

TÜRKİYE KALKINMA BANKASI A.Ş.
2011 ANNUAL REPORT



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A strong contribution to Turkey's sustainable economic development	A selective member of the development banking area, the functions and importance of which has been gradually increasing	A public bank whose raison d'être is to be in the private sector	A bank subject to the provisions of the private law
<p>The foundations of the Development Bank of Turkey were laid down in 1975. Contributing to Turkey's sustainable development with its robust resource structure, competencies and capacity, the Development Bank of Turkey has been playing an effective role in Turkey's progress towards its development targets since its foundation, and fulfilled important tasks to this end.</p>	<p>The Development Bank of Turkey is a selective member of the development banking area, the functions and importance of which have been gradually increasing in terms of its general structure within the banking industry. With its mission aimed at increasing the rate of employment, the level of income and the degree of prosperity of Turkish people, the Development Bank of Turkey supports the financing of fixed and operating capital investments in the following sectors: energy, industry, tourism, finance, education and health.</p>	<p>As its raison d'être, the Development Bank of Turkey assumes, to financially support the investment and entrepreneurship potential of the private sector – primarily in such areas as energy, industry and tourism – in every step of the production-trade-service cycle.</p>	<p>The Development Bank of Turkey, a development and investment bank which is configured as a joint-stock company, is subject to the provisions of the private law.</p> <p>With its total assets reaching US\$ 1.5 billion at the end of 2011, the Development Bank of Turkey has TRY 500 million in registered capital, TRY 160 million of which is paid-in capital.</p> <div data-bbox="1197 1377 1492 1444">  Kalkınma </div>



99.08% of the shares of the Development Bank of Turkey are held by the Undersecretariat of Treasury of the Prime Ministry of Republic of Turkey. The remaining shares of the Bank are traded on the ISE National Market under the **KLNMA** ticker.



Development banks are financial service providers that predominantly serve under the control of the public in order to provide solutions for the long-term financing needs of countries in their progress towards development.

The basic functions of development banks are to evaluate, manage and monitor investment projects, as well as to ensure the distribution of resources to selected sectors and/or regions in line with sustainable growth policies.



Our Mission, Vision and Strategic Goals

Mission

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

- support investments of enterprises organized as joint stock companies by providing loans obtained from domestic and international sources,
- directly participate in pioneer/model enterprises,
- provide technical assistance to entrepreneurs, and
- facilitate the development of capital markets

in order 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 a regional, sectoral and technological basis and finances them effectively and quickly,
- supports investors by empowering and encouraging them, and by providing them with technical assistance.

Strategic Goals

- to support investments that will ensure economic and technological progress nationwide and increase efficiency and competition;
- to contribute towards settling social problems in underdeveloped areas as well as the problems in developed areas arising from urban migration, by implementing projects in line with the results of studies that would be performed to raise investment and production awareness in terms of technological, economic, social and cultural aspects for the elimination of regional development differences;
- to ensure that our Bank plays an active role in the determination of macro policies and sectoral strategies for the development of our country, as well as in the creation and implementation of respective encouragement mechanisms;
- to cover the financing needs of foreign exchange earning companies by means of domestic and international sources;
- to ensure the coverage of entrepreneurs' demands, by principles of efficiency and productivity;
- to support our national entrepreneurs' investments abroad, particularly in the Turkic Republics; and
- to activate investment banking functions.

The Development Bank of Turkey and the Environment

As a development and investment bank, the Development Bank of Turkey

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

Factors that set the Development Bank of Turkey apart in its sector...

With its strong and deeply rooted experience in project evaluation, the Development Bank of Turkey evaluates investments based on the principles of efficiency and productivity, while effectively financing the feasible ones.

With its long-term resource structure, the Development Bank of Turkey responds to its customers' long-term project financing needs, differentiating itself in its sector.

With its extensive support for the energy sector, the Development Bank of Turkey offers a positive contribution towards reducing the current account deficit, which is the most important problem facing the Turkish economy.

The Development Bank of Turkey provides financing support to small scaled enterprises through the apex method, which the Bank has been implementing together with multi-branch local banks for the last three years.

The cheap and long-term resources provided from international financial institutions play a significant role in the effectiveness of the Development Bank of Turkey in its area.

With its team of specialists who boast sectoral knowledge, as well as national and international field experience with respect to consultancy and technical assistance services, the Development Bank of Turkey supports and provides concrete contributions to the efforts of corporations and enterprises from various sectors to improve their potential.

In addition, the primary strengths and competitive advantages of the Development Bank of Turkey can be listed as:

- its knowledge and experience in the field of development and investment banking;
- its ability to provide project based and controlled financing;
- its highly qualified and well-trained human resources who are technically equipped;
- its sustainability-based collaboration with international institutions;
- its cautious and meticulous approach in its financing policies; and
- the successful development and investment projects that it has accomplished throughout its corporate history.

The Development Bank of Turkey: From Past to Present

1975

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

With its strong foundations and consistent organizational structure, the Bank has assumed an important mission in Turkey's progress towards its growth targets. The foundations of the Development Bank of Turkey were laid down with Devlet Sanayi ve İşçi Yatırım Bankası (DESİYAB) A.Ş., which was founded as an incorporated company with a legal entity as per the Statutory Decree no: 13 and dated November 27th, 1975 within the framework of the Empowering Act no: 1877 and which was later turned into a development and investment bank subject to the provisions of the private law.

1988

The Bank was renamed as "Türkiye Kalkınma Bankası A.Ş." and was also authorized to finance sectors outside of the industrial sector.

With its structure and activities being reorganized in 1983, the Bank was renamed "Türkiye Kalkınma Bankası A.Ş." on July 15th, 1988 and was also authorized to finance sectors outside 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.

T.C. Turizm Bankası A.Ş. (Tourism Bank of Turkey) was merged into Development Bank of Turkey with all of its assets and liabilities in accordance with the Higher Planning Council's verdict dated January 20th, 1989. The Bank thus added the tourism sector to the areas it serves.

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 came into effect.

The Bank's charter act, Law No. 4456, was passed on October 14th, 1999 and entered effect after being published in the Official Gazette no. 23849 and dated October 17th, 1999. As a development and investment bank with a legal entity which was founded in the form of an incorporated company that is subject to the provisions set forth in this act as well as the provisions of the private law, the Development Bank of Turkey serves under the Prime Ministry.

2008

The Bank launched apex banking activities.

The Development Bank of Turkey started to carry out apex (wholesale) banking activities in cooperation with multi-branch local banks in order to support the investments of non-incorporated companies, thus starting to allocate resources to finance the investments of SMEs.

2010

The Bank's total assets exceeded US\$ 1 billion.

Demonstrating a healthy and efficient growth performance, the Bank's total assets exceeded US\$ 1 billion for the first time; also, its long-term resources provided from abroad increased by 51%.

2011

Continuing to unstintingly execute its corporate strategies, in 2011, the Development Bank of Turkey successfully carried out apex banking, consultancy and technical assistance services, which are its primary fields of activity.

Chairman's Message



The global financial crisis has brought us through a conjuncture where there is a greater need for development and investment banking for sustainable growth.

Esteemed shareholders,

The year 2011 marked the third year of the global financial crisis. Following the contraction in global economic activity in 2009, hopes for the future turned positive again in line with the relative economic recovery seen in 2010. In 2011, however, problems related to public finance, particularly in the Eurozone, once again demonstrated that the roots of the crisis are deep and radical solutions are needed to ensure a real recovery.

The global financial environment entered a difficult period and faced a number of challenges in the second half of 2011. Concerns over global economy deepened amid a concoction of sovereign risks, public debts, and fears over the future of the global economy and health of the banking systems in some countries. As a result, global investors began to retreat from risky assets throughout the world. This development led to a contraction in portfolio investments and paved the way for investors to exit emerging markets.

Developments in the Eurozone, triggered by the bottleneck in the Greek economy, led to a rapid plunge in global asset prices; this was followed by a further significant deterioration in credit conditions, particularly in developed countries. Increasing pressure on already tight credit conditions further raised concerns on the future of the global economy and the risks faced by developed countries. The possibility that the crisis would spread from Greece to Italy, Spain and Portugal forced European authorities - mainly the European Central Bank - to step up their search for a solution. The governments of Greece and Italy were changed, ushering in technocratic governments which began to implement bitter medicine, and to search for ways to exit the crisis.

The European Central Bank took a radical decision towards the end of the year and began to provide liquidity support to the banks in the Eurozone instead of direct

bond/bill purchases. In line with these decisions, the European Central Bank supplied € 489 billion in long-term loans with a low interest rate to a total of 523 banks in the Eurozone in December.

This attempt, which justified expectations that the European Central Bank would protect the Euro, marked an important step in establishing stability and trust in the market towards 2012. Data from the US economy went some way towards supporting a recovery in sentiment in the markets, which had already turned positive. Thus, the US economy, which demonstrated better than expected growth in the last quarter of the year, grew by 2.8% during the year.

Although expectations for 2012 differ, it is clear that the Eurozone will be in moderate recession in 2012. In its update report on the outlook for the global economy, published in January, the IMF revised its projection for the growth rate of the global economy in 2012 to 3.3%. The IMF envisages that the Eurozone will contract by 0.5% during the same period.

Emerging economies, which were the driving forces of the global economy during the global crisis, are expected to be affected by the general global situation in 2012 with a soft landing in their growth performances.

Following its strong growth of 8.9% in 2010, the Turkish economy achieved 11.6% growth in the first quarter of 2011. This higher than expected rate of growth placed Turkey as one of the few economies in the world to record such a high growth performance. However, with negative signals from international markets and the introduction of policies aimed at financial tightening, the Turkish economy lost momentum, particularly from the second quarter. As a result, Turkey's growth rate edged down from 8.8% in the second quarter to 8.2% in the third.

Despite the slight slowdown, the fact that the Turkish economy maintained its growth performance in a period in which the Eurozone - Turkey's largest trade partner - was struggling with economic challenges represents an important success. The strength and effectiveness of the regulatory environment in Turkey has played a crucial role in Turkey's macroeconomic performance in the recent period. At the same time, the strong position of the Turkish banking sector, after having undergone such a radical restructuring period in the early 2000's, has served as a particularly important factor in Turkey's economic resistance to the global financial crisis over the last three years.

The active market environment offered by the Turkish economy, which is estimated to have grown by about 8% in 2011, allowed the Development Bank of Turkey to provide an increasing degree of support to the business world by allocating long-term resources and by rendering technical assistance services.

Continuing to uncompromisingly execute its corporate strategies, the Development Bank of Turkey successfully carried out its activities in 2011 in such areas as project finance, apex banking, consultancy and technical assistance services, which are its primary fields of activity.

Founded in 1975, our Bank is Turkey's only publicly owned development and investment bank. The Development Bank of Turkey is a representative of the development banking area, whose functions and importance have been gradually increasing in terms of its general structure within the banking industry. Despite being a publicly owned bank according to its shareholding structure, the Development Bank of Turkey exists to support the private sector's investment and entrepreneurship potential by allocating resources and providing service in every area mainly industry and tourism sectors.

Our Bank is involved in a wide array of activities ranging from extending mid- and long-term loans to the private sector on a project basis, to consultancy and technical assistance.

During the 2000's, a period in which Turkey's changed and its integration into the global economy gradually gained momentum, our Bank succeeded in continuously generating value for our country through its competencies and a business model based on a high level of professionalism and knowledge. With our activities in the apex banking business line, which we have been dealing with in recent years, we expressed our support to SMEs and our commercial customers, who we believe to be the backbone and driving force of the Turkish economy. We also intensively support initiatives aimed at the development of renewable energy resources, which will be so important to the future of our country.

We predict that Turkey's sustainable macroeconomic growth in the near and medium term will be driven by the SME segment. With the capacity and strong resource structure, which we have been improving on the basis of such projections, we have focused on rapid growth as a service provider that covers the financial needs of SMEs in the most appropriate way through apex banking.

With the global financial crisis, we have entered into a conjuncture where there will be a greater need for development and investment banking to achieve sustainable growth. This is all the more vital, especially for emerging economies, where there is a weak propensity to save and less inclination towards capital accumulation.

Besides manufacturing industry, our country has been undertaking large-scale investments in key sectors such as renewable energy, energy efficiency, health and education in the recent period. We think investment demand in these areas will grow further in parallel with the strong growth demonstrated

by the Turkish economy. For this purpose, besides the need for long-term resources, services and solutions offered by the development banking based on knowledge and experience in various areas, particularly project evaluation and management, will play a key role.

2012 may be a year of both challenges and surprises, possibly at the same time. The outlook of the global economy remains unclear. In a period in which hopes and concerns dominate the financial markets, there is an on-going quest to return to a sustainable balance.

Whatever the market conditions, our Bank will provide unstinting support to the real economy with its strong product and service structure and its human resources, as well as its strength in accessing long-term resources, which represents our Bank's most important competitive advantage.

Our Bank will continue to stand ahead of the competition in the sector and achieve results that are valuable for all of our stakeholders in 2012 with the self-sacrificing efforts of our employees, the qualified support provided by our primary shareholder, the Undersecretariat of Treasury, and the trust and admiration of our domestic and foreign business partners.

I would like to take this opportunity to extend my gratitude to everyone who contributed to the sustainable performance of the Development Bank of Turkey, both in my name and on behalf of the Board of Directors.

Ahmet Yaman

Chairman of Board of Directors (A.)

General Manager's Message



Amid the difficult circumstances of the 3rd year of the global financial crisis in 2011, our Bank continued to support investors decisively.

Esteemed shareholders,

As the only publicly owned development bank in Turkey and with more than 36 years of experience in the field of development banking, the Development Bank of Turkey increasingly contributes to the financing of Turkey's sustainable development and growth.

In line with its founding mission, the basic function of the Development Bank of Turkey is to support economic growth, in other words to allocate resources to value-generating enterprises and to provide them with all-round services during their development. The long-term resources that we provide allow numerous enterprises from a range of sectors to carry out production, to create jobs, to export and to accumulate capital by restoring value. This process also contributes to Turkey's sustainable development.

I would proudly mention that we have provided resources for the development of many sectors and carried out many pioneering and exemplary activities since our foundation in 1975. During this time, our Bank was able to organize itself according to the unique needs of each period and assumed and successfully accomplished a number of difficult tasks, which commercial banks operating in Turkey had shied away from because of the associated risks; our Bank did not exercise any regional or sectoral differentiation in accomplishing these tasks. The activities carried out by the Development Bank contain many success stories. Our Bank offered significant support and provided an array of valuable contributions to the Turkish tourism sector, helping the sector reach its current strong position amid global competition. Our Bank continues to provide similar

contributions to such areas as education, health and manufacturing industry. Renewable energy is another sector to have gained significant importance for our Bank in recent years.

Providing our customers with increasing support in global crisis circumstances

Against the backdrop of the global financial crisis, which left behind its third year in 2011, our Bank continued unstintingly to support investors.

During the global crisis, we have uncompromisingly moved forward towards achieving our growth strategies and continued to support all sectors without changing our financing policies. Our Bank's performance, as summarized below, indicates the extent of the support that we have provided to the Turkish economy by transferring resources. On the other hand, the Bank further strengthened its position in Turkey as a business partner preferred by the international financial world and improved the competitive strengths of its long-term loan structure.

Continuing to enhance its successful trend in 2011

In 2011, the Development Bank of Turkey not only expanded its balance sheet size, but also significantly increased the total volume of resources which it allocates to its customers, as well as the added value that it produces for its stakeholders. Our strategy, based on efficient growth allows us to achieve strong financial and operating results.

Our total assets grew by 75% to TRY 2,794 million in 2011. In US\$ terms, our assets reached the threshold of US\$ 1.5 billion for the first time.

Chalking up a compounded annual growth rate of 37.5% between 2008 and 2011, the Development Bank of Turkey notched up a growth rate which exceeded the average of the banking industry and development banks peer group. By realizing such rapid asset growth, driven by the expansion in the Bank's loan volume and increasing volume of funds provided from money markets, the Development Bank of Turkey raised its market share among development banks to 6.7% in 2011.

Our loan volume increased by 57.8% compared to 2010 and reached to TRY 1,859 million. The total volume of resources extended by our Bank to private sector entrepreneurs for their fixed investments reached US\$ 1.5 billion. By the end of 2011, our Bank's 'loans to assets' ratio was realized as 66.5% higher than the average in the banking sector and the sub-group of development and investment banks.

Our Bank's return on assets fell in parallel with the sector during 2011. The growth in our total assets was accompanied by an increase in the amount of interest income we generated from loans and securities, as well as in our net profit margin. Our net interest income and commission revenues rose to a total of TRY 97.5 million in 2011. On the other hand, the following factors negatively affected our profit in the year: operating costs, which have exceeded the sector average for many years, the recognition of general loan provisions dating back from 2010 in the current year, the lack of FX gains, due to the fall in the value of the local currency, in contrast with what was seen in previous years, and the fall in other income, which is based on collections from overdue debts. Despite the negative market circumstances, our Bank generated TRY 32.2 million in operating profit as a result of its operations in 2011, and a net profit of TRY 23.8 million, which is higher than the Bank's net profit figure in 2010. Our net profit grew by 13% year-on-year in 2011, also in excess of the sector average.

The Development Bank of Turkey continued to maintain and expand its shareholders' equity in 2011. Our Bank's shareholders' equity rose to TRY 529 million, while its capital adequacy ratio was realized 58.3%, a higher figure than the average of the sector and the sub-group of development and investment banks.

In the recent period, our Bank has strategically preferred a customer-oriented approach and to serve under market competition.

The share of the incentive loans aimed at subsidizing specific regions and sectors in the total loan volume of the Development Bank of Turkey fell to just 6% in the 2000's. Our Bank underwent a structural transformation during this period and strengthened its position as a customer-oriented bank which offers products and services that cover the needs of the market, which attach value to development and change, and which has adapted to change by leading developments in the sector. While entering 2012, the Development Bank of Turkey had largely completed its restructuring and transformation process.

Our strong relations with foreign financial institutions play a major role in our efforts to support the real sector.

The cost-efficient long-term resources that we have achieved as a result of our positive relations with international financial institutions and the government's support play a major role in our efforts to strongly support the real sector by providing loans.

In 2011, we have intensively continued our cooperation with important international institutions such as the World Bank, European Investment Bank, Islamic Development Bank, the Council of Europe Development Bank, etc. within the framework of long-term credit package agreements that we signed with them.

In 2011, our Bank succeeded in receiving the highest volume of loans that it ever received at one time. In addition to the resources we provided from the World Bank within the context of renewable energy and energy efficiency projects, we concluded our efforts with respect to the additional US\$ 300 million resource and the related agreement was signed on December 5th, 2011. This paved the way for more than US\$ 1 billion in investment to be finalized through revolving disbursements of this facility and equity participations of final beneficiaries.

Defined in the infrastructure category, the energy sector fits our missions in this respect and is of considerable importance for us.

An analysis of the last 5 years clearly indicates the steady growth in the credit portfolio allocated by the Development Bank of Turkey for the energy sector as a result of our strategic preference of increasingly focusing on the energy sector.

The energy sector, which accounted for just 2% of our credit portfolio by the end of 2005, commanded more than 50% of the portfolio at the end of 2011. During this period, our Bank attached importance to supporting renewable energy investments in parallel with Turkey's priorities. As a result, we can proudly report that the Development Bank of Turkey was involved in the building of a total of 24 new power plants concluded in Turkey within the framework of renewable energy and energy efficiency projects that we supplied loans to.

Our Bank has evaluated a total of 132 projects related to energy investments and allocated TRY 2,784 million to 85 projects, with a total installed capacity of about 1,286 MW. The Development Bank of Turkey was one of the few first banks to provide loans for geothermal energy projects. In line with our efforts in this area, we provided loans to two facilities in Istanbul and Kayseri that generate

General Manager's Message

power from the landfill gas. As far as energy efficiency projects are concerned, we began to supply loans to the energy efficiency investments in areas such as iron and steel, cement and cogeneration plants.

The Development Bank of Turkey has attained a very high level in terms of specialization by adding energy and energy efficiency to its loan portfolio, including industrial and services sectors. We are determined to step up our contributions to reduce the outflow of foreign currency from Turkey by increasing the share of domestic resources in the Turkish energy market, where power generation is mostly carried out with imported natural gas. We have the necessary capacity, resources and competency to realize this.

Supporting SMEs throughout Turkey through apex banking

One of the financial instruments implemented by our Bank is apex banking (apex) operations, which can be defined as offering compatible and long-term foreign resources to numerous small investors by making use of the delivery channels of intermediary banks. Through apex operations, the Development Bank of Turkey is able to reach small-scaled enterprises by collaborating with commercial banks.

The share of loans supplied within the framework of apex banking, which is planned to be added to the Bank's primary fields of activity despite being a new practice, reached 10% during the year, demonstrating remarkable progress in a short space of time.

Within the framework of our apex banking activities, we completed 3 practices, while we are currently carrying out 4 projects. In most of the projects in this area, where the commitment limit of US\$ 230 million has already been reached, there is a requirement to direct 25% of the received loans to priority regions for development.

The long-term resources that we have procured from the World Bank and the Council of Europe Development Bank in 2011 have further enhanced our strength in this area. This attribute ensures our financing power competitive both in terms of maturity and interest rate and is highly valuable for us in performing our development banking mission.

Supporting venture capital funds in cooperation with iVCi (Istanbul Venture Capital Initiative)

Our Bank is also a founding partner of the iVCi (Istanbul Venture Capital Initiative) fund. With a value of € 160 million, the fund is the largest in the region, and was founded under the supervision of the European Investment Bank. The fund is used to support venture capital funds operating in Turkey.

Continuing to provide a full range of consultancy and technical assistance services of high added value

The Development Bank of Turkey offers its extensive experience of sectoral know-how and experience in the area of development to its customers both in Turkey and the nearby geographical region through consultancy and technical assistance services. Offering training and consultancy services to financial institutions, public institutions, trade bodies, universities and development agencies in Turkey, our Bank also operates in Azerbaijan, Bosnia-Herzegovina, the TRNC and Syria in nearby regions. We worked in close cooperation with a total of 11 development agencies in 2011.

The Development Bank of Turkey has attained a very high level of specialization by adding energy and energy efficiency to its loan portfolio including industrial and services sectors.

In 2012, as in previous years, we are preparing to extend our resources to investors' real sector projects, which have high competitive edge, reduce the current account deficit, produce high added value and contribute to employment.

The Small Enterprise Loan Program (SELP-II), a project launched by the European Union, demonstrated a successful performance, but is due to expire. We plan to ensure that the project continues, by turning it into a fund under the management of our Bank.

Responding to an increasing need for our Bank's products and services

One important development observed in the banking industry in the recent period has been the increasing need and demand for long-term resources and development banking products. The low inflation rate has changed the competitive landscape and the prospects of economic sustainability for all actors in the Turkish economy. Long-term thinking and planned growth have dominated the market, while risk management and economic rationality have gained considerable importance in investments.

Besides supplying resources to projects from various sectors of the developing and growing Turkey, the Development Bank of Turkey provides consultancy services throughout the entire project cycle beginning at the feasibility stage, thus sharing its know-how and competencies.

In the coming period...

The coming years will see a greater need for strong service providers like the Development Bank of Turkey. Thus, as of today where global economic circumstances are tougher and there is difficulty in accessing financial resources, development banking increases its influence. In a report dated February 2012, prepared by the World Bank based on the data of 90 local development banks in 61 countries, it was stated that those development banks operating in the regions falling under the scope of the study had increased their total assets by 36% during the crisis years of 2007-2009, while other banks had increased their total assets by a mere 10% in the same period. The report also noted that the credit volumes of development banks had increased in excess of the general trends between 2008-2010.

Growth and development require more resources, more knowledge and more experience. Our Bank will unstintingly continue to extend an increasing amount of resources to the Turkish economy and support economic development.

If the coming period brings positive developments in Turkey's FX credit rating, there will be a more appropriate environment for investment banking. In this context, our efforts to generate new resources through syndication loans and the issue of bonds will be at our agenda in 2012. Among other effective instruments that are made available for investments, we keep close view of venture capital and we will begin providing financing to projects jointly conducted by the public and private sectors.

In 2012, as in previous years, we prepare with the same determination to render our resources available to investors' real sector projects which are deemed to offer a competitive edge, reduce the current account deficit, generate high added value and contribute to employment.

Our mission and accurately defined business strategies have directed the focus of the Development Bank of Turkey on growth in 2012 and beyond. As long as our professional management team and employees execute their business with passion, we will be in a position to realize our corporate targets and generate an increasing amount of added value for Turkey.

I would like to thank our customers for their continuous support, while I extend my gratitude to the members of our Board of Directors for their precious guidance and all of our team members for their self-sacrificing efforts.

Metin PEHLİVAN
General Manager (A.)



Depending on other financial institutions' profit and risk perceptions, development banks play a key role in financing to challenging projects, as well as investments in sectors or regions that are not of a top priority for these institutions but strategically important for the country.

This role is further enriched with technical support, consultancy and training services provided to the investors. In this aspect, development banks are such organizations that pave the way for commercial banks and guide them.



Financial Summary, Capital and Shareholder Structure

Key Financial Indicators (TRY million)

	2010	2011	Change (Value)	Change (%)
Total Assets	1,597.2	2,793.8	1,196.6	74.9
Loans	1,178.2	1,859.2	681.0	57.8
Foreign Resources	1,083.5	2,264.9	1,181.4	109.0
Shareholders' Equity	513.7	528.9	15.2	3.0
Total Income	110.2	157.1	46.9	42.5
Total Expenditures	81.7	124.9	43.2	52.9
Provision for Taxes	7.4	8.4	1.0	13.5
Net Profit for the Period	21.1	23.8	2.7	12.8

The Development Bank of Turkey extended a total of US\$ 1.5 billion in resources for the investments of private sector entrepreneurs.

Key Ratios (%)

Loans / Total Assets	73.8	66.5
Shareholders' Equity / Total Assets	32.2	18.9
Return on Equity (ROE)	4.1	4.5
Return on Assets (ROA)	1.3	0.9
Capital Adequacy Ratio	75.2	58.3

Capital and Shareholding Structure

Shareholder	Share Capital	Share (%)
Undersecretariat of the 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.

The year-on-year rate of growth of the Bank's total assets in 2011

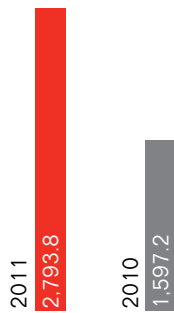
75%

The Development Bank of Turkey demonstrated a strong performance in 2011. Having expanded its total assets by 75%, the Bank increased its loan volume by 57.8%, well in excess of the average growth rate of the sector and the sub-group of development banks.

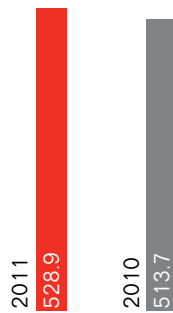
The Bank's loans to total assets ratio at the end of 2011

66.5%

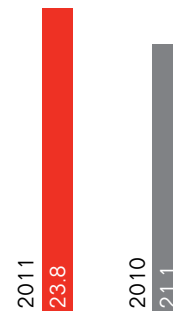
Total Assets (million TRY)



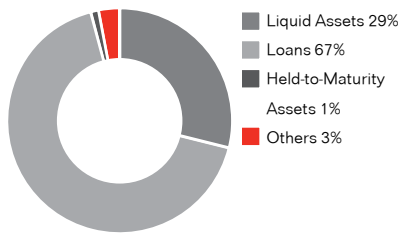
Shareholders' Equity (million TRY)



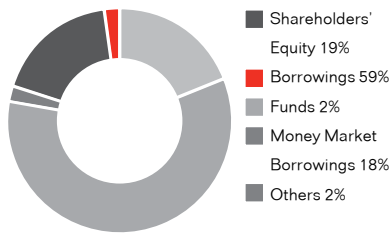
Net Profit for the Period (million TRY)



Assets Structure (%)



Liabilities Structure (%)



37.5%

With a compounded annual growth rate of 37.5% between 2008 and 2011, the Development Bank of Turkey grew at a rate in excess of the average growth rate of the banking industry and the sub-group of development banks.

The cost-efficient long-term resources that we have achieved as a result of our positive relations with international financial institutions and the government's support play a major role in our efforts to strongly support the real sector by extending loans.

The growth rate of funds provided from loan and money markets in 2011

111%

In 2011, while the banking sector and the sub-group of development and investment banks achieved the volume of funds received from loan and money markets by 47% and 49%, respectively, the volume of loans received by the Development Bank of Turkey increased by 111%. During the same period, the Bank signed a contract to receive foreign resources worth a total of US\$ 500 million.



As the only publicly owned development bank in Turkey, the Development Bank of Turkey was founded in 1975. With more than 36 years of experience in the field of development banking and in providing long-term resources, the Development Bank of Turkey continues to contribute to the “financing of Turkey’s development and growth”. In fulfilling this duty, the Bank has organized itself according to the unique needs of each period and assumed the difficult tasks avoided by other financial institutions, without differentiating in terms of region or entrepreneur.



Economic Developments in 2011: The World and Turkey

A global economic outlook overshadowed by uncertainty again in 2011

As a result of financial and monetary measures taken after the global economic crisis, the world economy began to normalize in the second half of 2009 and recovered rapidly in 2010. However, as a result of a series of developments, particularly the public debt crisis in the Eurozone, in the second half of 2011, the global outlook deteriorated again with uncertainty dominating the markets.

In addition to the supply-side problems caused by the devastating earthquake and tsunami disaster in Japan in the first quarter of the year, global economic growth was negatively affected by the consequences of natural disasters and climate change that were observed in various regions of the world in 2011.

There is now the prospect that the debt crisis, which broke out in highly indebted countries in the Eurozone such as Greece and Portugal, could spread to core economies as well as their banking sectors. This, combined with the feeble recovery in economic activity and employment in the USA and other developed countries, inevitably caused recession of growth rates in these countries.

Although emerging markets, which were the driving force behind the global recovery in the post-crisis period, have stronger economic foundations, they recorded lower growth rates compared to the previous year by being affected by the slowing global economic activity in this environment of uncertainty.

In its report entitled "World Economic Outlook", which was revised in September 2011 and January 2012, the IMF estimated that the world economy, which grew by 5.2% year-on-year in 2010, would grow by about 3.8% with the effect of economic circumstances in 2011. The IMF also announced that the average growth rate was 1.6% for developed countries and 6.2% for emerging markets. The world economy is expected to grow by 3.3% in 2012.

The debt stock problem in the Eurozone

The gaping budget deficit and public debt problem, which emerged in Ireland before spreading to Portugal and Greece, began to be felt more severely in the Eurozone, particularly from second quarter of 2011, despite all the measures taken.

The problems became more serious as a result of the failure to demonstrate strong determination both in terms of financially and administratively for the settlement of the debt crisis and they began to affect larger economies like Italy and Spain in 2011, which led to governments being brought down. Doubts over the resistance of the banking system during this period worsened the environment of uncertainty.

Against a backdrop of worsening concerns in the Eurozone, European leaders convened at the EU Leaders Summit in an attempt to solve the problem, where they stressed their determination to enhance economic coordination within the EU, reestablish an environment of trust and protect the integrity of the Eurozone. The leaders also reached a decision to increase the strength and the capacity of the European Financial Stability Facility (EFSF). In its report entitled "World Economic Outlook", which was revised in January 2012, the IMF projected that the growth rate of the Eurozone would decline from 1.6% in 2011 to -0.5% in 2012.

The public debt crisis that broke out in the Eurozone negatively affected USA and emerging economies through different channels, exacerbating concerns over the future of the world economy.

Earthquake and tsunami deals a heavy blow to the Japanese economy.

According to the IMF's report, the Japanese economy, which contracted by 6.3% in 2009 in the wake of the global crisis, was able to grow by 4.4% in 2010, due to the measures taken. However, it is estimated that Japan's economy contracted by -0.9% in 2011, because of the earthquake in March; however, reconstruction work launched in the aftermath of the earthquake look set to increase Japan's growth rate to 1.7% in 2012.

Slowdown in US economic growth

The US economy, which, according to the IMF, contracted by 3.5% in 2009 and grew by 3% in 2010, only managed 1.8% growth in 2011 as it felt the impact of developments in the world economy. The US economy is expected to post 1.8% growth in 2012.

Emerging markets affected by a contracting global economy

Despite stronger economic foundations, emerging markets were negatively affected by the contraction in the global economy and the environment of uncertainty in 2011. Due to declining global risk appetite, international capital flows weakened and the resulting fluctuations put pressure on these economies. However, thanks to their strong economic foundations and lively domestic demand, these countries demonstrated a relatively strong economic performance. According to the IMF's report, the Chinese economy grew by

9.2% in 2009, 10.4% in 2010 and 9.2% in 2011. China's economy is projected to grow by 8.2% in 2012.

Monetary policies aimed at tackling instability.

While the monetary policies implemented in developed economies were normalized during the first half of the year, as the global growth outlook worsened governments began to loosen these policies in the second half. Authorities in a number of developed economies announced that they would keep policy interest rates at their current low levels for some time. Emerging economies, on the other hand, preferred to implement monetary policies aimed at eliminating fluctuations in capital flows and exchange rate volatility in an environment of global uncertainty.

Several developing countries, like Russia and Belarus, began to raise policy interest rates, while another group of developing countries, including Turkey, deployed non-interest instruments like required reserves to protect the economy against macroeconomic risks.

A slowdown in international trade in goods and services

In parallel with the recovery in 2010, international trade volume in goods and services increased by about 12.7%. However, the growth rate fell to 6.9% with the effect of recession in 2011. A growth rate of 3.8% is envisaged for the 2012 full year.

Inflation starts to decline.

Inflation rates, which had started to increase in early 2011 with the positive effect of a normalizing economic environment as well as rising commodity prices, began to decline towards the end of the year as a result of the incoming signs of slowdown in the global economy and falling commodity prices.

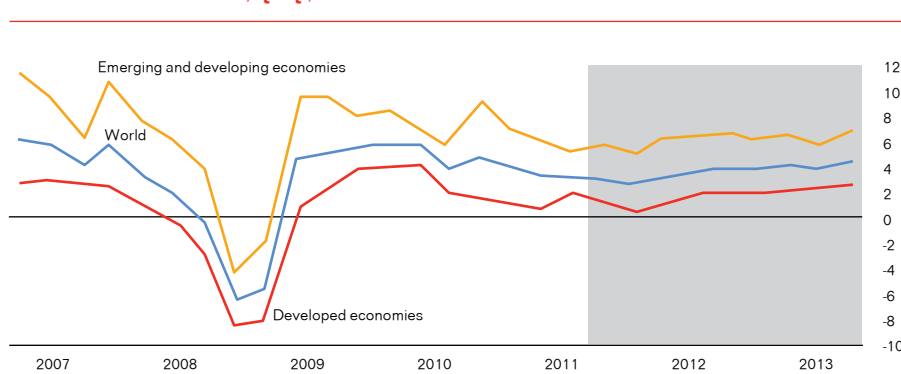
Consumer prices are estimated to have increased by about 2.7% in developed countries in 2011, while inflation is expected to ease to 1.6% in 2012 in parallel with the bleaker outlook for the global economy. In emerging markets, on the other hand, with their relatively lively domestic demand, consumer prices increased by 7.2% in 2011 due to the falls in local currencies. Inflation rates in emerging markets are expected to fall to 6.2% in 2012.

