations, market conditions, expectations and inclinations of loan customers, risks like interest, liquidity, exchange rate etc. into account, and safety policy is kept in the foreground for placement activities. Basic macro goals concerning balance sheet sizes are determined during budgeting and the transactions are carried out according to work programmes prepared in this context.

The exchange rates, interest and price movements are closely monitored; transaction and control limits that are developed from the Parent Bank's previous experiences are based on when taking positions as well as legal limits. In this way, limit excesses are prevented.

During foreign currency transactions, procedures detailed below are applied.

- a.** Foreign currency monetary assets and liabilities are translated to Turkish Lira (TRY) with the buying exchange rates announced by the Parent Bank at the end of period and foreign exchange differences are accounted as foreign exchange gain or loss.
- b.** There is no exchange rate differences capitalized as of balance sheet date.
- c.** Basic principles of exchange rate risk management policy: Decisions to avoid exchange rate and parity risks are taken by the Asset- Liability Committee that meets regularly. The decisions are in line with the models prepared in the context of the basic boundaries of Foreign Currency Net General Position/Shareholders’ Equity Ratio which is included in legal requirements, 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 income statement of the related period.

III- Information in consolidated affiliates

The Parent Bank and its subsidiary Kalkınma Yatırım Menkul Değerler A.Ş. are consolidated line by line in the accompanying consolidated financial statements. Istanbul Venture Capital Initiative is accounted by equity method in the accompanying consolidated financial statements.

Parent Bank and the affiliates in the scope of consolidation, together, are referred to as “Group” in thes financial statements.

1. Basis of consolidation:

The accompanying consolidated financial statements are prepared in accordance with the communiqué on “Preparation of Consolidated Financial Statements of Banks” published in the Official Gazette dated November 8, 2006 and numbered 26340 and the Turkish Accounting Standards are applied in the consolidation (TAS 27).

a) Basis of consolidation of subsidiaries:

Subsidiaries are entities established in Turkey or abroad and that are controlled directly and indirectly by the Parent Bank in capital or management.

According to the communiqué on “Preparation of Consolidated Financial Statements of Banks”, all financial subsidiaries are consolidated line by line.

A subsidiary is an entity that is controlled by the Parent Bank. Control is the power of the Parent Bank to appoint or remove from office the decision-taking majority of members of board of directors through direct or indirect possession of the majority of a legal person's capital irrespective of the requirement of owning minimum fifty-one per cent of its capital; or by having control over the majority of the voting right as a consequence of holding privileged shares or of agreements with other shareholders although not owning the majority of capital.

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Under line-by-line method, the assets, liabilities, income and expenses and off-balance sheet items of subsidiaries are combined with the equivalent items of the Parent Bank on a line-by-line basis. The book value of the Parent Bank's investment in each subsidiary and the Group's portion of equity of each subsidiary are eliminated. All significant transactions and balances between the Parent Bank and its consolidated subsidiaries are eliminated reciprocally. Minority interests in the net income and in the equity of consolidated subsidiaries are calculated separately from the Group's net income and the Group's shareholders' equity. Since the share of the Parent Bank in the consolidated subsidiary is 100%, minority interest is not calculated.

In preparing the consolidated financial statements, if a subsidiary uses accounting policies other than those adapted by the Parent Bank, appropriate adjustments are made to subsidiaries' financial statements.

Kalkınma Yatırım Menkul Değerler A.Ş., the consolidated subsidiary of the Parent Bank, has been operating as a brokerage house. Capital Markets Board has given approval for temporary suspension of the company's activities for 1 year beginning from December 31, 2009. For the realization of sale of licences for brokerage and trade of derivative products, approval of CMB is needed. As of reporting date, no approval has been received.

b) Basis for consolidation of associates:

An associate is a partnership in whose capital the Parent Bank participates and over which it has a significant influence but no control, established at home and abroad.

Significant influence is the power to participate in the financial and operating policy of the investee. If the Parent Bank holds ten percent or more of the voting power of the associate, it is presumed that the Parent Bank has significant influence unless otherwise demonstrated. A substantial or majority ownership by another investor does not necessarily preclude an investor from having significant influence.

Equity method is an accounting method of associates by which book value of the associate is increased or decreased due to changes in the Parent Bank's share in the associates' equity and dividends received from associate is deducted from the share of Bank calculated as explained above.

According to the communiqué on "Preparation of Consolidated Financial Statements of Banks", all financial associates are consolidated under equity method of accounting.

In preparing the consolidated financial statements, if Istanbul Venture Capital Initiative uses accounting policies other than those adapted by the Parent Bank, appropriate adjustments are made to associates' financial statements.

Istanbul Venture Capital Initiative is established as the first fund of funds in Turkey and co-investment proram in 2007.

IV- Explanations on Derivative Instruments:

The derivative transactions of the Parent Bank are composed of foreign exchange swap and forward exchange agreements. The Parent Bank has no derivative instruments decomposed from the main contract. Derivative financial instruments are recorded with the fair value at the date of agreement and valued at fair value in the following reporting periods. In addition, the receivables and payables arising from these transactions are accounted at off-balance sheet accounts. Depending on valuation difference being positive or negative, mentioned differences are presented on the related balance sheet accounts. Moreover, the receivables and payables arising from these transactions are accounted at off-balance sheet accounts.

V- Explanations on Interest Income and Expenses:

Interest income and expenses are recognized on an accrual basis using the effective interest method (the rate that equals the future cash flows of a financial asset or liability to its present net book value) in conformity with TAS 39 "Financial Instruments: Recognition and Measurement".

If a financial asset possesses uncollected interest accrual before its acquisition by the Parent Bank, interest collected afterwards is separated into periods such as before acquisition and after acquisition, and only the part of after acquisition is recognized as interest income on the income statement.

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Realized and unrealized interest accruals of non-performing loans and other receivables are cancelled in line with the Communiqué on "Methods and Principles on Determining the Nature of Loans, Other Receivables and Allocation of Provisions" published in the Official Gazette dated November 1, 2006 and numbered 26333 and those amounts are not included in the income statement unless collected.

VI- Explanations on Fees and Commission Income and Expenses:

Fees and commissions received from cash loans, that are not attributable to interest rates applied, and fees for banking services are recorded as income on the date of collection. Fees and commissions paid for the funds borrowed, which are not attributable to interest rates of the funds borrowed, are recorded as expense on the date of the payment. All other commissions and fees income and expenses, excluding the above mentioned and including commissions received from non-cash loans are recorded on an accrual basis.

VII-Explanations on Financial Assets:

Financial assets mainly constitute the Parent Bank's commercial activities and operations. These instruments have the ability to expose, affect and diminish the liquidity, credit and interest rate risks in the financial statements.

The financial assets of the Parent Bank are classified and accounted as "Financial Assets at Fair Value Through Profit and Loss", "Finacial Assets Available-for-Sale", "Loans and Receivables" or "Investments Held to Maturity". The sale and purchase of financial assets are accounted by "delivery date". The classification of financial asstes has been decided by management of the bank considering the purpose of purchase on purchase date.

Financial Assets at Fair Value through Profit and Loss:

Financial assets held for trading are financial assets, which are either acquired for generating a profit from short-term fluctuations in price or dealer's margin, or are financial assets included in a portfolio with a pattern of short-term profit taking. "Financial Assets at Fair Value through Profit and Loss" represent the financial assets at fair value through profit and loss at the initial recognition and those are not obtained for trading purposes.

Trading securities are initially recognized at cost and carried at fair value in the financial statements. Marketable securities that are traded in Istanbul Stock Exchange (ISE) are carried at weighted average exchange prices of ISE as of the balance sheet date.

The difference between the cost and fair value of held for trading securities is accounted under "Other i Interest and Income Accrual" or "Impairment Loss for Marketable Securities" accounts. Profit or loass recognized is in profit or loss accounts. Interest received from financial assets held for trading is reflected as interest income.

Regular purchases and sales of financial instrumets are 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 fair value differences of Financial Assets at Fair Value through Profit and Loss are recognized in profit or loss accounts.

The Parent Bank classifies Financial Assets at Fair Value through Profit and Loss under Financial Assets Held for Trading. The Parent Bank has no financial assets classified as Financial Assets at Fair Value through Profit and Loss.

Financial Assets Available-for-Sale:

Financial assets available-for-sale represent non-derivative financial assets except for loans and receivables, investments held to maturity and financial assets at fair value through profit and loss.

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Financial assets available-for-sale are initially recognized at cost including the transaction costs and carried at fair value in the financial statements. Marketable securities that are traded in Istanbul Stock Exchange (ISE) are carried at weighted average exchange prices of ISE as of the balance sheet date. In the case a price does not occur in an active market, it is accepted that fair value cannot be reliably determined and amortized value which is calculated using the internal rate of return is accepted as the fair value. The difference between the cost and fair value is accounted as interest income accrual or impairment loss. Interest income for available-for-sale financial assets with fixed or floating interest rate shows the difference between cost and amortized amount calculated using internal rate of return and accounted as interest income from marketable securities. Unrealized gains and losses arising from changes in fair value of the financial assets available-for-sale and which are denoting the difference between fair value and amortized cost of financial assets, are recognized in the “Marketable Securities Revaluation Fund”. Amounts accounted under equity are reflected to income statement when financial assets available-for-sale are sold.

Loans and Receivables:

Loans and receivables represent unquoted consolidated financial assets in an active market that provide money, goods or services to the debtor with fixed or determinable payments.

In the consolidated financial statements, loans and receivables are related to Parent Bank other than the other receivable of Kalkınma Yatırım Menkul Değerler A.Ş. amounting to TRY 13 Thousand which is fully provisioned.

Loans and receivables are initially recognized with cost and carried at amortized cost calculated using the internal rate of return at the subsequent recognition by the Parent Bank. Transaction fees, dues and other expenses paid for loan guarantees are reflected to the customers.

Granted loans by the Parent Bank consists of foreign currency based loans, investment ve working capital loans, fund originated loans in Turkish Currency and export financing and investment loans in Foreign Currency.

Foreign currency indexed loans are followed at TRY accounts after converting into TRY by using the opening exchange rates. Repayments are calculated using the exchange rates at the repayment dates and exchange differences are recognized under the foreign currency income and expense accounts in the income statement.

Non-performing loans are classified in accordance with the Communiqué on “Methods and Principles on Determining the Nature of Loans, Other Receivables and Allocation of Provisions” published in the Official Gazette dated November 1, 2006 and numbered 26333. For the cash loans classified as non-performing, specific provision is set for the remaining loan balance after deducting collateral amount, which is calculated by taking collaterals admission rates into account, and by using the rates specified in the communiqué. Specific provisions are reflected to “820 Provisions and Impairment Expenses – 82000 Specific Provisions Expenses” account. Provisions released in same year are recognized as a credit under the “Provision Expenses”, released portion of the previous period provisions are recognized under “Other Operating Income” account.

Collections are accounted under “Non-performing Loans (including collections from Doubtful Receivables)” and “Interest on Uncollectible Loans and Other Receivables” accounts.

Investments Held To Maturity:

Investments held to maturity are non-derivative financial assets, other than those which are classified at fair value through profit and loss or available for sale or loans and receivables at initial recognition, for which there is an intention of holding until maturity and the relevant conditions for fulfillment of such intention, including the funding ability, and for which there are fixed or determinable payments with fixed maturity.

The Parent Bank does not have any financial assets that are previously classified as investments held-to-maturity but prohibited to be classified in this portfolio for two years because of incompliance with the principles of financial assets classification.

Investments held to maturity are subsequently measured at amortized cost using internal rate of return, and they are accounted for by setting forth provision for impairment loss or by posting interest income accrual.

Interests received from investments held to maturity are recognized as interest income.

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Cash and Cash Equivalents:

Cash and cash equivalents are cash on hand, demand deposits and other highly liquid short-term investments with maturity of 3 months or less following the date of purchase, which is readily convertible to a known amount of cash, and does not bear the risk of significant amount of value change. The carrying amounth of these assets represents their fair values.

VIII- Explanations on Impairment of Financial Assets:

At each balance sheet date, the Parent Bank reviews the carrying amounts of its financial asset or group of financial assets whether there is an objective indication that those assets have suffered an impairment loss. If such indication exists, the Parent Bank measures the related impairment amount.

If expected recoverable amount of financial assets which is the discounted amount of expected future cash flows using internal rate of return, or fair value of the financial assets are lower than their carrying amount, these financial assets are considered as impaired. Provision is set for impairment loss and the provision is reflected to income statement.

The changes in the value of financial assets held for sale are reflected to income statement in the related period.

If expenses financial assets available for sale are subject to permanent impairment, the amount is debited to “Value Loss Expenses for Securities” account in line with the related Turkish Accounting Standard.

Impairment losses attributable to the investments held to maturity are measured as the difference between the present value of estimated future cash flows which is the discounted amount using the original interest rate of financial asset and the carrying amount of the asset. The related difference is recognized as a loss and it decreases the carrying value of the financial asset. In subsequent periods, if the impairment loss amount decreases, impairment loss recognized is reversed.

Loans portfolio is regularly monitored by management of the Parent Bank and if any doubts on the collectibility of the loans arise, the related loans are classified in accordance with the Communiqué on “Methods and Principles on Determining the Nature of Loans, Other Receivables and Allocation of Provisions” published in the Official Gazette numbered 26333 and dated November 1, 2006. For the cash loans classified as non-performing, specific provision is set for the remaining loan balance after deducting collateral amount, which is calculated by taking collaterals admission rates into account, and by using the rates specified in the communiqué. Besides specific provisions, the Bank allocates general loan loss provision in line with related regulations.

IX- Explanations on Offsetting of Financial Assets and Liabilities:

Financial assets and liabilities are offset on balance sheet when the Group has a legally enforceable right to set off, and the intention of collecting or paying the net amount of related assets and liabilities or the right to offset the assets and liabilities simultaneously.

X- Explanations On Sales And Repurchase Agreements And Lending Of Securities:

Securities sold in repurchase agreements (repo) are accounted in balance sheet accounts in line with Uniform Chart of Account. Accordingly, the government bonds and treasury bills sold to the clients in the context of repurchase agreements are classified as “Subject to Repurchase Agreements” and are valued by market prices in or discounted values using internal rate of returns according to the holding purposes in the Parent Bank portfolio. Funds gained by repurchase agreements are shown as a separate entry in the liability accounts and interest expense accrual is calculated for these funds.

Securities that were purchased in back selling commitment (reverse repurchase agreements) are shown as a line item under ‘Money Market Placements” line. For the difference between the purchase of securities and resale prices determined by the reverse repo agreements for the period; income accrual is calculated using the internal rate of return method. There are no marketable securities that are subjected to lending.

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XI- Explanations on Assets Held For Sale and Discontinued Operations:

Assets that are classified as held for sale are measured at the lower of its carrying amount and fair value less costs to sell. In order to classify a tangible fixed asset as held for sale, the asset (or the disposal group) should be available for an immediate sale in its present condition subject to the terms of any regular sales of such assets (or such disposal groups) and the sale should be highly probable. For a highly probable sale, the appropriate level of management must be committed to a plan to sell the asset (or the disposal group), and an active programme to complete the plan should be initiated to locate a customer. Also, the asset (or the disposal group) should have an active market sale value, which is a reasonable value in relation to its current fair value. The Group has no assets classified as held for sale. Events or circumstances may extend the completion of the sale more than one year. Such assets are still classified as held for sale if there is sufficient evidence that the delay in the sale process is due to the events and circumstances occurred beyond the control of the entity or the entity remains committed to its plan to sell the asset (or disposal group).

A discontinued operation is a component of the Group that either has been disposed of, or is classified as held for sale. Gains or losses relating to discontinued operations are presented separately in the income statement. The Group has no discontinued operations.

XII- Explanations on Goodwill and Other Intangible Assets:

As at the balance sheet date, there is no goodwill recorded in the consolidated balance sheet.

Intangible fixed assets first are carried at cost which includes acquisition costs and other direct costs beared necessary for the assets to become ready for use. Subsequent to recognition, intangible assets are presented in financial statements at cost less any accumulated amortization and accumulated impairment losses, if any.

Amortization is charged on a straight-line basis over their estimated useful lives which is 33,33%.

Useful life of other intangible assets are determined by the consideration of items like expected usage period of the asset, technical, technological or other kind of obsolance and maintenance costs incurred to obtain economical benefit from the assets.

Expenses related to existing computer software and computer software improvement that enhance original content and useful life, are capitalized over the software. Those capitalized expenses are amortized over the remaining useful life of the related assets using the “Straight line method”.