Unemployment to remain an important problem for some time

Unemployment - an important problem in the current circumstances - is expected to maintain its currently high levels in a number of developed economies.

The unemployment rate, which is estimated to have ended 2011 at around 9.9% in the Eurozone, is projected to remain at the same level in 2012. In the USA, with a more flexible labor market, unemployment is expected to decline from an estimated 9.6% at the end of 2011 to around 9.1% during 2012.

Global GDP Growth (%; QoQ; on an annual basis)



Source: IMF estimates

Economic Developments in 2011: The World and Turkey

A loss in economic momentum by the second quarter of 2011

Following its strong growth of 8.9% in 2010, the Turkish economy grew by 11.6% in first quarter of 2011, surpassing market expectations. This placed Turkey as one of the few economies in the world to demonstrate a high growth performance. However, Turkey's economic activity lost momentum from the second quarter of 2011. As a result, Turkey's economy grew by 8.8% in the 2nd quarter and 8.2% in the 3rd quarter.

The demand-side recovery in GDP has been driven by increasing private consumption and fixed capital investments. Because the increase in imports was greater than the increase in exports, net foreign trade of goods and services continued to have a negative impact on economic growth. In the third quarter of 2011, the manufacturing industrial production grew by 8.4%, the services sector grew by 9.8% and the agricultural sector posted 4.5% growth.

In 2010 – that was deemed to be the year of economic recovery - industrial manufacturing increased by 16.9%. However, there rate of growth declined, particularly in the last quarter of 2011. The consequences of tight monetary policies and weak foreign demand led to a slowdown in economic activity, particularly in the second quarter of 2011.

No significant fall in inflation is expected in the short term.

Because of the severe contraction in total demand and falling commodity prices in the post-crisis period, the rate of CPI (costumer price index) inflation declined from 8.4% in 2008 to 6.53% in 2009.

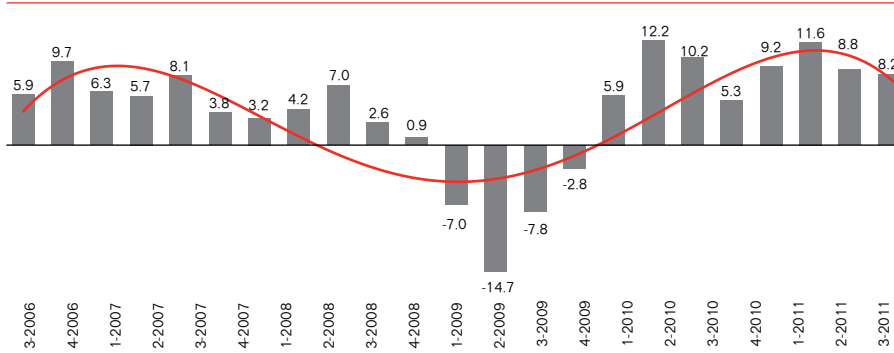
In 2010, on the other hand, inflation rates started to increase on the back of a growing economy. The annual rate of inflation edged up from 6.40% in December 2009 to 8.57% by December 2010. In 2011, the rate of CPI inflation inched up further to 10.45% by the end of the year. The reflections of exchange rate movements on basic commodity prices contributed to the increase in inflation.

The annual rates of producer price index (PPI) increased from 5.93% in 2009 to 8.87% in 2010 and 13.33% in 2011. The rise in PPI inflation in 2011 was caused by the elevated industrial sector index.

In parallel with the retreat in global risk appetite in the second half of 2011, there was a rapid jump in capital outflows from emerging markets, which precipitated a significant fall of the Turkish Lira. In response to the inflationary effect of this development, the Central Bank of Turkey (CBT) considerably raised the lending interest rate.

The consequences of tight monetary policies and weak foreign demand led to a slowdown in economic activity, particularly in the second quarter of 2011.

Annual Growth Rates - Quarterly (%)



In the CBT's inflation targeting, although monetary tightening is expected to limit inflationary pressures, no significant fall is expected in inflation in the short term due to the deepening in the debt problem in the Eurozone, uncertainty over oil prices and the base effect of food prices. The CBT's inflation targeting assumes that its tight monetary policy will be maintained for some time to come, while projecting an annual growth rate of around 15% in total loan volume, a 70% probability that the inflation rate will be between 5.1% and 7.9% (mid-level: 6.5%) in 2012, and that inflation will stabilize at around 5% in the medium-term under the assumption that the Turkish Lira is currently moderately overvalued.

Unemployment at 9.1% in the first 11 months of 2011

Looking at the economy with regard to employment, the proportion of the population in gainful employment increased from 41.2% in 2009 and 42.8% in 2010 to 44.9% in November 2011.

The rate of unemployment, that was 14% in 2009 and 11.4% in 2010, fell to 9.1% in November 2011.

Rising domestic demand contributed to the relative rise in employment rates. However, while the number of people employed in the services and construction sectors increased in 2011, no additional jobs were created in the industrial sector. In parallel with the recent negative developments in the USA and the European Union, no recovery in circumstances is expected in the industrial sector's employment in the short- and mid-term.

The export/import coverage ratio had been 56%

According to TurkStat's data, Turkey's exports rose by 18.5% in 2011, from US\$ 113,883 million in 2010 to US\$ 134,954 million in 2011. Imports, on the other hand, rose by 29.8% in 2011, from US\$ 185,544 million in 2010 to US\$ 240,833 million in 2011. As a result, the foreign trade deficit rose to US\$ 105,879 million in 2011. The export/import coverage ratio decreased from 61.4% in 2010 to 56% in 2011.

Continued widening in the current account deficit in 2011

The Turkish economy generally produces a current account deficit, with a strong link between the current account deficit and rates of growth. This is the result of the low ratio of domestic savings to domestic investments, and the fact that domestic investments are covered by foreign savings.

The Turkish economy's structural dependency, especially on intermediate goods as well as its dependence on foreign energy resources - mainly oil and natural gas - has a negative impact on the current account deficit. The current account deficit declined from US\$ 41.9 billion in 2008 to just US\$ 14.4 billion in 2009. The narrowing in the current account deficit in 2009 was mainly due to the contraction in the economy. The current account subsequently swelled to US\$ 46.6 billion in 2010 and widened by a further 65.3% in 2011 reach US\$ 77.1 billion. The 47.7% widening of the foreign trade deficit was the key factor contributing to the increase in the current account deficit in 2011.

Direct foreign capital investments and long-term cash inflows, which have long financed the current account deficit, are important in terms of the quality of current account financing, reducing economic fragility.

Foreign capital investments amounted to US\$ 15.7 billion in 2011. Portfolio investments, on the other hand, amounted to US\$ 22.1 billion in the same period. In 2011, the annual increase rate was 68.8% for foreign capital investments and 37.3% for portfolio investments.

The growing current account deficit problem in the Turkish economy, as well as the negative impacts of exchange rate related developments and, accordingly, a rising cost of imports on basic inflation indicators began to be felt more heavily. Besides sagging foreign demand, slowing domestic demand has led to downward risks on investments, which caused growth rates to fall from the second half of the year.

The Position of the Development Bank of Turkey in the Sector

As a selective participant of the Turkish banking sector, the Development Bank of Turkey increased its total assets at a compounded annual growth rate of 37.5% during and after the global crisis (covering the period 2008-2011), indicating that the Bank demonstrated a better performance than the sector (20.4%) and the sub-group of development and investment banks (22%).

	Development Bank of Turkey				
Assets (%)	2007	2008	2009	2010	2011
Liquid Assets	41.9	32.6	25.2	18.7	29.2
Loans	48.7	57.5	62.3	73.8	66.5
Non-Performing Loans (net) / Loans	0.7	0	3.5	2.3	2.6
Other Assets	9.4	9.9	12.5	7.5	4.3
Liabilities (%)					
Foreign Resources (FR)	44	52.7	61.2	67.8	81.1
Deposits/FR	0	0	0	0	0
Loans Received/FR	59.9	68.5	80.6	88.3	72.4
Other FR/FR	40.1	31.5	19.4	11.7	27.6
Shareholders' Equity	56	47.3	38.8	32.2	18.9
Net Profit for the Period (million US Dollar)	37	24	17	14	13
Return on Assets (%)	5.3	3.6	2	1.3	0.9
FR Assets/FR Liabilities (%)	108.8	103	101.1	100.4	95.0
Asset Growth Rate (%)	-7.5	25.2	25.7	24.1	75.0
Profit Margin (million US Dollar)	72	55	49	41	49
Profit Margin (FX) (million US Dollar)	-3	5	1	1	-1
Total Assets (million US Dollar)	707	683	866	1,042	1,494
Share in the Banking System	0.14	0.14	0.15	0.16	0.23
Share In the Sub-Group of Dev. and Inv. Banks	4.4	4.5	4.8	5.2	6.7

The Turkish Banking System System increased its total assets by as much as 20.9% in TRY terms to TRY 1,218 billion (US\$ 648 billion) in 2011. The asset growth rate of the sub-group of development and investment banks was 34.5%, a higher figure than the banking sector's average growth rate, due to rising demand in investment loans in the post-crisis period.

The share of liquid assets in the total asset composition of the banking system rapidly increased in 2009 due to the effect of the global crisis; however, it fell in 2010 and 2011 as loans were more preferred more in asset placements as the impacts of the crisis diminished. On the other hand, the share of loans - an indicator of functional performance - increased in 2010 and 2011. By the end of 2011, the ratio of loans to assets rose to 56% for the entire banking system and 55% for development and investment banks.

The Turkish banking system closed 2011 with a profit of US\$ 10.6 billion, corresponding to a 26.8% decline in the net profit for the period. The decline in the net profit margin was the principal reason behind the decline in the net profit.

Given that the Turkish banking sector, which was affected by the CBT's and BRSA's measures to restrict the credit growth during 2011, will be hit harder by the negative impacts of the debt problems in Europe and the low growth rate in developed countries, particularly in the periods to come, it would be reasonable to assume that growth in the banking sector will lose momentum, and the sector's profitability will be affected, accordingly.

The banking sector is expected to maintain its strategy of increasing the loans / assets ratio in 2012, as it did in 2010 and 2011. However, it is believed that mounting external impacts on exchange rates and interest rates will render the sector more sensitive to exchange rate and interest rate risks.

Development and Investment Banks					Turkish Banking System				
2007	2008	2009	2010	2011	2007	2008	2009	2010	2011
43.7	39.3	39.9	39	38.2	35.2	25.7	31.1	31	29.9
47.5	51	50.7	51.7	55.2	49.1	50.2	47.1	52.2	56.1
0.1	0.1	0.6	0.4	0.3	0.5	0.8	0.9	0.6	0.6
8.8	9.6	9.4	9.3	6.6	15.7	24.1	21.8	16.8	14.0
52.6	53.6	53.3	54.4	62.9	87	88.2	86.7	86.6	88.1
0	0	0	0	0	70.6	70.4	71.2	70.7	64.8
53	69.3	65.6	67	69.5	15	15.3	12.8	14.9	16.8
47	30.7	34.4	33	30.5	14.5	14.4	16	14.4	18.4
47.4	46.4	46.7	45.6	37.1	13	11.8	13.3	13.4	11.9
742	608	659	547	457	12,781	8,834	13,550	14,444	10,570
4.6	4	3.7	2.7	2.1	2.6	1.8	2.4	2.2	1.6
80.7	80.6	87.7	90	84.7	84.4	86.9	84.5	83.8	83.8
23.1	21.5	17.8	14.6	34.5	16.4	26	13.9	20.7	20.9
997	993	997	817	765	22,423	20,398	28,068	25,219	20,923
-33	44	-5	35	112	1,436	-1,004	425	384	-954
16,214	15,146	18,036	20,038	21,939	500,756	482,228	560,076	656,708	648,078
3.2	3.1	3.2	3.1	3.4					

With 75% growth in assets, the **Development Bank of Turkey** reached an asset size of about US\$ 1.5 billion.

With an annual compounded rate of growth of 37.5% between 2008 and 2011, a figure higher than the average of the sub-group of development and investment banks, the Development Bank of Turkey raised its share among the sub-group of development and investment banks to 6.7% thanks to a rapid expansion of its assets based on the expanding credit volume and an increasing amount of funds provided from money markets.

The loans to assets ratio of the Development Bank of Turkey was realized at 66.5% at the end of 2011 maintaining its high level compared to both the sector average and the sub-group of development and investment banks.

Adding momentum to its loan procurement activities in recent years, the Development Bank of Turkey predominantly obtained funds through foreign borrowing. In parallel with the higher pace of foreign borrowing in its resource composition, the Bank's ratio of foreign resources to total liabilities rose from 44% in 2007 to 81% in 2011. The decline in its shareholders' equity to liabilities ratio, in parallel with the aforementioned changes in the composition of its liabilities, caused a significant increase in the Bank's leverage and financing rates.

The Bank's return on assets declined in parallel with the general trend in the sector during 2011. Along with its expanding asset size, the Bank began to generate higher interest income from loans and securities, increasing its net interest margin. However, the Bank's profit was negatively affected as its FX margin and the margin associated with other income turned negative.

As a result of these developments, despite a slightly higher net profit than in the previous year, the Bank's return on assets was realized at 0.9% in 2011 – lower than the 1.3% in 2010 due to the high growth rate in the Bank's assets.



The Development Bank of Turkey has raised its credit volume by 216% and asset size by 173% since 2008. The Bank is committed to providing unstinting support for real sector investments, and increasing its support for Turkey's sustainable growth with the same determination.



Review of Operations in 2011

Thanks to the financial support provided by the Development Bank of Turkey as well as the Bank's successful project management, Turkey gains back its domestic, renewable, environment-friendly and high quality geothermal energy resources that have been remaining idle for many years.



MB Holding Geothermal Investments - Aydın, Salavatlı

Since 2001, the Development Bank of Turkey has been supporting the geothermal energy investments of the company, Menderes Geothermal Power Generation, which operates under MB Holding. Dora - 1, Turkey's first privately-owned geothermal power plant with a capacity of 7.95 MWe, was commissioned in the Salavatlı district of Aydın in 2006. With a power generation capacity of 56 million KWh per year, the project also indicates that geothermal investments in Turkey are logical, thus raising interest in geothermal energy and paving the way for the sector. In 2010, the company completed its second geothermal power plant, Dora - 2, which has a capacity of 11.5 MWe. The "Dora - 2" geothermal power plant generates 75 million KWh of electricity per year.



The "Dora - 3" geothermal power plant, which is financed by the Development Bank of Turkey, is planned to have a capacity of a total of 34 MW in two units. Efforts regarding this geothermal power plant investment are still under way. It is targeted that the first unit of Dora - 3 will be commissioned in 2013 with the second unit in 2014. When Dora - 3 becomes fully operational and is operating at full capacity, it will generate 250 million KWh of electricity per year.

Once both of the units of Dora-3 are going to be activated, Menderes Geothermal Power Generation company will be besides being the first private firm, to have the largest geothermal energy capacity in Turkey and will realize an electricity production of approximately 390 million KWh annually.



CO₂ emitted during the generation of geothermal power is utilized, thus adding value to this energy investment and preventing the release of CO₂ within geothermal fluids to the environment.

The Dora - 1 and Dora - 2 power plants have been deemed worthy of carbon credit in the Gold Standard VER category, because they generate power from geothermal energy and release almost no carbon emissions, compared to carbon-based fuels, thus contributing to the efforts to lower total carbon emissions.

MB Holding also produces added value in greenhouse cultivation, which is an integrated part of the company's efforts to generate power from geothermal energy.

The Development Bank of Turkey has supported the Kayseri Biogas Power Plant in the Molu Garbage Dump Site in Kocasinan, Kayseri, beginning from the feasibility phase, and has provided the necessary funds to finance the project.



Her Energy Group's Kayseri Biogas Power Plant – Kocasinan, Kayseri

Within the framework of the rehabilitation of the Molu Garbage Dump Site in Kocasinan, Kayseri, Her Energy Group plans to increase the installed capacity of Her Energy Kayseri Biogas Power Plant, whose current capacity is 1.6 MWm, to more than 4.8 MWe by the end of 2012.

In line with the rehabilitation efforts launched in 2010 for the Molu Rubbish Site, organized storage was planned in this previously unsanitary disposal area, which was causing major environmental pollution in and around Kayseri, mainly in the Molu district. In this context, vehicle entry to the dumping site and disposal systems was brought under control;

the disposal of hazardous wastes was prohibited; and domestic and industrial wastes were held subject to special classification.

Insecticides, which prevent bad odor and infestations at the dump site, are applied in line with calculations conducted by environmental engineers. On the other hand the smoke that was spread from regional fires in the site for many years has been prevented.

This project developed by Her Energy prevents the emission of methane into the environment. Methane is one of the most hazardous gases that leads to global warming.

As a greenhouse gas 21 times more potent than that of any other carbon sources, methane is converted into electricity at the plant. Having earned a carbon certificate, the plant has also applied for the Gold Standard. The specialized staff of the Development Bank of Turkey has supported the project since it was at the feasibility stage. The Bank allowed the project to progress rapidly by directing the funds required by the project from the resources of the European Investment Bank.

Review of Operations in 2011

The Development Bank of Turkey supported the project and provided long-term resources to the project - Highway Outlet, Bolu - which is one of the best examples of craftsmen and small enterprises joining forces.



BOLU DAĞI A.Ş. Highway Outlet - Bolu Dağı, Bolu

Passenger traffic shifted to Bolu Mountain as the Bolu Mountain Tunnel was opened in 2007. As a result, Highway Outlet Project, that aimed the traditional goods and services of Bolu Mountain to be under a single roof with a new vision and contemporary service understanding, was set up in 2008 and completed in 2011.

Established on an area of 637,000 m², the Highway Outlet which cost nearly TRY 120 million is Europe's largest highway facility. With its leasable space of 35,000 m² and its shared area of 25,000 m², as well as its accommodation facilities and restaurants for passengers, the Highway Outlet offers much more



comfortable space compared to the multistorey malls. Offering its customers the opportunity to shop in an open air environment with its 3,000 m² glass roof and 1,000 m² convertible roof, the facility is a spacious and outstanding structure with 7 towers each of 20 m in height and domes, each 12 m tall.

With its central kitchen of 1,500 m², the Highway Outlet has the largest and most hygienic kitchen in the region. With a parking area for 2,500 vehicles, the Highway Outlet is positioned exactly at the midpoint between Ankara and Istanbul. Hosting 111 selective brands, the outlet offers shopping, entertainment and accommodation facilities. The outlet also includes two boutique hotels with a total of 53 rooms and 106 beds.

Positioned in a highly important location both logistically and geographically, the Highway Outlet was visited by a total of 3.5 million people in a 6-month period.

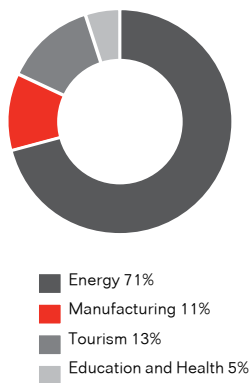
The outlet employs about 2,000 people in the Western Black Sea Region, adding value to the economy of the region. The Highway Outlet is a model study in terms of small enterprises creating major projects by coming together and offering their services through modern organizations.

The Development Bank of Turkey continues to support private sector investments of great importance for the sustainable growth of Turkish economy by means of:

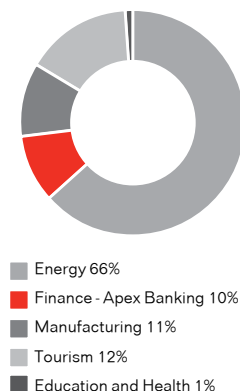
- allocating resources and
- offering specialization-requiring services with high added value

Thanks to the financial support provided by the Development Bank of Turkey as well as the Bank's successful project management, Turkey has gained back its domestic, renewable, environmentally friendly and high quality geothermal energy resources that have been remaining idle for many years.

Breakdown of credit applications by sector (%)



Breakdown of credit utilizations by



Credit supply is our key service channel.

Credit supply is the most fundamental instrument and channel of the Development Bank of Turkey in fulfilling its responsibilities and duties as per its macro target of ensuring our country's sustainable economic growth.

The framework of credit supply activities carried out by the Development Bank of Turkey is determined according to Turkey's development plans, the Bank's mission & vision and annual business programs.

Sectoral priorities of the Development Bank of Turkey in 2011...

In 2011, the credit supply activities of the Development Bank of Turkey are focused on the following sectors:

- energy
- industry
- tourism
- finance

Supplying loans to enterprises that operate under the statute of joint-stock companies, the Development Bank of Turkey, during the credit supply process, analyzes the technical, sectoral and financial aspects of investment projects based on international criteria and standards and prepares an evaluation report for each project. Moreover, the Bank performs on-site analysis, keeping a close view of the progress of investments.

Services of high added value offered at competitive conditions

Having adopted a customer-oriented service approach, the Development Bank of Turkey offers its credit supply services in a cost-efficient manner and under competitive circumstances. Moreover via its strong relations with international financial institutions, the Bank is able to provide long-term and cost efficient resources, which it uses to meet its customers' needs for project financing.

The Bank's intensive marketing activities in 2011...

In 2011, the Development Bank of Turkey was chosen as one of the most preferred service provider in project finance by the leading companies of their sectors. Within the framework of its credit marketing activities throughout the year, the Bank held contact meetings with a total of 458 companies in 8 districts and 23 provisions in Turkey and participated at various fairs where it improved its relations with those investors falling under its field of activity. As a result of these efforts which were carried out with a customer-oriented approach, the Bank received a total of TRY 1,410 million in loan applications from 77 companies.

In accordance with development targets, the Bank continued to extend and allocate loans to projects in such sectors as industry, tourism, finance and energy in 2011. During the year, the Bank allocated a total amount TRY 1,060 million credit and a total of TRY 667 million credit contract were signed, out of which an amount of TRY 127 million from both amounts were for apex banking.

The total credit volume of the Development Bank of Turkey rose by 58% from TRY 1,178 million at the end of 2010 to TRY 1,859 million by the end of 2011. During the same period, the volume of loans provided by the banking sector climbed by 30%, while the increase amounted to 43.5% for development and investment banks.

The Development Bank of Turkey increased its total loan volume by 22% from TRY 492 million at the end of 2010 to TRY 598 million by the end of 2011.

Review of Operations in 2011

Effective and continuous support to SMEs - Apex Banking Activities

The Development Bank of Turkey offers its products and services to its customers throughout Turkey by reaching them through apex banking.

Within the framework of apex banking activities that aim to provide an increasing amount of contribution to employment within the macroeconomic structure and enhance the competitive edge of SMEs, the Bank:

- supports project development efforts; and
- carries out its efforts to provide resources for the financing of projects.

Council of Europe Development Bank – Apex Loan Program

The apex loan contract worth € 50 million, which was signed by and between the Development Bank of Turkey and Council of Europe Development Bank on August 13th, 2010, was amended on July 14th, 2011. Within the scope of the loan program that is constituted of three apex projects aiming to finance SMEs through intermediary banks, a credit agreement was signed by and between Garanti Bank and the Development Bank of Turkey (Small Tourism Enterprises Loan Program-STEP, Sustainable Financial Instruments for Clusters-SUFI) on July 25th, 2011; and another credit agreement was signed by and between Yapı Kredi Bank and the Development Bank of Turkey (Enhancing Research Activities of SMEs-ERA) on July 27th, 2011. The credit agreement signed with Garanti Bank was amended on October 28th, 2011 with the aim of the simplification of its application.

The first applications for the transfer of 50% of credit limits had been made and € 7.5 million for each ERA and SUFI projects the transfer had been realized and as of the end of January 2012 were extended to intermediary banks.

The first € 10 million tranche provided from the Council of Europe Development Bank for the STEP project was transferred to the accounts of the Development Bank of Turkey on December 20th, 2011. The Bank supplied this loan to the intermediary bank in January 2012. Following the completion of the loan supply procedures, the Bank will start negotiations to provide a new global apex loan worth € 50 million.

The World Bank Project - “Second Access to Finance for Small and Mid-Scale Enterprises”

Within the framework of the project, “Secondary Access to Finance for Small and Mid-Scale Enterprises”, a loan agreement worth US\$ 100 million was signed on July 6th, 2010 by and between the Development Bank of Turkey and World Bank under the guarantee of the Undersecretariat of the Treasury. This loan is planned to be made available by the Bank through its apex banking program to SMEs as mid- and long-term resources. The Bank aimed to ensure this loan was the most cost-efficient and advantageous loan in the sector in the form of “development loan”. The Bank began to supply a minimum of 25% of the loan in question for development priority regions.

The loan agreements were signed with two intermediary banks in 2010 and loan allocation process had started. In line with these agreements, of the US\$ 32 million transferred to our Bank's accounts, the Bank supplied US\$ 7.6 million to Garanti Bank and US\$ 4.7 million to Denizbank – the intermediary banks. The total amount of loans supplied by the Bank reached TRY 23.9 million as of January 2012.

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Garanti Bank's request related with its credit limit to be lowered and the lowered amount to be allocated to Garanti Leasing (Garanti Finansal Kiralama A.Ş.) with an extension of the allocation period was accepted by the Development Bank of Turkey and an amendment agreement was signed on December 13th, 2011. Consequently, a loan agreement worth US\$ 25 million was signed with Garanti Finansal Kiralama A.Ş. on December 26th, 2011.

Potential collaboration with German Development Bank (KfW)

In a meeting held by and between the Development Bank of Turkey and the German Development Bank (KfW) in November 2011, parties negotiated that a global apex loan worth € 50 million could be provided which would be able to be used to finance SMEs through commercial banks. Moreover, efforts are still under way for the financing of the apex project concerning energy efficiency in tourism accommodation enterprises. This project is targeted to be completed with the related loan agreement signed by the last quarter of 2012.

Supporting tourism facilities which operate as SMEs in Istanbul

In order to support tourism facilities in Istanbul which operate in the form of SMEs, the Bank signed a loan agreement worth TRY 40 million with Halkbank in December 2009 within the scope of its apex banking activities. In line with this project, the Development Bank of Turkey supplied TRY 20 million to Halkbank twice in 2010 and 2011.

Of the loans provided by the Bank in 2011 within the scope of apex banking activities, 39% were directed to manufacturing industrial projects with 35% earmarked for tourism projects.

In 2011, the Development Bank of Turkey sustained its efforts to obtain new resources from international financial institutions with which it had loan relations.

In order to expand its resource diversity and maintain the most feasible interest cost structure, the Bank unstintingly strives to obtain resources from various institutions.

Within the scope of the Bank's collaboration with the World Bank...

The highest loan ever received by the Development Bank of Turkey at a time

In addition to the resources that the Development Bank of Turkey provided from the World Bank within the context of renewable energy and energy efficiency projects, it also concluded its efforts with respect to the additional resource worth US\$ 300 million. The agreement related to this resource, which is the highest loan ever received by the Development Bank of Turkey at a time, was signed on December 5th, 2011 under the guarantee of the Undersecretariat of Treasury.

Private Sector Renewable Energy and Energy Efficiency II Project

As per the agreement signed on June 9th, 2009 with the World Bank within the framework of the Private Sector Renewable Energy and Energy Efficiency II Project, the Bank was provided two credit limits, US\$ 130 million and € 15.7 million. As of the year end a total amount of US\$ 127.1 million and € 15.4 million had been withdrawn and the total loan amount allocated to firms reached up to US\$ 119.2 and € 15.4 million.

Clean Technology Fund Project

In line with the agreement signed on June 9th, 2009 with the World Bank within the framework of the Clean Technology Fund Project, the Bank was provided a credit limit of US\$ 30 million. Of this amount, the Bank used US\$ 12.4 million in 2011 which was fully supplied to companies. The total amount of loans provided as per this project reached US\$ 20 million as of the year end.

Collaboration with the European Investment Bank...

SME Mid-CAP A

A contract was signed on July 4th, 2011 for the first tranche worth € 75 million of the 'SME Mid-CAP A' loan worth € 150 million in total as per the agreement reached with the European Investment Bank for the financing of SMEs and energy investments. The first portion worth € 25 million was transferred to our Bank's accounts on January 27th, 2012 and our Bank supplied € 13.7 million of it to companies.

Environment and Energy II Loan

An agreement was signed on December 10th, 2009 with the European Investment Bank for the Environment and Energy II Loan worth € 150 million. With the resource of € 85.9 million transferred to the Bank's accounts in 2011, the total amount provided by the European Investment Bank to the Development Bank of Turkey reached € 124.7 million, all of which was made available to companies.

SME Development Loan II

An agreement was signed with the European Investment Bank on June 8th, 2009 for the SME Development Loan II worth € 100 million. With the resource worth € 40 million provided in 2011, the Bank was provided with € 80 million in total, all of which was supplied to companies. The last tranche worth € 20 million was drawn by the Bank in January 2012 and the total payment to firms reached up to € 86.4 million in total paid to companies.

Review of Operations in 2011

Within the scope of efforts conducted with the Islamic Development Bank...

Loan for the Financing of SME Investments

Within the scope of the agreement for financing SME's investments with the credit line of US\$ 40 million that was signed on June 3rd, 2009 between the Islamic Development Bank and Development Bank of Turkey, a withdrawal of US\$ 9.4 million had been realized in 2011. The total amount of resources provided within the scope of the loan package amounted to US\$ 13.4 million, all of which was supplied to companies.

In addition to the loan worth US\$ 20.5 million as per the contract signed with the Islamic Development Bank in the end of December 2011, the Bank was granted preapproval for an additional loan worth US\$ 583,600 and the total loan amount reached US\$ 21.1 million.

Commodity-Based Usury Agreement and Limit Increase

The Commodity Based Usury Agreement with US\$ 20 million limit provided from the Islamic Development Bank to be used in the treasury transactions of the Development Bank of Turkey was signed on March 16th, 2011. The Islamic Development Bank had increased the agreement's limit up to US\$ 150 million on November 24th, 2011. The loan utilizations under the agreement are going on.

Supporting investment in the Turkish Republic of Northern Cyprus (TRNC)

Within the framework of agreements signed by and between Republic of Turkey and TRNC and as per the targets envisaged in the development plans and yearly programs prepared by TRNC, the Cabinet made a decision no. 2001/3003 and dated: September 10th, 2001 on Supporting Investments in the Turkish Republic of Northern Cyprus (TRNC) for the following purposes and the Development Bank of Turkey was commissioned an intermediary bank:

- to direct mid- and large-scaled investment projects to the TRNC,
- to ensure the use of advanced and suitable technologies with high added value,
- to create employment, and
- to ensure that the TRNC economy gains an international competitive edge.

In line with this decision, since the financing of investments from previous years was completed, the Development Bank of Turkey received no resources for investments in the TRNC during 2011.

The Development Bank of Turkey collected a total of TRY 22,023,925 in 2011, TRY 17,274,813 of which is matured principal and TRY 4,749,112 consisting of interest. The Bank also collected TRY 7,119,582 in principal repayment as early debt repayments and TRY 151,346 as interest payments. The Bank transferred all these amounts to the Undersecretariat of Treasury.

Within the scope of Eximbank loans...

Providing its customers with Eximbank loans within the scope of mediation services that it provides for the financing of its customers' export activities, the Development Bank of Turkey received US\$ 470,000 from Eximbank in 2011. The entire amount was extended to companies.

Within the scope of Eximbank loans, the repaid amounts in 2011 amounted to US\$ 1,715,000 and € 75,000.

Other developments in 2011 within the scope of relations with financial institutions

In a conjuncture dominated by the circumstances of the global financial crisis, the Development Bank of Turkey carries out its operations in close cooperation with the Republic of Turkey Prime Ministry Undersecretariat of Treasury. Within this framework, the Bank continued to negotiate with international financial institutions in 2011 in order to ensure resource diversity and obtain long-term and cost-efficient resources.

In a conjuncture dominated by the global financial crisis, the Development Bank of Turkey has intensively maintained its collaboration with international financial institutions in order to obtain long-term and cost-efficient resources and to ensure resource diversity.

As a result of these efforts,

- the Bank expects to receive the second € 75 million tranche in 2012 within the scope of the European Investment Bank's loan package (SME Mid-CAP A) for the financing of SMEs and energy investments. Moreover, the Bank is undertaking efforts to reach Grant Agreement and SME Mid-CAP B agreement with the European Investment Bank;
- during 2012, the Bank plans to sign the agreement for the resource worth € 100 million, which would be obtained from an appropriate institution via KfW and used in energy efficiency projects through the apex method;
- the Bank currently continues its efforts aimed at realizing the targets set out in the member country cooperation strategy document prepared by the Islamic Development Bank for Turkey and to ensure effective and efficient use of the funds of the Islamic Development Bank in Turkey's development;
- the EU-Turkey Fund was established in line with the technical assistance project drafted within the scope of the Small Enterprises Loan Program (SELP-II), which will be conducted with resources provided by the European Union. Through intermediary banks, the fund aims to meet the financing needs of SMEs operating in development priority regions.

In this project, with a total fund size of about € 117 million, the Development Bank of Turkey is represented on the steering committee; and

- the SELP II project is about to expire, but the project is planned to be renewed by turning it into a fund under the management of the Development Bank of Turkey. Initially managed by the German Development Bank (KfW), the fund's management will later be taken over by the Bank. This development would open a new window for the Development Bank of Turkey in apex operations, while the management of an international fund would thus be conducted by the Bank and the Bank would provide technical and operating support, as well as training.
- financing to entrepreneurs within the scope of the project by cooperating with development agencies and other NGOs that are or will be founded throughout Turkey.

Review of Operations in 2011

Successfully continuing to mediate in incentive loans

In 2011, the Bank successfully continued to mediate in loans, particularly incentive loans, to bring half-completed facilities back to the economy and to prepare a special incentive program for the TRNC.

The Development Bank of Turkey was assigned this duty in line with the Cabinet's decision no. 2009/15426 and dated September 8th, 2009 to provide support for investments in the TRNC. As stated in the Supplementary Protocol of the Economic and Financial Cooperation Protocol signed by and between the Republic of Turkey and the Turkish Republic of Northern Cyprus on June 25th, 2008 to cover the financing needs of investments, a target was set to extend up to TRY 300 million in loans from the Bank's resources. The loan is planned to be made available from 2012.

Attaching tremendous importance to energy efficiency and the development of renewable energy resources

In its activities and credit supply processes, the Development Bank of Turkey is aware of its social responsibilities introduced by being a public corporation and attaches priority and importance to supporting renewable energy resources.

The Bank actively supplies loans to renewable energy and energy efficiency investments, in addition to the industrial, tourism, education and health sectors.

The share of loan applications concerning renewable energy and energy efficiency in the total number of loan applications received by the Bank was realized at 61% in 2009, 66% in 2010 and 71% as of the end of 2011.

Within the scope of the marketing strategy determined based on the Bank's resource portfolio, the Development Bank of Turkey will continue to allocate an increasing volume of resources to energy and energy efficiency investments in the coming period, as it has in recent years.

According to data for the end of 2011, data pertaining to the activities of the Development Bank of Turkey in the renewable energy business line are summed up in the following table:

Amount of Loans Allocated	TRY 2,784 million
Amount of Contractual Loans	TRY 1,610 million
Total Amount of Loans Supplied to Companies	TRY 1,000 million
Total MW	1,286
Number of Projects Evaluated	132
Number of Projects Provided with Loans	85
Number of facilities that began production as of end-2011	Total: 24 plants - 332 MW
19 Hydroelectric Power Plants	
1 Geothermal Power Plant	
3 Landfills	
1 Energy Efficiency Program	
Number of facilities that will begin production by the end of 2012	Total: 21 plants - 320 MW
19 Hydroelectric Power Plants	
1 Wind Farm	
1 Energy Efficiency Program	

The Development Bank of Turkey will continue to allocate an increasing volume of resources to energy and energy efficiency investments in the coming period.

Efforts carried out to raise awareness on energy

As a service provider at the focal point of the energy business line, the Development Bank of Turkey kept close view of developments by participating in a number of fairs, congresses, conferences and workshops throughout the year, while contributing to these platforms by sharing its knowledge through presentations and reports.

In 2011, the Bank presented numerous bulletins on matters related to energy and environment at various platforms, especially the ICCI 2011 – 17th International Energy and Environment Exhibition and Conference and 2nd National Energy Forum and Fair. In order to raise awareness on energy, the Bank increasingly continued to provide training to development agencies on feasibility studies.

Contributing to the development of Turkey's policies to prevent climate change

In cooperation with the Ministry of Environment and Urban Planning and the United Nations Development Program (UNDP), the Development Bank of Turkey contributed to efforts to develop Turkey's policies to prevent climate change and to prepare Turkey's 2nd National Declaration on Climate Change.

Raising the importance of energy efficiency

The Development Bank of Turkey is a stakeholder of the project of increasing energy efficiency in industry. Moreover, the Bank provides the necessary contribution to the project of increasing energy efficiency in buildings. The Bank also contributes to the matters required by the Ministry of Science, Industry and Technology, Ministry of Development and Ministry of Energy and Natural Resources within the scope of energy efficiency.

By keeping view of technological developments as well as new products and services in Turkey and in the world, the Bank continued to create a databank of such technologies, products and services and provide technical assistance and consultancy services. Within this framework, the Bank prepared research reports on hybrid vehicles and solar energy as well as the Energy Study Report and Efficiency Increasing Project (EIP) on energy efficiency.

The Development Bank of Turkey sponsored the "Sustainable and Environment-Friendly Products and Practices Awards of 2010".

Sponsored by the Bank, the Sustainable and Environment-Friendly Products and Practices Awards of 2010 were handed to their winners in a ceremony held in Istanbul on December 8th, 2011. Within the scope of the award program, the Istanbul Chamber of Industry awarded those efforts deemed to be exemplary for other companies and corporations. Members of the chamber, who had fulfilled the requirements of the environmental legislation, were evaluated based on the following criteria:

- effective use of raw materials and energy,
- environmental management,
- waste reduction and recycling and reuse of wastes,
- raising environmental awareness and performing trainings on environment, and
- cooperating with other corporations and institutions.

Within the scope of its sponsorship, the commitment of the Development Bank of Turkey was to analyze the projects of a maximum of six winners, three of which are large-scaled companies and three are SMEs, and to prepare evaluation reports for these projects by offering evaluation services free-of-charge.

Review of Operations in 2011

Proactive and effective treasury and capital market policies

The Development Bank of Turkey pursued proactive treasury and capital market policies under the volatile market conditions of 2011. The Bank kept a close view of economic developments and the outlook of capital and money markets both globally and nationally throughout the year and redefined its strategic preferences and risks when necessary.

The Bank effectively performed interest, exchange rate and liquidity risk management throughout the year by taking the calculated risks-incomes into account. On the other hand, the Development Bank of Turkey significantly increased its treasury transaction volume in parallel with its expanding balance sheet figures.

A remarkable expansion in the Bank's Interest Bearing Securities portfolio

Because of the difference between the CBT's policy interest rates and market interest rates in 2011, the amount of borrowing undertaken through repurchase within the framework of open market transactions (OMT) performed by the CBT increased significantly; as a result, the securities portfolio of the Development Bank of Turkey expanded considerably. The Bank's Interest Bearing Securities portfolio expanded from TRY 218.6 million as of December 31st, 2010 to TRY 693.3 million as of December 31st, 2011. The average size of the portfolio was TRY 354.5 million throughout the year, and the Bank generated TRY 26.9 million in total interest income from this portfolio.

A more active policy in the management of the FX position and FX stock

The Bank attained a higher rate of return than the market interest rates through short-term bridging loans, which were used to ensure more effective utilization of low-income FX liquid assets, as well as covering investors' need for cash until the necessary resources were allocated and to facilitate the rapid completion of investments.

The Bank obtained cost-effective funds through FX swaps, increasing its FX transaction volume.

The Development Bank of Turkey continued to offer its customers repurchase, reverse repurchase, mutual fund and Treasury bond and government bill purchase and sale services in 2011.

Hit by the crisis in global markets in 2011, the ISE-100 index fell by 21%. The decline in the index negatively affected the performance of the Bank's mutual funds. The Bank's Type A Mutual Fund slid by 15.48% with a 3.28% fall in the Type B Mutual Fund, while the Type B Liquid Fund yielded a 2.50% rate of return. The Bank generated TRY 134,949 from asset management services in 2011.

A co-pioneer and partner in the Istanbul Venture Capital Initiative (iVCi)

Together with the European Investment Fund, the Development Bank of Turkey pioneered the establishment of the Istanbul Venture Capital Initiative (iVCi), the mother fund and the co-investment program of all mutual funds based in Turkey. The European Investment Fund was also responsible for the consultancy of the project.

The Development Bank of Turkey pursued proactive treasury and capital market policies under the volatile market conditions of 2011.

The Development Bank of Turkey, which is a co-pioneer and partner of Istanbul Venture Capital Initiative (iVCi), aims to strengthen the relations that it has established with various organizations in its drive to popularize venture capital initiatives.

The fund has capital of € 160 million and plays a significant role in the development of the private sector in Turkey. Having undertaken its first investment in 2009, the fund provides companies with high growth potential access to financing. The Development Bank of Turkey aims to strengthen the relations that it has established with various organizations (including the European Investment Fund, Small and Medium Enterprises Development Organization, Technology Development Foundation of Turkey, National Productivity Center, the Union of Chambers and Commodity Exchanges of Turkey, Turkish Industry and Business Association) for the popularization of venture capital initiatives.

The Development Bank of Turkey had committed € 10 million in capital to the Istanbul Venture Capital Initiative. In line with this commitment, the total amount of payments made by the Bank reached € 1,905 thousand, including the payment of € 500 thousand on February 15th, 2012.

By the end of 2011, the total number of investments carried out under the initiative had reached 7, while the total sum of investments committed by the initiative reached € 112.5 million.

As of the end of 2011, the Development Bank of Turkey had 10 subsidiaries

The Development Bank of Turkey has a total of 10 subsidiaries, two of which are multi-partner and/or publicly-held companies; one is a basic industry corporation, and 7 subsidiaries (including iVCi) are not publicly-held.

The Bank has three subsidiaries in Istanbul, one in the Aegean Region, one in Central Anatolia, one in Central-Eastern Anatolia, one in Southeastern Anatolia and one in Western Anatolia.

Of these 8 subsidiaries, two operate in the manufacturing industry and six operate in the services sector. Of the two subsidiaries in the manufacturing industry, one is in the consumer goods sub-sector and the other is in the investment goods sub-sector. The Bank holds an average 11.4% share in these subsidiaries. Within the framework of its mission of offering its shares in its subsidiaries to the public as stated in the Charter Act of the Development Bank of Turkey, the Bank maintained its policies and practices in 2011 to sell its shares in its subsidiaries in the form of block sales and/or public offering.

Sale of licenses of Kalkınma Yatırım Menkul Değerler under way

A tender was called on October 22nd, 2010 for the licenses held by Kalkınma Yatırım Menkul Değerler A.Ş. As a result of the evaluation of offers, the company's Board of Directors decided to sell these licenses, and the Capital Markets Board approved the transfer of licenses on December 20th, 2011. In its meeting dated February 28th, 2012, our Bank's Board of Directors authorized the company's General Directorate to commence the legal liquidation process of Kalkınma Yatırım Menkul Değerler A.Ş. following the notification of the liquidation decision to the company's Board of Directors. The liquidation decision was made at the Annual General Meeting of Kalkınma Yatırım Menkul Değerler A.Ş. held on March 20th, 2012.

Review of Operations in 2011

The Development Bank of Turkey and Regional Development

Through institutional and structural arrangements, Turkey's National Development Plan aims to ensure a sustainable growth environment which:

- increases the level of welfare level of social sections of society and raises economic efficiency and international competitive strength;
- attaches priority to increasing foreign demand and private sector based employment, and to the creation of new job opportunities; and
- raise the level of qualification of the labor force.

Development represents the undertaking of necessary structural change as a result of economic, technological, socio-cultural progress in a country. However, development also requires a financial approach and support based on knowledge and experience. In these areas, where private and commercial banks generally avoid operating, initial financing is usually provided by development banks. Commercial banks prefer to enter these areas either after certain achievements have been obtained, or to participate in financing efforts in the area of development banking through consortia.

Within the framework of Turkey's regional development policies covering the 1990-2000 period, the Development Bank of Turkey successfully applied three emergency support programs in development priority regions.

The Bank has developed the apex banking method since 2008, introducing a new dimension to the Turkish banking industry by supporting commercial banks with its resources and know-how.

The Bank's role in supporting regional development policies is in the Strategic Plan of the Development Bank of Turkey. The Bank's second strategic goal is to eliminate differences in regional development.

The Development Bank of Turkey supplied 53% of all the loans it extended in total to projects in development priority regions in 2011.

The Development Bank of Turkey is one of the commissioned institutions in line with the economic development target set out in the GAP (Southeastern Anatolia Project) Action Plan. In line with this duty, the Bank attaches special importance to the region when lending from its own resources or mediating other banks' loans.

Intensively using information technology to ensure continuity, efficiency and productivity in the Bank's service cycle

Always striving to provide effective, efficient and high quality services to its clients, the Development Bank of Turkey maintained its improvement and renovation efforts in 2011 as it strived to obtain the maximum yield from its Information Technology infrastructure and ensure business continuity.

Aspiring to rank among the best banks in the banking sector with its Information Technology infrastructure, the Bank also aims to enhance 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 undertaken in information technologies and infrastructure to provide all stakeholders with accurate and reliable information in the simplest and quickest manner will continue in 2012.

The Development Bank of Turkey provides systematic training programs aimed at improving its employees' individual competencies and performance

The main pillar of sustainable corporate success at the Development Bank of Turkey is the Bank's employees, who are selective in the market with their occupational expertise, who are open to development and who always aim to meet customers' needs and expectations. The Bank conducts systematic training programs aimed at improving employees' individual competencies and performance.

With the purpose of enhancing the effectiveness and efficiency of the Bank's activities, occupational training programs were conducted in 2011 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 both in Turkey and abroad.

In 2011, 74 seminars, 7 conferences, 29 courses, 5 conventions, 2 meetings and 1 workshop were organized. A total of 1,097 employees benefited from these training programs during the year.

The first public bank to possess the Environmental Management System certificate

As an institution that provides financial support to sustainable development activities, the Development Bank of Turkey sought to obtain the Environmental Management System (EMS) and was granted the Turkish Standards Institute (TSI) certificate on May 14th, 2010, becoming the first public bank equipped with the EMS certificate.

As a result of surveillance inspection performed in June 2011, the TSI decided that the Bank continued to qualify for the Environmental Management System certificate (TSE-EN-ISO14001).

The first public bank to have the Environmental Management System, the Development Bank of Turkey reduced its paper consumption by 21.6% and its electricity consumption by 4% in 2011 when compared to the previous year.

Savings of 21.6% in paper usage and 4% in electricity consumption

The Development Bank of Turkey intensively maintains its activities to raise its employees' environmental awareness. The Bank's employees displayed intensive efforts to minimize the Bank's direct impacts on the environment in 2011 and to reach the savings targeted for 2011. Almost all of the targets were reached and the Bank's headquarters in Ankara and its Istanbul branch reduced their use of paper by 21.6% and their electricity consumption by 4% in 2011 when compared to the previous year. Further, efforts to separate waste at the source were successfully completed.

Efforts are under way to prepare the infrastructure of the website at www.cevrecikalkinma.com, where the Bank's stakeholders will be able to access to the activities carried out by the Development Bank of Turkey within the scope of its environmental management system. The project is aimed to be completed with the website going online 2012.

Training programs continue within the scope of the Environmental Management System.

The Bank continued to organize training programs in 2011 within the scope of the Environmental Management System.

The Bank organized training programs on First Aid, Fire Extinguishing, Rescue, Erosion and Environmental Awareness in addition to the Environmental Risk Evaluation Training, TS EN ISO 14001 EMS Basic Training, Development EMS Training, EMS and Internal Inspection Trainings. A total of 250 employees participated in these training programs throughout the year.

The Development Bank of Turkey aims to supply loans to investments aimed at promoting energy and energy efficiency, as well as investments in the manufacturing industry, tourism, education and health sectors in 2012.

The Bank aims to direct as much as 50% of its loan placements to energy and energy efficiency investments in 2012, while extending an increasing volume of resources to SMEs by extending 22% of its total placements through apex banking.

The Development Bank of Turkey has succeeded in raising its loan volume by 216% and its asset volume by 173% since 2008, proving that it has fulfilled its mission. The Bank will unstintingly continue with the same determination to support the investments of the real sector in the coming years as well.

Ready to extend increasing support to the energy sector

In the Medium Term Plan covering the period, 2012-2014, it is stated that the most important problem facing the Turkish economy is the current account deficit. One of the major factors contributing to the widening of the current deficit has been the prices of imported energy.

By contributing to the growth in Turkey's energy generation capacity by extending financial support to the energy sector since 2005, the Development Bank of Turkey fills a large gap in this area. The Bank will continue to support energy and energy efficiency products in the coming period, too.

Research and Development Activities

Research and development activities with high added value

Performing research and development activities of high added value with a customer-oriented approach, the Development Bank of Turkey commands and adds value to development with its experience and competence, while also raising customer satisfaction.

In addition to its basic function of allocating resources to feasible projects, the Development Bank of Turkey produced added value by evaluating the economic and social contributions of these investments to Turkey's macroeconomic structure and also by providing technical support to investors.

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 deemed necessary for the Turkish economy as well; all eligible studies are shared publicly via the electronic environment.

The Bank's primary research activities in 2011 were clustered in the following main categories:

Regional Studies: Conducted for the purpose of formulating the development strategies of a specific geographic region, the regional studies conducted during 2011 were primarily focused on development agencies:

1. "Feasibility Evaluation Analysis" (Economic Analysis and Evaluation) training (4 programs),
2. "Analysis of Basic Macroeconomic Indicators" training (4 programs),
3. "Analysis of Regional Competitiveness" training for the Serhat Development Agency,
4. "Sectoral Performance Evaluation and Analysis of Competitive Strengths" training for BEBKA (Bursa-Eskişehir-Bilecik Development Agency),
5. Clustering study based on Level 2 Regions for the Turkish Economy and Sub-Sectors of the Manufacturing Industry, and
6. Research Report on the Cable Sector and Report on the Financial Leasing

Sector for the financing of power cable segments for the Denizli Chamber of Industry.

General Studies: These studies are conducted in areas 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 economic agenda in Turkey and in the world and their repercussions, those not deemed confidential are shared with the public and posted on the Bank's website at www.kalkinma.com.tr. The Bank prepared the following:

1. Summary Evaluation Reports on Economic Developments (a total of 24 reports prepared in 15-day intervals),
2. Presentations on the Development in Basic Macroeconomic Indicators (a total of 12 presentation revised once a month),
3. Reports with Specific Indicators on the Monthly Developments in the Manufacturing Industry, including the 22 sub-sectors (12 separate reports),
4. Exchange rate and Inflation Estimates for the Current Year and projections for the Next Year,
5. Evaluation Report on the Developments in the World and Turkish Economies in the Current Year and the Expectations for the Year 2012, and
6. 2011 handbook on the Evaluation of the Sectoral Performance and the Structural Analysis of the Turkish Manufacturing Industry including the 22 sub-sectors.

The Bank launched the Clustering Level Field Research Project in 2011.

In 2011, the Bank launched the Clustering Level Field Research Project nationwide, which aims to contribute to the development of new financing models and the determination of the selection criteria for the right cluster in cluster financing.

Within the framework of the project, the Bank analyzed the following:

- the current status and the development potential of the Denizli home textile sector and the power cable segments in Denizli in cooperation with the General

Secretary of the Denizli Chamber of Industry and the representatives of ABIGEM (European Turkish Business Centers Network) Denizli,

- the financing needs and the clustering efforts at the meeting held with the participation of the members of Bodrum Chamber of Trade and the shipbuilding segments in Bodrum, and
- clustering activities in Kayseri, during the meeting held at the Kayseri Chamber of Trade.

During these meetings, the Development Bank of Turkey introduced its financing facilities, clustering activities and apex practices.

Within the framework of the "Clustering Level Field Research", the Bank planned to sustain its efforts with automotive segments in the Izmir, Manisa, Mersin and Marmara Regions in 2012.

Technology monitoring and research activities continue at full pace in 2011.

In 2011, the 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 services.

The Bank's activities in this area in 2011 include 5 presentations and seminars held in and outside the Bank and the project evaluation seminars were held on two different occasions for assistant specialists, while two employees passed the examination to receive the Energy Manager Certificate. The Bank also prepared one feasibility study tender file and won the tender. The Bank completed a total of 36 appraisal, evaluation and survey reports, one incentive certificate closing expertise report and four technical reports. In addition, the Bank prepared nine feasibility study reports.

Following its diversified research studies carried out throughout 2011, the Bank prepared research reports on Hybrid Automobile Technology and Photovoltaic Technologies (revised), as well as Energy Study Report and Report on Enhancing Productivity.

Advisory and Technical Support Services

With its wealth of experience and a wide portfolio in advisory services, the Development Bank of Turkey provides significant support to efforts undertaken by corporations and enterprises in order to develop their potential.

In line with domestic and foreign demand, the Development Bank of Turkey 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, undertake sound investment decisions and take the right steps in the technical, regulatory and planning phases.

Additionally, the Bank conducts regional and sectoral analysis and studies in Turkey and abroad; provides project-based technical support to various organizations in a variety of areas, mainly including project design, evaluation and feasibility; and offers training in order to support institutional capacity in these and similar subjects.

Highlights from some of the advisory services provided in 2011 are presented below:

Technical support program for the restructuring of the Development Bank of the TRNC

Launched in 2010, the technical support program for the restructuring of the Development Bank of TRNC was completed in the first quarter of 2011. Within this framework, the application section of the program was completed by preparing the Business Flows Scheme, IT Due Diligence Report and Strategic Report of 2023 of the Development Bank of TRNC.

Technical support program for development agencies

In 2011, the Development Bank of Turkey pressed ahead with its efforts to expand its service diversity through advisory and technical support programs. Within the scope of these efforts, development agencies are the Bank's primary field of service and are among the most important institutions included in the Bank's target group.

In the first quarter of 2011 the Bank in cooperation with the Ministry of Development worked out a study for service analyses determining the primary fields of training and service for the agencies; with the aim of to offer service packages that will cover all development agencies in order to improve their institutional capacity and to support their progress.

Based on the results of the analysis, the institutional capacity trainings and service studies started in consensus with the agencies.

In 2011, the Bank provided training to 350 personnel of development agencies through a total of 15 programs. The Bank plans to reach about 1,000 specialists from all development agencies in 2012.

In addition to training, the Bank completed the Regional Development Plan for the Dicle Development Agency and performed a feasibility study for the Orta Anadolu Development Agency. The Bank plans to complete the four feasibility studies launched in 2011. The Bank aims to improve its cooperation with development agencies in 2012 through a series of sectoral research studies, feasibility studies and other activities.

Cooperation with COMCEC

In the second quarter of 2011 the Development Bank of Turkey had started studies for developing cooperation on the subject of the administration of the grant programme to be executed among the member countries of COMMEC (Standing Committee for Economic and Trade Cooperation of the Organization of Islamic Cooperation) that was conducted by the Ministry of Development of Republic of Turkey.

It is planned that our Bank to be the co-director in the grant programme worth US\$ 2 million that will be executed among member countries of COMMEC. With the completion of the studies for developing the programme, it is planned to be carried into practice in 2012.

Advisory and Technical Support Services

Financing and process management consultancy in the field of renewable energy

In 2011, the Bank launched efforts to offer investors its expertise in renewable energy combined with its international advisory experience. Within this scope, the Bank provided advisory services to buyers or sellers with respect to the preparation of appraisal reports, as well as financing and process management.

Technical assistance to Syria

A Memorandum of Understanding on Cooperation was signed by and between the Development Bank of Turkey and Syrian State Planning Council on October 3rd, 2010. Within the framework of the signed document, the technical assistance to be provided by the Bank includes undertaking contributions to the improvement of the Syrian State Planning Council's project development infrastructure, performing modeling work for the foundation of the Development Bank of Syria and improving entrepreneurship for the Syrian Chambers of Industry and Trade. The project-related efforts were launched in the project opening meeting held in Syria in February 2011. The project-related efforts will continue in parallel with the developments in Syria.

Technical cooperation with the GAP Administration

According to the technical cooperation agreement signed between the GAP Administration and the Development Bank of Turkey, studies for identifying the investment potential for the private sector in the Southeastern Region and the evaluation of investment project proposals have been completed. As a result, 5 projects were selected, the feasibility studies of which were also completed.

Cooperation with ADFIAP

A Framework Cooperation Agreement was signed in early 2011 by and between the Development Bank of Turkey and the Association of Development Financing Institutions in Asia and the Pacific (ADFIAP) for cooperation with respect to technical assistance and advisory services. As per the agreement, a service requirement survey was held by ADFIAP and the Bank for member countries. Preliminary studies for the determined fields of service are under way, while the Bank is preparing to offer advisory services to the agencies of member countries in 2012.

The Development Bank of Turkey will continue to contribute to Turkey's development in all areas by continuously creating opportunities for cooperation with international agencies that operate in the field of development.

In 2011, the Bank launched efforts to offer services of high added value to investors with its expertise in renewable energy combined with its international advisory experience.

Declaration on the Compliance of the Annual Report

The 2011 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



Şerif ÇELENK
Vice Chairman of the Audit Committee



Adnan YALÇINCI
Executive Vice President
Responsible for Financial Reporting



Esra CEYLAN
Budget Manager



DRT Bağımsız Denetim ve
Serbest Muhasebeci
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CONVENIENCE TRANSLATION OF
COMPLIANCE OPINION ORIGINALLY ISSUED IN TURKISH

COMPLIANCE OPINION
REGARDING THE ANNUAL REPORT

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, 2011. 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, 2011 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 LIMITED

Erdem Taş
Partner
Ankara, 6 April 2012

Corporate Governance

Board of Directors*



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The composition and operation of the Board of Directors of the Development Bank of Turkey and information on the number of meetings and resolutions in 2011 is set out below.

The Board of Directors of the Development Bank of Turkey consists of seven members, six members elected in the AGM from among shareholders and the General Manager. The Board of Directors serves for a term of three years. A member may 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. The Board of Directors holds the power to draft as many interim solutions as it requires. Interim resolutions require a unanimous vote. A majority of the members of the Board of Directors should be present in order to convene a meeting. In 2011, the Board of Directors convened 24 times and passed 287 resolutions, 44 of which were interim resolutions.

*Abdullah Çelik served as the Chairman of the Board of Directors and General Manager at our Bank from December 19th, 2005 to March 14th, 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), the appointment of the member of the Board Directors Ahmet Yaman is appointed as Deputy Chairman of the Board of Directors upon the approval of respective minister on March 15th, 2011, September 15th, 2011 and March 2nd, 2012.

*Within the framework of clause 23/1 of Banking Law No. 5411 Metin Pehlivan also executes the membership of Board of Directors.

Ahmet YAMAN (4)**Chairman of the Board of Directors (A.)**

Born in Ankara in 1966. Ahmet Yaman graduated from the Faculty of Architecture, Department of City and Regional Planning at the Middle East Technical University (METU) in 1987 and completed an MA from Cornell University in the United States. 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 Ministry of Development (SPO) since 2009. Ahmet Yaman has been a member of the Bank's Board of Directors since May 2nd, 2008 and Deputy Chairman of the Board of Directors since May 12th, 2008.

Hakan TOKAÇ (1)**Member of the Board of Directors and Chairman of Corporate Governance Committee**

Born in Ankara in 1972, Hakan Tokaç graduated from the Faculty of Political Science, Department of Public Finance at Ankara University in 1994 and completed an MA degree from the University of Illinois in the United States. Beginning his professional career as an 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 a Budget and Finance Coordinator at the State Planning Organization EU Education and the 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 1st, 2007 and Chairman of its Corporate Governance Committee since May 20th, 2011.

İrfan TOKGÖZ (2)**Member of the Board of Directors and the Chairman of the Audit Committee**

Born in Acıpayam-Denizli in 1970, İrfan Tokgöz graduated from the Faculty of Political Science, Department of Public Finance at Ankara University in 1992; he went on to complete an MA degree 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 an 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 was the Deputy General Manager of General Directorate of Foreign Investments at the Undersecretariat of Treasury from 2008 to 2011. He has been the Chairman of the Board of Treasury Controllers at Undersecretariat of Treasury since 2011. İrfan Tokgöz became a member of the Bank's Board of Directors on May 2nd, 2008 and he has been the Chairman of the Audit Committee since May 21st, 2008.

Özcan TENGİLİMOĞLU (7)**Member of the Board of Directors**

Born in Ankara in 1968, Özcan Tengilimoğlu graduated from the Faculty of Economics and Administrative Sciences, Department of Business Administration at Middle East Technical University in 1991. He served as an Inspector and Branch Manager at Esbank between 1992 and 2001 and as a Branch Manager at Bank Asya between 2001 and 2005. He then served as a Finance Director of Türksat from 2005 to 2011. Özcan Tengilimoğlu was then appointed to his current post of general manager at Bayraktar Kardeşler İnş. Taah. Ticaret A.Ş. He has been a member of the Bank's Board of Directors since May 2nd, 2008.

Mehmet AYDIN (5)**Member of the Board of Directors**

Born in Babinir-Batman in 1967. Mehmet Aydın graduated from the Faculty of Political Sciences, Department of Economics at Ankara University 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 14th and July 16th, 2010 and has served as a Consultant thereafter. He was also assigned as an Advisor to the Minister of Finance since August 2nd, 2010. He has been also serving as a Vice President of the Public Procurement Authority since 2011. Mehmet Aydın has been a member of the Bank's Board of Directors since March 2nd, 2009.

Şerif ÇELENK (6)**Member of the Board of Directors, Vice Chairman of the Corporate Governance Committee and Audit Committee**

Born in Kilis in 1948, Şerif Çelenk graduated from the Faculty of Administrative Sciences, Department of Economics-Public Finance at Marmara University 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 2nd, 2009, the Vice Chairman of the Corporate Governance Committee since May 20th, 2011 and the Vice Chairman of the Audit Committee since January 13th, 2012.

Metin PEHLİVAN (3)**Member of the Board of Directors and General Manager (A.)**

Born in Tosya-Kastamonu in 1969, Metin Pehlivan graduated from the Faculty of Political Sciences, Department of Business Administration at Ankara University in 1991. Beginning his professional career as an Assistant Inspector at İşbank in 1992, Pehlivan served as the Deputy Manager at the Department of Corporate Loans from 2000 to 2006, Group Head of Corporate Marketing from 2006 to 2007 and as the Manager at the Istanbul Karaköy Branch from 2007 until 2009. He has been an Executive Vice President of the Bank since September 15th, 2009 and a member of the Board of Directors and Deputy General Manager since March 15th, 2011.

Board of Auditors



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Mustafa GÜNEŞ (2) **Statutory Auditor**

Born in Kaman-Kırşehir in 1969, Mustafa Güneş graduated from the Faculty of Political Sciences, Department of Public Finance at Ankara University 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 30th, 2008.

Ferhat KARAŞ (3) **Statutory Auditor**

Born in Bergama-Izmir in 1974, Ferhat Kardeş graduated from the Faculty of Political Sciences, Department of Business Administration at Ankara University in 1996 and completed an MA degree from the Faculty of Public and Environmental Relations, Department of Public Relations at Indiana University. Beginning his professional career as an Assistant Auditor at the Prime Ministry Board of Internal Auditors in 1997, Kardeş 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 28th, 2010.

Davut KARATAŞ (1) **Statutory Auditor**

Born in Andırın-Kahramanmaraş in 1970. Davut Karataş graduated from the Faculty of Political Sciences, Department of Public Administration at Ankara University in 1990. Beginning his professional career as an Assistant Auditor at the Turkish Court of Accounts in 1992, Karataş worked as an Auditor from 1994 to 1997. In accordance with 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 the Deputy General Manager from 2008 to 2009 and has served as the General Manager since 2009. Davut Karataş has been the Statutory Auditor of the Bank since May 24th, 2010.

Information on Statutory Auditors

The term of office for the Statutory Auditors is three years. A Statutory Auditor may 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.

Departments in Internal Systems*

Fatih ŞAHİN **Head of Internal Audit**

Born in Adıyaman in 1978, Fatih Şahin graduated from the Faculty of Political Sciences, Department of Public Administration at Ankara University in 1998. Beginning his professional career as an Assistant Tax Auditor at the Department of Finance in 1999, Şahin served as Assistant Inspector at the Ministry of Industry in 2000 and as an Inspector at VakıfBank between 2000 and 2012. He has been Head of the Internal Audit at the Bank since February 21st, 2012.

Ramazan KOYUNCUĞİL **Manager of Internal Control**

Born in Seydişehir-Konya in 1961. Ramazan Koyuncugil graduated from the Faculty of Economics and Administrative Sciences, Department of Business Administration at Atatürk University in 1983. Beginning his professional career as an Assistant Specialist at the Ministry of Tourism in 1983, Koyuncugil served as a Specialist from 1987 to 1995, as a Senior Specialist from 1995 to 1997, as a Manager between 1997 and 1998, as a Deputy Manager from 1998 to 2006 and as a Senior Specialist between 2006 and 2009. He has been Deputy Manager of Internal Control since October 13th, 2009 and Manager of Internal Control since March 15th, 2011.

Özkan ERDAL **Risk Monitoring Manager**

Born in Kırıkkale in 1976, Özkan Erdal graduated from the Department of Mathematics at the Middle East Technical University (METU) in 1999. He completed an MA degree in the Department of Finance at Gazi University in 2010. Beginning his professional career at Ziraat Bank's School of Banking, Erdal served as specialist and manager in the Fund Management and Risk Management departments at Ziraat Bank. He joined our Bank in 2008 as Risk Monitoring Assistant Manager. He has been in the post of Risk Monitoring Manager since March 15th, 2011.

*Semra PEKKAYA - Worked as the Risk Monitoring Manager from June 3rd, 2009 to March 15th, 2011.

*Murat DOĞUŞLU - Worked as Acting Head of Internal Audit from November 11th, 2010 to February 21st, 2012.

Senior Management*



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Metin PEHLİVAN (3)

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

Born in Tosya-Kastamonu in 1969, Metin Pehlivan graduated from the Faculty of Political Sciences, Department of Business Administration at Ankara University in 1991. Beginning his professional career as Assistant Inspector at İşbank 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 the Istanbul Karaköy Branch from 2007 until 2009. He has worked as an Executive Vice President of the Bank since September 15th, 2009 and a member of the Board of Directors and Deputy General Manager since March 15th, 2011. Metin Pehlivan is currently in charge of Loan Marketing and Human Resources departments, as well as the Istanbul branch.

Bahattin SEKKİN (1)

Executive Vice President

Born in Üçkuyu-Afyonkarahisar in 1956, Bahattin Sekkin graduated from the Faculty of Economics and Administrative Sciences, Department of Business Administration at Middle East Technical University, 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 also 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 22nd, 2003. Bahattin Sekkin is currently in charge of Technology Monitoring and Research, Corporate Communications and Training, Economic and Social Researches and Intelligence departments.

Adnan YALÇINCI (5)

Executive Vice President

Born in Ankara in 1965, Adnan Yalçın graduated from the Faculty of Economics and Administrative Sciences, Department of Public Finance at Dokuz Eylül University in 1987 and completed an MA degree from the Institute of Social Sciences at Gazi University. Beginning his professional career at the Regional Directorate of Forestry in 1986, Yalçın worked for Halkbank from 1988 to 1989 and later served as Assistant Specialist and Specialist at the Training and Organization Directorate, Research and Development Department and Organization Department 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 Yalçın has been an Executive Vice President at the Bank since October 14th, 2005 and served as a member of the Board of Directors from 2008 to 2009. Yalçın is currently in charge of Loan Follow and Collections, Financial Affairs and Budget departments.