XIII-Explanations on Tangible Fixed Assets:

Tangible fixed assets are carried at cost which includes acquisition costs and other direct costs beared necessary for the assets to become ready for use, and if results of appraisal reports exceed the costs, they are not subject to any revaluation. Subsequent to recognition, tangible fixed assets are presented in financial statements at cost less any accumulated depreciation and accumulated impairment losses, if any.

The Group’s tangible fixed assets purchased before January 1, 2005 are carried at restated cost in the balance sheet before December 31, 2004 and its tangible fixed assets that are purchased subsequent to January 1, 2005 are valued at historical cost.

Gain or loss arising from the disposal or retirement of an item of tangible fixed assets is determined as the difference between the sales proceeds and the carrying amount of that asset and is recognized in profit or loss.

Ordinary maintenance and repair expenses of tangible fixed assets items are recognized as expenses. Investment expenditures that increase the future benefit by enhancing the capacity of tangible assets are capitalized. Investment expenditures include cost items that extend the useful life of the asset, increase the servicing capabilities of the asset, improve the quality of goods or services produced or reduces the costs.

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There are no mortgages, pledges or similar precautionary measures on tangible fixed assets or commitments given for the purchase or any restrictions designated for the use of those tangible fixed assets.

Tangible fixed assets are amortized by using the straight-line method over their estimated useful lives. Estimated depreciation rates of tangible fixed assets are as follows;

	Depreciation Rate
Buildings	%2
Vehicles	%20
Other Tangible Assets	%6,66-%33,33

There is no change in accounting estimations that has material effect in the current period or that is expected to have effect in the subsequent periods.

The Group has no discontinued operations, and accounts tangible fixed assets acquired due to receivables in line with the Regulation on “Procedures and Principles for Sales and Purchase of Precious Metal and Disposal of Commodities That Have Been Acquired due to Receivales by Banks” which is published at Official Gazette datd November 1, 2006 and numbered 26333. These assets are not subject to revaluation.

XIV- Explanations on Leasing Transactions:

The Parent Bank, as the lessee, recognizes its leasing operations in accordance with the requirements of the Turkish Accounting Standards (TAS 17) “Leases”. Lease receivables other than financial lease receivables and from the rental of assets that are not used in banking operations, not collected as of the balance sheet are included under lease receivables account.

As of balance sheet data, the Parent Bank has two real estates under operational leasing agreement and these real estates are presented as investment property on balance sheet. Investment property, which is property, held to earn rentals and/or for capital appreciation is carried at cost less accumulated depreciation and any accumulated impairment losses. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day to day servicing of an investment property. Depreciation is provided on investment property on a straight line basis. The depreciation period for investment property is 50 years.

XV- Explanations on Provisions and Contingent Liabilities:

The Group provides provision in case of an existing liability (legal or implicit) as a result of an incident that took place in the past, there is possibility of disposal of assets that bring economic benefit and the liability is measurable.

Provisions other than the specific and general provisions set for loans and other receivables and provisory liabilities are accounted in accordance with “Turkish Accounting Standart on Provisions, Contingent Liabilities and Contingent Assets Corresponding” (TAS 37).

For transactions that can affect financial structure, provisions are provided by using the existing data if they are accurate, otherwise by using the estimates.

XVI- Explanations on Employee Benefit Liabilities:

Employee benefits liabilities are recognised in accordance with the Turkish Accounting Standard No:19 “Employee Benefits”.

There is no fund to which the Parent Bank personnel are members. However, personnel are members of Personnel Assistance and Additional Social Security Foundation of Türkiye Kalkınma Bankası A.Ş. and the Parent Bank has no obligations regarding this foundation, accordingly no provision is reserved in the accompanying financial statements.

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Under the Turkish legislation as supplemented by union agreements, lump sum payments are made to all employees who retire or whose employment is terminated without due cause. According to the related legislation, depending on the status and position of the employee in the Parent Bank and social security institution, retirement pay provision is calculated in two ways; if the employee is a state employee, the calculation is based on retirement pension for the working period of the state employee, and if the employee is a blue-collar worker, the calculation is based on the final salary at the date of retirement or leave (to the extend that the payments and/or salary amount does not exceed the Retirement Payment Provision ceiling).

Unused vacations of the Parent Bank personnel which are not used in the prior 1 year period are cancelled and these unused vacations does not cause a liability for the Parent Bank. Therefore, the Parent Bank does not calculate unused vacation liability and there is no unused vacation provision in the accompanying consolidated financial statements.

The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying financial statements as at 31 December 2010, the provision has been calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of the employees. The provisions at the respective balance sheet dates have been calculated assuming an annual inflation rate of 5.10% and a discount rate of 10%, resulting in a real discount rate of approximately 4.66% (31 December 2009: inflation rate 4.80% and discount rate of 11%, real discount rate of approximately 5.92%). As the maximum liability is revised semi annually, the maximum amount of TRY 2.623,23 effective from 1 January 2011 has been taken into consideration in calculation of provision from employment termination benefits of the Parent Bank.

Since the operations of Kalkınma Yatırım Menkul Değerler A.Ş. Which is the consolidated subsidiary, has been ceased and employment termination benefits are expected to be paid to employees in short term, undiscounted provision has been set in the consolidated financial statements.

XVII- Explanations on Taxation:

In accordance with the Article 32 of the Corporate Tax Law No: 5520, the corporate tax rate is calculated at the rate of 20%. The tax legislation requires advance tax to be calculated using the corporate tax rate and paid based on earnings generated for each quarter. The amounts thus calculated and paid are offset against the corporate tax liability for the year. Turkish tax legislation does not permit a parent company and its subsidiary to file a consolidated tax return. Therefore provisions for taxes, as reflected in the accompanying consolidated financial statements, have been calculated on a seperate entity sabis. Accrued advance of the Parent Bank tax as of December 31, 2010 have been paid in 17 February 2010 of the Parent Bank , to be offset against the final corporate tax liability for the current year.

Tax expense is the sum of the current tax expense and deferred tax charge. Current year tax liability is calculated over taxable profit. Taxable profit is different from the profit in the income statement since taxable income for the following years or deductible income or expenses and non-taxable and non-deductible income or expense items are excluded.

In accordance with the Turkish Accounting Standard (TAS 12) “Income Tax”, the bank calculates and recognizes deferred tax asset and liability for temporary differences between the carrying amounts of balances at financial statements and the corresponding tax bases used in the computation of taxable profit, using income liability method. According to tax legislation, differences on the date of acquisition of assets and liabilities that do not affect taxable profit or accounting profit are excluded from deferred tax calculation.

Deferred tax is calculated at the tax rates that are expected to be applied in the period in which the liability is settled or the asset realized and reflected to income statement as expense or income, except when deferred tax relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with equity.

Prepaid corporation taxes and corporation tax liabilities are offset as they relate to income taxes levied by the same taxation authority. Deferred tax assets and liabilities are also offset.

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Deferred tax asset or liability is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, using the enacted tax rates and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from the initial recognition of other assets and liabilities other than goodwill or business combination in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date. The carrying amount of a deferred tax asset can be reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

XVIII- Additional Explanations on Borrowings:

The Parent Bank accounts its debt instruments in accordance with the Turkish Accounting Standard (TAS 39) “Financial Instruments: Recognition and Measurement”. In the following periods, all financial liabilities are carried at amortized cost by using the internal rate of return method. The Bank has no borrowings that require hedging techniques for accounting and valuation of debt instruments and liabilities representing the borrowings.

The Parent Bank continues its financial support that it provided and still providing by acquiring sources from domestic and international markets. The Parent Bank acts as an intermediary for funds provided by Turkish Treasury to be utilized domestically. Funds are recorded to the Parent Banks’s liabilities on the date of transfer. The maturity dates and interest rates of these funds are determined by the public authority by Comminiqué on Investment Incentive.

The present foreign funds of the Parent Bank are medium and long term loans from World Bank , European Investment Bank, Council of European Development Bank, Islamic Development Bank and French Development Agency and are recorded to related accounts on the date and with the cost the funds are available to the Bank.

The Parent Bank generally prefers providing loans in parallel to the borrowing terms like maturity date, interest rate, interest type and currency type to avoid maturity, exchange rate and liquidity risks.

The Parent Bank has issued no convertible bonds and debt instruments.

XIX - Explanations on Shares Issued:

Transaction costs related to share issuance are recognized as expenses.

The Parent Bank has not issued shares in 2009 and 2010.

XX- Explanations on Bill Guarantees and Acceptances:

Commitments regarding bill guarantees and acceptances of the Parent Bank are presented in the “Off Balance Sheet” commitments.

XXI- Explanations on Government Incentives:

There are no government incentives utilized by the Parent Bank in the current and prior period.

XXII-Explanations on Segment Reporting:

Besides investment banking, the sale and purchase of investment funds of the Parent Bank, sale and purchase of government bonds and treasury bills and repurchase agreements and money swaps are conducted by Treasury Department.

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Additionally, investments funds which had been managed by Kalkınma Yatırım Menkul Değerler A.Ş., a subsidiary of the Parent Bank, until December 31, 2009 were managed by the Treasury Department of the Parent Bank effective March 17, 2010 subsequent to receipt of permission of BRSA and management certificate from CMB.

As of 31 December 2010, explanations on segment reporting in line with “Financial Statements to be Publicly Announced and the Accompanying Policies and Disclosures” are shown below.

		Investment	Brokerage		Total
Current Period – 31.12.2010	Treasury	Banking	Operations	Undistributed ⁽¹⁾	Operations of the Group
Operating Income/Expense					
Interest income	25.220	54.377	666	1	80.264
Interest income on loans	-	54.377	-	-	54.377
Interest income on banks	3.011	-	666	-	3.677
Interest income on interbank money market placements	4.457	-	-	-	4.457
Interest income on marketable securities	17.752	-	-	-	17.752
Other interest income	-	-	-	1	1
Interest expense	(11)	(17.036)	-	-	(17.047)
Interest expense on borrowings	-	(11.198)	-	-	(11.198)
Other interest expense	(11)	(5.838)	-	-	(5.849)
Net fees and commissions income	(130)	4.609	(22)	338	4.795
Fees and commissions received	-	4.609	301	338	5.248
Fees and commissions paid	(130)	-	(323)	-	(453)
Dividend income	-	325	-	-	325
Trading profit/loss (net)	1.285	1.515	-	-	2.800
Profit/loss from capital market operations (net)	693	-	-	-	693
Profit/loss from derivative transactions (net)	507	-	-	-	507
Foreign exchange gains/losses (net)	85	1.515	-	-	1.600
Other operating income	116	13.866	69	3.425	17.476
Provisions for losses on loans and other receivables	-	(1.090)	-	-	(1.090)
Other operating expense	-	-	(1.345)	(58.023)	(59.368)
Profit before tax	-	-	-	-	28.155
The Profit/Loss for equity shares subject to the equity method accounting	-	-	-	-	(255)
Tax provision	-	-	-	-	(7.374)
Net profit for the period	-	-	-	-	20.526
SEGMENT ASSETS ⁽²⁾	348.545	1.194.381	6.245	47.833	1.597.004
Financial assets where fair value through profit and loss	49.033	-	-	-	49.033
Banks and money market placements	126.059	-	5.922	-	131.981
Available for sale financial assets	122.042	-	-	955	122.997
Loans	-	1.178.241	-	-	1.178.241
Investments held to maturity	51.411	-	-	-	51.411
Associates and subsidiaries	-	7.165	-	-	7.165
Tangible assets (net)	-	7.768	255	34.731	42.754
Intangible assets (net)	-	-	1	262	263
Investment properties	-	-	-	2.492	2.492
Other assets	-	1.207	67	9.393	10.667
SEGMENT LIABILITIES ⁽²⁾	373	1.053.383	(197)	543.445	1.597.004
Derivative financial liabilities held for trading	38	-	-	-	38
Funds borrowed and funds	-	1.047.679	-	-	1.047.679
Money market balances	335	-	-	-	335
Provisions	-	5.704	312	18.021	24.037
Shareholders' equity	-	-	(740)	513.688	512.948
Other liabilities	-	-	231	11.736	11.967

⁽¹⁾ Income and balance sheet items that cannot be decomposed between treasury and investment banking operations, are presented at this column.

⁽²⁾ There is no receivable and payable due to fund transfer between segments.

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		Investment	Brokerage		Total
Prior Period – 31.12. 2009	Treasury	Banking	Operations	Undistributed ⁽¹⁾	Operations of the Group
Operating Income/Expense					
Interest income	37.943	57.526	1.335	11	96.815
Interest income on loans	-	57.526	402	-	57.928
Interest income on banks	161	-	851	-	1.012
Interest income on interbank money market placements	13.663	-	28	-	13.691
Interest income on marketable securities	24.119	-	54	-	24.173
Other interest income	-	-	-	11	11
Interest expense	(19)	(22.634)	-	-	(22.653)
Interest expense on borrowings	-	(14.515)	-	-	(14.515)
Other interest expense	(19)	(8.119)	-	-	(8.138)
Net fees and commissions income	(150)	3.270	(393)	30	2.757
Fees and commissions received	-	3.270	-	30	3.300
Fees and commissions paid	(150)	-	(393)	-	(543)
Dividend income	-	346	-	-	346
Trading profit/loss (net)	4.267	1.742	1.436	-	7.445
Profit/loss from capital market operations (net)	3.828	-	1.436	-	5.264
Profit/loss from derivative transactions (net)	-	-	-	-	-
Foreign exchange gains/losses (net)	439	1.742	-	-	2.181
Other operating income	-	3.413	316	11.204	14.933
Provisions for losses on loans and other receivables	-	(8.854)	-	(2.929)	(11.783)
Other operating expense	-	(25)	(2.449)	(53.800)	(56.274)
Profit before tax	-	-	-	-	31.586
The Profit/Loss for equity shares subject to the equity method accounting	-	-	-	-	(416)
Tax provision	-	-	-	-	(5.915)
Net profit for the period	-	-	-	-	25.255

SEGMENT ASSETS ⁽²⁾	403.853	815.611	10.093	58.177	1.287.734
Financial assets where fair value through profit and loss	123.935	-	-	-	123.935
Banks and money market placements	195.990	-	9.525	-	205.515
Available for sale financial assets	3.559	-	-	969	4.528
Loans	-	802.324	19	-	802.343
Investments held to maturity	80.369	-	-	-	80.369
Associates and subsidiaries	-	8.120	-	-	8.120
Tangible assets (net)	-	4.299	299	39.490	44.088
Intangible assets (net)	-	-	3	503	506
Other assets	-	868	247	17.215	18.330

SEGMENT LIABILITIES ⁽²⁾	183	754.312	690	532.549	1.287.734
Derivative financial liabilities held for trading	-	-	-	-	-
Funds borrowed and funds	-	746.832	17	-	746.849
Money market balances	183	-	-	-	183
Provisions	-	7.480	548	17.188	25.216
Shareholders' equity	-	-	(145)	499.028	498.883
Other liabilities	-	-	270	16.333	16.603

⁽¹⁾ Income and balance sheet items that cannot be decomposed between treasury and investment banking operations, are presented at this column.

⁽²⁾ There is no receivable and payable due to fund transfer between segments.

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XXIII-Explanations on Other Matters:

The General Assembly of the Parent Bank for year 2009 was carried out on May 24, 2010. In accordance with the decision taken by Board of Directors on May 7, 2010, of the profit for the year 2009 amounting to TRY 25.579 Thousand, TRY 1.279 Thousand is transferred to first degree legal reserves. Of the net distributable profit amounting to TRY 24.300 Thousand, which is the remaining profit after deduction of first degree legal reserve, TRY 5.115 Thousand and TRY 815 Thousand are distributed as dividend to shareholders and personnel respectively, TRY 82 Thousand is transferred to second degree legal reserves and TRY 18.288 Thousand is transferred to extraordinary reserves.

Aciselsan A.Ş. a subsidiary of the Parent Bank with a capital share of 76,83%, was included in the privatization scope and programme as of April 20, 2010 over its nominal value. Accordingly, the Parent Bank has decided to transfer its shares to Privatization Administration at cost and the transfer was realized on May 24, 2010. It has been decided that the privatization process be completed within 18 months. Loss resulting from this transfer amounting to TRY 1.202 Thousand was accounted under other operating expenses.

Liquidation process of Emiray A.Ş. was finalized on August 31, 2010 and it was removed from associates. Loss resulting from liquidation amounting to TRY 70 Thousand was accounted under other operating expenses.