Zekai İŞILDAR (2)

Executive Vice President

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

İrfan YAŞAR (4)

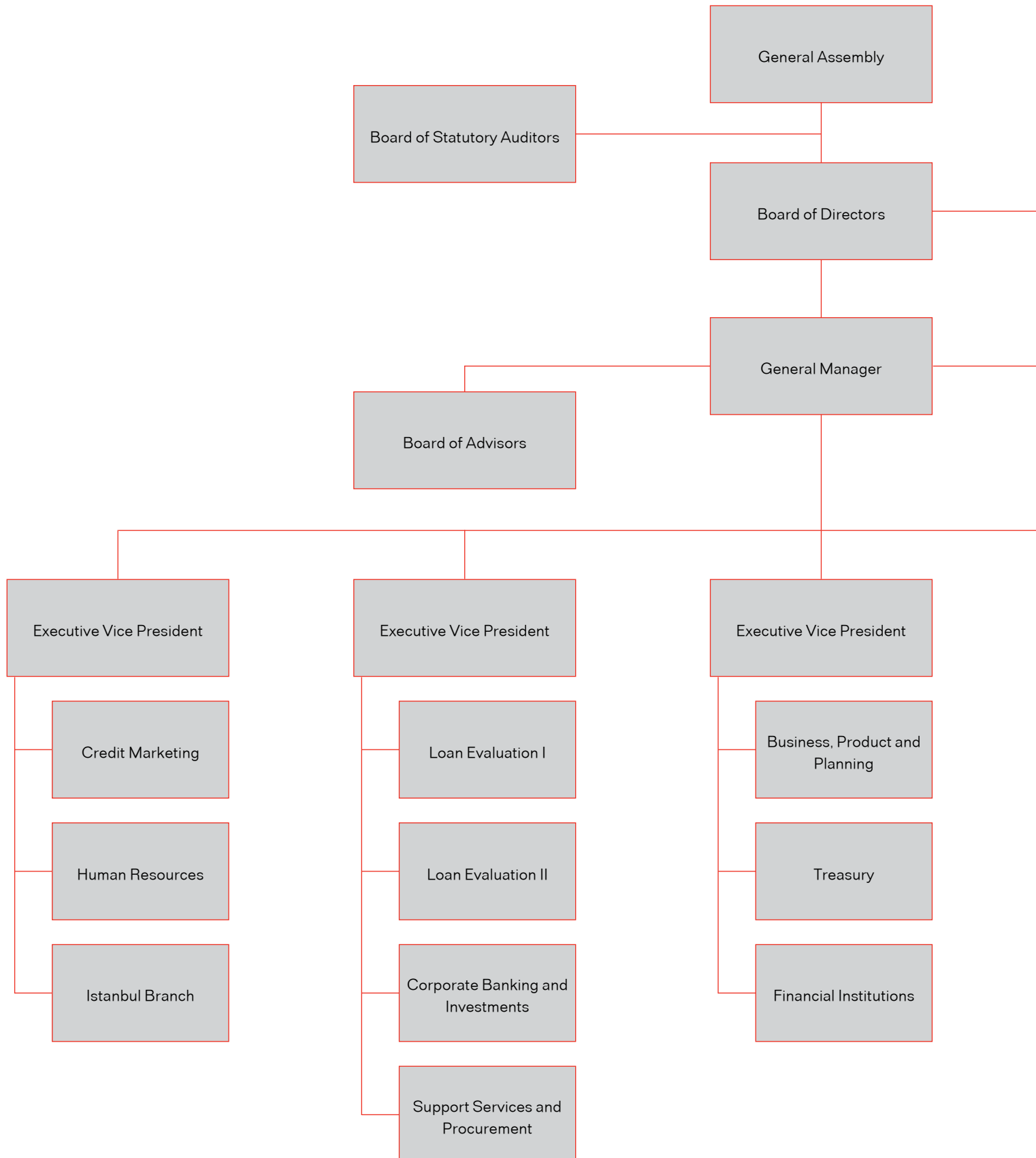
Executive Vice President

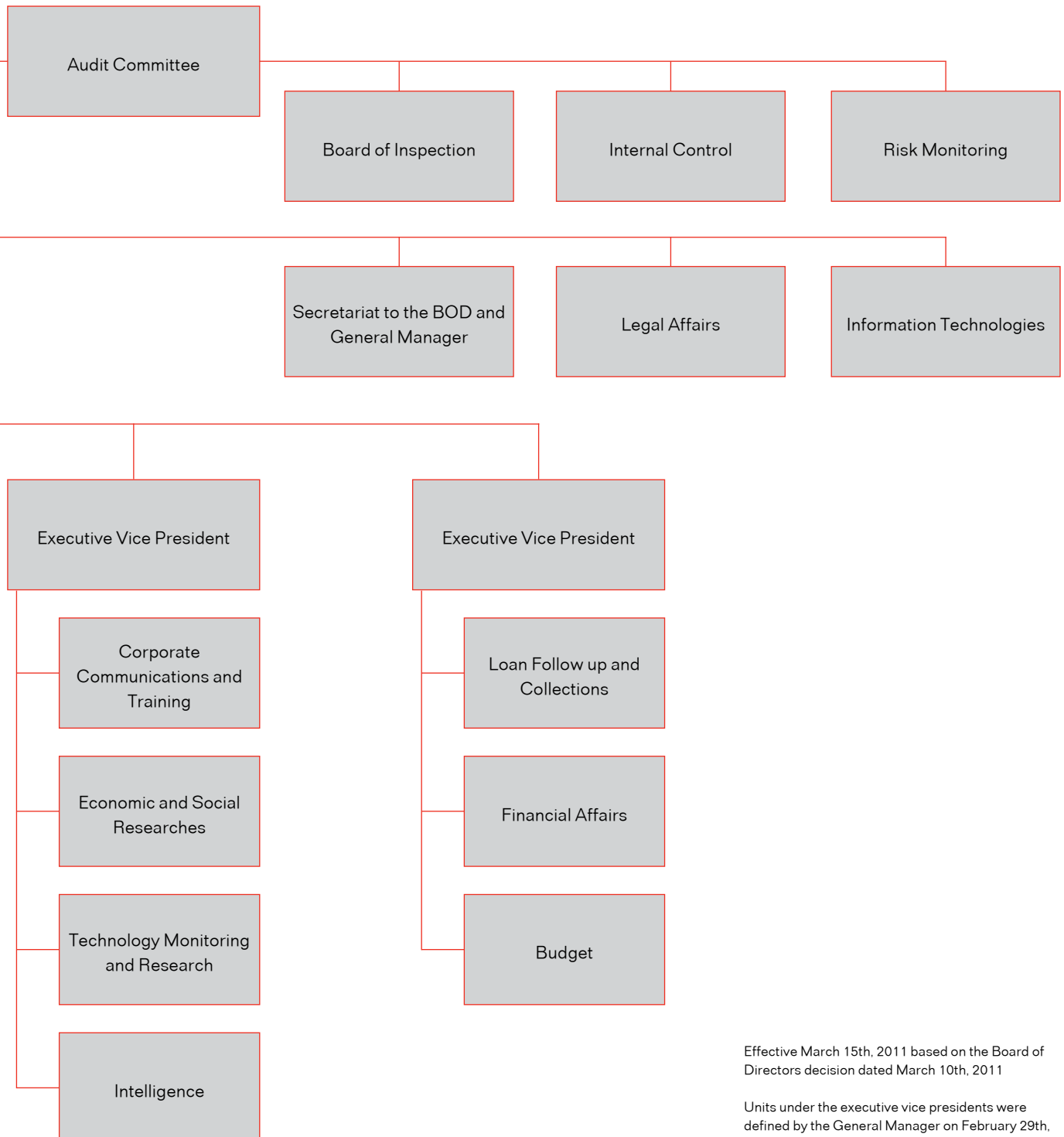
Born in Çubuk-Ankara in 1973, İrfan Yaşar graduated from Ankara University, Faculty of Political Sciences, Department of Public Finance in 1997 and completed an MA from the University of Illinois. Beginning his professional career as an Assistant Certified Bank Auditor on the Board of Certified Bank 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 16th, 2009. İrfan Yaşar is currently in charge of Business, Products and Planning, Financial Institutions and Treasury departments.

*Abdullah Çelik served as the Chairman of the Board of Directors and General Manager at our Bank from December 19th, 2005 to March 14th, 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 upon the approval of respective minister on March 15th, 2011, September 15th, 2011 and March 2nd, 2012.

2011 Organization Chart





Effective March 15th, 2011 based on the Board of Directors decision dated March 10th, 2011

Units under the executive vice presidents were defined by the General Manager on February 29th, 2012.

Committees

Audit Committee

The Audit Committee was formed following the Bank's Board of Directors' resolution no. 227 dated 31 October 2006 to execute audit/supervision 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 24 January 2007.

Board of Directors members, İrfan TOKGÖZ and Şerif ÇELENK, were appointed as members of the Audit Committee following the Board of Directors resolution no 98 dated 12 May 2008, and decision no. 15 dated 13 January 2012, respectively. At the Audit Committee meeting no. 2012/01 held on 27 January 2012, İrfan TOKGÖZ and Şerif ÇELENK were elected Chairman and Vice Chairman of the Committee, respectively.

Board of Inspection, 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 met 14 times during the reporting period.

Members of the Audit Committee and Their Primary Functions

Name	Title	Primary Function
İrfan TOKGÖZ	Audit Committee Chairman	Undersecretariat of Treasury, Head of the Board of Treasury Controllers
Şerif ÇELENK	Audit Committee Vice Chairman	Banking Professional

Corporate Governance Committee

The Corporate Governance Committee was formed with the Bank's Board of Directors' resolution no. 185 dated 15 June 2007 in accordance with the Regulation on the Bank's Corporate Governance Principles issued by the Banking Regulation and Supervision Agency (BRSA) and published in the Official Gazette issue 26333 dated 1 November 2006, and with the Corporate Governance Principles issued by the Capital Markets Board of Turkey (CMB). The Operating Procedures and Principles of the Corporate Governance Committee were put into effect by the Board of Directors' resolution no. 209 dated 24 July 2007; the operating procedures and principles of the said committee have been revised and transformed into the "Corporate Governance Committee Bylaws" by the Board of Directors resolution no. 283 dated 29 December 2011.

The function of the Committee is to work towards 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 20 May 2011, the Chairman of the Committee has been Hakan TOKAÇ, a non-executive member of the Board of Directors; in his absence, Şerif ÇELENK, also a non-executive member of the Board of Directors, chairs the committee in his capacity as the Vice Chairman of the Committee. The Corporate Governance Committee met two times during 2011. Corporate Governance Committee is continuing to work toward improving the Bank's corporate governance practices.

Members of the Corporate Governance Committee and their Primary Functions

Name	Title	Primary Function
Hakan TOKAÇ	Corporate Governance Committee Chairman	Undersecretariat of Treasury, Deputy General Manager of Public Finance
Şerif ÇELENK	Corporate Governance Committee Vice Chairman	Banking Professional
Metin PEHLİVAN	Member	Development Bank of Turkey, General Manager (A.)
Adnan YALÇINCI	Member	Development Bank of Turkey, Executive Vice President
İrfan YAŞAR	Member	Development Bank of Turkey, Executive Vice President
Zekai IŞILDAR	Member	Development Bank of Turkey, Executive Vice President
Hatice BAKIR	Member	Development Bank of Turkey, Human Resources Director (A.)
Serdar KABUKÇUOĞLU	Member	Development Bank of Turkey, Business, Product and Planning Director
Aydın TOSUN	Member	Development Bank of Turkey, Financial Affairs Director
Metin ÇINAR	Member	Development Bank of Turkey, Corporate Banking and Investments Manager
Esra CEYLAN	Member	Development Bank of Turkey, Budget Manager
Cem Cihangir ÜSTÜN	Member	Development Bank of Turkey, IT Manager
Hakan KILDOKUM	Member	Development Bank of Turkey, Capital Markets Legislation Compliance Officer, Corporate Banking and Investments Assistant Manager

Committees

Loans and Participations Committee

Loans-Participation Committee was set up 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 Loans and Participations Committee carries out its activities in accordance with the Loans and Participations Committee Bylaws as revised by the Board of Directors resolution no. 283 dated 29 December 2011.

The Committee is chaired by the General Manager 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 2011, the Committee met 38 times and passed 154 decisions to be submitted to the Bank's Board of Directors.

Members of the Loans and Participations Committee and their Primary Functions

Name	Title	Primary Function
Metin PEHLİVAN	Chairman	General Manager (A.)
Zekai İŞILDAR	Vice Chairman	Executive Vice President
Bahattin SEKKİN	Member	Executive Vice President
Adnan YALÇINCI	Member	Executive Vice President
İrfan YAŞAR	Member	Executive Vice President
Related Departments		Legal Affairs
		Loan Evaluation I Director
		Loan Evaluation II Director
		Loan Follow up and Collections Director
		Credit Marketing Director
		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 various factors including current or potential economic developments, interest rates, maturity and currency.

Assets and Liabilities Management Committee was established by the Bank's Board of Directors resolution no. 213 dated 8 September 2008; the guidelines governing the operating procedures and principles of the committee were revised and was put in effect under the name "Assets and Liabilities Management Committee Bylaws" by the Board of Directors resolution no. 283 dated 29 December 2011.

The Committee is chaired by the General Manager and its members consist of Executive Vice Presidents. 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 directors or other personnel to attend the meetings. In 2011, the Committee met 17 times and passed 17 decisions to be submitted to the Bank's Board of Directors.

Assets and Liabilities Management Committee

Name	Title	Primary Function
Metin PEHLİVAN	Chairman	General Manager (A.)
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

Environmental Management Committee

As part of its Environmental Management Policy, Development Bank of Turkey aims to form, administer, improve, monitor and ensure corporate awareness about the Environmental Management System. To this end, the Environmental Management Committee pursues its activities under the Functions, Authorities, Responsibilities and Operating Procedures and Principles of the Environmental Management Committee as revised by the Board of Directors resolution no. 144 dated 20 May 2011.

The Committee consists of a total of seven members appointed by the General Manager, one of whom is the representative selected from among executive vice presidents or managers and two are representative assistants elected from among other personnel. The Committee met 11 times in 2011.

Environmental Management Committee

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

Information Technology Committee

The Functions, Authorities and Operating Procedures and Principles of the Information Technology (IT) Committee was put in effect by the Development Bank of Turkey Board of Directors resolution no. 152 dated 30 June 2008; the guidelines governing the operating procedures and principles of the committee were revised and enforced under the name "Information Technology Committee Bylaws" by the Board of Directors resolution no. 273 dated 8 December 2011. 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. In 2011, the Committee met two times and passed two decisions to be submitted to the Bank's Board of Directors.

Information Technology Committee

Name	Title	Primary Function
Metin PEHLİVAN	Chairman	General Manager (A.)
İrfan YAŞAR	Vice Chairman	Executive Vice President
Adnan YALÇINCI	Member	Executive Vice President
Zekai İŞILDAR	Member	Executive Vice President
Bahattin SEKKİN	Member	Executive Vice President
Cem Cihangir ÜSTÜN	Member	Information Technology Manager

Committees

Compensation Committee

The BRSA's Regulation Amending the Regulation on the Banks' Corporate Governance Principles published in the Official Gazette issue 27959 dated 9 June 2011 obligates establishing a compensation policy that is aligned with the scope and structure of the Bank activities, its strategies, long-term goals and risk management structures, that prevents taking excessive risks, and that will contribute to effective risk management. The said Regulation also requires a review of the compensation policy at least on an annual basis by the Board of Directors to ensure efficiency of the compensation policy; setting up a compensation committee made up of at least two members for the purpose of monitoring and overseeing compensation practices on behalf of the Board of Directors, which committee will be required to evaluate the compensation policy and implementations with respect to risk management and submit its recommendations thereon in a report every year to the Board of Directors. Along the line, a Compensation Committee was formed with two non-executive Board members to evaluate the Bank's compensation policy and practices with respect to risk management and submit recommendations thereon to the Board of Directors by the Board of Directors resolution no. 272 dated 8 December 2011.

Members of the Compensation Committee and their Primary Functions

Name	Title	Primary Function
Ahmet YAMAN	Compensation Committee Chairman	Ministry of Development, Deputy Undersecretary
İrfan TOKGÖZ	Member	Undersecretariat of Treasury, Head of the Board of Treasury Controllers
Şerif ÇELENK	Member	Banking Professional

Summary Report of the Board of Directors

Development Bank of Turkey authored successful results in 2011.

In 2011, the Development Bank of Turkey not only achieved growth in its asset size, but also increased the total funds made available to its customers, along with the added value it produces. As a result of the Bank's strategy aiming at productive growth, total assets grew a remarkable 75% and reached TRY 2,794 million during 2011. With an annual average growth rate of 37.5% achieved from 2008 through 2011, the Development Bank of Turkey outperformed the average attained by the overall sector and the development banks segment. During 2011, the Bank increased its share in the development and investment banks segment to 6.7%.

The Bank's total loans grew by a significant 57.8% year-on in 2011 and went up to TRY 1,859 million. The share of loans in total assets, on the other hand, stood at 66.5% at year-end 2011, continuing to float above the sector's and segment's averages. While shareholders' equity rose to TRY 529 million, capital adequacy ratio preserved its level above the sector's and segment's averages, and was registered at 58.3%.

The strong credit relationships the Development Bank of Turkey built with overseas financial institutions play a big part in the support extended to the real sector by the Bank. In 2011, the Bank succeeded in securing the highest-amount loan obtained in one time with US\$ 300 million.

The total limit of foreign resources obtained reached US\$ 1.5 billion at year-end 2011. Targeting to increase the diversity of its funding sources and maintain optimum cost structure, the Development Bank of Turkey will continue to work towards securing funds from different institutions in 2012.

Following suit of the overall banking sector, the return on assets (RoA) of the Development Bank of Turkey decreased. The profitability was negatively affected by the negative value adopted by the FX margin depending on the rise in exchange rates and the negative course of other incomes in 2011. The Development Bank of Turkey posted a net profit of TRY 23.8 million. While return on equity (RoE) went up from 4.1% to 4.5%, return on assets (RoA) declined from 1.3% to 0.9%.

The Development Bank of Turkey is a strong and deep-rooted service provider enjoying a brandname associated with trust.

The Bank takes on pioneering roles in line with its mission in areas commercial banks do not dare to enter, and contributes to the sustainable development of the Turkish economy.

In 2012, the Bank will keep allocating increasing amount of funds to the SMEs that serve as the backbone of the economy within the scope of apex banking, while also continuing to provide the necessary medium- and long-term project finance to its customers from different sectors with a particular focus on the energy industry.

Development Bank of Turkey
Board of Directors

Information on Human Resources Practices

Pursuant to Article 15 of Law no. 4456 that charters the Bank, the Bank's personnel are employed in the status of contract personnel who are not subject to the permanent personnel provisions of the Civil Servants Law no. 657 or other 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 principles of the Bank's personnel policy are defined in the Personnel Bylaws; in this framework, the workforce need is fulfilled by recruiting and placing the individuals possessing the competencies and qualifications required by the relevant position using the appropriate assessment tools and methods, in line with the vision and mission specific to human resources.

Key recruitment criteria have also been put into writing and are followed in the processes.

In this context;

- Recruitments and promotions of auditors and assistant auditors are conducted pursuant to the provisions of the Board of Inspection Bylaws;
- Recruitments and promotions of specialists and assistant specialists are conducted pursuant to the provisions of the Bylaws on the Recruitment, Qualifications and Promotion Principles for Specialists and Assistant Specialists;
- Recruitments and promotions of other personnel are performed according to the provisions of the Personnel Bylaws.
- Since the Bank's personnel serve in contract personnel status, annual Employment Contracts are signed;
- It is adopted as a basic principle at the Bank not to make any discrimination on the basis of race, language, religion and sex, and to be respectful of human rights;
- Employee performances are evaluated according to performance assessment criteria defined in line with respective duties and employees are thereby readied for the next level position.
- Microsoft Outlook used on our website and across the Bank enables quick access by all employees to the Bank's bylaws and guidelines, the activities of the departments, current announcements, and reference resources;
- In addition, the following activities are taken on:
 - Efforts are spent towards increasing the efficiency and productivity in the conduct of the Bank's activities,
 - Observation of any and all personnel rights and execution of related tasks within the frame of the applicable law and the policies to be developed,
 - Responding to the petitions of concerned parties under the Law no. 3071 on Exercising the Right of Petition,
 - Informing the petitioners in view of the Law no. 4982 on the Right to Information,
 - Assessing the applications of those who individually make a job application with the Bank,
 - Publicly announcing the exams opened by the Bank through the media and on our website, and making the exam results available to the general public on the Bank's website and in written form to the concerned individuals.

As of year-end 2010, the Bank had 712 employees, 45 of whom were fixed term contract personnel. In 2011, a total 29 Assistant Specialists started to work at the Bank as a result of the Bank's Assistant Specialist Recruitment Exam, for which the written test phase occurred on 2 July 2011 and the oral exam phase took place on 27-28-29 July 2011. As of year-end 2011, the Bank had 708 employees, 42 of who are fixed term contract personnel. The Bank has a branch that operates in Istanbul.

Related Party Transactions

The Chairman and members of the Board of Directors, the General Manager 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.

Report of Compliance with Corporate Governance Principles

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 set out in a regulation.
- 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.
- Activities were meticulously carried out in relation to the Law on the Right to Information and applicable legislation.
- 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 2 March 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 2011, ten applications and information requests were processed and responded to.

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

Unit Manager: Metin ÇINAR, Ph.D.

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

Unit 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 2011, the Bank received ten applications in writing from small shareholders requesting information regarding position of customer accounts with respect to Bank share certificates, exercise of pre-emptive rights and dividend payment; all of these were responded or referred to relevant units 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 2011.

4. Information about General Assembly

The Ordinary General Assembly Meeting regarding the Bank's activities in 2010 was held on 28 April 2011 with the representation of 15,853,072,096.5 shares out of the 16,000,000,000 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 7787 dated 5 April 2011, and in the daily Dünya and Star newspapers on 7 April 2011 in accordance with the related legislation. In addition, the invitation was extended to the national media with a Press Bulletin issued on 28 April 2011 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 2010 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 2010 activities. The suggestions for the agenda were provided by the representative of the controlling shareholder and the agenda was approved unanimously.

Report of Compliance with Corporate Governance Principles

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 Office of the Vice Prime Minister 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 the CMB's Communiqué Serial: VIII No: 54 on the 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 29 April 2009 and has been posted on the Bank's website since 1 May 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 pursuant to the CMB Communiqué Serial: IV No: 41. 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 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 structure and the Public Disclosure Form issued in accordance with the provisions of the CMB Communiqué on Principles of Public Disclosures by Intermediary Institutions are posted on the Bank's website.

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 2011, Pursuant to Law no. 4982 on the Right to Information and the Regulation on Procedures and Principles Regarding its Implementation, 55 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 20 January 2006, 42 applications that were directly related to the implementation of the Prime Ministry system were responded to via the Prime Ministry Communication Center (BİMER).

9. Material Event Disclosures

The Bank makes timely announcements when circumstances require material event disclosures. 26 material event disclosures were made in 2011. 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, no additional disclosure was required by the ISE.

10. Company Website and Its Content

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

- Mission and Vision
- Text of the Charter Act and Articles of Association
- Management Structure
- Organization Structure
- Contact Information
- Corporate and Financial Information
- Annual Reports
- Periodic Financial Statement and Reports
- Human Resources
- Social Responsibility Activities
- Queries for information
- The Bank's environmental policy and practices
- Announcements
- 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 29 April 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. In addition, pursuant to the CMB resolution, the list is regularly notified to the Central Registry Agency (CRA) within the frame of the CRA circular no. 556 dated 9 June 2011 stating that the list of individuals with access to insider information as created by companies, as well as any changes thereto, need to be informed to the CRA on the electronic environment using the Central Dematerialized System (CDS) application, under Article 16 of the Communiqué Serial: VIII No: 54 on the Principles of Public Disclosure of Material Events.

Report of Compliance with Corporate Governance Principles

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 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

The principles of the Bank's personnel policy are defined in the Personnel Regulation; in this framework, the workforce need is fulfilled by recruiting and placing the individuals possessing the competencies and qualifications required by the relevant position, employing appropriate assessment tools and methods, in line with the vision and mission specific to human resources.

Key recruitment criteria have also been put into writing and are followed in the processes. In this context:

The recruitments and promotions of Auditors and Assistant Auditors are conducted pursuant to the provisions of the Board of Inspection 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.

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.

No complaints on account of discrimination have been received from the employees.

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 economic development. 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 in line with the 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.

With the purpose of accelerating our country's development by raising awareness, the Bank presented many papers on energy and environment in various platforms led by ICCI 2011 17th International Energy and Environment Fair and Conference, and the 2nd National Energy Forum and Fair. Within this frame, the Bank continued to give training at an increasing speed to Development Agencies on Feasibility Study Preparation.

The Bank contributed to the studies conducted by the Ministry of Environment and Urbanization and UNDP on developing Turkey's climate change policies and the preparation of Turkey's Second National Statement on Climate Change. While the Bank is involved in the project for Increasing Energy Efficiency in the Industry as a stakeholder, it extends the necessary support to the project for Increasing Energy Efficiency in Buildings. Additionally, other contributions regarding such topics are provided as demanded by the Ministry of Science Industry and Technology, the Ministry of Development and the Ministry of Energy and Natural Resources.

The Bank keeps a close eye on the technological advancements, new products and services in Turkey and in the world, and continued to create a databank on the same, while keeping on with its technical assistance and consultancy offering. The studies in this frame included research studies on hybrid vehicles and solar energy, Energy Study Report concerning energy efficiency and Efficiency Enhancement Project (EEP) report.

Being an institution extending financial support to sustainable development activities, the Development Bank of Turkey also aimed at becoming an enterprise holding Environmental Management System (EMS) and received certification in this aspect from the Turkish Standards Institution (in Turkish: TSE) on 14 May 2010, thus becoming the first public bank possessing EMS certification. In June 2011, it was decided to extend the use of our TSE-EN-ISO 14001 Environmental Management System Certification as a result of the TSE's Monitoring Inspection.

Sponsored by the Bank, Sustainable Environment-Friendly Product and Application Awards 2010 were presented to the winners at a ceremony held on 8 December 2011 in İstanbul. Awards have been granted to İstanbul Chamber of Commerce (ICC) members who have fulfilled the requirements of the environment legislation and thus produced works that set examples for their peer companies and organizations in subjects including efficient use of raw materials and energy, environment management, waste reduction, recovery, recycling, raising environmental awareness and environment training, and collaboration with other companies and organizations. As one of the sponsors, the Bank was presented with a plaque by the ICC.

The training programs given during 2011 included First Aid, Fire Extinguishing, Rescue, Erosion and Environmental Awareness programs, as well as Environmental Risk Assessment, TS-EN-ISO 14001 EMS Basic Training, Kalkınma EMS Information, EMS and Internal Examination Information programs. A total of 250 person had participated to these training programs.

The Bank achieved its targets set for 2011 to a great extent. There was a 21.6% reduction year-on in paper consumption and 4% saving in electricity consumption in 2011. Efforts directed towards sorting at source were completed successfully. The infrastructure work is in progress for the www.cevcrecikalkinma.com (Environmentalist Development Bank) website intended to be launched with a view to access the public at large.

Additionally, 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 damage.

Report of Compliance with Corporate Governance Principles

SECTION IV - BOARD OF DIRECTORS

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

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.

The Board of Directors is composed of seven members, six members elected by the General Assembly from among shareholders plus the General Manager.

Board of Directors^(*)

Name	Position	Commencement Date of Duty	Employment Outside of the Bank
Ahmet YAMAN	Chairman of the Board of Directors (A.)	2 May 2008	Ministry of Development, Deputy Undersecretary
Hakan TOKAÇ	Member of the Board of Directors Corporate Governance Committee Chairman	1 May 2007 20 May 2011	Undersecretariat of Treasury, Deputy General Manager of Public Finance
İrfan TOKGÖZ	Member of the Board of Directors Audit Committee Chairman	2 May 2008 12 May 2008	Undersecretariat of Treasury, Head of the Board of Treasury Controllers
Özcan TENGİLİMOĞLU	Member of the Board of Directors	2 May 2008	General Manager of Bayraktar Kardeşler İnş. Taah. Tic. A.Ş.
Mehmet AYDIN	Member of the Board of Directors	2 March 2009	Vice President of Public Procurement Authority
Şerif ÇELENK	Member of the Board of Directors Audit Committee Vice Chairman Corporate Governance Committee Vice Chairman	2 March 2009 27 January 2012 20 May 2011	Retired Banking Professional
Metin PEHLİVAN	Member of the Board of Directors General Manager (A.)	15 March 2011	

* Abdullah Çelik served as the Bank's Chairman and General Manager from 19 December 2005 until 14 March 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 the Minister concerned on 15 March 2011.

Pursuant to the Banking Law no. 5411 Clause 23/1, Metin Pehlivan also performs the duties of Member of the Board of Directors.

Board of Auditors

Name	Position	Commencement Date of Duty	Employment Outside of the Bank
Mustafa GÜNEŞ	Member of the Board of Auditors	30 April 2008	Ministry of Finance Revenue Administration, Vice President
Ferhat KARAŞ	Member of the Board of Auditors	28 January 2010	Office of the Prime Ministry Board of Inspection, Vice President
Davut KARATAŞ	Member of the Board of Auditors	24 May 2010	Prime Ministry Director General of Laws and Decrees, General Manager

19. Qualifications 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 resolution no. 211 dated 8 September 2008 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 8 February 2001.

The Bank's Board of Directors set up the Audit Committee, formed of two Board members selected from among non-executive members, to conduct audit and oversight activities and to fulfill some of the Board's duties under internal systems. The Audit Committee is responsible for auditing and public disclosure of the Bank's financial data, and for taking all necessary measures to ensure the oversight of the operation and efficiency of the internal control system, risk management and internal audit activities.

The Board of Inspection, Internal Control Department and Risk Monitoring Department work in accordance with their respective bylaws approved by the Bank's Board of Directors and report to the Audit Committee, which is assigned with, and responsible for, ensuring the efficiency and adequacy of the Bank's internal control, risk management and internal audit systems on behalf of the Board of Directors.

The Audit Committee presents the six-month activities of the Board of Inspection, Internal Control Department and Risk Monitoring Department and the results of these activities in a report to the Board of Directors.

The Board of Inspection carries out its annual audit activities in line with the internal audit plans approved by the Board of Directors. In addition, the Board of Inspection reports the results of its activities to the Board of Directors via the Audit Committee in quarterly and annual intervals.

The Internal Control Department submits its Monthly Activity Reports regarding the results of its activities to the Audit Committee, General Manager and the Board of Inspection.

In its reports, the Risk Monitoring Department also provides the measurement of current and potential future impacts of the risks taken, to the extent allowed by risk measurement and reporting techniques. In the report, the risks are addressed under six main headings: Liquidity Risk, Exchange Risk, Interest Rate Risk, Maturity Risk, Credit Risk and Operational Risk.

Report of Compliance with Corporate Governance Principles

The Bank's Risk Assessment Report, which is drawn up in the predetermined format, is presented to the Audit Committee that meets on a monthly basis and the Bank's existing and possible risks are discussed. The Risk Assessment Report issued is also delivered to the Chairmen of the Assets and Liabilities Management Committee, Board of Inspection and the Board of Directors. In this way, both the executive body and management and audit mechanisms are kept informed of the Bank's risk exposure.

The Bank's risk limits have been set for the risks arising out of the Bank's activities, which can be quantified, and approved by the Board of Directors under Article 37 of the Regulation on the Banks' Internal Systems issued by the BRSA. The Bank's activities are monitored using the risk limits approved by the Board of Directors and reported to the senior management and the Board of Directors 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.

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 12 May 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 General Manager 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 General Manager and determines their duties and authorities.
- When the Chairman of the Board of Directors or the General Manager 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 General Manager 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 General Manager by specifying the limits. The General Manager 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 absolute majority of its members, that the resolutions be passed with a unanimous decision of this absolute 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 General Manager.

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 assures that members attend the Bank's Board of Directors meetings in person.

The Board of Directors held 24 meetings in 2011 and passed 287 resolutions, 44 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 13 April 2005. It became effective on this date and with the approval of the Head Office, dated 22 April 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.

The Bank is a signatory to the Banking Ethics Principles that were declared by the Banks Association of Turkey on 26 July 2006. Following the issuance of the Ethics Committee Application Form prepared by the said Association, necessary work will be undertaken for posting the form on the Bank's website and making necessary revisions.

There is no other code of ethics in place at the Bank that are formulated by the Board of Directors.

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 31 October 2006 in order to assist the Board of Directors in conducting its audit and oversight activities.

Board of Directors members, İrfan Tokgöz and Şerif Çelenk were appointed as the members of the Audit Committee with the Board of Directors resolution no. 98 dated 12 May 2008 and resolution no. 15 dated 13 January 2012. At the Audit Committee meeting no. 2012/01 held on 27 January 2012, İrfan Tokgöz and Şerif Çelenk were elected as 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 24 January 2007. The secretarial tasks of the Committee are carried out by the Private Secretariat and Board of Directors' Office.

The Committee met 14 times and passed 40 decisions in 2011.

Chairman	İrfan TOKGÖZ
Vice Chairman	Şerif ÇELENK

Corporate Governance Committee

Corporate Governance Committee was formed with the Bank's Board of Directors' resolution no. 185 dated 15 June 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 1 November 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 Bylaws were put in effect by the Board of Directors resolution no. 209 dated 24 July 2007 and then transformed into the Corporate Governance Committee Bylaws by the Board of Directors decision no. 283 dated 29 December 2011; the Committee conducts its activities within this framework.

Report of Compliance with Corporate Governance Principles

At the Board of Directors meeting of 20 May 2011, Hakan Tokaç, a non-executive member of the Board of Directors was elected as the Chairman of the Corporate Governance Committee and Şerif Çelenk, also a non-executive member of the Board of Directors, was elected as the Vice Chairman of the Committee. The secretarial tasks of the Corporate Governance Committee are performed by the Corporate Banking and Investments Department. The Corporate Governance Committee met two times during 2011. Corporate Governance Committee is continuing to work toward improving the Bank's corporate governance practices.

Chairman:	Hakan TOKAÇ
Vice Chairman:	Şerif ÇELENK
Members:	Executive Vice Presidents managing the departments participating in the committee.
	Human Resources Director
	Financial Affairs Director
	Business, Product and Planning Director
	Corporate Banking and Investments Manager
	Budget Manager
	Information Technology Manager
	Capital Markets Legislation Compliance Officer (pursuant to the Capital Markets Board Communiqué Serial: 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.

Risk Management

Statutory Auditors' Report

TO THE 2011 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 accounts and transactions of the Bank between 1 January 2011 and 31 December 2011.

During the reporting period, 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 Bank's balance sheet drawn up as of 31 December 2011, 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.

The accounts and transactions of the Bank for the period between 1 January 2011 and 31 December 2011 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.

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

- The Bank's financial statements are drawn up 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, and the Communiqué on the Financial Statements to be Announced to the Public by Banks as well as Explanations and Footnotes Thereof
- Consolidated financial statements are prepared in accordance with the provisions of the Communiqué on Preparation of Consolidated Financial Statements of Banks.

Consequently, as the Statutory Auditors, we have determined that the transactions performed are also consistent with the Independent Audit Report.

We have reached the opinion that financial statements, operation results, accounts and transactions of Türkiye Kalkınma Bankası A.Ş. for the period between 1 January 2011 and 31 December 2011 are in compliance with accounting principles and standards and related legislation and that they present a true and fair view of the actual situation.

It has been concluded that the 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 1 January 2011 and 31 December 2011 are in compliance with accounting principles and standards and related legislation and that they present a true and fair view of the actual situation.

We kindly lay it down for your voting that the Bank's financial statements be approved and the Board of Directors be released from liability.

20 March 2012

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 1 November 2006. The Board of Inspection and Internal Control and Risk Monitoring Departments, which are part of the internal systems, report to the Board of Directors; this reporting line runs via the Audit Committee at the Bank.

Article 7, Paragraph 2 (s) of the aforementioned Regulation stipulates 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 in these reports 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 deemed important for the safe conduct of the Bank's activities".

The membership of the Board of Directors was reconstituted at the 2011 Ordinary General Assembly Meeting. Of these members; İrfan TOKGÖZ and Özcan TENGİLİMOĞLU, who do not have executive responsibility in the Bank, were re-elected as Audit Committee members. İrfan TOKGÖZ was elected as Chairman of the Audit Committee and Özcan TENGİLİMOĞLU was elected as member of the Audit Committee and both continued to perform these duties throughout the 2011 fiscal year as well. By the Bank's Board of Directors decision dated 13 January 2012, Şerif ÇELENK has been appointed to succeed the Audit Committee Member Özcan TENGİLİMOĞLU. İrfan TOKGÖZ became the Chairman of the Audit Committee and Şerif ÇELENK member of the Committee.

The Audit Committee Reports for the second half of 2010 and the first half of 2011 were accepted by the Board of Directors during 2011 fiscal year; the Internal Control Department oversees and coordinates the tasks and activities in these reports.

The activities performed during 2011 fiscal year 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 presented below.

Internal Audit:

The Bank's internal audit activities are conducted by the Board of Inspection.

The quarterly activity reports on the activities conducted by the Bank's Board of Inspection are submitted to the Audit Committee. The annual activity report is sent to the BRSA after it is approved by the Bank's Board of Directors.

13 inspection reports with their responses had been issued by the Board of Inspection during 2011.

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 any) it identifies during the course of its control activities to the related departments, ensures their correction before the financial reports are issued, and tries to take necessary measures in coordination with the related departments to prevent recurrence of the same errors.

The activities of the related departments are reported to the Audit Committee, to the General Manager and the Board of Inspection on a monthly basis. The Department issued 12 Internal Control Activity Reports during 2011.

Activities of the Risk Monitoring Department:

Risks that the Development Bank of Turkey is currently or potentially exposed to are monitored by the Risk Monitoring Department on a daily basis via the "Daily Report", on a weekly basis via the "Weekly Report", and on a monthly basis via the "Risk Analysis of Development Bank of Turkey Based on Selected Indicators and Risk Groups" report and the "Risk Limits Monitoring Report".

The Daily Report contains summarized balance sheet, analyses of exchange risk and interest rate risk, and actualizations of limits that are monitored on a daily basis. The Weekly Report covers domestic and overseas macroeconomic developments and actualizations of limits that are monitored on a weekly basis. The Risk Analysis of Development Bank of Turkey Based on Selected Indicators and Risk Groups report includes analyses of liquidity risk, exchange risk, maturity risk, and credit risk. The Risk Limits Monitoring Report contains actualizations of limits that are defined by quantifiable risks and approved by the Board of Directors. The monthly reports prepared by the Department are presented to the Board of Directors, Assets and Liabilities Management Committee, senior management and related departments after they are discussed by the Audit Committee.



Şerif ÇELENK
Vice Chairman of the Audit Committee



İrfan TOKGÖZ
Chairman of the Audit Committee

Information about Risk Management Policies

The general principles of the Bank's risk policies consist of specializing in areas of business that are consistent with its function, vision and structure established by the Charter Act; in this regard, it is the general principle to take only those risks that can be identified, controlled and/or managed, and try to avoid taking risks other than those that naturally arise due to the nature of its activities and are unavoidable. 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 28 December 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 while also regarding the best practices, 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 General Manager. 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 value 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.

Though the Bank submits reports regarding its credit risk to the BRSA within the framework of effective laws and regulations; it also makes necessary studies to measure and price the credit risk it is exposed to or is able to 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.

Information about Risk Management Policies

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

Financial data regarding the Bank's financial position as of 31 December 2011 is presented in the tables below in a comparative format with the respective financial data from 31 December 2010.

(TRY million)	December 2010	December 2011	Change (Value)	Change (%)
Total Assets	1,597.2	2,793.8	1,196.6	74.9
Total Assets (US\$ million)	1,042.4	1,493.9	451.5	43.3
Loans	1,178.2	1,859.2	681.0	57.8
Foreign Resources	1,083.5	2,264.9	1,181.4	109.0
Shareholders' Equity	513.7	528.9	15.2	3.0
Free Capital	418.2	408.8	-9.4	-2.3
Total Income	110.2	157.1	46.9	42.5
Total Expenditures	81.7	124.9	43.2	52.9
Provision for Taxes	7.4	8.4	1.0	13.5
Profit/Loss	21.1	23.8	2.7	12.8
Capital Adequacy Standard Ratio (%)	75.2	58.3	-16.9	-22.5

Total assets of Development Bank of Turkey went up from TRY 1,597.2 million at year-end 2010 to TRY 2,793.8 million at year-end 2011, up 74.9% year-on. The growth in assets stemmed mainly from the credit expansion, the rise in exchange rates owing to our balance sheet consisting mainly of FX, and the funds secured from money markets. Total lending that amounted to TRY 1,178.2 million at the end of 2010 was up 57.8% and reached TRY 1,859.2 million at the end of 2011. In the reporting period, the growth in assets was worth TRY 1,196.6 million and credit expansion amounted to TRY 681 million. Due to the fact that the rate of growth in loans remained below that in assets, share of loans to total assets declined from 73.8% in December 2010 to 66.5% at the end of 2011. The growth in the Bank's loan volume was predominantly the result of the increase in long-term borrowings from overseas financial institutions. The borrowings line item surged from TRY 956.4 million in December 2010 to TRY 1,639.9 million, with a 71.5% increase. The shareholders' equity, on the other hand, registered a mere 3.0% increase and stood at TRY 528.9 million.

Although the risk-weighted assets (amount at credit risk and amount at market risk) increased as compared with the end of the previous year in conjunction with the rise in lending and treasury transactions, capital adequacy standard ratio dropped by 16.9 points as compared with end-2010 due to the scant increase in shareholders' equity, and stood at 58.3% as of December 2011.

Composition of Assets (%)	December 2010	December 2011
Cash Balances and Central Bank	0.0	0.0
Securities at Fair Value through Profit or Loss	3.1	2.3
Banks and Other Financial Institutions	7.9	5.5
Money Markets	0.0	0.0
Available for Sale Marketable Securities	7.7	21.4
Loans	73.8	66.5
Non-Performing Loans (net)	1.7	1.7
Securities Held to Maturity	3.2	1.3
Subsidiaries and Affiliates	0.8	0.5
Tangible Fixed Assets	2.8	1.7
Other Assets	0.7	0.8
Total	100.0	100.0

Assessment of Financial Position, Profitability and Debt Servicing Capability

Having grown its total assets through expanding its loan book until 2011, the Bank augmented its assets through treasury transactions besides lending activities, which resulted in the share of loans to total assets to decline from 73.8% at year-end 2010 to 66.5% at year-end 2011. The Bank continued to extend support to investors during the global crisis process that has been ongoing since 2008 and became the bank that increased its loans most rapidly among publicly traded banks.

Total Loans (TRY million)	December 2010	December 2011
Loans	1,178.2	1,859.2
Non-Performing Loans (Gross)	78.3	94.7
Loan Provisions (-)	50.8	46.4
Non-Performing Loans (Net)	27.5	48.3

Asset Quality (%)	December 2010	December 2011
Loans/Total Assets	73.8	66.5
Non-Performing Loans (Net)/Total Assets	1.7	1.7
Non-Performing Loans (Net)/Total Loans	2.3	2.6
Loan Provisions / Non-Performing Loans	64.9	49.0
Non-Performing Loans (Gross)/Total Assets	4.9	3.4
Non-Performing Loans (Gross)/Total Loans	6.3	4.9

Non-Performing Loans balance increased from TRY 78.3 million at the end of 2010 to TRY 94.7 million at the end of 2011. Due to the increase in the lending volume that outdid the rise in the non-performing loans during 2011, gross NPL ratio declined by nearly 1.4 points year-on and dropped to the order of 4.9% in December 2011.

Liquid Assets (TRY million)	December 2010	December 2011
Cash Balances and Central Bank	0.1	0.2
Securities at Fair Value through Profit or Loss	49.0	65.3
Banks and Other Financial Institutions	126.1	153.3
Money Markets	0	0
Available for Sale Marketable Securities	123.0	596.9
Total	298.2	815.7

The Bank's liquid assets that amounted to TRY 298.2 million at the end of 2010 hiked to TRY 815.7 million in December 2011, up by an amazing 173.5%. The share of liquid assets to total assets went up from 18.7% to 29.2%. The key reason behind this rise is the fact that the Bank placed the short-term funds obtained from money markets in the liquid portfolio.

In conjunction with the increase in liquid assets, the marketable securities portfolio more than tripled as compared with 2010 and reached TRY 697.8 million. During 2011, marketable securities were recognized in the Available for Sale Marketable Securities portfolio; as a result, the share of Available for Sale Marketable Securities to total assets went up from 7.7% last year to 21.4% in December 2011.

Composition of Liabilities (%)	December 2010	December 2011
Money Markets	0.0	18.3
Borrowings	59.9	58.7
Funds	5.7	2.4
Provisions	1.5	1.3
Other Liabilities	0.7	0.4
Shareholders' Equity	32.2	18.9
<i>Profit / Loss for the Period</i>	1.3	0.9
Total	100.0	100.0

As a result of the rise in borrowings and funds obtained from the money markets, the share of external resources continued to increase within the Bank's resource composition as it did in previous years; accordingly, the share of shareholders' equity declined from 32.2% to 18.9% year-on in 2011. Consequently, the Bank increased its financing and leverage ratios significantly compared with the previous year. Although, the 71.5% rate of increase in loans remained, even if slightly, below the growth in liabilities in 2011, the share of borrowings to total liabilities slid down from 59.9% in December 2010 to 58.7% in December 2011.

Sources of Profit / Loss (TRY million)	December 2010	December 2011
Interest Margin	62.8	91.5
FX Margin	1.6	-1.7
Fee and Commission Margin	4.5	6.0
Securities Trading Margin	0.7	0.1
Derivative Financial Transactions Margin	0.5	-1.3
Other Income Margin	-41.6	-62.4
Profit before Taxes	28.5	32.2
Provision for Taxes (-)	7.4	8.4
Net Profit (Loss)	21.1	23.8

An analysis of the Bank's sources of revenues and expenditures reveals that the basic sources of profit consist of interest margin and other income margin. Interest margin grew by nearly TRY 28.7 million during 2011 and reached TRY 91.5 million, while other income margin dwindled by TRY 20.8 million and stood at TRY -62.4 million. The rise in interest margin stemmed mainly from the increased lending activity, expanded liquid portfolio and the hike in exchange rates. The negative turn in other income margin, on the other hand, arose primarily from the routine increase in operating expenses and the increase in the general provisions item.

Assessment of Financial Position, Profitability and Debt Servicing Capability

Composition of Revenues / Expenditures (%)	December 2010	December 2011
Income	100.0	100.0
Interest Income	72.5	82.6
Foreign Exchange Income	3.3	2.9
Commission Income	4.2	4.0
Gains from Securities Trading	0.6	0.4
Gains from Derivatives Trading	0.6	0.1
Other Income	18.8	10.0
Expenditures	100.0	100.0
Interest Expenditures	20.9	30.7
Foreign Exchange Expenditures	2.5	5.0
Commission Expenditures	0.2	0.2
Securities Trading Expenditures	0.0	0.4
Derivatives Trading Expenditures	0.1	1.1
Other Expenditures	76.3	62.6

Composition of Interest Income/Expenditures (%)	December 2010	December 2011
Interest Income	100.0	100.0
From Loans	68.4	69.4
From Banks	3.8	9.5
From Money Market Operations	5.6	0.3
From Securities	22.2	20.8
Interest Expenditures	100.0	100.0
On Money Market Operations	0.0	28.0
On Borrowings	65.7	60.4
Other	34.3	11.6

Within interest income, there was an increase in the shares of interest income from banks and loans, whereas the share of interest income from money market transactions and securities declined. In the interest expenditures department, on the other hand, the share of interests paid on money market transactions, an item that did not exist in the previous year, was registered as 28.0% due to the active use of the repurchase market. Owing to this rapid increase, there was a downturn in the share of interest paid on borrowings and other interest expenditures.

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 1.5 million. The Bank's FX margin sustained a year-on contraction in 2011 and stood at TRY -1.7 million. As a result of these developments, the Bank's net profit for the period increased by 12.8% on annual basis to TRY 23.8 million as of December 2011. Due to the rapid expansion of assets, return on assets (RoA) declined to 0.9% from 1.3%, whereas return on equity (RoE) rose from 4.1% to 4.5% due to the limited increase in shareholders' equity.

The Bank's Credit Rating and its Content

Credit Rating Agency: FITCH RATINGS

	2010	2011
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 Rating	3	3
Baseline Support Rating	BB+	BB+

5-Year Summary Financial Highlights

Summary Financial Highlights and Key Ratios for the 2007-2011 Period

(TRY million)	2007	2008	2009	2010	2011
Total Assets	817.8	1,023.9	1,287.0	1,597.2	2,793.8
Liquid Assets	342.4	334.3	324.7	298.2	815.7
Total Loans	398.0	589.1	802.3	1,178.2	1,859.2
Non-performing Loans (net)	2.6	0.0	27.9	27.5	48.3
Total Foreign Resources	359.7	539.7	788.0	1,083.5	2,264.9
Paid-in Capital	160.0	160.0	160.0	160.0	160.0
Shareholders' Equity	458.1	484.2	499.0	513.7	528.9
Interest Income (net)	83.3	82.0	72.8	62.8	91.5
Non-Interest Income (net)	-40.2	-45.3	-47.2	-41.7	-67.7
Net Profit/Loss	43.1	36.7	25.6	21.1	23.8
%					
Total Loans / Total Assets	48.7	57.5	62.3	73.8	66.5
Non-Performing Loans (net) / Total Loans	0.7	0.0	3.5	2.3	2.6
Total Foreign Resources / Total Liabilities	44.0	52.7	61.2	67.8	81.1
Shareholders' Equity / Total Assets	56.0	47.3	38.8	32.2	18.9
Return on Assets (ROA)	5.3	3.6	2.0	1.3	0.9
Return on Equity (ROE)	9.4	7.6	5.1	4.1	4.5

Türkiye Kalkınma Bankası A.Ş.
Independent Auditor's Report,
Unconsolidated Financial Statements and
Notes for the Year Ended December 31, 2011

Türkiye Kalkınma Bankası A.Ş.

Independent Auditor's Report for the Year Ended 31 December 2011

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 2011, 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 Auditor's 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, 2011 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.

Ankara, 28 February 2012

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



Erdem Taş
Partner

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.

Türkiye Kalkınma Bankası A.Ş.**The Unconsolidated Financial Report as of 31 December 2011**

The Headquarters Address : Necatibey Cad. No: 98
P.K.06100
Bakanlıklar/ANKARA

Telephone and Facsimile : Tel: 0312 231 84 00
Fax: 0312 231 43 41

Website Address : <http://www.kalkinma.com.tr>

E-mail Address : muhasabe@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 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



Şerif ÇELENK
Audit Committee
Member



Adnan YALÇINCI
Assistant General Manager
Responsible for Financial Reporting



Aydın TOSUN
Finance Director

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

Türkiye Kalkınma Bankası A.Ş.

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Türkiye Kalkınma Bankası A.Ş.

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Türkiye Kalkınma Bankası A.Ş. and Its Financial Affiliates

Notes to the Unconsolidated Financial Statements

for the Year Ended 31 December 2011

(Amounts expressed in Thousands of the 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 Thousand (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	: Ahmet YAMAN ^(*)
Members of the Board of Directors	: Metin PEHLİVAN Hakan TOKAÇ Özcan TENGİLİMOĞLU İrfan TOKGÖZ Mehmet AYDIN Şerif ÇELENK ^(**)

^(*) Ahmet Yaman has been assigned by proxy according to decision of the Board of Directors dated March 15, 2011.

^(**) Şerif Çelenk, Audit Committee Member, has been assigned according to decision of the Board of Directors dated January 13, 2012.

Türkiye Kalkınma Bankası A.Ş. and Its Financial Affiliates

Notes to the Unconsolidated Financial Statements

for the Year Ended 31 December 2011

(Amounts expressed in Thousands of the Turkish Lira (TRY) unless otherwise stated.)

Board of Control Members	: Mustafa GÜNEŞ Ferhat KARAŞ Davut KARATAŞ
General Manager	: Metin PEHLİVAN ^(*)
Vice General Managers	: Metin PEHLİVAN Bahattin SEKKİN Adnan YALÇINCI Zekai İŞILDAR İrfan YAŞAR
Chairman of Supervisory Board	: Fatih ŞAHİN ^(**)

^(*) Metin Pehlivan has been assigned by proxy on March 15, 2011.

^(**) Fatih Şahin has been assigned according to decision of the Board of Directors dated February 13, 2012.

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.

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VII-	Statement of Profit Distribution

Türkiye Kalkınma Bankası A.Ş.

Unconsolidated Balance Sheet (Statement of Financial Position)

(Amounts expressed in Thousands of the Turkish Lira (TRY) unless otherwise stated.)

THOUSANDS OF TRY							
ASSETS	Disc.	AUDITED			AUDITED		
		CURRENT PERIOD			PRIOR PERIOD		
		(31/12/2011)			(31/12/2010)		
		TRY	FC	Total	TRY	FC	Total
I. CASH AND BALANCES WITH THE CENTRAL BANK	(1)	168	-	168	132	-	132
II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (Net)	(2)	65.343	-	65.343	49.033	-	49.033
2.1 Trading Financial Assets		65.343	-	65.343	49.033	-	49.033
2.1.1 Public Sector Debt Securities		65.343	-	65.343	48.988	-	48.988
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)	149.183	4.089	153.272	124.706	1.353	126.059
IV. MONEY MARKET PLACEMENTS		-	-	-	-	-	-
4.1 Interbank Money Market Placements		-	-	-	-	-	-
4.2 Istanbul Stock Exchange Money Market Placements		-	-	-	-	-	-
4.3 Receivables from Reverse Repurchase Agreements		-	-	-	-	-	-
V. FINANCIAL ASSETS AVAILABLE FOR SALE (Net)	(4)	596.898	-	596.898	122.997	-	122.997
5.1 Share Certificates		955	-	955	955	-	955
5.2 Public Sector Debt Securities		592.360	-	592.360	118.180	-	118.180
5.3 Other Marketable Securities		3.583	-	3.583	3.862	-	3.862
VI. LOANS	(5)	308.072	1.551.115	1.859.187	221.475	956.766	1.178.241
6.1 Loans		259.762	1.551.115	1.810.877	193.953	956.766	1.150.719
6.1.1 Loans Extended to Risk Group of the Bank		-	-	-	-	-	-
6.1.2 Public Sector Debt Securities		-	-	-	-	-	-
6.1.3 Other		259.762	1.551.115	1.810.877	193.953	956.766	1.150.719
6.2 Loans Under Follow-Up		94.664	-	94.664	78.337	-	78.337
6.3 Specific Provisions (-)		46.354	-	46.354	50.815	-	50.815
VII. FACTORING RECEIVABLES		-	-	-	-	-	-
VIII. HELD TO MATURITY INVESTMENTS (Net)	(6)	35.558	-	35.558	51.411	-	51.411
8.1 Public Sector Debt Securities		29.858	-	29.858	51.411	-	51.411
8.2 Other Marketable Securities		5.700	-	5.700	-	-	-
IX. INVESTMENTS IN ASSOCIATES (Net)	(7)	5.756	2.275	8.031	5.503	912	6.415
9.1 Accounted with Equity Method		-	-	-	-	-	-
9.2 Unconsolidated Associates		5.756	2.275	8.031	5.503	912	6.415
9.2.1 Financial Investments		-	2.275	2.275	-	912	912
9.2.2 Non-financial Investments		5.756	-	5.756	5.503	-	5.503
X. INVESTMENTS IN SUBSIDIARIES (Net)	(8)	6.038	-	6.038	7.192	-	7.192
10.1 Unconsolidated Financial Subsidiaries		6.038	-	6.038	6.442	-	6.442
10.2 Unconsolidated Non-financial Subsidiaries		-	-	-	750	-	750
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
12.1 Finance Lease Receivables		-	-	-	-	-	-
12.2 Operating Lease Receivables		-	-	-	246	-	246
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)	45.167	-	45.167	42.499	-	42.499
XV. INTANGIBLE ASSETS (Net)	(13)	852	-	852	262	-	262
15.1 Goodwill		-	-	-	-	-	-
15.2 Other		852	-	852	262	-	262
XVI. INVESTMENT PROPERTIES (Net)	(14)	2.416	-	2.416	2.492	-	2.492
XVII. TAX ASSET	(15)	6.308	-	6.308	6.375	-	6.375
17.1 Current Assets for Tax		-	-	-	-	-	-
17.2 Deferred Assets for Tax		6.308	-	6.308	6.375	-	6.375
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)	13.134	1.384	14.518	2.640	1.207	3.847
TOTAL ASSETS		1.234.893	1.558.863	2.793.756	636.963	960.238	1.597.201

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

Türkiye Kalkınma Bankası A.Ş.

Unconsolidated Balance Sheet (Statement of Financial Position)

(Amounts expressed in Thousands of the Turkish Lira (TRY) unless otherwise stated.)

THOUSANDS OF TRY							
LIABILITIES AND EQUITY	Disc.	AUDITED			AUDITED		
		CURRENT PERIOD (31/12/2011)			PRIOR PERIOD (31/12/2010)		
		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)	1.410	-	1.410	38	-	38
III. BORROWING FUNDING LOANS	(3)	-	1.639.868	1.639.868	-	956.379	956.379
IV. MONEY MARKET BALANCES		508.216	-	508.216	335	-	335
4.1 Interbank Money Market Takings		-	-	-	-	-	-
4.2 Istanbul Stock Exchange Takasbank Takings		-	-	-	-	-	-
4.3 Funds From Repurchase Agreements		508.216	-	508.216	335	-	335
V. MARKETABLE SECURITIES ISSUED (Net)		-	-	-	-	-	-
5.1 Bills		-	-	-	-	-	-
5.2 Asset-backed Securities		-	-	-	-	-	-
5.3 Bonds		-	-	-	-	-	-
VI. FUNDS		66.629	57	66.686	91.253	47	91.300
6.1 Borrower Funds		-	-	-	-	-	-
6.2 Other		66.629	57	66.686	91.253	47	91.300
VII. SUNDRY CREDITORS		4.010	935	4.945	3.256	280	3.536
VIII. OTHER LIABILITIES	(4)	3.950	-	3.950	4.066	57	4.123
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)	36.765	-	36.765	23.725	-	23.725
12.1 General Loan Provisions		16.635	-	16.635	5.704	-	5.704
12.2 Restructuring Provisions		-	-	-	-	-	-
12.3 Employee Benefits Provisions		20.130	-	20.130	18.020	-	18.020
12.4 Insurance Technical Reserves (Net)		-	-	-	-	-	-
12.5 Other Provisions		-	-	-	1	-	1
XIII. TAX LIABILITY	(8)	3.041	-	3.041	4.077	-	4.077
13.1 Current Tax Liability		3.041	-	3.041	4.077	-	4.077
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)	528.875	-	528.875	513.688	-	513.688
16.1 Paid-in Capital		160.000	-	160.000	160.000	-	160.000
16.2 Capital Reserves		206.456	-	206.456	210.202	-	210.202
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		(1.109)	-	(1.109)	2.637	-	2.637
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		-	-	-	-	-	-
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		138.658	-	138.658	122.365	-	122.365
16.3.1 Legal Reserves		28.804	-	28.804	27.688	-	27.688
16.3.2 Statutory Reserves		-	-	-	-	-	-
16.3.3 Extraordinary Reserves		109.854	-	109.854	94.677	-	94.677
16.3.4 Other Profit Reserves		-	-	-	-	-	-
16.4 Profit/Loss		23.761	-	23.761	21.121	-	21.121
16.4.1 Prior Years Income/Loss		-	-	-	-	-	-
16.4.2 Period Profit/Loss		23.761	-	23.761	21.121	-	21.121
TOTAL LIABILITIES AND EQUITY		1.152.896	1.640.860	2.793.756	640.438	956.763	1.597.201

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

Türkiye Kalkınma Bankası A.Ş.

Unconsolidated Off Balance Sheet Accounts

(Amounts expressed in Thousands of the Turkish Lira (TRY) unless otherwise stated.)

THOUSANDS OF TRY							
	Disc.	AUDITED			AUDITED		
		CURRENT PERIOD (31/12/2011)			PRIOR PERIOD (31/12/2010)		
		TRY	FC	Total	TRY	FC	Total
A. OFF BALANCE SHEET CONTINGENCIES AND COMMITMENTS (I+II+III)		171.386	1.188.910	1.360.296	96.100	1.343.902	1.440.002
I. GUARANTEES AND SURETYSHIPS	(1),(3)	46	78.798	78.844	47	7.500	7.547
1.1. Letters of Guarantee		46	-	46	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		46	-	46	47	-	47
1.2. Bank Loans		-	-	-	-	-	-
1.2.1. Import Acceptances		-	-	-	-	-	-
1.2.2. Other Bank Acceptances		-	-	-	-	-	-
1.3. Letters of Credit		-	78.798	78.798	-	7.500	7.500
1.3.1. Documentary Letters of Credit		-	78.798	78.798	-	7.500	7.500
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)	109.302	1.049.407	1.158.709	87.546	1.327.979	1.415.525
2.1. Irrevocable Commitments		-	20.767	20.767	1.000	18.773	19.773
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		-	20.767	20.767	-	18.773	18.773
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		109.302	1.028.640	1.137.942	86.546	1.309.206	1.395.752
2.2.1. Revocable Loan Granting Commitments		109.302	1.028.640	1.137.942	86.546	1.309.206	1.395.752
2.2.2. Other Revocable Commitments		-	-	-	-	-	-

Türkiye Kalkınma Bankası A.Ş.

Unconsolidated Off Balance Sheet Accounts

(Amounts expressed in Thousands of the Turkish Lira (TRY) unless otherwise stated.)

		THOUSANDS OF TRY					
	Disc.	AUDITED			AUDITED		
		CURRENT PERIOD (31/12/2011)			PRIOR PERIOD (31/12/2010)		
		TRY	FC	Total	TRY	FC	Total
III. DERIVATIVE FINANCIAL INSTRUMENTS	(2)	62.038	60.705	122.743	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		62.038	60.705	122.743	8.507	8.423	16.930
3.2.1 Forward Foreign Currency Buy/Sell Transactions		4.572	4.505	9.077	8.507	8.423	16.930
3.2.1.1 Forward Foreign Currency Transactions-Buy			4.505	4.505	4.259	4.212	8.471
3.2.1.2 Forward Foreign Currency Transactions-Sell		4.572		4.572	4.248	4.211	8.459
3.2.2 Currency and Interest Rate Swaps		57.466	56.200	113.666	-	-	-
3.2.2.1 Currency Swap-Buy		-	56.200	56.200	-	-	-
3.2.2.2 Currency Swap-Sell		57.466	-	57.466	-	-	-
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)		2.214.708	7.174.371	9.389.079	2.493.819	4.904.230	7.398.049
IV. CUSTODIES		2.894	514	3.408	6.891	433	7.324
4.1. Assets Under Management		-	-	-	-	-	-
4.2. Custody Marketable Securities		2.394	-	2.394	6.891	-	6.891
4.3. Cheques in Collection Process		500	-	500	-	-	-
4.4. Commercial Notes in Collection Process		-	-	-	-	-	-
4.5. Other Assets in Collection Process		-	-	-	-	-	-
4.6. Underwritten Securities		-	-	-	-	-	-
4.7. Other Custodies		-	514	514	-	433	433
4.8. Custodians		-	-	-	-	-	-
V. PLEDGED ASSETS		2.210.214	7.172.697	9.382.911	2.485.328	4.903.797	7.389.125
5.1. Marketable Securities		-	-	-	-	-	-
5.2. Collateral Notes		305.380	1.422.780	1.728.160	212.618	995.895	1.208.513
5.3. Commodity		-	-	-	-	-	-
5.4. Warranty		-	-	-	-	-	-
5.5. Land and Buildings		1.131.005	3.822.282	4.953.287	1.599.713	2.927.380	4.527.093
5.6. Other Pledged Assets		166.941	1.345.901	1.512.842	79.817	733.536	813.353
5.7. Pledges		606.888	581.734	1.188.622	593.180	246.986	840.166
VI. ACCEPTED BILL GUARANTEES AND SURETIES		1.600	1.160	2.760	1.600	-	1.600
TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)		2.386.094	8.363.281	10.749.375	2.589.919	6.248.132	8.838.051

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

Türkiye Kalkınma Bankası A.Ş.

Unconsolidated Statement of Income

(Amounts expressed in Thousands of the Turkish Lira (TRY) unless otherwise stated.)

THOUSANDS OF TRY				
INCOME AND EXPENSES	Disc.	AUDITED	AUDITED	
		CURRENT PERIOD (01/01/2011-31/12/2011)	PRIOR PERIOD (01/01/2010-31/12/2010)	
I. INTEREST INCOME	(1)	129.831	79.889	
1.1 Interest on loans		90.145	54.668	
1.2 Interest received from reserve deposits		-	-	
1.3 Interest received from banks		12.365	3.011	
1.4 Interest received from money market placements		388	4.457	
1.5 Interest income on marketable securities		26.932	17.752	
1.5.1 Financial assets held for trading		6.112	5.948	
1.5.2 Financial assets at fair value through profit and loss		-	-	
1.5.3 Financial assets available-for-sale		16.629	4.707	
1.5.4 Investments held-to-maturity		4.191	7.097	
1.6 Finance lease income		-	-	
1.7 Other interest income	(12)	1	1	
II. INTEREST EXPENSE	(2)	38.335	17.047	
2.1 Interest on deposits		-	-	
2.2 Interest on borrowings		23.178	11.198	
2.3 Interest on money market borrowings		10.722	-	
2.4 Interest on marketable securities issued		-	-	
2.5 Other interest expense	(12)	4.435	5.849	
III. NET INTEREST INCOME (I - II)		91.496	62.842	
IV. NET FEES AND COMMISSIONS INCOME		5.976	4.526	
4.1 Fees and commissions income		6.213	4.656	
4.1.1 Non-cash loans		1.009	178	
4.1.2 Other	(12)	5.204	4.478	
4.2 Fees and commissions expenses		237	130	
4.2.1 Non-cash loans		-	-	
4.2.2 Other	(12)	237	130	
V. DIVIDEND INCOME	(3)	172	3.220	
VI. NET TRADING PROFIT	(4)	(2.888)	2.800	
6.1 Profit/Loss from capital market operations		141	693	
6.2 Profit/Loss from financial derivative transactions		(1.323)	507	
6.3 Foreign exchange gains/losses		(1.706)	1.600	
VII. OTHER OPERATING INCOME	(5)	15.604	17.443	
VIII. TOTAL OPERATING INCOME (III+IV+V+VI+VII)		110.360	90.831	
IX. LOANS AND OTHER RECEIVABLES IMPAIRMENT LOSS PROVISIONS (-)	(6)	17.761	4.306	
X. OTHER OPERATING EXPENSES(-)	(7)	60.441	58.023	
XI. NET OPERATING INCOME/(LOSS) (VIII-X-X)		32.158	28.502	
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)	32.158	28.502	
XVI. TAX INCOME PROVISION (±)	(9)	(8.397)	(7.381)	
16.1 Current tax provision		(7.394)	(5.350)	
16.2 Deferred tax provision		(1.003)	(2.031)	
XVII. NET OPERATING INCOME AFTER TAX (XV±XVI)	(10)	23.761	21.121	
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)	23.761	21.121	
Earnings per share		0.00149	0.00132	

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

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

(Amounts expressed in Thousands of the Turkish Lira (TRY) unless otherwise stated.)

STATEMENT OF PROFIT AND LOSS ACCOUNTED FOR UNDER EQUITY	THOUSANDS OF TRY	
	AUDITED	AUDITED
	CURRENT PERIOD (01/01/2011-31/12/2011)	PRIOR PERIOD (01/01/2010-31/12/2010)
I. Additions to marketable securities revaluation differences for available for sale financial assets	(4.778)	(721)
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	936	658
X. Total Net Profit/Loss accounted under equity (I+II+...+IX)	(3.842)	(63)
XI. Profit/Loss	96	(468)
11.1. Change in fair value of marketable securities (Transfer to Profit/Loss)	96	-
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)	(3.746)	(531)

Türkiye Kalkınma Bankası A.Ş.

Unconsolidated Statement of Changes in Shareholders' Equity (Audited)

(Amounts expressed in Thousands of the Turkish Lira (TRY) unless otherwise stated.)

CHANGES IN SHARE HOLDERS' EQUITY	Disc.	Paid-in Capital	Effect of Inflation Adjustments on Paid in Capital	Share Premium	Share Certificate Cancellation Profit	Legal Reserves	Statutory Reserves	Extraordinary Reserves	
PRIOR PERIOD (31/12/2010)									
I. Balance at end of prior period		160.000	206.074	1.491	-	26.327	-	76.389	
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	-	26.327	-	76.389	
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 (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. From 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		-	-	-	-	1.361	-	18.288	
XX. Profit distribution		-	-	-	-	-	-	-	
20.1. Dividends distributed		-	-	-	-	1.361	-	18.288	
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	
CURRENT PERIOD (31/12/2011)									
I. Balance at end of prior period		160.000	206.074	1.491	-	27.688	-	94.677	
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 (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. From 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		-	-	-	-	1.116	-	15.177	
20.1. Dividends distributed		-	-	-	-	-	-	-	
20.2. Transfers to legal reserves		-	-	-	-	1.116	-	15.177	
20.3. Other		-	-	-	-	-	-	-	
Closing Balance (III+IV+V +...+XVIII+XIX+XX)		160.000	206.074	1.491	-	28.804	-	109.854	

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

THOUSANDS OF TRY									
	Other Reserves	Current Period Net Income/(Loss)	Prior Period Net Income/(Loss)	Valuation changes in marketable sec.	Revaluation changes in prop. and equip. and int. assets	Free shares from shareholders	Hedging funds	Valu. chan. in pro. and equip. held for sale purp./ term. op.	Total Equity
	-	-	25.579	2.700	-	468	-	-	499.028
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
	-	-	25.579	2.700	-	468	-	-	499.028
	-	-	-	-	-	-	-	-	-
	-	-	-	(63)	-	-	-	-	(63)
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	(468)	-	-	(468)
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
	-	21.121	-	-	-	-	-	-	21.121
	-	-	(25.579)	-	-	-	-	-	(5.930)
	-	-	(5.930)	-	-	-	-	-	(5.930)
	-	-	(19.649)	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
	-	21.121	-	2.637	-	-	-	-	513.688
	-	-	21.121	2.637	-	-	-	-	513.688
	-	-	-	-	-	-	-	-	-
	-	-	-	(3.746)	-	-	-	-	(3.746)
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
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	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
	-	23.761	-	-	-	-	-	-	23.761
	-	-	(21.121)	-	-	-	-	-	(4.828)
	-	-	(4.828)	-	-	-	-	-	(4.828)
	-	-	(16.293)	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
	-	23.761	-	(1.109)	-	-	-	-	528.875

Türkiye Kalkınma Bankası A.Ş.