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SECTION FOUR
INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE

I –Explanations Related To Consolidated Capital Adequacy Ratio:

The capital adequacy standard ratio of the Group (including market risk) is 75,10% (31 December 2009: 70,61%).

Capital adequacy standard ratio is calculated in accordance with the Communiqué on “Measurement and Assessment of the Capital Adequacy of Banks”, which was published in the Official Gazette dated November 1, 2006 and numbered 26333.

In the calculation of capital adequacy standard ratio, information prepared in accordance with the legislation on recording and accounting system is used. Additionally, the market risk, credit risk and operational risk amount are calculated in accordance with the Communiqué on “Measurement and Assessment of the Capital Adequacy of Banks” and taken into consideration in the capital adequacy standard ratio calculation.

Amounts deducted from the capital in the calculation of shareholders’ equity are not considered in the calculation of risk-weighted assets, non-cash loans and contingent liabilities. In the calculation of risk weighted assets, assets subject to depreciation and impairment are carried at their carrying values less accumulated depreciation and impairment losses.

For the calculation of the amount subject to credit risk regarding the transactions on the non-cash loans, the receivable amount from counter parties is calculated by using the conversion rates presented in Clause 1 in Article 5 of the Communiqué on “Measurement and Assessment of Banks’ Capital Adequacy Ratios”, less the specific provision amount set in accordance with the Communiqué on “Determining the Nature of Loans and Receivables and Principles and Procedures on the Allocation of Loan and Receivable Provisions”, if any, and the net amount is multiplied by the conversion rates presented in Clause 1 in Article 5 of the Communiqué on “Measurement and Assessment of the Capital Adequacy of Banks”. Then the risk ratios declared in the capital adequacy analysis form are used to weight the resulting amount.

Credit derivative contracts are included in the capital adequacy standard ratio by considering the principles declared in Communiqué on “Consideration of Credit Derivative Contracts in the Calculation of Capital Adequacy Standard Ratio” in the calculation of credit risk base amounts and capital requirement for general market risk and specific risk.

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Information on capital adequacy ratio:

	Bank Only							Consolidated						
	0%	10%	20%	50%	100%	150%	200%	0%	10%	20%	50%	100%	150%	200%
Credit Risk Base Amount														
Balance sheet items (Net)	140.796	-	883.869	237.732	159.065	-	-	140.802	-	889.791	237.732	152.011	-	-
Cash and cash equivalents	119	-	-	-	-	-	-	125	-	-	-	-	-	-
Matured marketable securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balances at the Central Bank of Republic of Turkey	13	-	-	-	-	-	-	13	-	-	-	-	-	-
Balances at domestic, foreign banks, head offices and branches abroad	-	-	125.541	-	-	-	-	-	-	131.421	-	-	-	-
Interbank money market placements	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Receivables from reverse repos transactions	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Required reserve deposits	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Loans	79.758	-	753.244	234.649	71.929	-	-	79.758	-	753.244	234.649	71.929	-	-
Non-performing loans (net)	-	-	-	-	27.522	-	-	-	-	-	-	27.522	-	-
Finance lease receivables	-	-	-	-	246	-	-	-	-	-	-	246	-	-
Financial assets available-for-sale	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investments held to maturity	47.802	-	-	-	-	-	-	47.802	-	-	-	-	-	-
Receivables from the asset sale on credit terms	462	-	-	-	59	-	-	462	-	-	-	59	-	-
Sundry debtors	-	-	-	-	97	-	-	-	-	-	-	97	-	-
Interest and income accruals	6.216	-	5.084	3.083	896	-	-	6.216	-	5.126	3.083	896	-	-
Subsidiaries, associates and jointly controlled entities (joint ventures) (net)	-	-	-	-	13.607	-	-	-	-	-	-	6.253	-	-
Tangible fixed assets	-	-	-	-	44.279	-	-	-	-	-	-	44.534	-	-
Other assets	6.426	-	-	-	430	-	-	6.426	-	-	-	475	-	-
Off-balance sheet items	1.000	-	1.739	17	18.836	-	-	1.000	-	1.739	17	18.836	-	-
Non-cash loans and commitments	1.000	-	1.489	17	18.836	-	-	1.000	-	1.489	17	18.836	-	-
Derivative instruments	-	-	250	-	-	-	-	-	-	250	-	-	-	-
Non-risk weighted accounts	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total risk-weighted assets	141.796	-	885.608	237.749	177.901	-	-	141.802	-	891.530	237.749	170.847	-	-

Summary for capital adequacy standard ratio:

	Bank Only		Consolidated	
	Current Period (31.12.2010)	Prior Period (31.12.2009)	Current Period (31.12.2010)	Prior Period (31.12.2009)
Credit Risk Base Amount (CRBA)	473.897	391.361	468.028	393.220
Market Risk Base Amount (MRBA)	36.125	25.163	36.125	25.163
Operational Risk Base Amount(ORBA)	173.647	286.900	178.350	291.731
Equity	514.234	492.716	512.564	501.441
Equity / (CRBA+MRBA+ORBA)*100	75,22	70,05	75,10	70,61

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Information on equity items:

	Current Period (31.12.2010)	Prior Period (31.12.2009)
CORE CAPITAL		
Paid-in Capital	160.000	160.000
Nominal capital	160.000	160.000
Capital commitments (-)	-	-
Inflation Adjustment for Paid-in Capital	206.074	205.638
Share Premium	1.491	1.491
Share Cancellation Profits	-	-
Legal Reserves	28.602	26.942
I. Degree Legal Reserve (Turkish Commercial Code 466/1)	14.920	13.342
II. Degree Legal Reserve (Turkish Commercial Code 466/2)	13.682	13.600
Reserves per Specific Acts	-	-
Statutory Reserves	-	-
Extraordinary Reserves	94.677	76.389
Reserves allocated per General Assembly Minute	94.677	76.389
Retained Earnings	-	-
Accumulated Loss	-	-
Foreign Currency Share Capital Exchange Difference	-	-
Inflation Adjustment for the Legal, Statutory and Extraordinary Reserves	-	-
Profit	19.467	25.255
Net profit for the period	20.526	25.255
Retained Earnings	(1.059)	-
Portion of Provisions Allocated for Potential Risk up to 25% of Core Capital Amount	-	-
Subsidiary and Associate Shares and Gains on Sale of Properties To Be Added To Capital	-	-
Portion of Primary Tier-II Capital up to 15% of Core Capital	-	-
Minority Interest	-	-
Portion of Losses that cannot be covered by reserves (-)	-	-
Net loss for the period	-	-
Accumulated Loss	-	-
Leasehold Improvements (-)	25	-
Prepaid Expenses (-)	2.751	2.245
Intangible Assets (-)	263	506
Deferred Tax Asset in excess of 10% of the Core Capital (-)	-	-
Excess Amount defined in 3rd Clause 56th Article of the Banking Act (-)	-	-
Total Core Capital	507.272	492.964
SUPPLEMENTARY CAPITAL		
General Loan Provisions	5.704	7.480
45% of Movable Assets Revaluation Fund	-	-
45% of Immovable Assets Revaluation Fund	-	-
Bonus Shares of Subsidiaries,Associates and Jointly Controlled Entities (Joint Ventures)	-	468
Proportion of Primary Tier -II Capital excluded from the Core Capital Calculation	-	-
Tier –II Capital	-	-
45% of Marketable Securities Revaluation Fund	1.187	1.215
From Subsidiaries and Associates	-	-
From Financial Assets Available For Sale	1.187	1.215
Inflation adjustments for capital reserves, profit reserves and retained earnings/ accumulated losses (Except inflation adjustments for legal reserves, statutory reserves and extraordinary reserves)	-	-
Minority Interest	-	-
Total Supplemantary Capital	6.891	9.163

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	Current Period (31.12.2010)	Prior Period (31.12.2009)
TIER-III CAPITAL		
CAPITAL	514.163	502.127
DEDUCTIONS FROM CAPITAL	1.599	686
Equity shares in banks and financial institutions (domestic, foreign), 10% or more of whose capital is owned by the Bank and which are excluded from consolidation	-	-
Equity shares in banks and financial institutions (domestic, foreign), less than 10% of whose capital is owned by the Bank and which exceed the 10% of Bank's Core and Supplementary Capital	-	-
Secondary subordinated loans granted to banks and financial institutions (Domestic, Foreign) or Qualified Shareholders and placements that possess the nature of their Primary or Secondary Subordinated Debt	912	-
Loans granted being non-compliant with the Articles 50 and 51 of the Banking Law	-	-
The net book value of properties exceeding 50% of equity and properties held for sale and properties and commodity to be disposed, acquired in exchange of loans and receivables according to the Article 57 of the Banking Law and have not been disposed yet after 5 years after foreclosure	687	686
Other	-	-
TOTAL EQUITY	512.564	501.441

II- Explanations Related to Consolidated Credit Risk

The Parent Bank is not subject to the general loan restrictions defined by the 54th 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 54th article of the Banking Law.

All loan placements of the Parent Bank are allocated in accordance with reports prepared by Intelligence Unit and Loan Assessment Unit and with aporovals of Loan Investment Committee and Board of Directors in acoordance with legal legislations. Since the placements of the Bank are in the form of project financing, the amount of loan that can be disbursed to a firm is basically determined during project assessment stage and disbursements are made in a controlled manner through monitoring of expenditures.

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

All of the loans disbursed by the Parent Bank has collaterals. Real estate and tangible assets mortgages, business company liens, foreign currency notes and other liquid assets, bank guarantee letters and suretyships of reals persons or companies comprise loan collaterals.

a) The share of receivables from the top 100 cash loan customers in the overall cash loan portfolio stands at 94,31% (31.12.2009: 98,80%).

b) The share of receivables from the top 100 non-cash loan customers in the overall non-cash loan portfolio stands at 100% (31.12.2009: 100%).

c) The share of cash and non-cash receivables from the top 100 customers in the overall cash and non-cash loan portfolio stands at 72,2% (31.12.2009: 51,6%).

d) General loan loss provision related to the credit risk incurred by the Parent Bank is TRY 5.704 Thousand (31.12.2009: 7.480 Thousand TRY).

In the calculation of the above ratios, specific provisions are not considered.

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Credit risk by types of borrowers and geographical concentration:

	Loans to Real Persons and Legal Entities		Loans to Banks and Other Financial Institutions		Securities (*)		Other Loans (**)	
	Current Period	Prior period	Current Period	Prior period	Current Period	Prior period	Current Period	Prior period
Borrowers' concentration:	1.098.906	734.080	68.376	59.191	215.145	190.276	44.250	31.447
Private Sector	1.094.068	728.914	-	-	3.862	3.559	7.547	11.099
Public Sector	-	-	-	-	209.993	185.565	-	-
Banks	-	-	68.376	59.191	-	-	17.930	-
Retail customers	4.838	5.166	-	-	335	183	-	-
Share certificates	-	-	-	-	955	969	18.773	20.348
Geographical concentration:	1.098.906	734.080	68.376	59.191	215.145	190.276	44.250	31.447
Domestic	1.098.906	734.080	68.376	59.191	215.145	190.276	25.477	11.099
EU countries	-	-	-	-	-	-	18.773	20.348
OECD countries (***)	-	-	-	-	-	-	-	-
Off-shore banking regions	-	-	-	-	-	-	-	-
USA, Canada	-	-	-	-	-	-	-	-
Other countries	-	-	-	-	-	-	-	-

(*) Includes financial assets at fair value through profit or loss, available-for-sale financial assets and investments held-to-maturity.
(**) Includes the transactions that are not presented in the first 3 columns but defined as loan in the Article 48 of the Banking Act No: 5411.
(***) OECD countries other than EU countries, USA and Canada.

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Information according to geographical concentration:

	Assets	Liabilities	Non-Cash Loans	Fixed capital investments	Net Profit/ Loss
Current Period (31.12.2010)					
Domestic	1.533.179	360.654	7.547	45.246	20.526
EU countries	563	459.753	-	-	-
OECD countries (*)	27	-	-	-	-
Offshore banking regions	-	-	-	-	-
USA, Canada	94	214.750	-	-	-
Other Countries	-	25.029	-	-	-
Associates, subsidiaries and jointly controlled entities(joint ventures)	7.165	-	-	-	-
Unallocated assets/liabilities (**)	10.730	516.292			
Total (***)	1.551.758	1.576.478	7.547	45.246	20.526
Prior Period (31.12.2009)					
Domestic	1.138.712	317.914	11.099	44.088	25.255
EU countries	78.231	350.730	-	-	-
OECD countries (*)	23	-	-	-	-
Offshore banking regions	-	-	-	-	-
USA, Canada	477	75.005	-	-	-
Other Countries	-	20.713	-	-	-
Associates, subsidiaries and jointly controlled entities(joint ventures)	8.120	-	-	-	-
Unallocated assets/liabilities (**)	18.083	498.117	---	-	-
Total (****)	1.243.646	1.262.479	11.099	44.088	25.255

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

(**) Assets and liabilities that cannot be allocated on a consistent basis. TRY 512.948 Thousand of undistributed liabilities is shareholders' equity (31 December 2009: TRY 498.883 Thousand).

(***) The sum of assets and fixed capital investments reflect total assets in the balance sheet.

(****) The sum of liabilities and ne profit/loss refect total liabilities in the balance sheet.

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Sector concentrations for cash loans:

	Current Period(31.12.2010)				Prior Period(31.12.2009)			
	TRY	(%)	FC	(%)	TRY	(%)	FC	(%)
Agricultural	-	-	8.234	0,86	4.359	2,04	6.371	1,14
Farming and Raising Livestock	-	-	8.234	0,86	4.307	2,02	6.371	1,14
Forestry, Wood and Paper	-	-	-	-	52	0,02	-	-
Fishery	-	-	-	-	-	-	-	-
Manufacturing	29.284	15,10	723.772	75,65	37.080	17,32	369.963	66,01
Mining and Quarry	316	0,17	-	0,00	-	-	-	-
Production	28.067	14,47	141.764	14,82	35.811	16,73	91.202	16,27
Electricity, Gas and Water	901	0,46	582.008	60,83	1.269	0,59	278.761	49,74
Construction	-	-	-	-	6.748	3,15	362	0,06
Services	159.895	82,44	224.760	23,49	160.669	75,07	183.745	32,79
Wholesale and Retail Trade	-	-	-	-	-	-	-	-
Hotel, Tourism, Food and Beverage Services	92.403	47,64	146.923	15,36	104.939	49,03	116.463	20,78
Transportation and Communication	-	-	-	-	-	-	-	-
Financial Institutions	30.115	15,53	38.500	4,02	16.269	7,60	43.185	7,71
Real Estate and Renting Services	-	-	-	-	-	-	-	-
Self-Employment Services	18.307	9,44	-	-	-	-	-	-
Education Services	2.723	1,40	3.993	0,42	11.146	5,21	4.332	0,77
Health and Social Services	16.347	8,43	35.344	3,69	28.315	13,23	19.765	3,53
Other	4.774	2,46	-	-	5.185	2,42	-	-
Total	193.953	100,00	956.766	100,00	214.041	100,00	560.441	100,00

The table below shows the maximum exposure to credit risk for the components of the financial statements.

	Current Period (31.12.2010)	Prior Period (31.12.2009)
Maximum Exposure		
Cash and balances with the Central Bank of the Republic of Turkey	138	254
Financial assets where fair value through profit and loss	49.033	123.935
Banks	131.981	94.895
Financial assets available for sale	122.997	4.528
Loans	1.178.241	802.343
Investments held to maturity	51.411	80.369
Total	1.533.801	1.106.324
Contingent liabilities	7.547	11.099
Derivative financial instruments	16.930	-
Commitments	19.773	20.348
Total	44.250	31.447
Total credit risk exposure	1.578.051	1.137.771

Since internal rating model is not applicable for the Group, credit quality categories could not be identified.

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Net values of the collaterals of closely monitored loans, collateral types and risk matches:

Type of collateral	Current Period (31.12.2010)		Prior Period (31.12.2009)	
	Net value of collateral	Credit balance	Net value of collateral	Credit balance
Real estate mortgage (*)	901.083	79.213	1.217.921	108.669
Vehicle pledge	-	-	-	-
Cash collateral (Cash provisions, securities pledge etc.)	1.365	1.127	32.467	26.426
Pledge on wages	-	-	-	-
Cheques/Notes	-	-	-	-
Other (suretyship, commercial enterprise under pledge, commercial papers etc.)	-	-	11	-
Non-collateralized	-	-	-	-
Total	902.448	80.340	1.250.399	135.095

(*) Amounts of mortgages are taken into consideration.

Net values of the collaterals of non-performing loans, collateral types and risk matches:

Type of collateral	Current Period (31.12.2010)		Prior Period (31.12.2009)	
	Net value of collateral	Credit balance	Net value of collateral	Credit balance
Real estate mortgage (**)	627.306	78.337	786.815	93.830
Cash collateral	-	-	-	-
Vehicle pledge	-	-	-	-
Other (suretyship, commercial enterprise under pledge, commercial papers etc.) (*)	103.132	-	103.132	-
Total	730.438	78.337	889.947	93.830

(*) As collateral, real estate mortgages has been obtained for loans. In addition to the existing collateral, commercial enterprise pledge has been obtained for loans amounting to TRY 23.121 Thousand.

(**) Amounts of mortgages are taken into consideration.

Credit quality per class of financial assets as of 31 December 2010:

Current Period (31.12.2010)	Neither past due nor impaired	Past due but not impaired	Past due and impaired	Total
Cash and balances with the Central Bank of the Republic of Turkey	138	-	-	138
Financial assets where fair value through profit and loss	49.033	-	-	49.033
Banks	131.981	-	-	131.981
Financial assets available for sale	122.042	-	955	122.997
Loans	1.149.588	1.131	27.522	1.178.241
Corporate Loans	883.180	531	15.487	899.198
Consumer Loans	4.838	-	-	4.838
Specialized Loans	261.570	600	12.035	274.205
Investments held to maturity	51.411	-	-	51.411
Subsidiaries, associates and jointly controlled entities (joint ventures)	-	-	7.165	7.165

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Credit quality per class of financial assets as of 31 December 2009:

Prior Period (31.12.2009)	Neither past due nor impaired	Past due but not impaired	Past due and impaired	Total
Cash and balances with the Central Bank of the Republic of Turkey	254	-	-	254
Financial assets where fair value through profit and loss	123.935	-	-	123.935
Banks	94.895	-	-	94.895
Financial assets available for sale	3.559	-	969	4.528
Loans	771.569	2.913	27.861	802.343
Corporate Loans	538.328	1.496	13.893	553.717
Consumer Loans	5.185	-	-	5.185
Specialized Loans	228.056	1.417	13.968	243.441
Investments held to maturity	80.369	-	-	80.369
Subsidiaries, associates and jointly controlled entities (joint ventures)	623	-	7.497	8.120

Aging analysis of past due but not impaired loans per classes of financial statements:

Current Period (31.12.2010)	31-60 Days	61-90 Days	Total
Loans			
Corporate Loans	459	72	531
Consumer Loans	-	-	-
Specialized Loans	584	16	600
Total	1.043	88	1.131

Prior Period (31.12.2009)	31-60 Days	61-90 Days	Total
Loans			
Corporate Loans	683	813	1.496
Consumer Loans	-	-	-
Specialized Loans	1.401	16	1.417
Total	2.084	829	2.913

Carrying amount per class of financial assets whose terms have been renegotiated:

	Current Period (31.12.2010)	Prior Period (31.12.2009)
Loans		
Corporate Loans	22.738	4.820
Consumer Loans	-	-
Specialized Loans	15.641	1.100
Total	38.379	5.920

III- Explanations Related to Consolidated Market Risk:

The Parent Bank has established market risk management operations and taken necessary measures in accordance with “Measurement and Assessment of the Capital Adequacy of Bank” issued in the Official Gazette numbered 26333 and dated November 1, 2006.

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

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a) Information on Market Risk:

	Current Period Total
(I) Capital requirement calculated for general market risk-Standart Method	1.119
(II) Capital requirement calculated for specific risk- Standart Method	385
(III) Capital requirement calculated for currency risk - Standart Method	1.386
(IV) Capital requirement calculated for commodity risk- Standart Method	-
(V) Capital requirement calculated for clearing risk - Standart Method	-
(VI) Total capital requirement calculated for market risk resulting from options- Standart Method	-
(VII) Capital requirement calculated for market risk in Bank using risk measurement model	-
(VIII) Total capital requirement calculated for market risk (I+II+III+IV+V+VI)	2.890
(IX) Amount subject to market risk (12,5 x VIII) or (12,5 x VII)	36.125

b) Average market risk calculated as of the end of each month during the period

	Current period (31.12.2010)			Prior period (31.12.2009)		
	Average	Maximum	Minimum	Maximum	Average	Minimum
Interest rate risk	566	734	344	708	837	622
Share risk	629	774	-	-	-	-
Currency risk	1.437	2.831	893	1.685	2.687	1.156
Commodity risk	-	-	-	-	-	-
Clearance risk	-	-	-	-	-	-
Options risk	-	-	-	-	-	-
Amount subject to total risk	2.632	4.339	1.237	2.393	3.524	1.778

IV- Explanations Related to Consolidated Operational Risk:

Operational risk is defined as the probability of loss or damage due to the overlooked errors and irregularities arising from failures of the internal controls of the Parent Bank, and not responding timely by the Parent Bank's management and the personel, errors and irregularities of the information systems, and due to the disasters like earthquake, fire or flood, or terrorist attacks. From this point, all major operation groups include operational risk.

The Parent Bank manages operational risk according to volume, nature and complexity of operations and within the context of BRSA regulations; accepts that operational risk management covers all operiations and personnel. The Parent Bank, as the basis of operational risk management policies, aims to detect risks before they occur, a regular reporting and evaluation process. Accordingly, the basic principle of operational risk management policy is to take precautions to prevent realization of risks. Intensification of controls over each stage of business processes that are determined by the Parent Bank is the most effective policy tool of operational risk management. It is essential that the Parent Bank personnel has to be aware of the risks and review the effects of these risks, take necessary precautions in order to reduce and/or prevent such risks or make proposals for improvements while fulfilling their duties, powers and responsibilities and conduct their activities in control consciousness. New products and services are evaluated in terms of personnel, processes, systems and operational risks in terms of foreign origin.

The Parent Bank calculated required capital for operational risk, for the first time, as of 31 December 2006 using "Basic Indicator Approach" in line with article 15 of the related regulation. In the following periods, base subject to operational risk is calculated on an annual basis and reported to BRSA. Operational risk is calculated as TRY 178.350 Thousand for 2010, and TRY 163.831 Thousand for 2011 using the gross income of the Group for the years 2010, 2009 and 2008.

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V- Explanations Related to Consolidated Exchange Rate Risk:

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

In addition, the daily exchange rate risk faced by the Parent 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).

The Parent Bank has no hedge instruments against foreign exchange debt instruments and net foreign exchange investments.

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.

Foreign currency buying exchange rates announced by the Parent Bank on the financial statement date and previous 5 working days are as shown below:

Date	USD	EURO	100 JPY
31/12/2010	1,53220	2,04060	1,84600
30/12/2010	1,54010	2,02200	1,89430
29/12/2010	1,54420	2,02060	1,88180
28/12/2010	1,52950	2,01190	1,85690
27/12/2010	1,53120	2,00170	1,85240
24/12/2010	1,53150	2,00550	1,84740

The simple arithmetic average value of the foreign currency buying exchange rates of the Parent Bank for the previous thirty days from the date of financial statements are; USD: TRY 1,50349, EURO: TRY 1,98214, 100 JPY: TRY 1,80825.

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Information on the exchange rate risk of the Group:

	EURO	USD	Yen	Other FC ⁽¹⁾	Total
Current period (31.12.2010)					
Assets					
Cash (cash in vault, effectives, money in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey	-	-	-	-	-
Banks	878	319	54	102	1.353
Financial assets where fair value through profit and loss	-	-	-	-	-
Money market placements	-	-	-	-	-
Financial assets available for sale	-	-	-	-	-
Loans (2)	646.870	294.031	-	17.397	958.298
Subsidiaries, associates and jointly controlled entities (joint ventures)	912	-	-	-	912
Investments held to maturity	-	-	-	-	-
Derivative financial assets for hedging purposes	-	-	-	-	-
Tangible Assets	-	-	-	-	-
Intangible Assets	-	-	-	-	-
Other assets	76	1.131	-	-	1.207
Total assets	648.736	295.481	54	17.499	961.770
Liabilities					
Interbank deposits	-	-	-	-	-
Other deposits	-	-	-	-	-
Money market borrowings	-	-	-	-	-
Funds provided from other financial institutions	645.226	292.520	-	18.680	956.426
Marketable securities issued	-	-	-	-	-
Sundry creditors	188	92	-	-	280
Derivative financial liabilities for hedging purposes	-	-	-	-	-
Other liabilities	28	29	-	-	57
Total liabilities	645.442	292.641	-	18.680	956.763
Net balance sheet position	3.294	2.840	54	(1.181)	5.007
Net off-balance sheet position	-	1	-	-	1
Assets on derivative instruments	1.837	2.375	-	-	4.212
Liabilities on derivative instruments	1.837	2.374	-	-	4.211
Non-cash loans	7.471	29	-	-	7.500
Prior Period (31.12.2009)					
Total assets	457.671	163.267	46	20.885	641.869
Total liabilities	452.803	161.209	-	20.713	634.725
Net balance sheet position	4.868	2.058	46	172	7.144
Net off-balance sheet position	-	-	-	-	-
Assets on derivative instruments	-	-	-	-	-
Liabilities on derivative instruments	-	-	-	-	-
Non-cash loans	5.418	5.634	-	-	11.052

⁽¹⁾ Of the foreign currencies presented in the other FC column of assets, 99,42% is iD, 0,19% is GBP and 0,39% is CHF. Of the foreign currencies presented in the other FC column of liabilities is iD.

⁽²⁾ TRY 1.532 Thousand equivalent of USD 1.000 Thousand of loans are originated as foreign currency indexed loans and in balance sheet included in TRY loans.

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Exchange rate risk sensitivity:

The analysis below presents the sensitivity of the Group to 10% change in USD, EUR and JPY.

	Increase in exchange rates		Effect on Profit/Loss (*)		Effect on Equity	
	%	Current Period	Prior Period	Current Period	Prior Period	
USD	10	284	575	-	-	
EURO	10	329	415	-	-	
JPY	10	5	5	-	-	
Other	10	(118)	17	-	-	
	Decrease in exchange rates		Effect on Profit/Loss (*)		Effect on Equity	
	%	Current Period	Prior Period	Current Period	Prior Period	
USD	10	(284)	(575)	-	-	
EURO	10	(329)	(415)	-	-	
JPY	10	(5)	(5)	-	-	
Other	10	118	(17)	-	-	

(*) Indicates the values before tax.

VI- Explanations Related to Consolidated Interest Rate Risk

The Parent Bank's basic principle in the interest rate risk management policy is to provide alignment by parallelism between loans disbursed with fixed and floting rate and funds provided with fixed and floting rate. Accordingly, interest rate, currency and maturity alignment material is respected during the disbursement of loans funded by foreign long-term borrowings, which form the material part of the loan portfolio. Almost the entire loan portfolio is financed by floating rate borrowings, then interest rate risk from changes in interest rates seems not probable for the loan portfolio because of the correlation provided between the source and the uses. Other loans in the portfolio is financed by the equity of the Bank.

Within the framework of the Parent Bank's basic principle of interest rate risk policy, optimization of portfolio distribution in the management of interest-sensitive assets other than loans is provided by considering possible changes in duration of positions and current interest rate limits; by taking into account alternative return, limits of tolerable loss and risk. In this context, to measure the interest rate risk exposure of the Parent Bank, the effect of days to maturity and profit/loss are analyzed considering the scenerios of possible changes in interest rates for securities portfolio. Alternatives for compensation of probables losses that may arise as a result of fluctuations in market interest are examined using different markets. Interest rate sensitivity analysis are also made for the positions besides securities portfolio.

In order to minimize the possibility of unfavorable effects of market interest rate changes on the Parent Bank's financial position, risk limits are are used for the management of interest rate risk. These limits are set by Asset-Liability Committee and approved by Board of Directors. The Parent Bank monitors and controls whether interest-sensitive assets are within the determined limits.

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Interest rate sensitivity of assets, liabilities and off-balance sheet items (based on days to repricing dates):

Current Period (31.12.2010)	Up to 1 Month	1 – 3 Months	3 – 12 Months	1 – 5 Years	5 Years and Over	Non- Interest Bearing	Total
Assets							
Cash (cash in vault, effectives, money in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey ⁽¹⁾	13	-	-	-	-	125	138
Banks ⁽¹⁾	104.485	1.621	20.024	-	-	5.851	131.981
Financial assets where fair value through profit and loss	3.940	8.933	32.575	3.585	-	-	49.033
Money market placements	-	-	-	-	-	-	-
Financial assets available for sale ⁽³⁾	43.767	16.307	41.906	16.204	-	4.813	122.997
Loans ⁽²⁾	328.227	274.394	368.863	95.726	83.509	27.522	1.178.241
Investments held to maturity	29.925	11.876	9.610	-	-	-	51.411
Other assets ⁽⁴⁾	-	-	-	-	-	63.203	63.203
Total assets	510.357	313.131	472.978	115.515	83.509	101.514	1.597.004
Liabilities							
Interbank deposits	-	-	-	-	-	-	-
Other deposits	-	-	-	-	-	-	-
Money market borrowings	335	-	-	-	-	-	335
Sundry creditors	-	-	-	-	-	3.698	3.698
Marketable securities issued	-	-	-	-	-	-	-
Funds provided from other financial institutions	374.379	257.262	330.931	69.488	15.572	47	1.047.679
Other liabilities	-	-	-	-	-	545.292	545.292
Total liabilities	374.714	257.262	330.931	69.488	15.572	549.037	1.597.004
Long position on balance sheet							
	135.643	55.869	142.047	46.027	67.937	-	447.523
Short position on balance sheet							
	-	-	-	-	-	(447.523)	(447.523)
Long position on off-balance sheet							
	-	-	-	-	-	-	-
Short position on off-balance sheet							
	-	-	-	-	-	-	-
Total position	135.643	55.869	142.047	46.027	67.937	(447.523)	-

⁽¹⁾ Balances without fixed maturity are shown in the “Up to 1 Month” ve “Non-interest Bearing” columns.
⁽²⁾ Net balance of non-performing loans is shown in “Non-interest Bearing” column.
⁽³⁾ Securities representing a share in capital and investment funds are shown in “Non-interest Bearing” column.
⁽⁴⁾ Deferred tax asset, shareholders’ equity and other non-interest bearing assets and liabilities are shown in “Non-interest Bearing” column.

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

Current Period (31.12.2010)	EURO	USD	JPY	TRY
Assets				
Cash (cash in vault, effectives, money in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey	-	-	-	-
Banks	-	-	-	7,40
Financial assets where fair value through profit and loss	-	-	-	6,54
Money market placements	-	-	-	-
Financial assets available for sale	-	-	-	6,76
Loans	3,81	2,98	-	10,67
Investments held to maturity	-	-	-	8,76
Liabilities				
Interbank deposits	-	-	-	-
Other deposits	-	-	-	-
Money market borrowings	-	-	-	-
Sundry creditors	-	-	-	-
Marketable securities issued	-	-	-	-
Funds provided from other financial institutions	1,65	0,95	-	6,69

(*) Rates shown in the table are calculated by using the annual domestic interest rates.