Unconsolidated Statement of Cash Flows

(Amounts expressed in Thousands of the Turkish Lira (TRY) unless otherwise stated.)

	Disc.	THOUSANDS OF TRY	
		AUDITED	AUDITED
		CURRENT PERIOD (31/12/2011)	PRIOR PERIOD (31/12/2010)
A. CASH FLOWS FROM BANKING OPERATIONS			
1.1. Operating profit before changes in operating assets and liabilities (+)		(153.756)	3.430
1.1.1. Interest received (+)		116.662	89.959
1.1.2. Interest paid (-)		(35.305)	(16.410)
1.1.3. Dividend received(+)		172	3.220
1.1.4. Fees and commissions received (+)		6.213	4.947
1.1.5. Other income (+)		3.537	2.539
1.1.6. Collections from previously written off loans (+)		11.886	20.943
1.1.7. Cash payments to personnel and service suppliers (-)		(44.921)	(42.459)
1.1.8. Taxes paid (-)		(9.350)	(3.689)
1.1.9. Other (+/-)		(202.650)	(55.620)
1.2. Assets and Liabilities Subject to Banking Operations		644.543	(1.196)
1.2.1. Net (increase) decrease in financial assets held for sale (+/-)		(16.375)	67.069
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	(20.000)
1.2.4. Net (increase) decrease in loans (+/-)		(465.062)	(335.298)
1.2.5. Net (increase) decrease in other assets (+/-)		(10.427)	(962)
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 (+/-)		632.770	309.512
1.2.9. Net increase (decrease) in matured payables (+/-)		-	-
1.2.10. Net increase (decrease) in other liabilities (+/-)		483.637	(21.517)
I. Net cash provided from banking operations (+/-)		490.787	2.234
B. CASH FLOWS FROM INVESTMENT ACTIVITIES			
II. Net cash provided from investing activities (+/-)		(438.866)	(87.798)
2.1. Cash paid for purchase of joint ventures, associates and subsidiaries(-)		(1.423)	(542)
2.2. Cash obtained from sale of entities joint ventures, associates and subsidiaries (+)		-	4.688
2.3. Fixed assets purchases (-)		(85)	(1.166)
2.4. Fixed assets sales(+)		2.786	3.158
2.5. Cash paid for purchase of financial assets available for sale (-)		(715.382)	(268.747)
2.6. Cash obtained from sale of financial assets available for sale (+)		263.303	150.584
2.7. Cash paid for purchase of investment securities (-)		(66.432)	(30.958)
2.8. Cash obtained from sale of investment securities (+)		79.393	55.371
2.9. Other (+/-)		(1.026)	(186)
C. CASH FLOWS FROM FINANCING ACTIVITIES			
III. Net cash provided from financing activities (+/-)		(4.828)	(5.930)
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 (-)		(4.828)	(5.930)
3.5. Payments for finance leases (-)		-	-
3.6. Other (+/-)		-	-
IV. Effect of change in foreign exchange rate on cash and cash equivalents(+/-)		518	952
V. Net increase / (decrease) in cash and cash equivalents (I+II+III+IV)		47.611	(90.542)
VI. Cash and cash equivalents at beginning of the period (+)	(2)	105.673	196.215
VII. Cash and cash equivalents at end of the period (V+VI)	(3)	153.284	105.673

Türkiye Kalkınma Bankası A.Ş.

Profit Distribution Table

(Amounts expressed in Thousands of the Turkish Lira (TRY) unless otherwise stated.)

	THOUSANDS OF TRY	
	AUDITED	AUDITED
	CURRENT PERIOD (31/12/2011)	PRIOR PERIOD (31/12/2010)
I. DISTRIBUTION OF CURRENT YEAR INCOME		
1.1. CURRENT YEAR INCOME	32.158	28.502
1.2. TAXES AND DUTIES PAYABLE	8.397	7.381
1.2.1. Corporate tax (Income tax)	7.394	5.350
1.2.2. Income withholding tax	-	-
1.2.3. Other taxes and duties ^(*)	1.003	2.031
A. NET INCOME FOR THE YEAR (1.1-1.2)	23.761	21.121
1.3. PRIOR YEARS LOSSES (-)	-	-
1.4. FIRST LEGAL RESERVES (-)	-	1.056
1.5. OTHER STATUTORY RESERVES (-)	-	-
B. NET INCOME AVAILABLE FOR DISTRIBUTION [(A)-(1.3+1.4+1.5)]	23.761	20.065
1.6. FIRST DIVIDEND TO SHAREHOLDERS (-)	-	4.224
1.6.1. To owners of ordinary shares	-	4.224
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 (-)	-	604
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 (-)	-	60
1.11. STATUTORY RESERVES (-)	-	-
1.12. GENERAL RESERVES	-	15.177
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
3.2. TO OWNERS OF ORDINARY SHARES (%)	-	0,13
3.3. TO OWNERS OF PRIVILEGED SHARES	-	-
3.4. TO OWNERS OF PRIVILEGED SHARES (%)	-	-
IV. DIVIDEND PER SHARE		
4.1. TO OWNERS OF ORDINARY SHARES	-	0,00026
4.2. TO OWNERS OF ORDINARY SHARES (%)	-	0,03
4.3. TO OWNERS OF PRIVILEGED SHARES	-	-
4.4. TO OWNERS OF PRIVILEGED 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.

Türkiye Kalkınma Bankası A.Ş. and Its Financial Affiliates

Notes to the Unconsolidated Financial Statements

for the Year Ended 31 December 2011

(Amounts expressed in Thousands of the Turkish Lira (TRY) unless otherwise stated.)

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:

The unconsolidated financial statements and related disclosures are prepared in accordance with 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, and 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 and other legislations, interpretations and circulars issued related to basis for accounting and financial reporting by Banking Regulation and Supervision Agency. 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, Turkish Financial Reporting 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 2011 are presented comparatively with the audited balances as of 31 December 2010. 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 consist 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 Development Bank via Turkish Treasury and budget originated funds and the rest consists of funds provided through short-term money market transactions within the framework of balance sheet management. 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 Development 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. Exchange rate risk, interest rate risk and liquidity risk are measured and monitored on a regular basis, necessary measures were taken as a result of changes in the market data and balance sheet management is performed within the predetermined risk limits and legal limits.

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.

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.

Türkiye Kalkınma Bankası A.Ş. and Its Financial Affiliates

Notes to the Unconsolidated Financial Statements

for the Year Ended 31 December 2011

(Amounts expressed in Thousands of the Turkish Lira (TRY) unless otherwise stated.)

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.

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 its 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 some of the 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 commissions are recorded on an accrual basis. Earnings in return of agreements or as a result of services provided for real or legal third parties for purchase or sale of assets are recorded as income when collected.

Türkiye Kalkınma Bankası A.Ş. and Its Financial Affiliates

Notes to the Unconsolidated Financial Statements

for the Year Ended 31 December 2011

(Amounts expressed in Thousands of the Turkish Lira (TRY) unless otherwise stated.)

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", "Financial 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 assets 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.

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.

Gains or losses arising as a result of valuation of held for trading financial assets are accounted under profit/loss accounts. Positive difference between the cost and amortized value is recorded under "Interest Income". Positive difference between fair value and amortized value is recorded under "Capital Market Operations Profit", negative difference is recorded under "Capital Market Operations Loss".

Financial assets at fair value through profit and loss are financial assets which are not acquired for trading, however, are classified as financial assets at fair value through profit and loss during the initial recognition. 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.

Türkiye Kalkınma Bankası A.Ş. and Its Financial Affiliates

Notes to the Unconsolidated Financial Statements

for the Year Ended 31 December 2011

(Amounts expressed in Thousands of the Turkish Lira (TRY) unless otherwise stated.)

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 consist of investment and working capital loans, and fund originated loans.

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.

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 amount of these assets represents their fair values.

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.

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.

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.

Türkiye Kalkınma Bankası A.Ş. and Its Financial Affiliates

Notes to the Unconsolidated Financial Statements

for the Year Ended 31 December 2011

(Amounts expressed in Thousands of the 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. and Its Financial Affiliates

Notes to the Unconsolidated Financial Statements

for the Year Ended 31 December 2011

(Amounts expressed in Thousands of the Turkish Lira (TRY) unless otherwise stated.)

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. Depreciation on these assets is stopped, and these assets disclosed separately in the balance sheet. 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.

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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.

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;

	<u>Depreciation Rate</u>
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 Receivables by Banks" which is published at Official Gazette dated 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 four real estates under operational leasing agreement and two of 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. Other two real estates under operational leasing which are acquired due to receivables are accounted in line with the provisions of the Regulation on "Procedures and Principles for Sales and Purchase of Precious Metal and Disposal of Commodities That Have Been Acquired due to Receivables by Banks" which is published at Official Gazette dated November 1, 2006 and numbered 26333; and the Bank brings those real estates for sale at regular intervals.

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 Standard 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. and 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 extent 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 do 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 2011, 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 2010: 4.66%). As the maximum liability is revised semi annually, the maximum amount of TRY 2.805,04 effective from 1 January 2012 has been taken into consideration in calculation of provision from employment termination benefits.(1 January 2011: 2.623,23TRY)

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, 2011 is paid in 17 February 2012, 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 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.

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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. Disbursement from this source has been finalized and there has been no new source transfer from the Undersecretariat of Treasury. Funds are recorded to the Bank'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 2010 and 2011.

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 and forward exchange transactions are conducted by 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 to receipt of BRSA and management certificate from CMB.

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As of 31 December 2011, explanations on segment reporting in line with "Financial Statements to be Publicly Announced and the Accompanying Policies and Disclosures" are shown below.

Current Period – 31.12.2011	Treasury	Investment Banking	Undistributed ⁽¹⁾	Total Operations of the Bank
Operating Income/Expense				
Interest income	39.685	90.145	1	129.831
Interest income on loans	-	90.145	-	90.145
Interest income on banks	12.365	-	-	12.365
Interest income on interbank money market placements	388	-	-	388
Interest income on marketable securities	26.932	-	-	26.932
Other interest income	-	-	1	1
Interest expense	(10.722)	(27.613)	-	(38.335)
Interest expense on borrowings	-	(23.178)	-	(23.178)
Interest on money market transactions	(10.722)	-	-	(10.722)
Other interest expense	-	(4.435)	-	(4.435)
Net fees and commissions income	(237)	5.959	254	5.976
Fees and commissions received	-	5.959	254	6.213
Fees and commissions paid	(237)	-	-	(237)
Dividend income	-	172	-	172
Trading profit/loss (net)	(1.047)	(1.841)	-	(2.888)
Profit/loss from capital market operations (net)	141	-	-	141
Profit/loss from derivative transactions (net)	(1.323)	-	-	(1.323)
Foreign exchange gains/losses (net)	135	(1.841)	-	(1.706)
Other operating income	135	14.292	1.177	15.604
Provisions for losses on loans and other receivables	-	(17.288)	(473)	(17.761)
Other operating expense	-	-	(60.441)	(60.441)
Profit before tax	27.814	63.826	(59.482)	32.158
Tax provision	-	-	(8.397)	(8.397)
Net profit for the period	27.814	63.826	(67.879)	23.761
SEGMENT ASSETS⁽²⁾	850.116	1.888.187	55.453	2.793.756
Financial assets where fair value through profit and loss	65.343	-	-	65.343
Banks and money market placements	153.272	-	-	153.272
Available for sale financial assets	595.943	-	955	596.898
Loans and Receivables	-	1.859.187	-	1.859.187
Investments held to maturity	35.558	-	-	35.558
Associates and subsidiaries	-	14.069	-	14.069
Tangible assets (net)	-	13.547	31.620	45.167
Intangible assets (net)	-	-	852	852
Investment Property	-	-	2.416	2.416
Other Assets	-	1.384	19.610	20.994
SEGMENT LIABILITIES⁽²⁾	509.626	1.723.189	560.941	2.793.756
Derivative financial liabilities held for trading	1.410	-	-	1.410
Funds borrowed and funds	-	1.706.554	-	1.706.554
Money market balances	508.216	-	-	508.216
Provisions	-	16.635	20.130	36.765
Shareholders' equity	-	-	528.875	528.875
Other liabilities	-	-	11.936	11.936

⁽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. 2010	Treasury	Investment Banking	Undistributed ⁽¹⁾	Total Operations of the Bank
Operating Income/Expense				
Interest income	25.220	54.668	1	79.889
Interest income on loans	-	54.668	-	54.668
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)	4.318	338	4.526
Fees and commissions received	-	4.318	338	4.656
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	26.480	56.281	(54.259)	28.502
Tax provision	-	-	(7.381)	(7.381)
Net profit for the period	26.480	56.281	(61.640)	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
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	-	13.607	-	13.607
Tangible assets (net)	-	7.768	34.731	42.499
Intangible assets (net)	-	-	262	262
Other assets	-	-	2.492	2.492
	-	1.207	9.393	10.600
SEGMENT LIABILITIES⁽²⁾				
Derivative financial liabilities held for trading	373	1.053.383	543.445	1.597.201
Funds borrowed and funds	38	-	-	38
Money market balances	-	1.047.679	-	1.047.679
Provisions	335	-	-	335
Shareholders' equity	-	5.704	18.021	23.725
Other liabilities	-	-	513.688	513.688
	-	-	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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XXII- Explanations on Other Matters:

The General Assembly of year 2010 was carried out on April 28, 2011. In accordance with the decision taken by Board of Directors on April 12, 2011 of the profit for the year 2010 amounting to TRY 21.121 Thousand, TRY 1.056 Thousand is transferred to first degree legal reserves. Of the net distributable profit amounting to TRY 20.065 Thousand, which is the remaining profit after deduction of first degree legal reserve, TRY 4.224 Thousand and TRY 604 Thousand are distributed as dividend to shareholders and personnel respectively, TRY 60 Thousand is transferred to second degree legal reserves and TRY 15.177 Thousand is transferred to extraordinary reserves.

According to the provisional 4th Article (Added Article: RG-6/3/2010-27513) of Communiqué on "Methods and Principles on Determining the Nature of Loans, Other Receivables and Allocation of Provisions", the Bank has applied zero percent generic provision rate for the loans disbursed between 6 March 2010 and 1 March 2011. Provisional application has ended with the decision of Banking Regulation and Supervision Board dated 10 February 2011 and numbered 4065. Therefore, the Bank has recorded expense amounting to TRY 5.692 in the first quarter for the generic provision calculated for the loans disbursed in the period mentioned above.

SECTION FOUR INFORMATION ON FINANCIAL STRUCTURE

I – Explanations Related To the Capital Adequacy Ratio:

The capital adequacy standard ratio of the Bank is 58,27% (31 December 2010: 75,22%).

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:

Credit Risk Base Amount	0%	10%	20%	50%	100%	150%	200%
Balance sheet items (Net)	95.135	-	1.593.644	225.625	214.807	221	651
Cash and cash equivalents	129	-	-	-	-	-	-
Matured marketable securities	-	-	-	-	-	-	-
Balances at the Central Bank of Republic of Turkey	39	-	-	-	-	-	-
Balances at domestic, foreign banks, head offices and branches abroad	-	-	153.116	-	-	-	-
Interbank money market placements	-	-	-	-	-	-	-
Receivables from reverse repos transactions	-	-	-	-	-	-	-
Required reserve deposits	-	-	-	-	-	-	-
Loans	56.523	-	1.423.096	223.307	89.784	221	651
Non-performing loans (net)	-	-	-	-	48.310	-	-
Finance lease receivables	-	-	-	-	-	-	-
Financial assets available-for-sale	-	-	-	-	-	-	-
Investments held to maturity	29.326	-	5.515	-	-	-	-
Receivables from the asset sale on credit terms	462	-	-	-	1.051	-	-
Sundry debtors	-	-	-	-	87	-	-
Interest and income accruals	2.310	-	11.917	2.318	1.634	-	-
Subsidiaries, associates and jointly controlled entities (joint ventures) (net)	-	-	-	-	14.069	-	-
Tangible fixed assets	-	-	-	-	47.003	-	-
Other assets	6.346	-	-	-	12.869	-	-
Off-balance sheet items	-	-	19.605	19.781	20.799	-	-
Non-cash loans and commitments	-	-	19.595	19.781	20.799	-	-
Derivative instruments	-	-	10	-	-	-	-
Non-risk weighted accounts	-	-	-	-	-	-	-
Total risk-weighted assets	95.135	-	1.613.249	245.406	235.606	221	651

Summary for capital adequacy standard ratio:

	Bank	
	Current Period (31.12.2011)	Prior Period (31.12.2010)
Credit Risk Base Amount (CRBA)	682.592	473.897
Market Risk Base Amount (MRBA)	80.413	36.125
Operational Risk Base Amount (ORBA)	162.050	173.647
Equity	539.006	514.234
Equity / (CRBA+MRBA+ORBA)* 100	58,27	75,22

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Information on equity items:

	Current Period (31.12.2011)	Prior Period (31.12.2010)
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	28.804	27.688
I. Degree Legal Reserve (Turkish Commercial Code 466/1)	15.062	14.006
II. Degree Legal Reserve (Turkish Commercial Code 466/2)	13.742	13.682
Reserves per Specific Acts	-	-
Statutory Reserves	-	-
Extraordinary Reserves	109.854	94.677
Reserves allocated per General Assembly Minute	109.854	94.677
Retained Earnings ^(*)	-	-
Accumulated Loss	-	-
Foreign Currency Share Capital Exchange Difference	-	-
Inflation Adjustment for the Legal, Statutory and Extraordinary Reserves	-	-
Profit	23.761	21.121
Net profit for the period	23.761	21.121
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 (-)	19	25
Prepaid Expenses (-)	-	2.734
Intangible Assets (-)	852	262
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	529.113	508.030
SUPPLEMENTARY CAPITAL		
General Loan Provisions	11.563	5.704
45% of Movable Assets Revaluation Fund	-	-
45% of Immovable Assets Revaluation Fund	-	-
Bonus Shares of Subsidiaries, Associates and Jointly Controlled Entities (Joint Ventures)	-	-
Proportion of Primary Tier -II Capital excluded from the Core Capital Calculation	-	-
Tier -II Capital	-	-
45% of Marketable Securities Revaluation Fund	(1.109)	1.187
From Subsidiaries and Associates	-	-
From Financial Assets Available For Sale	(1.109)	1.187
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	10.454	6.891
TIER-III CAPITAL		
CAPITAL	539.567	514.921
DEDUCTIONS FROM CAPITAL	561	687
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	-	-
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	561	687
Other	-	-
TOTAL EQUITY	539.006	514.234

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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 Departments and with approvals of Loan Investment Committee and Board of Directors in accordance with legal legislations. Since the placements of the Bank are in the form of project financing, the amount of loan that can be 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 have collaterals. Real estate and tangible assets mortgages, business company liens, foreign currency notes and other liquid assets, bank guarantee letters and suretyships of real 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 94,91% (31 December 2010: 94,31%).
- b) The share of receivables from the top 100 non-cash loan customers in the overall non-cash loan portfolio stands at 100% (31 December 2010: 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 65,70% (31 December 2010: 72,2%).
- d) General loan loss provision related to the credit risk incurred by the Bank is TRY 16.635 Thousand (31 December 2010: 5.704 Thousand TRY).

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

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:	1.719.644	1.098.906	123.194	68.376	686.529	215.145	375.510	169.791
Private Sector	1.714.538	1.094.068	-	-	3.583	3.862	78.844	7.547
Public Sector	-	-	-	-	676.358	209.993	-	-
Banks	-	-	123.194	68.376	5.515	-	275.899	143.471
Retail customers	5.106	4.838	-	-	118	335	-	-
Share certificates	-	-	-	-	955	955	20.767	18.773
Geographical concentration:	1.714.644	1.098.906	123.194	68.376	686.529	215.145	375.510	169.791
Domestic	1.714.644	1.098.906	123.194	68.376	686.529	215.145	354.743	151.018
EU countries	-	-	-	-	-	-	20.767	18.773
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 (31.12.2011)					
Domestic	2.708.326	842.989	78.844	47.583	23.761
EU countries	1.527	890.803	-	-	-
OECD countries ^(*)	35	-	-	-	-
Offshore banking regions	-	-	-	-	-
USA, Canada	265	373.295	-	-	-
Other Countries	-	121.029	-	-	-
Associates, subsidiaries and jointly controlled entities(joint ventures)	14.069	-	-	-	-
Unallocated assets/liabilities ^(**)	21.951	541.879	-	-	-
Total^(***)	2.746.173	2.769.995	78.844	47.583	23.761
Prior 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

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

** Assets and liabilities that cannot be allocated on a consistent basis. TRY 505.114 Thousand of undistributed liabilities consist of shareholders' equity excluding net profit. (31 December 2010: TRY 492.597 Thousand).

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

*** The sum of liabilities and net profit/loss reflect total liabilities in the balance sheet.

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Sector concentrations for cash loans:

	Current Period(31.12.2011)				Prior Period(31.12.2010)			
	TRY	(%)	FC	(%)	TRY	(%)	FC	(%)
Agricultural	-	-	7.739	0,50	-	-	8.234	0,86
Farming and Raising Livestock	-	-	7.739	0,50	-	-	8.234	0,86
Forestry, Wood and Paper	-	-	-	-	-	-	-	-
Fishery	-	-	-	-	-	-	-	-
Manufacturing	58.981	22,71	1.266.945	81,68	29.284	15,10	723.772	75,65
Mining and Quarry	365	0,14	600	0,04	316	0,16	-	-
Production	22.645	8,72	214.037	13,80	28.067	14,48	141.764	14,82
Electricity, Gas and Water	35.971	13,85	1.052.308	67,84	901	0,46	582.008	60,83
Construction	-	-	-	-	-	-	-	-
Services	195.675	75,33	276.431	17,82	159.895	82,44	224.760	23,49
Wholesale and Retail Trade	-	-	-	-	-	-	-	-
Hotel, Tourism, Food and Beverage Services	131.920	50,78	153.170	9,87	92.403	47,64	146.923	15,36
Transportation and Communication	-	-	-	-	-	-	-	-
Financial Institutions	43.731	16,84	80.856	5,21	30.115	15,53	38.500	4,02
Real Estate and Renting Services	-	-	-	-	-	-	-	-
Self-Employment Services	-	-	-	-	18.307	9,44	-	-
Education Services	2.136	0,82	-	-	2.723	1,40	3.993	0,42
Health and Social Services	17.888	6,89	42.405	2,73	16.347	8,43	35.344	3,69
Other	5.106	1,96	-	-	4.774	2,46	-	-
Total	259.762	100,00	1.551.115	100,00	193.953	100,00	956.766	100,00

^(*) Net balance of non-performing loans is excluded from the table.

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

Maximum Exposure	Current Period (31.12.2011)	Prior Period (31.12.2010)
Balances with the Central Bank of the Republic of Turkey	39	13
Financial assets where fair value through profit and loss	65.343	49.033
Banks	153.272	126.059
Financial assets available for sale	596.898	122.997
Loans	1.859.187	1.178.241
Investments held to maturity	35.558	51.411
Total	2.710.297	1.527.754
Contingent liabilities	78.844	7.547
Derivative financial instruments	122.743	16.930
Commitments	20.767	19.773
Total	222.354	44.250
Total credit risk exposure	2.932.651	1.572.004

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:

Type of collateral	Current Period (31.12.2011)		Prior Period (31.12.2010)	
	Net value of collateral	Credit balance	Net value of collateral	Credit balance
Real estate mortgage ^(*)	33.817	33.817	79.213	79.213
Vehicle pledge	-	-	-	-
Cash collateral (Cash provisions, securities pledge etc.)	-	-	1.127	1.127
Pledge on wages	-	-	-	-
Cheques/Notes	-	-	-	-
Other (suretyship, commercial enterprise under pledge, commercial papers etc.)	-	-	-	-
Non-collateralized	-	-	-	-
Total	33.817	33.817	80.340	80.340

^(*) Net value of collateral is stated at the lower of appraisal value and mortgage value. When the collateral value exceeds the credit risk loan balance, credit risk loan balance is presented.

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

Type of collateral	Current Period (31.12.2011)		Prior Period (31.12.2010)	
	Net value of collateral	Credit balance	Net value of collateral	Credit balance
Real estate mortgage ^(**)	94.664	94.664	78.337	78.337
Cash collateral	-	-	-	-
Vehicle pledge	-	-	-	-
Other (suretyship, commercial enterprise under pledge, commercial papers etc.) ^(*)	103.132	-	103.132	-
Total	197.796	94.664	181.469	78.337

^(*) 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.

^(**) Net value of collateral is stated at the lower of appraisal value and mortgage value. When the collateral value exceeds the credit risk loan balance, credit risk loan balance is presented.

Credit quality per class of financial assets as of 31 December 2011:

Current Period (31.12.2011)	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	168	-	-	168
Financial assets where fair value through profit and loss	65.343	-	-	65.343
Banks	153.272	-	-	153.272
Financial assets available for sale	595.943	-	955	596.898
Loans	1.808.361	2.516	48.310	1.859.187
Corporate Loans	1.509.229	2.163	17.755	1.529.147
Consumer Loans	5.106	-	-	5.106
Specialized Loans	294.026	353	30.555	324.934
Investments held to maturity	35.558	-	-	35.558
Subsidiaries, associates and jointly controlled entities (joint ventures)	-	-	14.069	14.069

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Prior 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	122.042	-	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)	-	-	13.607	13.607

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

Current Period (31.12.2011)	0-30 Days	31-60 Days	61-90 Days	Total
Loans				
Corporate Loans	1.148	3	1.012	2.163
Consumer Loans	-	-	-	-
Specialized Loans	337	16	-	353
Total	1.485	19	1.012	2.516

Prior Period (31.12.2010)	0-30 Days	31-60 Days	61-90 Days	Total
Loans				
Corporate Loans	148	311	72	531
Consumer Loans	-	-	-	-
Specialized Loans	584	-	16	600
Total	732	311	88	1.131

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

	Current Period (31.12.2011)	Prior Period (31.12.2010)
Loans		
Corporate Loans	23.187	22.738
Consumer Loans	-	-
Specialized Loans	19.241	15.641
Total	42.428	38.379

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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-Standard Method	2.579
(II) Capital requirement calculated for specific risk- Standard Method	363
(III) Capital requirement calculated for currency risk - Standard Method	3.491
(IV) Capital requirement calculated for commodity risk- Standard Method	-
(V) Capital requirement calculated for clearing risk - Standard Method	-
(VI) Total capital requirement calculated for market risk resulting from options- Standard 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)	6.433
(IX) Amount subject to market risk (12,5 x VIII) or (12,5 x VII)	80.413

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

	Current period (31.12.2011)			Prior period (31.12.2010)		
	Average	Maximum	Minimum	Average	Maximum	Minimum
Interest rate risk	1.787	3.344	1.237	566	734	344
Share risk	754	772	726	629	774	-
Currency risk	4.148	6.049	2.315	1.437	2.831	893
Commodity risk	-	-	-	-	-	-
Clearance risk	-	-	-	-	-	-
Options risk	-	-	-	-	-	-
Amount subject to total risk	6.689	10.165	4.278	2.632	4.339	1.237

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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 personnel, 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 essential 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 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 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 162.050 Thousand for 2011, and TRY 157.743 Thousand for 2012 using the gross income of the Bank for the years 2011, 2010 and 2009.

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:

<u>Date</u>	<u>USD</u>	<u>EURO</u>	<u>100 JPY</u>
31/12/2011	1,87010	2,41620	2,43190
30/12/2011	1,83440	2,36620	2,37370
29/12/2011	1,88390	2,42270	2,42650
28/12/2011	1,88030	2,45470	2,41930
27/12/2011	1,87340	2,44290	2,40640
26/12/2011	1,87490	2,44300	2,40620

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 1,84767, EURO: TRY 2,42821, 100 JPY: TRY 2,37890.

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Information on the exchange rate risk of the Bank:

	EURO	USD	Yen	Other FC ⁽¹⁾	Total
Current period (31.12.2011)					
Assets					
Cash (cash in vault, effectives, money in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey	-	-	-	-	-
Banks	3.351	551	69	118	4.089
Financial assets where fair value through profit and loss	-	-	-	-	-
Money market placements	-	-	-	-	-
Financial assets available for sale	-	-	-	-	-
Loans	1.083.892	450.652	-	16.571	1.551.115
Subsidiaries, associates and jointly controlled entities (joint ventures)	2.275	-	-	-	2.275
Investments held to maturity	-	-	-	-	-
Derivative financial assets for hedging purposes	-	-	-	-	-
Tangible Assets	-	-	-	-	-
Intangible Assets	-	-	-	-	-
Other assets ⁽⁴⁾	86	1.298	-	-	1.384
Total assets	1.089.604	452.501	69	16.689	1.558.863
Liabilities					
Interbank deposits	-	-	-	-	-
Other deposits	-	-	-	-	-
Money market borrowings	-	-	-	-	-
Funds provided from other financial institutions	1.109.401	513.466	-	17.058	1.639.925
Marketable securities issued	-	-	-	-	-
Sundry creditors	740	195	-	-	935
Derivative financial liabilities for hedging purposes	-	-	-	-	-
Other liabilities	-	-	-	-	-
Total liabilities	1.110.141	513.661	-	17.058	1.640.860
Net balance sheet position	(20.537)	(61.160)	69	(369)	(81.997)
Net off-balance sheet position	17.880	42.825	-	-	60.705
Assets on derivative instruments	17.880	42.825	-	-	60.705
Liabilities on derivative instruments	-	-	-	-	-
Non-cash loans	1.181	77.617	-	-	78.798
Prior Period (31.12.2010)					
Total assets	648.736	295.481	54	17.499	961.770
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

⁽¹⁾ Of the foreign currencies presented in the other FC column of assets, 99,30% is ID, 0,20% is GBP and 0,50% is CHF. Of the foreign currencies presented in the other FC column of liabilities is ID.

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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	(1.834)	284	-	-
EURO	10	268	329	-	-
JPY	10	7	5	-	-
Other	10	(37)	(118)	-	-

	Decrease in exchange rates	Effect on Profit/Loss ^(*)		Effect on Equity	
	%	Current Period	Prior Period	Current Period	Prior Period
USD	10	1.834	(284)	-	-
EURO	10	(268)	(329)	-	-
JPY	10	(7)	(5)	-	-
Other	10	37	118	-	-

^(*) 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 floating rate and funds provided with fixed and floating 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 are 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 scenarios of possible changes in interest rates for securities portfolio. Alternatives for compensation of probable losses that may arise as a result of fluctuations in market interest are examined using different markets. Interest rate sensitivity analyses 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 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 (31.12.2011)	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	-	-	-	-	-	168	168
Banks	140.006	-	-	-	-	13.266	153.272
Financial assets where fair value through profit and loss	31.770	7.003	25.704	866	-	-	65.343
Money market placements	-	-	-	-	-	-	-
Financial assets available for sale	170.933	72.485	311.456	37.486	-	4.538	596.898
Loans	708.288	162.236	744.515	72.421	123.417	48.310	1.859.187
Investments held to maturity	35.558	-	-	-	-	-	35.558
Other assets ⁽⁴⁾	-	-	-	-	-	83.330	83.330
Total assets	1.086.555	241.724	1.081.675	110.773	123.417	149.612	2.793.756
Liabilities							
Interbank deposits	-	-	-	-	-	-	-
Other deposits	-	-	-	-	-	-	-
Money market borrowings	508.216	-	-	-	-	-	508.216
Sundry creditors	-	-	-	-	-	4.945	4.945
Marketable securities issued	-	-	-	-	-	-	-
Funds provided from other financial institutions	509.446	420.582	698.578	50.598	27.350	-	1.706.554
Other liabilities	-	-	-	-	-	574.041	574.041
Total liabilities	1.017.662	420.582	698.578	50.598	27.350	578.986	2.793.756
Long position on balance sheet	68.893	-	383.097	60.175	96.067	-	608.232
Short position on balance sheet	-	(178.858)	-	-	-	(429.374)	(608.232)
Long position on off-balance sheet	-	-	-	-	-	-	-
Short position on off-balance sheet	-	-	-	-	-	-	-
Total position	68.893	(178.858)	383.097	60.175	96.067	(429.374)	-

⁽¹⁾ Balances without fixed maturity are shown in the "Up to 1 Month" and "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 (31.12.2011)	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	-	-	-	11,77
Financial assets where fair value through profit and loss	-	-	-	7,97
Money market placements	-	-	-	-
Financial assets available for sale	-	-	-	9,10
Loans	4,16	2,96	-	12,86
Investments held to maturity	-	-	-	8,95
Liabilities				
Interbank deposits	-	-	-	-
Other deposits	-	-	-	-
Money market borrowings	-	-	-	5,75
Sundry creditors	-	-	-	-
Marketable securities issued	-	-	-	-
Funds provided from other financial institutions	2,03	1,00	-	6,74

^(*) 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 (31.12.2010)	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	13	-	-	-	-	119	132
Banks	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	43.767	16.307	41.906	16.204	-	4.813	122.997
Loans	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	-	-	-	-	-	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" and "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, Equity and other asset and liabilities which do not consist of interest is shown in 'Non-Interest Bearing' column.

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

	EURO	USD	JPY	TRY
Prior 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	-	-	-	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.

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 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 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 increase	(10.671)	4.219	(5.687)	(1.507)
3 points decrease	1 point decrease	9.205	(4.617)	5.893	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 departments 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 use 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 Assessment of Liquidity Adequacy of Banks", weekly and monthly calculated foreign currency ratios are required to be 80%, total liquidity adequacy ratios are required to be 100% at minimum, respectively. Rates at the second maturity segment should not be below the required rates twice in a row within a calendar year. 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 2011 and 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 (%)	167,17	180,68	129,94	175,00
Maximum (%)	1.244,90	292,54	315,12	289,15
Minimum (%)	80,69	126,65	76,24	136,15

Prior 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

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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 (31.12.2011)								
Assets								
Cash (cash in vault, effectives, money in transit, cheques purchased) and Balances with the Central Bank of the Republic of Turkey	168	-	-	-	-	-	-	168
Banks	13.266	140.006	-	-	-	-	-	153.272
Financial assets at fair value through profit and loss	-	30.739	7.003	25.704	1.897	-	-	65.343
Money market placements	-	-	-	-	-	-	-	-
Financial assets available-for-sale	4.538	155.157	72.485	311.456	37.486	15.776	-	596.898
Loans	-	187.453	30.190	125.045	827.407	640.782	48.310	1.859.187
Investments held-to-maturity	-	6.232	-	-	9.171	20.155	-	35.558
Other assets	-	-	-	-	-	-	83.330	83.330
Total assets	17.972	519.587	109.678	462.205	875.961	676.713	131.640	2.793.756
Liabilities								
Interbank deposits	-	-	-	-	-	-	-	-
Other deposits	-	-	-	-	-	-	-	-
Funds provided from other financial instruments	-	101.350	56.115	88.137	409.350	1.051.437	165	1.706.554
Money market borrowings	-	508.216	-	-	-	-	-	508.216
Marketable securities issued	-	-	-	-	-	-	-	-
Sundry creditors	4.945	-	-	-	-	-	-	4.945
Other liabilities ⁽³⁾	-	2.895	1.556	-	-	-	569.590	574.041
Total liabilities	4.945	612.461	57.671	88.137	409.350	1.051.437	569.755	2.793.756
Liquidity Gap	13.027	(92.874)	52.007	374.068	466.611	(374.724)	(438.115)	-
Prior Period (31.12.2010)								
Total Assets	9.831	160.682	130.144	189.095	579.164	430.726	97.559	1.597.201
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)	-

⁽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 (31.12.2011)	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	105.874	62.813	111.358	485.545	1.136.823	(195.859)	1.706.554
Money market borrowings	508.253	-	-	-	-	(37)	508.216
Total	614.127	62.813	111.358	485.545	1.136.823	(195.896)	2.214.770

Prior Period (31.12.2010)	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

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

Current Period (31.12.2011)	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
Letters of Credit	-	56	-	1.182	77.560	-	78.798
Endorsements	-	-	-	-	-	-	-
Letters of Guarantee	46	-	-	-	-	-	46
Acceptances	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total	46	56	-	1.182	77.560	-	78.844

Prior 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

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The following table shows the outstanding maturities of derivative financial assets and liabilities as of 31 December 2011.