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Interest rate sensitivity of assets, liabilities and off-balance sheet items (based on days to repricing dates):

Prior period (31.12.2009)	Up to 1 Month	1 – 3 Months	3 – 12 Months	1 – 5 Years	5 Years and Over	Non- Interest Bearing	Total
Assets							
Cash (cash in vault, effectives, money in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey ⁽¹⁾	162	-	-	-	-	92	254
Banks ⁽¹⁾	86.786	-	-	-	-	8.109	94.895
Financial assets where fair value through profit and loss	11.191	23.300	61.664	27.780	-	-	123.935
Money market placements	110.620	-	-	-	-	-	110.620
Financial assets available for sale ⁽³⁾	3.559	-	-	-	-	969	4.528
Loans ⁽²⁾	194.233	251.989	158.420	67.118	102.722	27.861	802.343
Investments held to maturity	9.912	19.270	31.709	19.478	-	-	80.369
Other assets	-	-	-	-	-	70.790	70.790
Total assets	416.463	294.559	251.793	114.376	102.722	107.821	1.287.734
Liabilities							
Interbank deposits	-	-	-	-	-	-	-
Other deposits	-	-	-	-	-	-	-
Money market borrowings	183	-	-	-	-	-	183
Sundry creditors	-	-	-	-	-	3.149	3.149
Marketable securities issued	-	-	-	-	-	-	-
Funds provided from other financial institutions	166.343	183.470	280.999	98.900	17.137	-	746.849
Other liabilities	983	-	-	-	-	536.570	537.553
Total liabilities	167.509	183.470	280.999	98.900	17.137	539.719	1.287.734
Long position on balance sheet							
	248.954	111.089	-	15.476	85.585	-	461.104
Short position on balance sheet							
	-	-	(29.206)	-	-	(431.898)	(461.104)
Long position on off-balance sheet							
	-	-	-	-	-	-	-
Short position on off-balance sheet							
	-	-	-	-	-	-	-
Total position	248.954	111.089	(29.206)	15.476	85.585	(431.898)	-

⁽¹⁾ Balances without fixed maturity are shown in the “Up to 1 Month” ve “Non-interest Bearing” columns.
⁽²⁾ Net balance of non-performing loans is shown in “Non-interest Bearing” column.
⁽³⁾ Securities representing a share in capital and investment funds are shown in “Non-interest Bearing” column.

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

Prior Period (31.12.2009)	EURO	USD	JPY	TRY
Assets				
Cash (cash in vault, effectives, money in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey	-	-	-	-
Banks	0,16	-	-	-
Financial assets where fair value through profit and loss	-	-	-	7,64
Money market placements	-	-	-	6,50
Financial assets available for sale	-	-	-	-
Loans	3,32	2,88	-	12,04
Investments held to maturity	-	-	-	12,86
Liabilities				
Interbank deposits	-	-	-	-
Other deposits	-	-	-	-
Money market borrowings	-	-	-	-
Sundry creditors	-	-	-	-
Marketable securities issued	-	-	-	-
Funds provided from other financial institutions	1,44	0,94	-	10,00

(*) Rates shown in the table are calculated by using the annual domestic interest rates.

Interest rate sensitivity:

In this part, the sensitivity of the Parent Bank's assets and liabilities to changes in the interest rates has been analyzed. During the measurement of the Parent Bank's interest rate sensitivity, it is assumed that asset and liability items with fixed-rate are renewed with shock given prices at the end of maturity, whereas, assets and liabilities with floating rate are renewed with shock given prices at the end of re-pricing period.

Held for trading and available for sale financial assets portfolios are evaluated separately from other balance sheet items. For financial assets held for trading, the difference between the current market value and value after interest rate shock is presented as effect on profit/loss. Changes in available for sale financial assets after shock are presented as effect on equity.

The possible changes that may occur in the Parent Bank's profit/loss and equity in case of 3 points increase/decrease in TRY and 1 point increase/decrease FC interest rates on the reporting day, ceteris paribus, are given below.

Change in Interest Rate ⁽¹⁾		Effect on Profit/Loss		Effect on Equity ⁽²⁾	
TRY	FC	Current Period	Prior Period	Current Period	Prior Period
3 points increase	1 point increse	4.219	5.252	(1.507)	-
3 points decrease	1 point decrease	(4.617)	(4.960)	1.523	-

⁽¹⁾ The effects on the profit/loss and shareholders' equity are stated with their before tax values.
⁽²⁾ The effect on the shareholders' equity is arising from the change of the fair value of securities followed under Available for Sale Financial Assets.

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VII- Explanations Related to Consolidated Liquidity Risk:

In the Parent Bank, liquidity risk management is performed through proforma cash flows. These cash flows are prepared using forecasted data considering the maturity structure of assets and liabilities. The proforma cash flows includes information required to determine liquidity needs (if any) that would arise in the coming periods and/ or extraordinary situations, alternative liquidity sources and placement areas. During preparation of projections for future cash flows based on these information, liquidity risk exposure of the Parent Bank is measured using different scenarios (for example, credit collection ratios)

Besides, monthly proforma cash flows related to coverage ratios for medium and long term liabilities and balance sheet durations are monitored continuously in order to identify risk factors in advance. In the case situations creating risk are present, initiatives are taken by related departmant to eliminate this situation. In order to evaluate the effects of negative developments at the parameters that affect the financial strength of the Parent Bank to operations and market risks, it is essential to apply stress tests and to used the results within the Parent Bank’s strategic decision making process.

Liquidity risk may arise as the most important risk factor when structural problem caused by disbursement of long-term loans using short term borrowings is coupled with a financial crisis. Since the Parent Bank is an investment and development bank and does not accept deposits, unlike the other banks in the system, facing the risk of liquidity crisis due to deposit withdrawals as a result of adverse events in the market is eliminated. Analyzing the structure of the Parent Bank’s assets and borrowings, loans provided by international financial institutions consists of medium and long-term loans with floating interest rate, and these funds are disbursed by taking into account the re-pricing period. Balance sheet mainly consists of loans that, given the impact of interest rate shocks on the profitability is thought to be limited to a portfolio of liquid assets and liabilities. In addition, the share of the equity in liabilities thus released funds is high and it makes the Parent Bank advantageous in the liquidity risk management. Assessment of maturity/yield alternatives for the placement of liquidiy surplus and maturity/cost alternatives to meet liquidity needs is the basic principle of the Parent Bank liquidity management.

According to Communiqué on “Measurement and Assesment of Liquidity Adequacy of Banks”, weekly and monthly calculated foreign currency and total liquidity adequacy ratios are required to be 80% and 100% at minimum respectively. Foreign currency adequacy ratio refers to ratio of foreign currency assets to foreign currency liabilities, whereas, total liquidity adequacy ratio refers to ratio of total assets to total liabilities. The maximum, minimum and average liquidity ratios calculated in the year 2010 are presented below in comparison with prior period.

Current Period	First Maturity Segment (Weekly)		Second Maturity Segment (Monthly)	
	FC	FC + TRY	FC	FC + TRY
Average (%)	360,54	597,86	254,11	516,92
Maximum (%)	1.343,08	1.591,30	986,83	1.197,65
Minimum (%)	89,36	149,97	86,34	151,10

Prior Period	First Maturity Segment (Weekly)		Second Maturity Segment (Monthly)	
	FC	FC + TRY	FC	FC + TRY
Average (%)	4.923,31	1.906,75	1.070,89	1.268,54
Maximum (%)	18.480,34	2.762,72	1.863,76	1.830,41
Minimum (%)	176,94	1.094,64	322,99	877,19

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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	Undistributed	Total
Current Period (31.12.2010)								
Assets								
Cash (cash in vault, effectives, money in transit, cheques purchased) and Balances with the Central Bank of the Republic of Turkey	138	-	-	-	-	-	-	138
Banks	5.851	103.991	1.621	20.518	-	-	-	131.981
Financial assets at fair value through profit and loss	-	2.899	8.933	32.575	4.626	-	-	49.033
Money market placements	-	-	-	-	-	-	-	-
Financial assets available-for-sale	3.858	27.865	16.307	41.906	16.204	15.902	955	122.997
Loans	-	29.697	92.979	84.309	549.097	394.637	27.522	1.178.241
Investments held-to-maturity	-	497	11.876	9.614	9.237	20.187	-	51.411
Other assets	-	24	49	173	-	-	62.957	63.203
Total assets	9.847	164.973	131.765	189.095	579.164	430.726	91.434	1.597.004

Liabilities								
Interbank deposits	-	-	-	-	-	-	-	-
Other deposits	-	-	-	-	-	-	-	-
Funds provided from other financial instruments	-	100.627	14.135	46.546	305.230	580.992	149	1.047.679
Money market borrowings	-	335	-	-	-	-	-	335
Marketable securities issued	-	-	-	-	-	-	-	-
Sundry creditors	3.536	-	-	-	-	-	162	3.698
Other liabilities	-	994	3.103	-	-	-	541.195	545.292
Total liabilities	3.536	101.956	17.238	46.546	305.230	580.992	541.506	1.597.004

Liquidity Gap	6.311	63.017	114.527	142.549	273.934	(150.266)	(450.072)	-
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Prior Period (31.12.2009)								
Total Assets	9.332	228.539	74.042	189.839	475.847	211.484	98.651	1.287.734
Total Liabilities	3.149	8.421	15.186	37.862	299.468	387.078	536.570	1.287.734

Liquidity Gap	6.183	220.118	58.856	151.977	176.379	(175.594)	(437.919)	-
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- (1) Assets which are required for banking operations and could not be converted into cash in short-term, such as; tangible assets, associates, subsidiaries, office supply inventory, prepaid expenses and non-performing loans; and other liabilities such as provisions which are not considered as payables and equity are classified as undistributed
- (2) Deferred tax asset is included under the “Undistributed” column.

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In compliance with the Turkish Financial Reporting Standard No:7, the following table indicates the maturities of the Bank's major financial liabilities which are not qualified as derivatives. The following tables have been prepared by referencing the earliest dates of payments without discounting the liabilities. The interest to be paid to the related liabilities is included in the following table. Adjustments column shows the items that may cause possible cash flows in the following periods. The balances of the related liabilities in balance sheet do not include these amounts.

Current Period (31.12.2010)	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Adjustments	Total
Liabilities								
Funds provided from other financial institutions	-	102.767	16.156	59.277	357.147	624.767	(112.435)	1.047.679
Money market borrowings	-	335	-	-	-	-	-	335
Total	-	103.102	16.156	59.277	357.147	624.767	(112.435)	1.048.014

Prior Period (31.12.2009)	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Adjustments	Total
Liabilities								
Funds provided from other financial institutions	-	8.504	17.198	48.642	363.364	442.866	(133.725)	746.849
Money market borrowings	-	183	-	-	-	-	-	183
Total	-	8.687	17.198	48.642	363.364	442.866	(133.725)	747.032

The following table shows the outstanding maturities of non-cash loans.

Current Period (31.12.2010)	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
Letters of Credit	-	709	-	6.791	-	-	7.500
Endorsements	-	-	-	-	-	-	-
Letters of Guarantee	47	-	-	-	-	-	47
Acceptances	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total	47	709	-	6.791	-	-	7.547

Prior Period (31.12.2009)	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
Letters of Credit	-	-	-	11.052	-	-	11.052
Endorsements	-	-	-	-	-	-	-
Letters of Guarantee	47	-	-	-	-	-	47
Acceptances	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total	47	-	-	11.052	-	-	11.099

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The following table shows the outstanding maturities of derivative financial assets and liabilities as of 31 December 2010 (31 December 2009: None).

Current Period (31.12.2010)	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
Forwards contracts- buy	7.597	874	-	-	-	8.471
Forwards contracts- sale	7.586	873	-	-	-	8.459
Swaps - buy	-	-	-	-	-	-
Swaps - sale	-	-	-	-	-	-
Futures - buy	-	-	-	-	-	-
Futures - sale	-	-	-	-	-	-
Options - buy	-	-	-	-	-	-
Options - sale	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total	15.183	1.747	-	-	-	16.930

VIII- Explanations on Presentation of Financial Assets and Liabilities at Fair Value:

In the determination of fair values of financial assets and liabilities, discounted balances which are calculated considering outstanding maturities, are considered. Publicly traded securities are subject to valuation with daily weighted average price on the balance sheet date on the basis of the market price in accordance with Financial Instruments Accounting Standard (TAS 39).

	Book Value		Fair Value	
	Current Period (31.12.2010)	Prior Period (31.12.2009)	Current Period (31.12.2010)	Prior Period (31.12.2009)
Financial Assets	1.484.630	1.092.755	1.484.833	1.094.103
Receivables from Money Market	-	110.620	-	110.620
Banks	131.981	94.895	132.029	94.895
Financial Assets Available-for-Sale	122.997	4.528	122.997	4.528
Investments Held-to-Maturity	51.411	80.369	51.566	81.717
Loans	1.178.241	802.343	1.178.241	802.343
Financial Liabilities	1.051.377	749.998	1.051.377	749.998
Interbank Deposits	-	-	-	-
Other Deposits	-	-	-	-
Funds Provided from Other Financial Institutions	1.047.679	746.849	1.047.679	746.849
Marketable securities issued	-	-	-	-
Sundry Creditors	3.698	3.149	3.698	3.149

(*) Financial assets and liabilites presented above includes interest accruals.

Methods and estimations used for the fair value determination of financial instruments which are not presented with their fair values in financial statements:

- i- For the fair value determination of loans, interest rates as of balance sheet date are considered.
- ii- For the fair value determination of banks, interest rates as of balance sheet date are considered.
- iii- For the fair value determination of investments held-to-maturity, market prices as of balance sheet date are considered.

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Information on fair value measurements recognized in the consolidated financial statements:

TFRS 7 “Financial Instruments: Disclosures” standard requires the items, which are recognized in the balance sheet at their fair values to be shown in the notes by being classified within a range. According to this standard, the related financial instruments are classified into three levels in such a way that they will express the significance of the data used in fair value measurements. At the first level, there are financial instruments, whose fair values are determined according to quoted prices in active markets for identical assets or liabilities, at the second level, there are financial instruments, whose fair values are determined by directly or indirectly observable market data, and at the third level, there are financial instruments, whose fair values are determined by the data, which are not based on observable market data. The financial assets of the Group, which are recognized in the balance sheet at their values, are shown below as classified according to the aforementioned principles of ranking.

Current Period (31.12.2010)	Level 1	Level 2	Level 3
Financial assets at fair value through profit and loss	48.988	45	-
Debt securities	48.988	-	-
Share certificates	-	-	-
Derivative financial assets held-for-trading	-	45	-
Other	-	-	-
Financial assets available-for-sale*	122.042	-	-
Debt securities	118.180	-	-
Other	3.862	-	-
Investment in subsidiaries and associates **	-	-	-
Derivative financial liabilities	-	38	-

* Since they are not traded in an active market, share certificates (TRY 955 Thousand) under financial assets available-for-sale are shown in the financial statements with their acquisiaiton costs, therefore not included in the table.

** Since the unlisted investments in associates and subsidiaries are recognized at acquisition cost within the framework of TAS 39, these companies are not included in the table.

Prior Period (31.12.2009)	Level 1	Level 2	Level 3
Financial assets at fair value through profit and loss	123.935	-	-
Debt securities	123.935	-	-
Share certificates	-	-	-
Derivative financial assets held-for-trading	-	-	-
Other	-	-	-
Financial assets available-for-sale*	3.559	-	-
Debt securities	-	-	-
Other	3.559	-	-
Investment in subsidiaries and associates **	-	-	-
Derivative financial liabilities	-	-	-

* Since they are not traded in an active market, share certificates (TRY 969 Thousand) under financial assets available-for-sale are shown in the financial statements with their acquisiaiton costs, therefore not included in the table.

** Since the unlisted investments in associates and subsidiaries are recognized at acquisition cost within the framework of TAS 39, these companies are not included in the table.

In the current period, there is no transition between Level 1 and Level 2.

IX- Explanations Related to Transactions Made on Behalf and Account of Others, Fiduciary Transactions:

The Parent Bank acts as an intermediary for purchases and sales of securities on behalf of others and provides custody services. Besides, the Parent Bank acts as an intermediary for implementation of tourism and infrastructure investments on behalf of Republic of Turkey Ministry of Culture and Tourism.

The Parent Bank has no fudiciary transactions.

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SECTION V
EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS

I- Explanations And Notes Related To Consolidated Assets:

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

	Current Period (31.12.2010)		Prior Period (31.12.2009)	
	TRY	FC	TRY	FC
Cash and foreign currency	125	-	92	-
Central Bank of the Republic of Turkey	13	-	162	-
Other	-	-	-	-
Total	138	-	254	-

1.a.1) Information on required reserve deposits:

Since the Parent Bank is not authorized to accept deposits, it is not subject to Central Bank of the Republic of Turkey’s Communiqué No: 2005/1 “Required Reserves”.

1.b) Information on the account of Central Bank of the Republic of Turkey:

	Current Period (31.12.2010)		Prior Period (31.12.2009)	
	TRY	FC	TRY	FC
Unrestricted Demand Deposit	13	-	162	-
Unrestricted Time Deposit	-	-	-	-
Restricted Time Deposit	-	-	-	-
Total	13	-	162	-

2.a) Information on financial assets at fair value through profit and loss given as collateral or blocked and subject to repurchase repurchase agreement (Net):

2.a.1) Financial assets at fair value through profit and loss subject to repurchase agreements:

	Current Period (31.12.2010)		Prior Period (31.12.2009)	
	TRY	FC	TRY	FC
Share certificates	-	-	-	-
Bonds, treasury bills and similar securities	369	-	214	-
Other	-	-	-	-
Total	369	-	214	-

2.a.2) Financial assets at fair value through profit and loss given as collateral or blocked:

	Current Period (31.12.2010)		Prior Period (31.12.2009)	
	TRY	FC	TRY	FC
Share certificates	-	-	-	-
Bonds, treasury bills and similar securities	15.891	-	33.100	-
Other	-	-	-	-
Total	15.891	-	33.100	-

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

Derivative financial assets held-for-trading	Current Period (31.12.2010)		Prior Period (31.12.2009)	
	TRY	FC	TRY	FC
Forward Transactions	45	-	-	-
Swap Transactions	-	-	-	-
Futures Transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
Total	45	-	-	-

3.a) Information on banks:

	Current Period (31.12.2010)		Prior Period (31.12.2009)	
	TRY	FC	TRY	FC
Banks				
Domestic	130.628	669	15.391	773
Foreign	-	684	-	78.731
Foreign Head Office and Branches	-	-	-	-
Total	130.628	1.353	15.391	79.504

3.b) Information on foreign bank accounts:

	Unrestricted Amount		Restricted Amount	
	Current Period (31.12.2010)	Prior Period (31.12.2009)	Current Period (31.12.2010)	Prior Period (31.12.2009)
EU Countries	563	971	-	77.260
USA and Canada	94	180	-	297
OECD Countries*	27	23	-	-
Off-Shore Banking Regions	-	-	-	-
Other	-	-	-	-
Total	684	1.174	-	77.557

* OECD Countries other than European Union Countries, USA and Canada

4) Information on financial assets available-for-sale:

4.a.1) Financial assets available-for-sale subject to repurchase agreements :

None

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

	Current Period (31.12.2010)		Prior Period (31.12.2009)	
	TRY	FC	TRY	FC
Share certificates	-	-	-	-
Bonds, treasury bills and similar securities	57.048	-	-	-
Other	-	-	-	-
Total	57.048	-	-	-

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

	Current Period (31.12.2010)	Prior Period (31.12.2009)
Debt Securities	122.042	3.559
Quoted on a stock exchange (*)	122.042	3.559
Unquoted	-	-
Share Certificates	13.046	13.473
Quoted on a stock exchange	-	-
Unquoted	13.046	13.473
Provision for impairment (-)	12.091	12.504
Total	122.997	4.528

(*) Available-for-sale financial assets amounting to TRY 3.862 Thousand (2009: TRY 3.559 Thousand) which are classified as "Other securities" at balance sheet, consists of investment funds.

5. Information on loans :

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

	Current Period (31.12.2010)		Prior Period (31.12.2009)	
	Cash	Non-Cash	Cash	Non-Cash
Direct loans granted to shareholders	-	-	-	-
Legal Entities	-	-	-	-
Individuals	-	-	-	-
Indirect loans granted to shareholders	-	-	-	-
Loans granted to employees	4.838	-	5.166	-
Total	4.838	-	5.166	-

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

Cash 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
Non-specialized loans	835.778	5.452	31.210	16.109
Discount notes	-	-	-	-
Export loans	1.263	-	819	958
Import loans	-	-	-	-
Loans given to financial sector	68.615	-	-	-
Foreign loans	-	-	-	-
Sonsumer loans	4.838	-	-	-
Credit cards	-	-	-	-
Precious metal loans	-	-	-	-
Other	761.062	5.452	30.391	15.151
Specialized loans	220.805	8.344	25.871	7.150
Other receivables	-	-	-	-
Total	1.056.583	13.796	57.081	23.259

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	89.425	-	1.777	-
Non-specialized loans	86.125	-	1.777	-
Specialized loans	3.300	-	-	-
Other receivables	-	-	-	-
Medium and long term loans and other receivables	967.158	13.796	55.304	23.259
Non-specialized loans	749.653	5.452	29.433	16.109
Specialized loans	217.505	8.344	25.871	7.150
Other receivables	-	-	-	-

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

	Short Term	Medium and Long Term	Total
Consumer Loans- TRY	-	-	-
Real estate loans	-	-	-
Vehicle loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Consumer Loans –Indexed to FC	-	-	-
Real estate loans	-	-	-
Vehicle loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Consumer Loans- FC	-	-	-
Real estate loans	-	-	-
Vehicle loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Individual Credit Cards- TRY	-	-	-
With Installments	-	-	-
Without Installments	-	-	-
Individual Credit Cards- FC	-	-	-
With Installments	-	-	-
Without Installments	-	-	-
Personnel Loans- TRY	-	4.838	4.838
Real estate loans	-	-	-
Vehicle loans	-	-	-
Consumer loans	-	-	-
Other	-	4.838	4.838
Personnel Loans- Indexed to FC	-	-	-
Real estate loans	-	-	-
Vehicle loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Personnel Loans- FC	-	-	-
Real estate loans	-	-	-
Vehicle loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Personnel Credit Cards- TRY	-	-	-
With Installments	-	-	-
Without Installments	-	-	-
Personnel Credit Cards- FC	-	-	-
With Installments	-	-	-
Without Installments	-	-	-
Overdraft Accounts-TRY (Real Persons)	-	-	-
Overdraft Accounts-FC (Real Persons)	-	-	-
Total	-	4.838	4.838

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

The Parent Bank has not granted any commercial loans with installments and corporate credit cards as of balance sheet date.

5.f) Loans according to type of borrowers:

	Current Period (31.12.2010)	Prior Period (31.12.2009)
Public	20.000	-
Pricate	1.130.719	774.482
Total	1.150.719	774.482

5.g) Breakdown of domestic and international loans:

	Current Period (31.12.2010)	Prior Period (31.12.2009)
Domestic loans	1.150.719	774.482
International loans	-	-
Total	1.150.719	774.482

5.h) Loans granted to subsidiaries and associates:

	Current Period (31.12.2010)	Prior Period (31.12.2009)
Direct loans granted to subsidiaries and associates	-	783
Indirect loans granted to subsidiaries and associates	-	-
Total	-	783

5.i) Specific provisions provided against loans:

	Current Period (31.12.2010)	Prior Period (31.12.2009)
Loans and other receivables with limited collectibility	14	17
Loans and other receivables with doubtful collectibility	16	86
Uncollectible loans and receivables	50.798	65.879
Total	50.828	65.982

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

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

	III. Group Loans and Other Receivables With Limited Collectibility	IV. Group Loans and Other Receivables With Doubtful Collectibility	V. Group Uncollectible Loans and Other Receivables
Current Period (31.12.2010)	430	-	894
(Gross amounts before specific provisions)	-	-	-
Restructured loans and other receivables	-	-	-
Rescheduled loans and other receivables	430	-	894
Prior Period (31.12.2009)	-	-	2.163
(Gross amounts before specific provisions)	-	-	-
Restructured loans and other receivables	-	-	-
Rescheduled loans and other receivables	-	-	2.163

5.j.2) Information on the movement of non-performing receivables:

	III. Group Loans and Other Receivables With Limited Collectibility	IV. Group Loans and Other Receivables With Doubtful Collectibility	V. Group Uncollectible Loans and Other Receivables
Prior period end balance	2.048	1.605	90.190
Additions (+) (***)	2.770	609	11.734
Transfer from other categories of non-performing loans (+)	-	2.075	1.543
Transfer to other categories of non-performing loans (-)	(2.075)	(1.543)	-
Collections (-) (*) (***)	(5)	(2.709)	(23.071)
Write-offs (-) (**)	-	-	(4.821)
Corporate and commercial loans	-	-	-
Consumer loans	-	-	-
Credit cards	-	-	-
Other	-	-	(4.821)
Current period end balance	2.738	37	75.575
Specific provisions (-)	(14)	(16)	(50.798)
Net balance on balance sheet	2.724	21	24.777

(*) Collections from loans in V. Group includes the balance amounting to TRY 2.994 Thousand which has been collected after classification to loans under close monitoring. Collections from loans in IV. Group includes the balance amounting to TRY 1.848 Thousand which has been collected after classification to loans under close monitoring.

(**) The Bank does not recognize interests accruals of non-performing loans if uncollected. TRY 4.821 Thousand of other non-performing receivables is written-off reciprocally with its specific provision since the balance is related with interest accruals that are not collected. Therefore, non-performing receivables are provided not to include interest accruals.

(***) Default interest amounting to TRY 7.769 Thousand which has been collected in current period has been presented at both "Additions" and "Collections" lines.

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5.j.3) Information on foreign currency non-performing loans:

In accordance with the third section of Communiqué on Turkish Uniform Chart of Accounts and its Explanations “Receivables to be Refined, Fees, Commissions and Receivables with Doubtful Collectibility and Uncollectible Loans and Receivables”, the Parent Bank translates the foreign currency loans to Turkish Lira with the exchange rates on the day of classification to non-performing loan accounts and follow in these TRY balances.

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

	III. Group	IV. Group	V. Group
	Loans and Other Receivables With Limited Collectibility	Loans and Other Receivables With Doubtful Collectibility	Uncollectible Loans and Other Receivables
Current Period (Net) (31.12.2010)	2.724	21	24.777
Loans to Real Persons and Legal Entities (Gross)	2.738	37	75.575
Specific Provisions (-)	14	16	50.798
Loans to Real Persons and Legal Entities (Net)	2.724	21	24.777
Banks (Gross)	-	-	-
Specific Provisions (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	-
Specific Provisions (-)	-	-	-
Other Loans and Receivables (Net)	-	-	-
Prior Period (Net) (31.12.2009)	2.031	1.519	24.311
Loans to Real Persons and Legal Entities (Gross)	2.048	1.605	90.190
Specific Provisions (-)	17	86	65.879
Loans to Real Persons and Legal Entities (Net)	2.031	1.519	24.311
Banks (Gross)	-	-	-
Specific Provisions (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	-
Specific Provisions (-)	-	-	-
Other Loans and Receivables (Net)	-	-	-

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

In case collaterals complying with Article 9 of the Communiqué on “Procedures and Principles for the Determination of Qualification of Loans and Other Receivables and Allocation of Provisions” are present, liquidation of receivables are realized by converting collaterals into cash immediately as a result of either administrative or legal procedures.

In case collaterals are not present, the Parent Bank is engaged in intense intelligence in various periods to determine whether any property holdings are subsequently acquired in order to apply for legal procedures, even if there is evidence of insolvency for the debtor.

Before and after liquidation process; the Parent Bank reviews financial information of the debtor companies. Then, in the case it is agreed that the companies show indications of operating on an ongoing basis and probably are going to have contributions to production; the Parent Bank tries to make collections through rescheduling the payment terms.

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5.l) Explanations on write-off policy:

Uncollectible loans or receivables are written-off with the decision of Board of Directors of the Parent Bank, after the date 100% provision is set considering the collaterals using the rates determined in the related communiqué, when they are deemed impossible to collect in accordance with a convincing document or a court order.

6. Information on held-to-maturity investments:

6.a) Information on comparative net values of held-to-maturity investments subject to repurchase agreements and given as collateral or blocked:

a.1) Held-to-maturity investments subject to repurchase agreements:

None.

a.2) Held-to-maturity investments given as collateral or blocked:

	Current Period (31.12.2010)		Prior Period (31.12.2009)	
	TRY	FC	TRY	FC
Bills	-	-	-	-
Bonds and similar investment securities	51.411	-	80.369	-
Other	-	-	-	-
Total	51.411	-	80.369	-

6.b) Information on held-to-maturity debt securities:

	Current Period (31.12.2010)	Prior Period (31.12.2009)
Government Bonds	51.411	80.369
Treasury Bills	-	-
Other public sector debt securities	-	-
Total	51.411	80.369

6.c) Information on held-to-maturity investments:

	Current Period (31.12.2010)	Prior Period (31.12.2009)
Debt Securities	51.411	80.369
Quoted on a stock exchange	51.411	80.369
Unquoted	-	-
Provision for impairment(-)	-	-
Total	51.411	80.369

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6.d) Movement of held-to-maturity investments:

	Current Period (31.12.2010)	Prior Period (31.12.2009)
Balance at the beginning of the period	80.369	25.332
Foreign currency differences on monetary assets	-	-
Purchases during the year (*)	34.839	68.997
Disposals through sales and redemptions (*)	(63.797)	(13.960)
Provision for impairment (-)	-	-
Balance at the end of the period	51.411	80.369

(*) Purchases during the year includes interest accrual differences equal to TRY 3.881 Thousand and disposals during the year includes interest accrual differences equal to TRY 8.426 Thousand.

7. Information on associates (net):

7.a.1) Information on unconsolidated associates:

	Description	Address (City/ Country)	The Bank's share percentage-if different voting percentage(%)	The Bank's risk group share percentage (%)
1	Maksan A.Ş.	Malatya	20,00	31,14
2	Teşebbüs Destekleme Ajansı	Ankara	20,00	20,00
3	Türk Suudi Holding A.Ş.	İstanbul	22,22	24,69
4	Türsan	Mardin	17,84	17,84
5	Yozgat Otelcilik A.Ş. (*)	Yozgat	20,00	3,75

(*) Yozgat Otelcilik AŞ in which the investment balance is TRY 426 Thousand and which was classified in available for sale financial assets as of December 31, 2009, has been classified to associates as of December 31, 2010 in accordance with Communiqué on “Preparation of Consolidated Financial Statements of Banks”.

Financial statement information of unconsolidated associates as sorted above:

	Total Assets	Shareholders' Equity	Total Fixed Asset	Interest Income	Income From Marketable Securities	Current Period Profit/Loss	Prior Period Profit/Loss	Fair Value (*)
1	20.132	12.468	2.396	264	-	295	3.129	-
2	-	-	-	-	-	-	-	-
3	5.639	5.622	5.448	26	-	(541)	(1.296)	-
4	-	-	-	-	-	-	-	-
5	242	240	170	3	-	(22)	(16)	-

(*) As of balance sheet date, valuation of associates are not available, therefore fair values could not be reliably determined.
(**) The information of Maksan A.Ş., Türk Suudi Holding A.Ş. and Yozgat Otelcilik A.Ş. are provided from the unaudited financial statements as of December 31, 2010.
(***) Teşebbüs Destekleme Ajansı and Türsan are inactive.

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7.b.1) Information on consolidated associates:

	Description	Address (City/ Country)	The Bank's share percentage-if different voting percentage(%)	The Bank's risk group share percentage (%)
1	İstanbul Risk Sermayesi Girişimi ^(*)	Lüksemburg	11,11	6,25

	Total Assets	Shareholders' Equity	Total Fixed Asset	Interest Income	Income From Marketable Securities	Current Period Profit/Loss	Prior Period Profit/Loss	Fair Value (*)
1	15.218	14.595	-	15	-	(3.118)	(2.789)	-

(*) The information of Istanbul Venture Capital Initiative, “IVCI”, is provided from the unaudited financial statements as of December 31, 2010. (Capital commitment of IVCI is EUR 160 Million and the Parent Bank's capital commitment is EUR 10 Million. The Parent Bank has made EUR 800.000 capital payment). Prior period information are provided from unaudited financial statements as of December 31, 2009.

7.c. Movement of associates:

	Current Period (31.12.2010)	Prior Period (31.12.2009)
Balance at the beginning of the period	623	632
Movements during the period	289	(9)
Additions	544	464
Bonus shares certificates	-	-
Shares in current year profit	-	-
Disposals	-	-
Revaluation increase		(57)
Provision for impairment	(255)	(416)
Balance at the end of the period	912	623
Capital commitments	-	-
Share percantage at the end of the period (%)	-	-

7.d. Sectoral information about associates and their carrying amounts:

	Current Period (31.12.2010)	Prior Period (31.12.2009)
Banks	-	-
Insurance companies	-	-
Factoring companies	-	-
Leasing companies	-	-
Financing companies	-	-
Other financial associates	912	623

7.e. Associates quoted in the stock exchange:

None.

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8. Information on subsidiaries (net):

8.a.1. Information on unconsolidated associates subsidiaries:

Description	Address (City/ Country)	The Bank's share		The Bank's risk group share percentage (%)
		percentage-if different voting percentage(%)	percentage-if different voting percentage(%)	
1 Arıcak A.Ş.(*)	İstanbul	100,00		99,71

Total Assets	Shareholders' Equity	Total Fixed Asset	Interest Income	Income From Marketable Securities	Current Period Profit/Loss	Prior Period Profit/Loss	Fair Value
1 9.883	8.539	9.873	-	-	(653)	(728)	-

(*) The information of Arıcak A.Ş. is provided from audited financial statements as of December 31, 2010. Prior period information are provided from audited financial statements December 31, 2009.