Current Period (31.12.2011)	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
Forwards contracts - buy	4.264	241	-	-	-	4.505
Forwards contracts - sale	4.325	247	-	-	-	4.572
Swaps - buy	56.200	-	-	-	-	56.200
Swaps - sale	57.466	-	-	-	-	57.466
Futures - buy	-	-	-	-	-	-
Futures - sale	-	-	-	-	-	-
Options - buy	-	-	-	-	-	-
Options - sale	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total	122.255	488	-	-	-	122.743

Prior 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

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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 (31.12.2011)	Prior Period (31.12.2010)	Current Period (31.12.2011)	Prior Period (31.12.2010)
Financial Assets	2.644.915	1.478.708	2.655.961	1.478.911
Banks ^(**)	153.272	126.059	153.272	126.107
Financial Assets Available-for-Sale	596.898	122.997	596.898	122.997
Investments Held-to-Maturity	35.558	51.411	34.978	51.566
Loans	1.859.187	1.178.241	1.870.813	1.178.241
Financial Liabilities	1.711.499	1.051.215	1.726.734	1.051.215
Interbank Deposits	-	-	-	-
Other Deposits	-	-	-	-
Funds Provided from Other Financial Institutions	1.706.554	1.047.679	1.721.789	1.047.679
Marketable securities issued	-	-	-	-
Sundry Creditors	4.945	3.536	4.945	3.536

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

^(**) Book value of banks balance is very close to its fair value.

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 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.

Current Period (31.12.2011)	Level 1	Level 2	Level 3
Financial assets at fair value through profit and loss	65.343	-	-
Debt securities	65.343	-	-
Share certificates	-	-	-
Derivative financial assets held-for-trading	-	-	-
Other	-	-	-
Financial assets available-for-sale*	595.943	-	-
Debt securities	592.360	-	-
Other	3.583	-	-
Investment in subsidiaries and associates(**)	-	-	-
Derivative financial liabilities	-	1.410	-

* 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 (31.12.2010)	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.

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 (31.12.2011)		Prior Period (31.12.2010)	
	TRY	FC	TRY	FC
Cash and foreign currency	129	-	119	-
Central Bank of the Republic of Turkey	39	-	13	-
Other	-	-	-	-
Total	168	-	132	-

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 (31.12.2011)		Prior Period (31.12.2010)	
	TRY	FC	TRY	FC
Unrestricted Demand Deposit	39	-	13	-
Unrestricted Time Deposit	-	-	-	-
Restricted Time Deposit	-	-	-	-
Total	39	-	13	-

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 (31.12.2011)		Prior Period (31.12.2010)	
	TRY	FC	TRY	FC
Share certificates	-	-	-	-
Bonds, treasury bills and similar securities	118	-	369	-
Other	-	-	-	-
Total	118	-	369	-

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2.a.2) Financial assets at fair value through profit and loss given as collateral or blocked:

	Current Period (31.12.2011)		Prior Period (31.12.2010)	
	TRY	FC	TRY	FC
Share certificates	-	-	-	-
Bonds, treasury bills and similar securities	60.816	-	15.891	-
Other	-	-	-	-
Total	60.816	-	15.891	-

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

	Current Period (31.12.2011)		Prior Period (31.12.2010)	
	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 (31.12.2011)		Prior Period (31.12.2010)	
	TRY	FC	TRY	FC
Banks				
Domestic	149.183	2.262	124.706	669
Foreign	-	1.827	-	684
Foreign Head Office and Branches	-	-	-	-
Total	149.183	4.089	124.706	1.353

3.b) Information on foreign bank accounts:

	Unrestricted Amount		Restricted Amount	
	Current Period (31.12.2011)	Prior Period (31.12.2010)	Current Period (31.12.2011)	Prior Period (31.12.2010)
EU Countries	1.527	563	-	-
USA and Canada	265	94	-	-
OECD Countries*	35	27	-	-
Off-Shore Banking Regions	-	-	-	-
Other	-	-	-	-
Total	1.827	684	-	-

* 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:

	Current Period (31.12.2011)		Prior Period (31.12.2010)	
	TRY	FC	TRY	FC
Share certificates	-	-	-	-
Bonds, treasury bills and similar securities	512.587	-	-	-
Other	-	-	-	-
Total	512.587	-	-	-

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

	Current Period (31.12.2011)		Prior Period (31.12.2010)	
	TRY	FC	TRY	FC
Share certificates	-	-	-	-
Bonds, treasury bills and similar securities	9.539	-	57.048	-
Other	-	-	-	-
Total	9.539	-	57.048	-

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

	Current Period (31.12.2011)	Prior Period (31.12.2010)
Debt Securities	596.341	122.042
Quoted on a stock exchange ^(*)	596.341	122.042
Unquoted	-	-
Share Certificates	13.046	13.046
Quoted on a stock exchange	-	-
Unquoted	13.046	13.046
Provision for impairment (-)	12.489	12.091
Total	596.898	122.997

^(*) Available-for-sale financial assets amounting to TRY 3.583 Thousand (2010: TRY 3.862 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 (31.12.2011)		Prior Period (31.12.2010)	
	Cash	Non-Cash	Cash	Non-Cash
Direct loans granted to shareholders	-	-	-	-
Legal Entities	-	-	-	-
Individuals	-	-	-	-
Indirect loans granted to shareholders	-	-	-	-
Loans granted to employees	5.106	-	4.838	-
Total	5.106	-	4.838	-

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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	1.486.832	11.289	11.041	7.085
Discount notes	-	-	-	-
Export loans	-	-	-	-
Import loans	-	-	-	-
Loans given to financial sector	124.587	-	-	-
Foreign loans	-	-	-	-
Consumer loans	5.106	-	-	-
Credit cards	-	-	-	-
Precious metal loans	-	-	-	-
Other	1.357.139	11.289	11.041	7.085
Specialized loans	267.678	11.261	7.711	7.980
Other receivables	-	-	-	-
Total	1.754.510	22.550	18.752	15.065

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	179.611	-	-	-
Non-specialized loans	179.611	-	-	-
Specialized loans	-	-	-	-
Other receivables	-	-	-	-
Medium and long term loans and other receivables	1.574.899	22.550	18.752	15.065
Non-specialized loans	1.307.221	11.289	11.041	7.085
Specialized loans	267.678	11.261	7.711	7.980
Other receivables	-	-	-	-

Türkiye Kalkınma Bankası A.Ş. and Its Financial Affiliates

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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	-	5.106	5.106
Real estate loans	-	-	-
Vehicle loans	-	-	-
Consumer loans	-	-	-
Other	-	5.106	5.106
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	-	5.106	5.106

Türkiye Kalkınma Bankası A.Ş. and Its Financial Affiliates

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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.

5.e) Loans according to type of borrowers:

	Current Period (31.12.2011)	Prior Period (31.12.2010)
Public	39.770	20.000
Private	1.771.107	1.130.719
Total	1.810.877	1.150.719

5.f) Breakdown of domestic and international loans:

	Current Period (31.12.2011)	Prior Period (31.12.2010)
Domestic loans	1.810.877	1.150.719
International loans	-	-
Total	1.810.877	1.150.719

5.g) Loans granted to subsidiaries and associates:

TRY 1,188 Thousand of loan disbursed to Arıcak A.Ş., a subsidiary of the Bank, has been followed at Group V. For this loan, TRY 1.026 Thousand special provision has been provided.

5.ğ) Specific provisions provided against loans:

	Current Period (31.12.2011)	Prior Period (31.12.2010)
Loans and other receivables with limited collectibility	1.067	14
Loans and other receivables with doubtful collectibility	323	3
Uncollectible loans and receivables	44.964	50.798
Total	46.354	50.815

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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 (31.12.2011)	3.670	448	8.128
(Gross amounts before specific provisions)	-	-	-
Restructured loans and other receivables	-	-	-
Rescheduled loans and other receivables	3.670	448	8.128
Prior Period(31.12.2010)	430	-	894
(Gross amounts before specific provisions)	-	-	-
Restructured loans and other receivables	-	-	-
Rescheduled loans and other receivables	430	-	894

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	2.738	24	75.575
Additions (+)(***)	24.053	134	7.587
Transfer from other categories of non-performing loans (+)	-	2.893	2.762
Transfer to other categories of non-performing loans (-)	(5.305)	(350)	-
Collections (-)(***)	(141)	(120)	(11.625)
Write-offs (-)(**)	-	-	(3.561)
Corporate and commercial loans	-	-	(3.561)
Consumer loans	-	-	-
Credit cards	-	-	-
Other	-	-	-
Current period end balance	21.345	2.581	70.738
Specific provisions (-)	(1.067)	(323)	(44.964)
Net balance on balance sheet	20.278	2.258	25.774

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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) (31.12.2011)	20.278	2.258	25.774
Loans to Real Persons and Legal Entities (Gross)	21.345	2.581	70.738
Specific Provisions (-)	(1.067)	(323)	(44.964)
Loans to Real Persons and Legal Entities (Net)	20.278	2.258	25.774
Banks (Gross)	-	-	-
Specific Provisions (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	-
Specific Provisions (-)	-	-	-
Other Loans and Receivables (Net)	-	-	-
Prior 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)	-	-	-

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.

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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. In the current period, TRY 3.561 Thousand (31 December 2010: TRY 4.821 Thousand) of receivable, has been written off.

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:

	Current Period (31.12.2011)	Prior Period (31.12.2010)
Bills	1.704	-
Bonds and similar investment securities	-	-
Other public sector debt securities	-	-
Total	1.704	-

a.2) Held-to-maturity investments given as collateral or blocked:

	Current Period (31.12.2011)	Prior Period (31.12.2010)
Bills	-	51.411
Bonds and similar investment securities	-	-
Other public sector debt securities	-	-
Total	-	51.411

6.b) Information on held-to-maturity debt securities:

	Current Period (31.12.2011)	Prior Period (31.12.2010)
Government Bonds	29.858	51.411
Treasury Bills	-	-
Other public sector debt securities	-	-
Total	29.858	51.411

6.c) Information on held-to-maturity investments:

	Current Period (31.12.2011)	Prior Period (31.12.2010)
Debt Securities	35.558	51.411
Quoted on a stock exchange	35.558	51.411
Unquoted	-	-
Provision for impairment(-)	-	-
Total	35.558	51.411

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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	51.411	80.369
Foreign currency differences on monetary assets	-	-
Purchases during the year ^(*)	69.678	34.839
Disposals through sales and redemptions ^(*)	(85.531)	(63.797)
Provision for impairment (-)	-	-
Balance at the end of the period	35.558	51.411

^(*) Purchases during the year includes interest accrual differences equal to TRY 3.244 Thousand and disposals during the year includes interest accrual differences equal to TRY 6.137 Thousand.

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	Luxemburg	11,11	6,25

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	20.868	12.659	2.470	123	-	461	701	-
2	-	-	-	-	-	-	-	-
3	7.336	7.315	3.960	11	-	1.692	(147)	-
4	-	-	-	-	-	-	-	-
5	213	210	170	1	-	(30)	(22)	-
6	34.386	33.940	-	71	-	(6.367)	(3.692)	-

^(*) 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., Yozgat Otelcilik A.Ş. are provided from the unaudited financial statements as of 30 September 2011. The information of Istanbul Venture Capital Initiative, "iVCi", are provided from the financial statements as of 31 December 2011. (Capital commitment of iVCi is EUR 160 Million and the Bank's capital commitment is EUR 10 Million. The Bank has made EUR 1.405.000 capital payment). Prior period information are provided from financial statements as of 31 December 2010.

^(***) Teşebbüs Destekleme Ajansı and Türsan are inactive.

^(****) Türk Suudi A.Ş. which is in liquidation process, has sold a portion of its real estates in the current period. The liquidation process of the firm is expected to be finalized in 2012.

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7.c. Movement of associates:

	Current Period (31.12.2011)	Prior Period (31.12.2010)
Balance at the beginning of the period	6.415	6.121
Movements during the period	1.616	294
Additions ^(*)	1.423	968
Bonus shares certificates	-	-
Shares in current year profit	-	-
Disposals	-	(1.218)
Revaluation increase	-	-
Provision for impairment (-) / Cancellation of provision	193	544
Balance at the end of the period	8.031	6.415
Capital commitments	-	-
Share percentage at the end of the period (%)	-	-

7.ç. Sectoral information about associates and their carrying amounts:

	Current Period (31.12.2011)	Prior Period (31.12.2010)
Banks	-	-
Insurance companies	-	-
Factoring companies	-	-
Leasing companies	-	-
Financing companies	-	-
Other financial associates	2.275	912

7.d. Associates quoted in the stock exchange:

None.

8. Information on subsidiaries (net):

8.a. Information on subsidiaries:

	Description	Address(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	Aricak A.Ş. ^(**)	İstanbul	100,00	99,71

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	6.614	6.038	12	526	-	(529)	(436)	-
2	9.973	8.525	9.954	-	-	(339)	(355)	-

^(*) 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. Related to the sale request of the company, Capital Market Board of Turkey has declared the cancellation of licences in favor of another brokerage firm with its letter dated 20.12.2011. Information of Kalkınma Yatırım Menkul Değerler A.Ş. is provided from 31 December 2011 financial statements. Prior period information are provided from financial statements December 31, 2010.

^(**) The shares of the Bank in Arıcak A.Ş. which has been followed at subsidiaries account, has been reclassified to the account "V. Group Uncollectible loans" as of March 31, 2011.

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8.c. Movement of subsidiaries:

	Current Period (31.12.2011)	Prior Period (31.12.2010)
Balance at the beginning of the period	7.192	11.402
Movements during the period	(1.154)	(4.210)
Additions	-	-
Bonus shares certificates	-	-
Shares in current year profit	-	-
Disposals ^(*)	(750)	(3.470)
Revaluation increase	-	-
Provision for impairment	(404)	(740)
Balance at the end of the period	6.038	7.192
Capital commitments	-	-
Share percentage at the end of the period (%)	-	-

^(*) The balance is related with reclassification of shares in Arıcak A.Ş. to "V. Group Loss Related Loans" as of March 31, 2011.

8.ç. Sectoral information about subsidiaries and their carrying amounts:

	Current Period (31.12.2011)	Prior Period (31.12.2010)
Banks	-	-
Insurance companies	-	-
Factoring companies	-	-
Leasing companies	-	-
Financing companies	-	-
Other financial subsidiaries	6.038	6.442

8.d Subsidiaries quoted in the stock exchange:

None.

9. Information on jointly controlled entities (joint ventures):

None.

10. Information on finance lease receivables(Net):

The Bank has no financial leasing transaction. There is no receivable from operating leasing (31 December 2010: TRY 246 Thousand).

11. Information on derivative financial assets for hedging purposes:

None.

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12. Information on tangible fixed assets:

Current Period (31.12.2011)	Real-Estates	Non-Current Assets to be Disposed	Vehicles	Other	Total
Cost					
Balance at the beginning of the period	119.521	8.053	93	5.078	132.745
Provision for impairment	(61.795)	(126)	-	-	(61.921)
Movements during the period					
-Additions	-	6.588	-	85	6.673
-Disposals (-)	-	(661)	-	(47)	(708)
-Provision for impairment (-)	-	(30)	-	-	(30)
-Reversal from provision for impairment (-)	-	4	-	-	4
Balance at the end of the period	57.726	13.828	93	5.116	76.763
Accumulated Depreciation					
Balance at the beginning of the period	24.832	159	19	3.315	28.325
Movements during the period					
-Depreciation charge ^(*)	2.391	181	19	786	3.377
-Disposals (-)	-	(59)	-	(47)	(106)
-Provision for impairment (-)	-	-	-	-	-
Balance at the end of the period	27.223	281	38	4.054	31.596
Net book value at the end of the period	30.503	13.547	55	1.062	45.167

^(*) TRY 181 Thousand of depreciation charge of non-current assets to be disposed which is equal to TRY 22 Thousand was presented under other operating expenses.

Prior 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 83 Thousand of depreciation charge of non-current assets to be disposed which is equal to TRY 21 Thousand was presented under other operating expenses.

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13. Information on intangible assets:

	Current Period (31.12.2011)	Prior Period (31.12.2010)
Cost		
Balance at the beginning of the period	1.557	1.371
Movements during the period	-	-
-Additions	1.025	186
-Disposals(-)	-	-
Balance at the end of the period	2.582	1.557
Accumulated Depreciation		
Balance at the beginning of the period	1.295	868
Movements during the period	-	-
-Depreciation charge	435	427
-Disposals	-	-
Balance at the end of the period	1.730	1.295
Net book value at the end of the period	852	262

14. Information on investment properties:

As of 31 December 2011 the Bank has investment properties held for rent whose net book value is TRY 2.416 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 certain the real-estates, TRY 540 Thousand provision is set. As of 31 December 2011, the Bank has rental income equal to TRY 388 Thousand.(December,31 2010:TRY 266 Thousand).

	Current Period (31.12.2011)	Prior Period (31.12.2010)
Cost		
Balance at the beginning of the period	3.762	-
Provision for impairment	(540)	-
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	3.222
Accumulated Depreciation		
Balance at the beginning of the period	730	-
Movements during the period	-	-
- Accumulated depreciation classified to investment properties (-)	-	655
- Depreciation charge	76	75
-Classified to investment properties(-)	-	-
-Disposals	-	-
-Provision for impairment(-)	-	-
Balance at the end of the period	806	730
Net book value at the end of the period	2.416	2.492

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15. Information on deferred tax assets:

As of 31 December 2011, the Bank has deferred tax asset amounting to TRY 6.310 Thousand.(December,31 2010: TRY 6.375 Thousand). 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, 2011 (December 31,2010: None).

	Current Period (31.12.2011)	Prior Period (31.12.2010)
Deferred tax asset/liability		
Provision for impairment of tangible fixed assets	30	76
Retirement pay provision	4.027	3.605
Provision for non-performing loans	2.289	2.841
Valuation of financial assets	(135)	(155)
Other	97	8
Total	6.308	6.375

Movement of deferred tax assets:

	Current Period (31.12.2011)	Prior Period (31.12.2010)
Net book value at the beginning of the period	6.375	9.064
Deferred tax income/loss (Net)	(1.003)	(2.031)
Deferred tax classified under shareholders' equity	936	(658)
Total	6.308	6.375

16. Information on assets held for sale and discontinued operations:

None.

17. Information on other assets:

	Current Period (31.12.2011)	Prior Period (31.12.2010)
Inventory	37	50
Prepaid expenses	2.949	2.734
Temporary account debtor	9.920	430
Sundry receivables	87	97
Receivables from asset sales on credit terms	1.513	521
Accrual of fund management fee	11	14
Receivables from state institutions and organizations	1	1
Total	14.518	3.847

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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:

Derivative financial liabilities held-for-trading	Current Period (31.12.2011)		Prior Period (31.12.2010)	
	TRY	FC	TRY	FC
Forward transactions	75	-	38	-
Swap transactions	1.335	-	-	-
Futures transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
Total	1.410	-	38	-

3. Information on funds borrowed:

3.a) Information on banks and other financial institutions:

	Current Period (31.12.2011)		Prior Period (31.12.2010)	
	TRY	FC	TRY	FC
From Central Bank of the Republic of Turkey	-	-	-	-
From domestic banks and institutions	-	254.741	-	256.824
From foreign banks, institutions and funds	-	1.385.127	-	699.555
Total	-	1.639.868	-	956.379

3.b) Maturity structure of funds borrowed:

	Current Period (31.12.2011)		Prior Period (31.12.2010)	
	TRY	FC	TRY	FC
Short-term	-	163.071	-	98.658
Medium and long-term	-	1.476.797	-	857.721
Total	-	1.639.868	-	956.379

3.c) Additional information for the areas of liability 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.

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3.c.1) Explanations on funds:

Material part of the domestic funds amounting to TRY 66.686 Thousand is from Undersecretariat of Treasury. Loans disbursed to investor companies in Cyprus from funds obtained from Undersecretariat of Treasury amount to TRY 55.318 Thousand and the risk of these loans does not belong to the Bank.

3.c.2) Information on funds provided under repurchase agreements:

TRY 403.041 Thousand, TRY 49.025 Thousand and TRY 56.032 Thousand of repurchase agreements amounting to TRY 508.216 Thousand belong to Central Bank of Turkey, Banks and brokerage firms respectively. Remaining balance amounting to TRY 118 Thousand belongs to real persons and legal entities (31 December 2010: TRY 335 Thousand).

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 Generic Provisions:

	Current Period (31.12.2011)	Prior Period (31.12.2010)
General Provisions	16.635	5.704
Allocated for Group - I loans and receivables	15.813	4.045
Allocated for Group - II loans and receivables	563	1.356
Allocated for non-cash loans	157	14
Other	102	289

^(*) BRSA has allowed banks to use zero percent generic provision rate for the loans disbursed between 6 March 2010 and 1 March 2011 with the provisional 4th Article (Added Article: RG-6/3/2010-27513) of Communiqué on "Methods and Principles on Determining the Nature of Loans, Other Receivables and Allocation of Provisions" and has ended this application with the decision dated 10 February 2011 and numbered 4065. TRY 5.692 Thousand of the provision allocated in the current period is the balance of provision corresponding to the provisional application period but allocated in the current period.

The restructuring made by the Bank for the loans and other receivables does not include extension of maturity defined in the first payment plan. Therefore, the Bank does not allocate additional provision for these loans according to explanation included to (a) and (b) clauses of the 4th Article (Added Article: RG-28/5/2011-27947) of Communiqué on "Methods and Principles on Determining the Nature of Loans, Other Receivables and Allocation of Provisions".

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

There are no foreign exchange 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.

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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 2011, the Bank set provision for employee benefits equal to TRY 20.130 Thousand.

	Current Period (31.12.2011)	Prior Period (31.12.2010)
Liabilities at the beginning of period	18.020	17.188
Service cost for the period	2.289	1.418
Interest cost for the period	840	981
Payments in the period	(1.019)	(1.567)
Liabilities at the end of period	20.130	18.020

8. Explanations on tax liabilities:

8.a) Information on current tax liability:

8.a.1) Information on tax provision:

	Current Period (31.12.2011)		Prior Period (31.12.2010)	
	TRY	FC	TRY	FC
Corporation tax and deferred tax				
The corporate tax payable	1.550	-	3.103	-
Deferred tax payable	-	-	-	-
Total	1.550	-	3.103	-

8.a.2) Information on taxes payable:

	Current Period (31.12.2011)	Prior Period (31.12.2010)
Corporate tax payable	1.550	3.103
Taxation on income on marketable securities	413	33
Property tax	1	1
Banking insurance transaction tax (BITT)	230	126
Foreign exchange transaction tax	-	-
Value added tax payable	32	34
Other	621	578
Total	2.847	3.875

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8.a.3) Information on premiums:

	Current Period (31.12.2011)	Prior Period (31.12.2010)
Social security premiums- Employee	74	77
Social security premiums- Employer	104	108
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	5	6
Unemployment insurance- Employer	11	11
Other	-	-
Total	194	202

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 (31.12.2011)	Prior Period (31.12.2010)
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.

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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.

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 Business, Product and Planning Department. 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 (31.12.2011)		Prior Period (31.12.2010)	
	TRY	FC	TRY	FC
From associates, subsidiaries and jointly controlled entities (joint ventures)	-	-	-	-
Valuation difference	(1.109)	-	2.637	-
Foreign exchange difference	-	-	-	-
Total	(1.109)	-	2.637	-

12. Information on minority interests:

None.

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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 (31.12.2011)	Prior Period (31.12.2010)
Asset purchase commitments	-	1.000
Share capital commitments to associates and subsidiaries	20.767	18.773
Total	20.767	19.773

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 commitment is TRY 78.798 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 46 Thousand (31 December 2010: TRY 47 Thousand.). TRY 1 Thousand of this amount is letter of customs guarantee and other part is letters of certain guarantees.

1.c.1) Total non-cash loans:

	Current Period (31.12.2011)	Prior Period (31.12.2010)
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	78.844	7.547
Total	78.844	7.547

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1.c.2) Non-cash loans sectoral risk concentrations:

	Current Period (31.12.2011)				Prior Period (31.12.2010)			
	TRY	(%)	FC	(%)	TRY	(%)	FC	(%)
Agriculture	2	4,35	-	-	2	4,26	28	0,37
Farming and raising livestock	2	4,35	-	-	2	4,26	28	0,37
Forestry	-	-	-	-	-	-	-	-
Fishery	-	-	-	-	-	-	-	-
Industry	8	17,39	78.798	100	9	19,15	7.472	99,63
Mining and quarry	-	-	-	-	-	-	-	-
Manufacturing	8	17,39	38.064	48,31	9	19,15	-	-
Electricity, gas and water	-	-	40.734	51,69	-	-	7.472	99,63
Construction	1	2,17	-	-	1	2,13	-	-
Service	35	76,09	-	-	35	74,46	-	-
Wholesale and retail trade	-	-	-	-	-	-	-	-
Hotel and food services	1	2,17	-	-	-	-	-	-
Transportation and communication	-	-	-	-	-	-	-	-
Financial institutions	34	73,92	-	-	35	74,46	-	-
Real estate and leasing services	-	-	-	-	-	-	-	-
Self-employment services	-	-	-	-	-	-	-	-
Educational services	-	-	-	-	-	-	-	-
Health and social services	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total	46	100	78.798	100	47	100	7.500	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:

Istanbul Venture Capital Initiative (iVCi - A Luxemburg Investment Company Fund) is founded as a stock company having variable capital and subject to laws of Luxemburg. 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 commitment 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 agreement was signed at the same date.

The Bank made payment of share capital amounting to EUR 1.405.000 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, EUR 167.500 on 15 July 2011 and 10 November EUR on 437.500.

A lawsuit amounting to TRY 1.493 Thousand which is included in lawsuits against the Bank has resulted in favor of the Bank. The decision will become final upon decision of the Court of Appeal. Since the lawsuit is not deemed likely to result against the Bank, provision has not been provided in the unconsolidated financial statement.

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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 (31.12.2011)		Prior Period (31.12.2010)	
	TRY	FC	TRY	FC
Interest on Loans ^(*)	39.245	50.900	29.265	25.403
Short term loans	53	6.436	99	2.860
Medium and long term loans	24.097	44.464	21.397	22.543
Interest on non-performing loans	15.095	-	7.769	-
Premiums from resource utilization support fund	-	-	-	-

^(*) Includes fees and commissions obtained from cash loans.

1.b) Information on interest income on banks:

	Current Period (31.12.2011)		Prior Period (31.12.2010)	
	TRY	FC	TRY	FC
From Central Bank of the Republic of Turkey				
From domestic banks	12.363	2	2.980	31
From foreign banks	-	-	-	-
From foreign head office and branches	-	-	-	-
Total	12.363	2	2.980	31

1.c) Information on interest income on marketable securities:

	Current Period (31.12.2011)		Prior Period (31.12.2010)	
	TRY	FC	TRY	FC
From financial assets held-for-trading	6.112	-	5.948	-
From financial assets at fair value through profit and loss	-	-	-	-
From financial assets available-for-sale	16.629	-	4.707	-
From investments held-to-maturity	4.191	-	7.097	-
Total	26.932	-	17.752	-

1.ç) Interest income from subsidiaries and associates:

	Current Period (31.12.2011)	Prior Period (31.12.2010)
Interest Income from Subsidiaries and Associates	-	15

^(*) Interest income from subsidiaries and associates for prior period presents the interest received from Aciselsan A.Ş. which was transferred to Privatisation Administration on 24 May 2010.

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2.a) Information on interest expense on borrowings:

	Current Period (31.12.2011)		Prior Period (31.12.2010)	
	TRY	FC	TRY	FC
Banks ^(*)	48	1.625	95	422
Central Bank of the Republic of Turkey	-	-	-	-
Domestic Banks	48	994	95	420
Foreign Banks	-	631	-	2
Foreign Head Office and Branches	-	-	-	-
Other Institutions	585	20.920	513	10.168
Total	633	22.545	608	10.590

^(*) Includes fees and commissions related to borrowings.

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 (31.12.2011)	Prior Period (31.12.2010)
From financial assets held-for-trading	-	-
From financial assets at fair value through profit and loss	-	-
From financial assets available-for-sale	89	31
Other	83	3.189
Total	172	3.220

4. Information on trading profit/loss:

	Current Period (31.12.2011)	Prior Period (31.12.2010)
Profit	5.258	5.008
Profit from the capital market operations	573	694
Profit on derivative financial instruments	87	637
Foreign exchange gains	4.598	3.677
Loss (-)	(8.146)	(2.208)
Loss from the capital market operations	(432)	(1)
Loss on derivative financial instruments	(1.410)	(130)
Foreign exchange losses	(6.304)	(2.077)

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5. Information on other operating income:

	Current Period (31.12.2011)	Prior Period (31.12.2010)
Income from sale of assets	2.184	1.388
Reversals from prior years' provisions	12.112	14.853
Other	1.308	1.202
Total	15.604	17.443

6. Provision expenses for impairment on loans and other receivables:

	Current Period (31.12.2011)	Prior Period (31.12.2010)
Specific provisions on loans and other receivables	5.367	534
Group- III loans and receivables	1.067	14
Group- IV loans and receivables	325	3
Group-V loans and receivables	3.975	517
General loan provision expenses	11.910	-
Provision expenses for possible losses	-	-
Marketable securities impairment expenses	11	-
Financial assets at fair value through profit and loss	11	-
Financial assets available-for-sale	-	-
Impairment losses from associates, subsidiaries, jointly controlled entities (joint ventures) and investments held-to-maturity	473	3.772
Associates	68	1.227
Subsidiaries	405	2.545
Jointly controlled entities (joint ventures)	-	-
Investments held-to-maturity	-	-
Other	-	-
Total	17.761	4.306

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7. Information on other operating expenses:

	Current Period (31.12.2011)	Prior Period (31.12.2010)
Personnel expenses	43.853	42.139
Provision for employee termination benefits	3.129	2.399
Provision expense for bank social aid fund deficits	-	-
Fixed assets impairment expense	-	-
Depreciation expenses of fixed assets	3.272	3.433
Intangible assets impairment expense	-	-
Goodwill impairment expense	-	-
Amortization expenses of intangible assets	435	427
Impairment expense for equity shares subject to the equity method accounting	-	-
Impairment expense of assets that will be disposed	30	30
Amortization expenses of assets that will be disposed	159	62
Impairment expense for non-current assets held for sale and discontinued operations	-	-
Other operating expenses	7.691	6.583
Operational leasing expenses	50	47
Maintenance expenses	925	723
Advertisement expenses	83	154
Other expenses ^(*)	6.633	5.659
Loss on sale of assets	-	1.272
Other	1.872	1.678
Total	60.441	58.023

^(*) Other expenses consist of cleaning expenses equal to TRY 1.766 Thousand (December 31,2010: TRY 1.598 Thousand), heating, lighting and water expenses equal to TRY 712 Thousand (December 31,2010: TRY 719 Thousand), rent expenses equal to TRY 612 Thousand (December 31,2010: TRY 513 Thousand), security expenses equal to TRY 569 Thousand (December 31,2010: TRY 553 Thousand), nursery expenses equal to TRY 321 Thousand (December 31,2010: TRY 309 Thousand), communication expenses equal to TRY 331 Thousand (December 31,2010: TRY 319 Thousand), computer usage expenses equal to TRY 451 Thousand (December 31,2010: TRY 255 Thousand), vehicle expenses equal to TRY 460 Thousand (December 31,2010: TRY 253 Thousand) and depreciation expenses equal to TRY 23 Thousand which is allocated in the current period for three real estates regarding the year 2010 (December 31,2010: TRY 21 Thousand). Remaining balance amounting to TRY 1.388 Thousand (December 31,2010: TRY 1.119 Thousand) consists of other miscellaneous expenses.

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

As of 31 December 2011, the Bank's income before tax from the continuing operations is TRY 32.158 Thousand (31 December 2010: 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, 2011, the Bank's income tax provision from continuing operations amounting to TRY 8.397 Thousand (31 December 2010: TRY 7.381 Thousand) consists of TRY 7.394 Thousand of current tax charge (31 December 2010: TRY 5.350 Thousand) and TRY 1.003 Thousand of deferred tax charge (31 December 2010: TRY 2.031 Thousand).

10. Information on net profit/loss of the period from continuing and discontinued operations:

The Bank has earned net profit equal to TRY 23.761 Thousand from continuing operations between 1 January 2011 and 31 December 2011.

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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 are 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:

"Other interest expenses" include interest payments of the Bank to Turkish Treasury due to incentive funds.

TRY 4.142 Thousand (31 December 2010: TRY 3.235 Thousand) of "Other Fees and Commission Received" amounting to TRY 5.204 Thousand (31 December 2010: TRY 4.478 Thousand) includes project service income collected from loan customers.

V. Explanations and Notes Related to Statement of Changes in Shareholders' Equity:

In legal records, paid-in capital is TRY 160.000 Thousand.(31 December 2010: TRY 160.000 Thousand). As of the balance sheet date, the balance of legal reserves is TRY 28.804 Thousand(31 December 2010: TRY 27.688 Thousand) and the balance of extraordinary reserves is TRY 109.854 Thousand.(31 December 2010: TRY 94.677 Thousand).

Marketable securities valuation differences is TRY (1.109) Thousand and arising from valuation differences of securities available-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 (153.756) Thousand (December 31, 2010: TRY 3.430 Thousand). The balance consists of interest income on loans and securities amounting to TRY 116.662 Thousand (December 31, 2010: TRY 89.959 Thousand) and interest expense on borrowings amounting to TRY 35.305 Thousand (December 31, 2010: TRY 16.410 Thousand).