8.b.1. Information on consolidated associates subsidiaries:

Description	Address (City/ Country)	The Bank's share		The Bank's risk group share percentage (%)
		percentage-if different voting percentage(%)	percentage-if different voting percentage(%)	
1 Kalkınma Yatırım Menkul Değerler A.Ş.(*)	İstanbul	100,00		100,00

Total Assets	Shareholders' Equity	Total Fixed Asset	Interest Income	Income From Marketable Securities	Current Period Profit/Loss	Prior Period Profit/Loss	Fair Value
1 6.246	5.702	255	666	-	(436)	92	-

(*) With the decision of the Parent Bank's Board of Directors dated 28 December 2010 and numbered 2009-19-10/218, it is decided to recommend the company's Board of Directors for temporary suspension of the company's activities. On October 13, 2009, the company's Board of Directors applied to Capital Market Board for temporary suspension of activities for six months beginning from December 31, 2009. Capital Market Board has given approval for temporary suspension of the company's activities for 12 months beginning from December 31, 2009.

(**) The information of Kalkınma Yatırım Menkul Değerler A.Ş. is provided from audited financial statements as of December 31, 2010. Prior period information are provided from audited financial statements December 31, 2009.

8.b.2. Movement of consolidated subsidiaries:

	Current Period (31.12.2010)	Prior Period (31.12.2009)
Balance at the beginning of the period	8.987	8.987
Movements during the period	(2.545)	-
Additions	-	-
Bonus shares certificates	-	-
Shares in current year profit	-	-
Disposals	-	-
Revaluation increase	-	-
Provision for impairment	(2.545)	-
Balance at the end of the period	6.442	8.987
Capital commitments	-	-
Share percentage at the end of the period (%)	100,00	100,00

The movement above, presents the movement of Kalkınma Yatırım Menkul Değerler A.Ş. in Bank only financial statements of the Parent Bank. The balance is eliminated in the consolidated financial statements.

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8.b.3. Sectoral information about subsidiaries and their carrying amounts:

	Current Period (31.12.2010)	Prior Period (31.12.2009)
Banks	-	-
Insurance companies	-	-
Factoring companies	-	-
Leasing companies	-	-
Financing companies	-	-
Other financial subsidiaries	6.442	8.987

8.b.4. Subsidiaries quoted in the stock exchange:

None.

9. Information on jointly controlled entities (joint ventures):

None.

10. Information on finance lease receivables(Net):

The Group has no financial leasing transaction. Receivable from operating leasing is TRY 246 Thousand (31 December 2009: TRY 238 Thousand).

11. Information on derivative financial assets for hedging purposes:

None.

12. Information on tangible fixed assets:

Current Period (31.12.2010)	Real-Estates	Non-Current Assets to be Disposed	Vehicles	Other	Total
Cost					
Balance at the beginning of the period	122.816	4.761	279	5.591	133.447
Provision for impairment	(62.335)	(269)	-	-	(62.604)
Movements during the period					
-Additions	467	5.636	93	606	6.802
-Disposals (-)	-	(2.344)	(279)	(28)	(2.651)
-Classified as investment property (-)	(3.762)	-	-	-	(3.762)
-Provision for impairment (-)	-	(114)	-	-	(114)
-Reversal from provision for impairment (-)	540	257	-	-	797
Balance at the end of the period	57.726	7.927	93	6.169	71.915

Accumulated Depreciation					
Balance at the beginning of the period	23.099	193	279	3.184	26.755
Movements during the period					
-Depreciation charge (*)	2.388	83	17	997	3.485
-Disposals (-)	-	(33)	(277)	(30)	(340)
-Reversal from depreciation (-)	-	(84)	-	-	(84)
-Classified as investment property (-)	(655)	-	-	-	(655)
-Provision for impairment (-)	-	-	-	-	-
Balance at the end of the period	24.832	159	19	4.151	29.161
Net book value at the end of the period	32.894	7.768	74	2.018	42.754

(*) TRY 21 Thousand of depreciation charge of non-current assets to be disposed which is equal to TRY 83 Thousand was presented under other operating expenses.

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Prior Period (31.12.2009)	Real-Estates (*)	Non-Current Assets to be Disposed	Vehicles	Other	Total
Cost					
Balance at the beginning of the period	122.816	4.873	279	5.480	133.448
Provision for impairment	(69.611)	(184)			(69.795)
Movements during the period					
-Additions	-	1.381	-	385	1.766
-Disposals (-)	-	(1.493)	-	(274)	(1.767)
-Provision for impairment (-)	-	(85)	-	-	(85)
-Reversal from provision for impairment (-)	7.276	-	-	-	7.276
Balance at the end of the period	60.481	4.492	279	5.591	70.843
Accumulated Depreciation					
Balance at the beginning of the period	20.643	353	279	2.560	23.835
Movements during the period					
-Depreciation charge	2.456	55	-	890	3.401
-Disposals (-)	-	(215)	-	(266)	(481)
-Reversal from depreciation (-)	-	-	-	-	-
-Provision for impairment (-)	-	-	-	-	-
Balance at the end of the period	23.099	193	279	3.184	26.755
Net book value at the end of the period	37.382	4.299	-	2.407	44.088

(*) Includes investment properties.

13. Information on intangible assets:

	Current Period (31.12.2010)	Prior Period (31.12.2009)
Cost		
Balance at the beginning of the period	1.454	1.360
Movements during the period		
-Additions	186	94
-Disposals(-)	-	-
Balance at the end of the period	1.640	1.454
Accumulated Depreciation		
Balance at the beginning of the period	948	493
Movements during the period		
-Depreciation charge	429	455
-Disposals	-	-
Balance at the end of the period	1.377	948
Net book value at the end of the period	263	506

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14. Information on investment properties:

As of 31 December 2010 the Parent Bank has investment properties held for rent whose net book value is TRY 2.492 Thousand. According to appraisal report prepared by an independent and CMB registered real-estate appraiser company and issued in January 2010, fair value of the investment properties is determined as TRY 5.449 Thousand. For some of the real-estates , TRY 540 Thousand provision is set. As of 31 December 2010, the Parent Bank has rental income equal to TRY 266 Thousand.

	Current Period (31.12.2010)
Cost	
Balance at the beginning of the period	-
Provision for impairment	-
Movements during the period	
-Additions	-
-Disposals(-)	-
-Classified as investment property (-)	3.762
-Provision for impairment(-)	(540)
-Reversal from provision for impairment (-)	-
Balance at the end of the period	3.222
Accumulated Depreciation	
Balance at the beginning of the period	-
Movements during the period	
- Accumulated depreciation classified to investment properties (-)	655
- Depreciation charge	75
-Classified to investment properties(-)	-
-Disposals	-
-Provision for impairment(-)	-
Balance at the end of the period	730
Net book value at the end of the period	2.492

(*) In prior year's financial statements, investment properties have been classified under tangible fixed assets (real estates).

15. Information on deferred tax assets:

As of 31 December 2010, the Group has deferred tax asset amounting to TRY 6.375 Thousand and deferred tax liabilities amounting to TRY 49 Thousand. Since deferred tax asset and liability arise for the Parent Bank and its consolidated subsidiary separately related balances are presented in assets and liabilities separately. The Group has computed deferred tax asset or liability on temporary differences arising from carrying values of assets and liabilities in the accompanying financial statements and their tax bases. In the case assets or liabilites which are subject to deferred tax calculation are presented under shareholders' equity, calculated deferred tax asset/liability has been also presented under shareholders' equity. The Group has no deferred tax assets calculated for period losses or tax deductions as of December 31, 2010 (December 31,2009 :TRY 9.008 Thousand).

	Current Period (31.12.2010)	Prior Period (31.12.2009)
Deferred tax asset/liability		
Provision for impairment of tangible fixed assets	76	53
Retirement pay provision	3.605	3.305
Provision for non-performing loans	2.841	4.170
Valuation of financial assets	(155)	(181)
Other	(41)	1.661
Total	6.326	9.008

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Movement of deferred tax assets:

	Current Period (31.12.2010)	Prior Period (31.12.2009)
Net book value at the beginning of the period	9.008	8.452
Deferred tax income/loss (Net)	(2.024)	556
Deferred tax classified under shareholders' equity	(658)	-
Total	6.326	9.008

16. Information on assets held for sale and discontinued operations:

None.

17. Information on other assets:

Other assets amounting to TRY 3.908 Thousand (31 December 2009: TRY 3.047 Thousand) include inventory amounting to TRY 50 Thousand (31 December 2010: TRY 36 Thousand), prepaid expenses amounting to TRY 2.751 Thousand (31 December 2009: TRY 2.245 Thousand), temporary account debtor amounting to TRY 474 Thousand (31 December 2009: TRY 596 Thousand), sundry receivables amounting to TRY 97 Thousand (31 December 2009: TRY 168 Thousand), receivables from asset sales on credit terms amounting to TRY 521 Thousand, accrual of fund management fee amounting to TRY 14 Thousand, receivables from state institutions and organizations amounting to TRY 1 Thousand (31 December 2009: TRY 2 Thousand).

II. Explanations and Notes Related to Consolidated Liabilities:

1. Information on maturity Structure of Deposits:

The Parent Bank is not authorized to accept deposits.

2. Information on derivative financial liabilities held-for-trading:

2.a) Negative differences related to derivative financial liabilities held-for-trading:

Derivative financial liabilities held-for-trading	Current Period (31.12.2010)		Prior Period (31.12.2009)	
	TRY	FC	TRY	FC
Forward transactions	38	-	-	-
Swap transactions	-	-	-	-
Futures transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
Total	38	-	-	-

3. Information on funds borrowed:

3.a) Information on banks and other financial institutions:

	Current Period (31.12.2010)		Prior Period (31.12.2009)	
	TRY	FC	TRY	FC
From Central Bank of the Republic of Turkey	-	-	-	-
From domestic banks and institutions	-	256.824	2.167	186.568
From foreign banks, institutions and funds	-	699.555	-	446.448
Total	-	956.379	2.167	633.016

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3.b) Maturity structure of funds borrowed :

	Current Period (31.12.2010)		Prior Period (31.12.2009)	
	TRY	FC	TRY	FC
Short-term	-	98.658	2.167	15.637
Medium and long-term	-	857.721	-	617.379
Total	-	956.379	2.167	633.016

3.c) Additional information for the areas of libility concentrations:

As the Parent Bank is not authorized to accept deposits, liabilities are composed of funds obtained from domestic and international financial institutions, medium and long term loans.

Most of the loans from international finance institutions are from World Bank, European Investment Bank, European Commission Development Bank, Islamic Development Bank and French Development Agency. Domestic loans are from Eximbank and Undersecretariat of Treasury.

3.c.1) Explanations on funds:

Material part of the domestic funds amounting to TRY 91.300 Thousand is from Undersecretariat of Treasury. Loans disbursed to investor companies in Cyprus from funds obtained from Undersecretariat of Treasury amount to TRY 78.505 Thousand and the risk of these loans does not belong to the Parent Bank.

3.c.2) Information on funds provided under repurchase agreements:

TRY 335 Thousand which is provided under repurchase agreements belongs to real persons and legal entities.

4. If other liabilities exceed 10 % of the balance sheet total, name and amount of sub-accounts constituting at least 20 % of grand total:

Other liabilities do not exceed 10% of the balance sheet total.

5. Explanations on financial lease payables (net):

The Group has no financial lease payables.

6. Information on derivative financial liabilities for hedging purposes:

The Group has no derivative financial liabilities for hedging purposes.

7. Explanations on Provisions:

7.a) Information on general provisions:

	Current Period (31.12.2010)	Prior Period (31.12.2009)
General Provisions	5.704	7.480
Allocated for Group - I loans and receivables	4.045	4.224
Allocated for Group - II loans and receivables	1.356	2.399
Allocated for non-cash loans	14	21
Other	289	836

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

There are no foreign exchnage loss provisions on the foreign currency indexed loans and finance lease receivables.

7.c) Specific provisions provided for unindemnified non-cash loans:

There are no specific provisions for unindemnified non-cash loans.

7.d) Employee benefits provisions:

The Group accounts for the provisions for employee benefits in accordance with the Turkish Accounting Standarts No: 19 and recognizes in financial statements.

As of 31 December 2010, the Group set provision for employee benefits equal to TRY 18.020 Thousand.

	Current Period (31.12.2010)	Prior Period (31.12.2009)
Liabilities at the beginning of period	17.541	15.488
Charge for the period	2.553	2.694
Payments in the period	(1.874)	(641)
Liabilities at the end of period	18.220	17.541

8. Explanations on tax liabilities:

8.a) Information on current tax liability:

8.a.1) Information on tax provision:

Corporation tax and deferred tax	Current Period (31.12.2010)		Prior Period (31.12.2009)	
	TRY	FC	TRY	FC
The corporate tax payable (*)	3.103	-	6.471	-
Deferred tax payable	49	-	-	-
Total	3.152	-	6.471	-

(*) The balance as of 31 December 2010 is the net value of tax provision amounting to TRY 5.350 Thousand and prepaid taxes amounting to TRY 2.247 Thousand.

8.a.2) Information on taxes payable

	Current Period (31.12.2010)	Prior Period (31.12.2009)
Corporate tax payable	3.103	6.471
Taxation on income on marketable securities	33	102
Property tax	1	1
Banking insurance transaction tax (BITT)	127	93
Foreign exchange transaction tax	-	-
Value added tax payable	34	1
Other	588	630
Total	3.886	7.298

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8.a.3) Information on premiums:

	Current Period (31.12.2010)	Prior Period (31.12.2009)
Social security premiums- Employee	81	92
Social security premiums- Employer	112	125
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	7
Unemployment insurance- Employer	12	13
Other	-	-
Total	211	237

8.b) Information on deferred tax liabilities, if any:

None.

9. Information on liabilities regarding assets held for sale and discontinued operations:

None.

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

None.

11. Information on shareholder's equity:

11.a) Presentation of paid-in capital:

	Current Period (31.12.2010)	Prior Period (31.12.2009)
Common Stock	160.000	160.000
Preferred Stock	-	-

11.b) Paid-in capital amount, explanation whether the registered share capital system is applicable for the Parent Bank, if so amount of registered capital ceiling:

Capital System	Paid-in capital	Ceiling
Registered capital	160.000	500.000

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

There is no share capital increases in the current period.

11.d) Information on additions from capital reserves to capital in the current period:

There is no increase from capial reserves.

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For the Year Ended December 31, 2010

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

The Parent Bank has no capital commitments.

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

The income of the prior periods, profitability and liquidity of the Parent Bank and projections for the successive periods are followed by Strategic Planning and Quality Management Directorate. Given the conditions of Turkish economy and the Parent Bank's prior period performance; within the framework of forecasts for revenue, profitability and liquidity, it is estimated that Parent Bank keeps the rate of increase in shareholders' equity and is not going to experience significant decreases in capital adequacy ratio.

11.g) Information on preferred shares:

The Parent Bank has no preferred shares.

11.h) Information on marketable securities valuation differences:

	Current Period (31.12.2010)		Prior Period (31.12.2009)	
	TRY	FC	TRY	FC
From associates, subsidiaries and jointly controlled entities (joint ventures)	-	-	-	-
Valuation difference	2.637	-	2.700	-
Foreign exchange difference	-	-	-	-
Total	2.637	-	2.700	-

12. Information on minority interests:

None.

III. Explanations and Notes Related to Consolidated Off-Balance Sheet Accounts

1. Information on off-balance sheet liabilities:

1.a) Nature and amount of irrevocable loan commitments:

	Current Period (31.12.2010)	Prior Period (31.12.2009)
Asset purchase commitments	1.000	-
Share capital commitments to associates and subsidiaries	18.773	20.348
Total	19.773	20.348

1.b) Nature and amount of possible losses and commitments from the off-balance sheet items including the below mentioned:

The Parent Bank has no possible losses arising from the off-balance sheet items.

1.b.1) Non-cash loans including guarantees, bank acceptances, guarantees substituting financial guarantees and other letters of credit:

Amount of the Parent Bank's letter of credit commitment is TRY 7.500 Thousand. The Parent Bank has no guarantee and bank acceptances.

1.b.2) Definite guarantees, tentative guarantees, suretyships and similar transactions:

Total amount of the Parent Bank's TRY letter of guarantees is TRY 47 Thousand (31 December 2009: TRY 47 Thousand.). TRY 1 Thousand of this amount is letter of customs guarantee and other part is letters of certain guarantees.

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1.c.1) Total non-cash loans:

	Current Period (31.12.2010)	Prior Period (31.12.2009)
Non-cash loans for providing cash loans	-	-
With original maturity of one year or less	-	-
With original maturity more than one year	-	-
Other non-cash loans	7.547	11.099
Total	7.547	11.099

1.c.2) Non-cash loans sectoral risk concentrations:

	Current Period (31.12.2010)				Prior Period (31.12.2009)			
	TRY	(%)	FC	(%)	TRY	(%)	FC	(%)
Agriculture	2	4,26	28	0,37	2	4,26	-	-
Farming and raising livestock	2	4,26	28	0,37	2	4,26	-	-
Forestry	-	-	-	-	-	-	-	-
Fishery	-	-	-	-	-	-	-	-
Industry	9	19,15	7.472	99,63	9	19,15	11.052	100
Mining and quarry	-	-	-	-	-	-	-	-
Manufacturing	9	19,15	-	-	9	19,15	-	-
Electricity, gas and water	-	-	7.472	99,63	-	-	11.052	100
Construction	1	2,12	-	-	1	2,12	-	-
Service	35	74,47	-	-	35	74,47	-	-
Wholesale and retail trade	-	-	-	-	-	-	-	-
Hotel and food services	-	-	-	-	-	-	-	-
Transportation and communication	-	-	-	-	-	-	-	-
Financial institutions	35	74,47	-	-	35	74,47	-	-
Real estate and leasing services	-	-	-	-	-	-	-	-
Self-employment services	-	-	-	-	-	-	-	-
Educational services	-	-	-	-	-	-	-	-
Health and social services	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total	47	100	7.500	100	47	100	11.052	100

1.c.3) Non-cash loans classified in Group I and II:

None.

2. Information on derivative financial instruments:

The Parent Bank's derivative instruments generally consist forward foreign currency buy/sell transactions. Derivatives are classified as held-for-trading according to TAS 39 "Financial Instruments: Recognition and Measurement".

3. Information on contingent liabilities and assets:

İstanbul Venture Capital Initiative (IVCI - A Luxemburg Investment Company Fund) is settled as a stock company having variable capital and subject to laws of Luxemburg. The Parent Bank has committed to buy "Group A" shares equal to nominal value of EUR 10 million and to pay this amount at the date determined by Fund according to its investment plan. The Fund's initial capital commintment was EUR 150 Million and its capital was increased to EUR 160 Million with new participants in March 2009. The Bank's participation was approved by Board of Directors of IVCI on 13 November 2007 and share purchase aggrement was signed at the same date.

The Parent Bank made payment of share capital amounting to EUR 800.000 constituting payments equal to EUR

Türkiye Kalkınma Bankası A.Ş.

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300.000 on 7 November, 2008, EUR 218.750 on 6 July 2009 and EUR 281.250 on 12 November 2010.

A lawsuit amounting to TRY 1.493 Thousand which is included in lawsuits against the Parent Bank has not been finalized yet. Since the lawsuit is not deemed likely to result against the Parent Bank, provision has not been provided in the financial statement.

4. Services supplied on behalf of others:

The Parent Bank acts as an intermediary for purchases and sales of securities on behalf of others and provides custody services.

IV. Explanations and Notes Related to Consolidated Income Statement:

1.a) Information on interest income on loans:

	Current Period (31.12.2010)		Prior Period (31.12.2009)	
	TRY	FC	TRY	FC
Interest on Loans (*)	29.265	25.112	38.430	19.498
Short term loans	99	2.860	1.534	849
Medium and long term loans	21.397	22.252	31.300	18.649
Interest on non-performing loans	7.769		5.596	
Premiums from resource utilization support fund	-	-	-	-

(*) Includes fees and commissions obtained from cash loans.

1.b) Information on interest income on banks:

	Current Period (31.12.2010)		Prior Period (31.12.2009)	
	TRY	FC	TRY	FC
From Central Bank of the Republic of Turkey	-	-	-	-
From domestic banks	3.646	31	853	49
From foreign banks	-	-	-	110
From foreign head office and branches	-	-	-	-
Total	3.646	31	853	159

1.c) Information on interest income on marketable securities:

	Current Period (31.12.2010)		Prior Period (31.12.2009)	
	TRY	FC	TRY	FC
From financial assets held-for-trading	5.948	-	15.822	-
From financial assets at fair value through profit and loss	-	-	-	-
From financial assets available-for-sale	4.707	-	-	-
From investments held-to-maturity	7.097	-	8.351	-
Total	17.752	-	24.173	-

1.d) Interest income from subsidiaries and associates:

	Current Period (31.12.2010)	Prior Period (31.12.2009)
Interest Income from Subsidiaries and Associates	15	204

(*) Interest income from subsidiaries and associaties for current period presents the interest received from Acıselsan A.Ş. which was transferred to Privatisation Administration on 24 May 2010.

Türkiye Kalkınma Bankası A.Ş.

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2.a) Information on interest expense on borrowings:

	Current Period (31.12.2010)		Prior Period (31.12.2009)	
	TRY	FC	TRY	FC
Banks(*)	95	422	1.003	676
Central Bank of the Republic of Turkey	-	-	-	-
Domestic Banks	95	420	1.003	665
Foreign Banks	-	2	-	11
Foreign Head Office and Branches	-	-	-	-
Other Institutions	513	10.168	707	12.129
Total	608	10.590	1.710	12.805

2.b) Interest expenses to subsidiaries and associates:

None.

2.c) Information on interest on securities issued:

The Parent Bank has no securities issued.

3. Information on dividend income:

	Current Period (31.12.2010)	Prior Period (31.12.2009)
From financial assets held-for-trading	-	-
From financial assets at fair value through profit and loss	-	-
From financial assets available-for-sale	31	113
Other	294	233
Total	325	346

4. Information on trading profit/loss:

	Current Period (31.12.2010)	Prior Period (31.12.2009)
Profit	5.008	8.688
Profit from the capital market operations	694	5.264
Profit on derivative financial instruments	637	-
Foreign exchange gains	3.677	3.424
Loss (-)	2.208	1.243
Loss from the the capital market operations	1	-
Loss on derivative financial instruments	130	-
Foreign exchange losses	2.077	1.243

5. Information on other operating income:

	Current Period (31.12.2010)	Prior Period (31.12.2009)
Income from sale of assets	1.388	2.692
Reversals from prior years' provisions	14.853	10.770
Other	1.235	1.471
Total	17.476	14.933

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6. Provision expenses for impairment on loans and other receivables:

	Current Period (31.12.2010)	Prior Period (31.12.2009)
Specific provisions on loans and other receivables	534	8.854
Group- III loans and receivables	14	17
Group- IV loans and receivables	3	73
Group-V loans and receivables	517	8.764
General loan provision expenses	-	2.929
Provision expenses for possible losses	-	-
Marketable securities impairment expenses	-	-
Financial assets at fair value through profit and loss	-	-
Financial assets available-for-sale	-	-
Impairment losses from associates, subsidiaries, jointly controlled entities (joint ventures) and investments held-to-maturity	556	-
Associates	556	-
Subsidiaries	-	-
Jointly controlled entities (joint ventures)	-	-
Investments held-to-maturity	-	-
Other	-	-
Total	1.090	11.783

7. Information on other operating expenses:

	Current Period (31.12.2010)	Prior Period (31.12.2009)
Personnel expenses	42.620	40.534
Provision for employee termination benefits	2.553	2.694
Provision expense for bank social aid fund deficits	-	-
Fixed assets impairment expense	-	-
Depreciation expenses of fixed assets	3.477	3.347
Intangible assets impairment expense	-	-
Goodwill impairment expense	-	-
Amortization expenses of intangible assets	429	452
Impairment expense for equity shares subject to the equity method accounting	-	-
Impairment expense of assets that will be disposed	30	85
Amortization expenses of assets that will be disposed	62	55
Impairment expense for non-current assets held for sale and discontinued operations	-	-
Other operating expenses	7.013	7.043
Operational leasing expenses	47	528
Maintenance expenses	734	1.536
Advertisement expenses	154	173
Other expenses (*)	6.078	4.806
Loss on sale of assets	1.272	1
Other	1.912	2.063
Total	59.368	56.274

(*) Other expenses consist of cleaning expenses equal to TRY 1.598 Thousand (December 31, 2009: TRY 1.256 Thousand), heating, lighting and water expenses equal to TRY 719 Thousand (December 31, 2009: TRY 725 Thousand), rent expenses equal to TRY 513 Thousand (December 31, 2009: TRY 483 Thousand), security expenses equal to TRY 553 Thousand (December 31, 2009: TRY 435 Thousand), nursery expenses equal to TRY 309 Thousand (December 31, 2009: TRY 290 Thousand), communication expenses equal to TRY 351 Thousand (December 31, 2009: TRY 303 Thousand), computer usage expenses equal to TRY 255 Thousand (December 31, 2009: TRY 270 Thousand), vehicle expenses equal to TRY 253 Thousand (December 31, 2009: TRY 176 Thousand) and depreciaiton expenses equal to TRY 21 Thousand which is allocated in the current period for three real estates regarding the year 2009 (December 31, 2009: None). Remaining balance amounting to TRY 1.506 Thousand (December 31, 2009: TRY 868 Thousand) consists of other miscellaneous expenses.

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

As of 31 December 2010, the Group's income before tax from the continuing operations is TRY 27.900 Thousand and the Parent Bank has no discontinued operations.

9. Information on tax provisions for continuing and discontinued operations:

As of December 31, 2010, the Group's income tax provision from continuing operations amounting to TRY (7.374) Thousand (31 December 2009: TRY (5.915) Thousand) consists of TRY (5.350) Thousand of current tax charge (31 December 2009: TRY (6.471) Thousand) and TRY (2.024) Thousand of deferred tax (charge)/benefit (31 December 2009: TRY 556 Thousand).

10. Information on net profit/loss of the period from continuing and discontinued operations:

The Group has earned net profit equal to TRY 20.526 Thousand from continuing operations between 1 January 2010 and 31 December 2010.

11. Information on net profit/loss:

11.a) The nature and amount of income and expenses from ordinary banking operations, if their nature, amount and frequency is required for the complete understanding of the performance of the Parent Bank in the current period:

None.

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

There is no changes in accounting estimates.

12. If the other items in the income statement exceed 10 % of the income statement total, sub-accounts amounting to at least 20 % of these items are presented below:

None.

V. Explanations and Notes Related to Consolidated Statement of Changes in Shareholders' Equity:

In legal records, paid-in capital is TRY 160.000 Thousand. As of the balance sheet date, the balance of legal reserves is TRY 28.602 Thousand and the balance of extraordinary reserves is TRY 94.677 Thousand.

Marketable securities valuation differences is TRY 2.637 Thousand and arising from valuation differences of securities available-for-sale.

VI. Explanations and Notes Related to Consolidated Cash Flow Statement:

1. Information related to cash and cash equivalents:

Operating profit before changes in operating assets and liabilities is TRY 69 Thousand (December 31, 2009: TRY 20.124 Thousand). The balance consists of interest income on loans and securities amounting to TRY 90.613 Thousand (December 31, 2009: TRY 53.094 Thousand) and interest expense on borrowings amounting to TRY 16.410 Thousand (December 31, 2009: TRY 17.504 Thousand).

The effect of change in foreign exchange rate on cash and cash equivalents is stated, approximately, as TRY 952 Thousand as of December 31, 2010. (December 31, 2009: TRY 2.181 Thousand)

Cash in TRY, cash in foreign currency, unrestricted accounts of Central Bank of the Republic of Turkey, money in transit, bank cheques purchased, money market transactions and placements up to 3 months are identified as cash and cash equivalents.

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2. Cash and cash equivalents at the beginning of the period:

	Current Period (31.12.2010)	Prior Period (31.12.2009)
Cash	8.380	17.154
Cash in TRY and foreign currency	92	78
Demand deposits at banks	8.288	17.076
Cash equivalents	197.337	215.078
Interbank money market placements	110.600	178.016
Time deposits at banks	86.737	37.062
Total cash and cash equivalents	205.717	232.232

The total amount arising from prior period transactions equals to total amount of current period cash and cash equivalents.

3. Cash and cash equivalents at the end of the period:

	Current Period (31.12.2010)	Prior Period (31.12.2009)
Cash	5.979	8.380
Cash in TRY and foreign currency	125	92
Demand deposits at banks and Central Bank of the Republic of Turkey	5.854	8.288
Cash equivalents	105.580	197.337
Interbank money market placements	-	110.600
Time deposist at banks	105.580	86.737
Total cash and cash equivalents	111.559	205.717

VII. Explanations Related to Risk Group of the Parent Bank:

Predicted limitations determined in the Banking Law are maintained through internal regulations in the Parent Bank which has no transactions related to deposit acceptance. For the transactions with risk groups, normal customer relationships and market conditions are taken into account. The Parent Bank adopts policies that restrict the balance of transactions with risk groups in total assets and liabilities. Practices are carried out in accordance with this policy.

a) Current Period:

Risk Group	Subsidiaries, Associates and Jointly Controlled Entities (Joint Ventures)		Direct or Indirect Shareholders of the Bank		Other Real and Legal Persons in the Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables	-	-	-	-	-	-
Beginning Balance	783	-	-	-	-	-
Closing Balance	-	-	-	-	-	-
Interest and Commissions Income	15	-	-	-	-	-

(*) Current period amount from subsidiaries and associates is the interest received from Aciselsan A.Ş. which was transferred to Privatisation Administration on 24 May 2010.

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b) Prior period:

Risk Group	Subsidiaries, Associates and Jointly Controlled Entities (Joint Ventures)		Direct or Indirect Shareholders of the Bank		Other Real and Legal Persons in the Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables	-	-	-	-	-	-
Beginning Balance	703	-	-	-	-	-
Closing Balance	783	-	-	-	-	-
Interest and Commissions Income	204	-	-	-	-	-

c) Information on forward transactions, option contracts and similar transactions between the Parent Bank and its risk groups:

None.

3) Information on remuneration and benefits provided for the senior management of the Parent Bank:

Salaries and dividend paid to members of Board of Directors, Supervisory Board, General Manager ve Vice General Managers are presented below.

	Current Period (31.12.2010)	Prior Period (31.12.2009)
Salary	858	755
Dividend and fringe benefits	127	126
Total	985	881

VIII. Explanations Related to the Parent Bank's Domestic, Foreign and Off-shore Branches and Representatives Abroad:

	Number	Number of Employees		
Domestic branches (*)	1	14	Country	
Foreign rep-offices	-	-	1-	
			2-	
			3-	
			Total Assets	Capital Capital
Foreign branches	-	-	1-	-
			2-	-
			3-	-
Off-shore branches	-	-	1-	-
			2-	-
			3-	-

(*) Total number of employees is 712 and 14 of them are employed at İstanbul Branch.

IX. Explanations Related to the Subsequent Events:

None.

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SECTION VI OTHER EXPLANATIONS

I. Other explanations on Operations of the Parent Bank:

The summary of information on the Parent Bank's rating by international rating agencies:

The international ratings of the Parent Bank are performed by Fitch IBCA and summary of the results as of 31 December 2010 and 31 December 2009 are presented below:

	31.12.2010	31.12.2009
Foreign Currency Commitments		
Long Term	BB+	BB+
Short Term	B	B
Outlook	Positive	Stable
Turkish Lira Commitments		
Long Term	BB+	BB+
Short Term	B	B
Outlook	Positive	Stable
National		
Long Term	AA+(TUR)	AA+(TUR)
Outlook	Stable	Stable
Individual Rating	D	D
Support Points	3	3
Support Rating Floor	BB+	BB+

SECTION VII INDEPENDENT AUDITOR'S REPORT

I. Explanations on Independent Auditor's Report:

The consolidated financial statements as of 31 December 2010 were audited by DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (Member of Deloitte Touche Tohmatsu Limited) and Independent Auditor's Report dated April 08, 2010 is presented preceding the consolidated financial statements.

II. Explanations and Notes Prepared by Independent Auditor:

None.

Türkiye Kalkınma Bankası A.Ş.

Head Office

Necatibey Caddesi No: 98 Kızılay/ANKARA

Tel: +90 (312) 231 84 00 Faks: +90 (312) 231 43 41