The effect of change in foreign exchange rate on cash and cash equivalents is stated, approximately, as TRY 518 Thousand as of December 31, 2011. (December 31, 2010: TRY 952 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 (31.12.2010)
Cash	5.973	8.355
Cash in TRY and foreign currency	119	85
Demand deposits at banks	5.854	8.270
Cash equivalents	99.700	187.860
Interbank money market placements	-	110.600
Time deposits at banks	99.700	77.260
Total cash and cash equivalents	105.673	196.215

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 (31.12.2011)	Prior Period (31.12.2010)
Cash	13.434	5.973
Cash in TRY and foreign currency	129	119
Demand deposits at banks and Central Bank of the Republic of Turkey	13.305	5.854
Cash equivalents	139.850	99.700
Time deposits at banks	139.850	99.700
Total cash and cash equivalents	153.284	105.673

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	100	-	-	-	-	-
Closing Balance	162	-	-	-	-	-
Interest and Commissions Income	-	-	-	-	-	-

^(*) TRY 1,188 Thousand of loan disbursed to Arıcak A.Ş., a subsidiary of the Bank, has been followed at Group V. For this loan, TRY 1.026 Thousand special provision has been provided.

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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		Cash	Non-Cash
Loans and other receivables	-	-	-	-	-	-
Beginning Balance	783	-	-	-	-	-
Closing Balance	-	-	-	-	-	-
Interest and Commissions Income	15	-	-	-	-	-

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 and Vice General Managers are presented below.

	Current Period (31.12.2011)	Prior Period (31.12.2010)
Salary	947	858
Dividend and fringe benefits	130	127
Total	1.077	985

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 708 and 14 of them are employed at İstanbul Branch.

IX. Explanations Related to the Subsequent Events:

None.

Türkiye Kalkınma Bankası A.Ş. and Its Financial Affiliates

Notes to the Unconsolidated Financial Statements

for the Year Ended 31 December 2011

(Amounts expressed in Thousands of the Turkish Lira (TRY) unless otherwise stated.)

SECTION SIX

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 2011 and 31 December 2010 are presented below:

	31.12.2011	31.12.2010
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 Points	3	3
Support Rating Floor	BB+	BB+

SECTION SEVEN

INDEPENDENT AUDITOR'S REPORT

I. Explanations on Independent Auditor's Report:

The unconsolidated financial statements as of 31 December 2011 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 February 28, 2012 is presented preceding the unconsolidated financial statements.

II. Explanations and Notes Prepared by Independent Auditor:

None.

Türkiye Kalkınma Bankası A.Ş. and Its Financial Affiliates
Independent Auditor's Report,
Consolidated Financial Statements and
Notes for the Year Ended December 31, 2011

Türkiye Kalkınma Bankası A.Ş. and Its Financial Affiliates

Independent Auditor's Report for the Year Ended 31 December 2011

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 2011, 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:

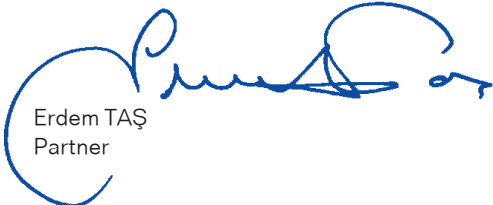
3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the regulation on "Licensing and Operations of Audit Firms in Banking" published in the Official Gazette no: 26333 on November 1, 2006 and the International Standards 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, 2011 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 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.

Ankara, 28 February 2012

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



Erdem TAŞ
Partner

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 consolidated 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.

Türkiye Kalkınma Bankası A.Ş. and Its Financial Affiliates

The Consolidated Financial Report as of 31 December 2011

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



Şerif ÇELENK
Audit Committee
Member



Adnan YALÇINCI
Assistant General Manager
Responsible for Financial Reporting



Aydın TOSUN
Finance Director

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

Türkiye Kalkınma Bankası A.Ş. and Its Financial Affiliates

Notes to the Consolidated Financial Statements

for the Year Ended 31 December 2011

(Amounts expressed in Thousands of the Turkish Lira (TRY) unless otherwise stated.)

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Türkiye Kalkınma Bankası A.Ş. and Its Financial Affiliates

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for the Year Ended 31 December 2011

(Amounts expressed in Thousands of the Turkish Lira (TRY) unless otherwise stated.)

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Türkiye Kalkınma Bankası A.Ş. and Its Financial Affiliates

Notes to the Consolidated Financial Statements

for the Year Ended 31 December 2011

(Amounts expressed in Thousands of the 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 Parent 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 Parent 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 Thousand (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 : Metin PEHLİVAN
Hakan TOKAÇ
Özcan TENGİLİMOĞLU
İrfan TOKGÖZ
Mehmet AYDIN
Şerif ÇELENK^(**)

^(*) Ahmet Yaman has been assigned by proxy according to decision of the Board of Directors dated March 15, 2011.

^(**) Şerif Çelenk, Audit Committee Member, has been assigned according to decision of the Board of Directors dated January 13, 2012.

Türkiye Kalkınma Bankası A.Ş. and Its Financial Affiliates

Notes to the Consolidated Financial Statements

for the Year Ended 31 December 2011

(Amounts expressed in Thousands of the Turkish Lira (TRY) unless otherwise stated.)

Board of Control Members : Mustafa GÜNEŞ
Ferhat KARAŞ
Davut KARATAŞ

General Manager : Metin PEHLİVAN^(*)

Vice General Managers : Metin PEHLİVAN
Bahattin SEKKİN
Adnan YALÇINCI
Zekai İŞILDAR
İrfan YAŞAR

Chairman of Supervisory Board : Fatih ŞAHİN^(**)

^(*)Metin Pehlivan has been assigned by proxy dated March 15, 2011.

^(**)Fatih Şahin has been assigned according to decision of the Board of Directors dated February 13, 2012.

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.

SECTION TWO

CONSOLIDATED FINANCIAL STATEMENTS

- I- Consolidated Balance Sheet
- II- Consolidated Statement of Off-Balance Sheet Accounts
- III- Consolidated Statement of Income
- IV- Consolidated Statement of Profit or Loss Accounted under Shareholders' Equity
- V- Consolidated Statement of Changes in Shareholders' Equity
- VI- Consolidated Statement of Cash Flow
- VII- Consolidated Statement of Profit Distribution

Türkiye Kalkınma Bankası A.Ş. and Its Financial Affiliates

Consolidated Balance Sheet (Statement of Financial Position)

(Amounts expressed in Thousands of the Turkish Lira (TRY) unless otherwise stated.)

THOUSANDS OF TRY							
ASSETS	Disc.	AUDITED			AUDITED		
		CURRENT PERIOD			PRIOR PERIOD		
		(31/12/2011)			(31/12/2010)		
		TRY	FC	Total	TRY	FC	Total
I. CASH AND BALANCES WITH THE CENTRAL BANK	(1)	170	-	170	138	-	138
II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (Net)	(2)	65.343	-	65.343	49.033	-	49.033
2.1 Trading Financial Assets		65.343	-	65.343	49.033	-	49.033
2.1.1 Public Sector Debt Securities		65.343	-	65.343	48.988	-	48.988
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)	155.693	4.089	159.782	130.628	1.353	131.981
IV. MONEY MARKET PLACEMENTS		-	-	-	-	-	-
4.1 Interbank Money Market Placements		-	-	-	-	-	-
4.2 Istanbul Stock Exchange Money Market Placements		-	-	-	-	-	-
4.3 Receivables from Reverse Repurchase Agreements		-	-	-	-	-	-
V. FINANCIAL ASSETS AVAILABLE FOR SALE (Net)	(4)	596.898	-	596.898	122.997	-	122.997
5.1 Share Certificates		955	-	955	955	-	955
5.2 Public Sector Debt Securities		592.360	-	592.360	118.180	-	118.180
5.3 Other Marketable Securities		3.583	-	3.583	3.862	-	3.862
VI. LOANS	(5)	308.072	1.551.115	1.859.187	221.475	956.766	1.178.241
6.1 Loans		259.762	1.551.115	1.810.877	193.953	956.766	1.150.719
6.1.1 Loans Extended to Risk Group of the Bank		-	-	-	-	-	-
6.1.2 Public Sector Debt Securities		-	-	-	-	-	-
6.1.3 Other		259.762	1.551.115	1.810.877	193.953	956.766	1.150.719
6.2 Loans Under Follow-Up		94.677	-	94.677	78.350	-	78.350
6.3 Specific Provisions (-)		46.367	-	46.367	50.828	-	50.828
VII. FACTORING RECEIVABLES		-	-	-	-	-	-
VIII. HELD TO MATURITY INVESTMENTS (Net)	(6)	35.558	-	35.558	51.411	-	51.411
8.1 Public Sector Debt Securities		29.858	-	29.858	51.411	-	51.411
8.2 Other Marketable Securities		5.700	-	5.700	-	-	-
IX. INVESTMENTS IN ASSOCIATES (Net)	(7)	5.756	2.121	7.877	5.503	912	6.415
9.1 Accounted with Equity Method		-	2.121	2.121	-	912	912
9.2 Unconsolidated Associates		5.756	-	5.756	5.503	-	5.503
9.2.1 Financial Investments		-	-	-	-	-	-
9.2.2 Non-financial Investments		5.756	-	5.756	5.503	-	5.503
X. INVESTMENTS IN SUBSIDIARIES (Net)	(8)	-	-	-	750	-	750
10.1 Unconsolidated Financial Subsidiaries		-	-	-	-	-	-
10.2 Unconsolidated Non-financial Subsidiaries		-	-	-	750	-	750
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
12.1 Finance Lease Receivables		-	-	-	-	-	-
12.2 Operating Lease Receivables		-	-	-	246	-	246
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)	46.256	-	46.256	42.754	-	42.754
XV. INTANGIBLE ASSETS (Net)	(13)	852	-	852	263	-	263
15.1 Goodwill		-	-	-	-	-	-
15.2 Other		852	-	852	263	-	263
XVI. INVESTMENT PROPERTIES (Net)	(14)	1.539	-	1.539	2.492	-	2.492
XVII. TAX ASSET	(15)	6.308	-	6.308	6.375	-	6.375
17.1 Current Assets for Tax		-	-	-	-	-	-
17.2 Deferred Assets for Tax		6.308	-	6.308	6.375	-	6.375
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)	13.224	1.384	14.608	2.701	1.207	3.908
TOTAL ASSETS		1.235.669	1.558.709	2.794.378	636.766	960.238	1.597.004

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

Türkiye Kalkınma Bankası A.Ş. and Its Financial Affiliates

Consolidated Balance Sheet (Statement of Financial Position)

(Amounts expressed in Thousands of the Turkish Lira (TRY) unless otherwise stated.)

THOUSANDS OF TRY							
	Disc.	AUDITED			AUDITED		
		CURRENT PERIOD			PRIOR PERIOD		
		(31/12/2011)			(31/12/2010)		
		TRY	FC	Total	TRY	FC	Total
LIABILITIES AND EQUITY							
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)	1.410	-	1.410	38	-	38
III. BORROWING FUNDING LOANS	(3)	-	1.639.868	1.639.868	-	956.379	956.379
IV. MONEY MARKET BALANCES		508.216	-	508.216	335	-	335
4.1 Interbank Money Market Takings		-	-	-	-	-	-
4.2 Istanbul Stock Exchange Takasbank Takings		-	-	-	-	-	-
4.3 Funds From Repurchase Agreements		508.216	-	508.216	335	-	335
V. MARKETABLE SECURITIES ISSUED (Net)		-	-	-	-	-	-
5.1 Bills		-	-	-	-	-	-
5.2 Asset-backed Securities		-	-	-	-	-	-
5.3 Bonds		-	-	-	-	-	-
VI. FUNDS		66.629	57	66.686	91.253	47	91.300
6.1 Borrower Funds		-	-	-	-	-	-
6.2 Other		66.629	57	66.686	91.253	47	91.300
VII. SUNDRY CREDITORS		4.080	935	5.015	3.418	280	3.698
VIII. OTHER LIABILITIES	(4)	3.950	-	3.950	4.066	57	4.123
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)	37.113	-	37.113	24.037	-	24.037
12.1 General Loan Provisions		16.635	-	16.635	5.704	-	5.704
12.2 Restructuring Provisions		-	-	-	-	-	-
12.3 Employee Benefits Provisions		20.321	-	20.321	18.220	-	18.220
12.4 Insurance Technical Reserves (Net)		-	-	-	-	-	-
12.5 Other Provisions		157	-	157	113	-	113
XIII. TAX LIABILITY	(8)	3.240	-	3.240	4.146	-	4.146
13.1 Current Tax Liability		3.200	-	3.200	4.097	-	4.097
13.2 Deferred Tax Liability		40	-	40	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)	528.880	-	528.880	512.948	-	512.948
16.1 Paid-in Capital		160.000	-	160.000	160.000	-	160.000
16.2 Capital Reserves		206.456	-	206.456	210.202	-	210.202
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		(1.109)	-	(1.109)	2.637	-	2.637
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		-	-	-	-	-	-
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		139.572	-	139.572	123.279	-	123.279
16.3.1 Legal Reserves		29.718	-	29.718	28.602	-	28.602
16.3.2 Statutory Reserves		-	-	-	-	-	-
16.3.3 Extraordinary Reserves		109.854	-	109.854	94.677	-	94.677
16.3.4 Other Profit Reserves		-	-	-	-	-	-
16.4 Profit/Loss		22.852	-	22.852	19.467	-	19.467
16.4.1 Prior Years Income/Loss		(1.654)	-	(1.654)	(1.059)	-	(1.059)
16.4.2 Period Profit/Loss		24.506	-	24.506	20.526	-	20.526
16.5 Minority Shares		-	-	-	-	-	-
TOTAL LIABILITIES AND EQUITY		1.153.518	1.640.860	2.794.378	640.241	956.763	1.597.004

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

Türkiye Kalkınma Bankası A.Ş. and Its Financial Affiliates

Consolidated Off Balance Sheet Accounts

(Amounts expressed in Thousands of the Turkish Lira (TRY) unless otherwise stated.)

THOUSANDS OF TRY							
	Disc.	AUDITED			AUDITED		
		CURRENT PERIOD (31/12/2011)			PRIOR PERIOD (31/12/2010)		
		TRY	FC	Total	TRY	FC	Total
A. OFF BALANCE SHEET CONTINGENCIES AND COMMITMENTS (I+II+III)		171.386	1.188.910	1.360.296	96.100	1.343.902	1.440.002
I. GUARANTEES AND SURETYSHIPS	(1),(3)	46	78.798	78.844	47	7.500	7.547
1.1. Letters of Guarantee		46	-	46	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		46	-	46	47	-	47
1.2. Bank Loans		-	-	-	-	-	-
1.2.1. Import Acceptances		-	-	-	-	-	-
1.2.2. Other Bank Acceptances		-	-	-	-	-	-
1.3. Letters of Credit		-	78.798	78.798	-	7.500	7.500
1.3.1. Documentary Letters of Credit		-	78.798	78.798	-	7.500	7.500
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)	109.302	1.049.407	1.158.709	87.546	1.327.979	1.415.525
2.1. Irrevocable Commitments		-	20.767	20.767	1.000	18.773	19.773
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		-	20.767	20.767	-	18.773	18.773
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		109.302	1.028.640	1.137.942	86.546	1.309.206	1.395.752
2.2.1. Revocable Loan Granting Commitments		109.302	1.028.640	1.137.942	86.546	1.309.206	1.395.752
2.2.2. Other Revocable Commitments		-	-	-	-	-	-

Türkiye Kalkınma Bankası A.Ş. and Its Financial Affiliates

Consolidated Off Balance Sheet Accounts

(Amounts expressed in Thousands of the Turkish Lira (TRY) unless otherwise stated.)

THOUSANDS OF TRY								
		Disc.	AUDITED			AUDITED		
			CURRENT PERIOD (31/12/2011)			PRIOR PERIOD (31/12/2010)		
			TRY	FC	Total	TRY	FC	Total
III.	DERIVATIVE FINANCIAL INSTRUMENTS	(2)	62.038	60.705	122.743	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		62.038	60.705	122.743	8.507	8.423	16.930
3.2.1	Forward Foreign Currency Buy/Sell Transactions		4.572	4.505	9.077	8.507	8.423	16.930
3.2.1.1	Forward Foreign Currency Transactions-Buy	-		4.505	4.505	4.259	4.212	8.471
3.2.1.2	Forward Foreign Currency Transactions-Sell		4.572	-	4.572	4.248	4.211	8.459
3.2.2	Currency and Interest Rate Swaps		57.466	56.200	113.666	-	-	-
3.2.2.1	Currency Swap-Buy	-		56.200	56.200	-	-	-
3.2.2.2	Currency Swap-Sell		57.466	-	57.466	-	-	-
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)			2.214.708	7.174.371	9.389.079	2.493.819	4.904.230	7.398.049
IV.	CUSTODIES		2.894	514	3.408	6.891	433	7.324
4.1.	Assets Under Management		-	-	-	-	-	-
4.2.	Custody Marketable Securities		2.394	-	2.394	6.891	-	6.891
4.3.	Cheques in Collection Process		500	-	500	-	-	-
4.4.	Commercial Notes in Collection Process		-	-	-	-	-	-
4.5.	Other Assets in Collection Process		-	-	-	-	-	-
4.6.	Underwritten Securities		-	-	-	-	-	-
4.7.	Other Custodies		-	514	514	-	433	433
4.8.	Custodians		-	-	-	-	-	-
V.	PLEDGED ASSETS		2.210.214	7.172.697	9.382.911	2.485.328	4.903.797	7.389.125
5.1.	Marketable Securities		-	-	-	-	-	-
5.2.	Collateral Notes		305.380	1.422.780	1.728.160	212.618	995.895	1.208.513
5.3.	Commodity		-	-	-	-	-	-
5.4.	Warranty		-	-	-	-	-	-
5.5.	Land and Buildings		1.131.005	3.822.282	4.953.287	1.599.713	2.927.380	4.527.093
5.6.	Other Pledged Assets		166.941	1.345.901	1.512.842	79.817	733.536	813.353
5.7.	Pledges		606.888	581.734	1.188.622	593.180	246.986	840.166
VI.	ACCEPTED BILL GUARANTEES AND SURETIES		1.600	1.160	2.760	1.600	-	1.600
TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)			2.386.094	8.363.281	10.749.375	2.589.919	6.248.132	8.838.051

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

Türkiye Kalkınma Bankası A.Ş. and Its Financial Affiliates

Consolidated Statement of Income

(Amounts expressed in Thousands of the Turkish Lira (TRY) unless otherwise stated.)

		Disc.	THOUSANDS OF TRY	
			AUDITED	AUDITED
			CURRENT PERIOD (01/01/2011-31/12/2011)	PRIOR PERIOD (01/01/2010-31/12/2010)
	INCOME AND EXPENSES			
I.	INTEREST INCOME	(1)	130.357	80.555
1.1	Interest on loans		90.145	54.668
1.2	Interest received from reserve deposits		-	-
1.3	Interest received from banks		12.891	3.677
1.4	Interest received from money market placements		388	4.457
1.5	Interest income on marketable securities		26.932	17.752
1.5.1	Financial assets held for trading		6.112	5.948
1.5.2	Financial assets at fair value through profit and loss	-	-	-
1.5.3	Financial assets available-for-sale		16.629	4.707
1.5.4	Investments held-to-maturity		4.191	7.097
1.6	Finance lease income	-	-	-
1.7	Other interest income		1	1
II.	INTEREST EXPENSE	(2)	38.340	17.047
2.1	Interest on deposits		-	-
2.2	Interest on borrowings		23.178	11.198
2.3	Interest on money market borrowings		10.722	-
2.4	Interest on marketable securities issued		-	-
2.5	Other interest expense		4.440	5.849
III.	NET INTEREST INCOME (I - II)	(12)	92.017	63.508
IV.	NET FEES AND COMMISSIONS INCOME		5.976	4.504
4.1	Fees and commissions income		6.213	4.957
4.1.1	Non-cash loans		1.009	178
4.1.2	Other		5.204	4.779
4.2	Fees and commissions expenses	(12)	237	453
4.2.1	Non-cash loans		-	-
4.2.2	Other		237	453
V.	DIVIDEND INCOME	(3)	172	325
VI.	NET TRADING PROFIT	(4)	(2.888)	2.800
6.1	Profit/Loss from capital market operations		141	693
6.2	Profit/Loss from financial derivative transactions		(1.323)	507
6.3	Foreign exchange gains/losses		(1.706)	1.600
VII.	OTHER OPERATING INCOME	(5)	16.326	17.476
VIII.	TOTAL OPERATING INCOME (III+IV+V+VI+VII)		111.603	88.613
IX.	LOANS AND OTHER RECEIVABLES IMPAIRMENT LOSS PROVISIONS (-)	(6)	17.296	1.090
X.	OTHER OPERATING EXPENSES(-)	(7)	61.190	59.368
XI.	NET OPERATING INCOME/(LOSS) (VIII-X-X)		33.117	28.155
XII.	AMOUNT RECORDED IN EXCESS AS GAIN AFTER MERGER		-	-
XIII.	PROFIT/LOSSES FROM EQUITY METHOD APPLIED SUBSIDIARIES		(214)	(255)
XIV.	GAIN/(LOSS) ON NET MONETARY POSITION		-	-
XV.	INCOME/(LOSS) BEFORE TAXES (XI+XII+XIII+XIV)	(8)	32.903	27.900
XVI.	TAX INCOME PROVISION (±)	(9)	(8.397)	(7.374)
16.1	Current tax provision		(7.403)	(5.350)
16.2	Deferred tax provision		(994)	(2.024)
XVII.	NET OPERATING INCOME AFTER TAX (XV±XVI)	(10)	24.506	20.526
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)	24.506	20.526
	Earnings/Losses per share		0,00153	0,00128

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

Türkiye Kalkınma Bankası A.Ş. and Its Financial Affiliates

Consolidated Profit and Loss Account for Under Equity

(Amounts expressed in Thousands of the Turkish Lira (TRY) unless otherwise stated.)

	THOUSANDS OF TRY	
	AUDITED	AUDITED
	CURRENT PERIOD (01/01/2011-31/12/2011)	PRIOR PERIOD (01/01/2010-31/12/2010)
STATEMENT OF PROFIT AND LOSS ACCOUNTED FOR UNDER EQUITY		
I. Additions to marketable securities revaluation differences for available for sale financial assets	(4.778)	(721)
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	936	658
X. Total Net Profit/Loss accounted under equity (I+II+...+IX)	(3.842)	(63)
XI. Profit/Loss	96	(468)
11.1. Change in fair value of marketable securities (Transfer to Profit/Loss)	96	-
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)	(3.746)	(531)

Türkiye Kalkınma Bankası A.Ş. and Its Financial Affiliates

Consolidated Statement of Changes in Shareholders' Equity (Audited)

(Amounts expressed in Thousands of the Turkish Lira (TRY) unless otherwise stated.)

CHANGES IN SHARE HOLDERS' EQUITY	Disc.	Paid-in Capital	Effect of Inflation Adjustments on Paid in Capital	Share Premium	Share Cancellation Profits	Legal Reserves	Statutory Reserves	Extraordinary Reserves	
PRIOR PERIOD (31/12/2010)									
I. Balance at end of prior period		160.000	205.638	1.491		26.942		76.389	
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	205.638	1.491	-	26.942	-	76.389	
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 (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. From internal resources		-	-	-	-	-	-	-	
XV. Issuance of share certificates at end of period		-	-	-	-	-	-	-	
XVI. Share cancellation profits		-	-	-	-	-	-	-	
XVII. Adjustment to paid-in capital		-	-	-	-	-	-	-	
XVIII. Other			436						
XIX. Net profit or losses		-	-	-	-	-	-	-	
XX. Profit distribution		-	-	-	-	1.660	-	18.288	
20.1. Dividends distributed		-	-	-	-	-	-	-	
20.2. Transfers to legal reserves		-	-	-	-	1.660	-	18.288	
20.3. Other		-	-	-	-	-	-	-	
Closing Balance (III+IV+V +...+XVIII+XIX+XX)		160.000	206.074	1.491	-	28.602	-	94.677	
CURRENT PERIOD (31/12/2011)									
I. Balance at end of prior period		160.000	206.074	1.491	-	28.602	-	94.677	
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 (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. From 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		-	-	-	-	1.116	-	15.177	
20.1. Dividends distributed		-	-	-	-	-	-	-	
20.2. Transfers to legal reserves		-	-	-	-	1.116	-	15.177	
20.3. Other		-	-	-	-	-	-	-	
Closing Balance (III+IV+V +...+XVIII+XIX+XX)		160.000	206.074	1.491	-	29.718	-	109.854	

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

THOUSANDS OF TRY											
	Other Profit Reserves	Period Profit/Loss	Prior Years Income/Loss	Marketable Securities Revaluation Fund	Revaluation Reserves of Real Estates for Investment Purpose	Non-paid-up Shares of Subsidiaries, Associates and Joint Ventures	Hedging Funds (Effective Portion)	Value increase in assets held for sale purposes /discontinued operations	Total equity excluding minority shares	Minority Shares	Total Equity
			25.255	2.700		468			498.883		498.883
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	25.255	2.700	-	468	-	-	498.883	-	498.883
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	(63)	-	-	-	-	(63)	-	(63)
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	(468)	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	(436)	-	-	-	-	-	-	-	-
-	20.526	-	(25.878)	-	-	-	-	-	20.526	-	20.526
-	-	-	(5.930)	-	-	-	-	-	(5.930)	-	(5.930)
-	-	-	(19.948)	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	20.526	(1.059)	2.637	-	-	-	-	-	512.948	-	512.948
-	-	-	19.467	2.637	-	-	-	-	512.948	-	512.948
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	(3.746)	-	-	-	-	(3.746)	-	(3.746)
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
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-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	24.506	-	-	-	-	-	-	-	24.506	-	24.506
-	-	-	(21.121)	-	-	-	-	-	(4.828)	-	(4.828)
-	-	-	(4.828)	-	-	-	-	-	(4.828)	-	(4.828)
-	-	-	(16.293)	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	24.506	(1.654)	(1.109)	-	-	-	-	-	528.880	-	528.880

Türkiye Kalkınma Bankası A.Ş.

Consolidated Statement of Cash Flows

(Amounts expressed in Thousands of the Turkish Lira (TRY) unless otherwise stated.)

	Disc.	THOUSANDS OF TRY	
		AUDITED	AUDITED
		CURRENT PERIOD (31/12/2011)	PRIOR PERIOD (31/12/2010)
A. CASH FLOWS FROM BANKING OPERATIONS			
1.1. Operating profit before changes in operating assets and liabilities (+)		(153.070)	69
1.1.1. Interest received (+)		117.171	90.613
1.1.2. Interest paid (-)		(35.310)	(16.410)
1.1.3. Dividend received(+)		172	325
1.1.4. Fees and commissions received (+)		6.213	4.947
1.1.5. Other income (+)		4.259	2.873
1.1.6. Collections from previously written off loans (+)		11.886	20.943
1.1.7. Cash payments to personnel and service suppliers (-)		(44.550)	(42.940)
1.1.8. Taxes paid (-)		(9.220)	(3.682)
1.1.9. Other (+/-)		(203.691)	(56.600)
1.2. Assets and Liabilities Subject to Banking Operations		644.420	(1.451)
1.2.1. Net (increase) decrease in financial assets held for sale (+/-)		(16.375)	67.069
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	(20.000)
1.2.4. Net (increase) decrease in loans (+/-)		(465.062)	(335.279)
1.2.5. Net (increase) decrease in other assets (+/-)		(10.447)	(913)
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 (+/-)		632.770	309.495
1.2.9. Net increase (decrease) in matured payables (+/-)		-	-
1.2.10. Net increase (decrease) in other liabilities (+/-)		483.534	(21.823)
I. Net cash provided from banking operations (+/-)		491.350	(1.382)
B. CASH FLOWS FROM INVESTMENT ACTIVITIES			
II. Net cash provided from investing activities (+/-)		(438.862)	(87.798)
2.1. Cash paid for purchase of joint ventures, associates and subsidiaries(-)		(1.423)	(542)
2.2. Cash obtained from sale of entities joint ventures, associates and subsidiaries (+)		-	4.688
2.3. Fixed assets purchases (-)		(86)	(1.166)
2.4. Fixed assets sales(+)		2.791	3.158
2.5. Cash paid for purchase of financial assets available for sale (-)		(715.382)	(268.747)
2.6. Cash obtained from sale of financial assets available for sale (+)		263.303	150.584
2.7. Cash paid for purchase of investment securities (-)		(66.432)	(30.958)
2.8. Cash obtained from sale of investment securities (+)		79.393	55.371
2.9. Other (+/-)		(1.026)	(186)
C. CASH FLOWS FROM FINANCING ACTIVITIES			
III. Net cash provided from financing activities (+/-)		(4.828)	(5.930)
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 (-)		(4.828)	(5.930)
3.5. Payments for finance leases (-)		-	-
3.6. Other (+/-)		-	-
IV. Effect of change in foreign exchange rate on cash and cash equivalents(+/-)		518	952
V. Net increase/(decrease) in cash and cash equivalents (I+II+III+IV)		48.178	(94.158)
VI. Cash and cash equivalents at beginning of the period (+)	(2)	111.559	205.717
VII. Cash and cash equivalents at end of the period (V+VI)	(3)	159.737	111.559

Türkiye Kalkınma Bankası A.Ş.

Consolidated Profit Distribution Table

(Amounts expressed in Thousands of the Turkish Lira (TRY) unless otherwise stated.)

	THOUSANDS OF TRY	
	AUDITED	AUDITED
	CURRENT PERIOD (31/12/2011)	PRIOR PERIOD (31/12/2010)
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 PRIVILEGED SHARES	-	-
3.4. TO OWNERS OF PRIVILEGED SHARES (%)	-	-
IV. DIVIDEND PER SHARE		
4.1. TO OWNERS OF ORDINARY SHARES	-	-
4.2. TO OWNERS OF ORDINARY SHARES (%)	-	-
4.3. TO OWNERS OF PRIVILEGED SHARES	-	-
4.4. TO OWNERS OF PRIVILEGED SHARES (%)	-	-

^(*) According to tax legislation applicable in Turkey, no consolidated profit is distributed.

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

Türkiye Kalkınma Bankası A.Ş. and Its Financial Affiliates

Notes to the Consolidated Financial Statements

for the Year Ended 31 December 2011

(Amounts expressed in Thousands of the Turkish Lira (TRY) unless otherwise stated.)

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 and related disclosures are prepared in accordance with 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, and 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 and other legislations, interpretations and circulars issued related to basis for accounting and financial reporting by Banking Regulation and Supervision Agency. 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 2011 are presented comparatively with the audited balances as of 31 December 2010. 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 consist 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 Development Bank via Turkish Treasury and budget originated funds and the rest consists of funds provided through short-term money market transactions within the framework of balance sheet management. 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 Development 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. Exchange rate risk, interest rate risk and liquidity risk are measured and monitored on a regular basis, necessary measures were taken as a result of changes in the market data and balance sheet management is performed within the predetermined risk limits and legal limits.

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.

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 programmers 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.

Türkiye Kalkınma Bankası A.Ş. and Its Financial Affiliates

Notes to the Consolidated Financial Statements

for the Year Ended 31 December 2011

(Amounts expressed in Thousands of the Turkish Lira (TRY) unless otherwise stated.)

During foreign currency transactions of the Parent Bank, procedures detailed below are applied.

- a. Foreign currency monetary assets and liabilities of the Parent Bank 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 in the financial statements of the Parent Bank.
- c. Basic principles of exchange rate risk management policy of the Parent Bank: 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 of the Parent Bank 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 as of 31 December 2011. 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 these 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.

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. After the application as of October 13, 2009, Capital Markets Board has given approval for temporary suspension of the company's activities for 1 year beginning from December 31, 2009. Related to the sale request of the company, Capital Market Board of Turkey has declared the cancellation of licenses in favor of another brokerage firm with its letter dated 20.12.2011.

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.

Türkiye Kalkınma Bankası A.Ş. and Its Financial Affiliates

Notes to the Consolidated Financial Statements

for the Year Ended 31 December 2011

(Amounts expressed in Thousands of the Turkish Lira (TRY) unless otherwise stated.)

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 program 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.

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.

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 commissions are recorded on an accrual basis. Earnings in return of agreements or as a result of services provided for real or legal third parties for purchase or sale of assets are recorded as income when collected.

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", "Financial 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 assets 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.

Türkiye Kalkınma Bankası A.Ş. and Its Financial Affiliates

Notes to the Consolidated Financial Statements

for the Year Ended 31 December 2011

(Amounts expressed in Thousands of the Turkish Lira (TRY) unless otherwise stated.)

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.

Gains or losses arising as a result of valuation of held for trading financial assets are accounted under profit/loss accounts. Positive difference between the cost and amortized value is recorded under "Interest Income". Positive difference between fair value and amortized value is recorded under "Capital Market Operations Profit"; negative difference is recorded under "Capital Market Operations Loss".

Financial assets at fair value through profit and loss are financial assets which are not acquired for trading, however, are classified as financial assets at fair value through profit and loss during the initial recognition. 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 represents 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 is sold.

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.

In the consolidated financial statements, loans and receivables 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. Transaction fees, dues and other expenses paid for loan guarantees are reflected to the customers.

Granted loans by the Parent Bank consist of investment and working capital loans, and fund originated loans.

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.

Türkiye Kalkınma Bankası A.Ş. and Its Financial Affiliates

Notes to the Consolidated Financial Statements

for the Year Ended 31 December 2011

(Amounts expressed in Thousands of the Turkish Lira (TRY) unless otherwise stated.)

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 amount of these assets represents their fair values.

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.

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.

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.

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 collectability 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 Parent 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.

Türkiye Kalkınma Bankası A.Ş. and Its Financial Affiliates

Notes to the Consolidated Financial Statements

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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.

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. Depreciation on these assets stopped; and these assets disclosed separately in the balance sheet. 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 consolidated 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 obsolesce 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.

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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 reduce the costs.

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;

	<u>Depreciation Rate</u>
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 Receivables by Banks" which is published at Official Gazette dated 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 Standard 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 recognized 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 extent 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 do 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 2011, 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 2010: inflation rate 4.66). As the maximum liability is revised semiannually, the maximum amount of TRY 2.805,04 effective from 1 January 2012 has been taken into consideration in calculation of provision from employment termination benefits.(1 January 2011: 2.623,23TRY).

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 separate entity basis. Accrued advance tax of the Parent Bank as of December 31, 2011 has been paid in 17 February 2012, 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 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.

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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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. Disbursement from this source has been finalized and there has been no new source transfer from the Undersecretariat of Treasury. 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 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 2010 and 2011.

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 and forward exchange transactions are conducted by Treasury Department.

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.

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As of 31 December 2011, explanations on segment reporting in line with "Financial Statements to be Publicly Announced and the Accompanying Policies and Disclosures" are shown below.

Current Period – 31.12.2011	Treasury	Investment Banking	Brokerage Operations	Undistributed ⁽¹⁾	Total Operations of the Group
Operating Income/Expense					
Interest income	39.685	90.145	526	1	130.357
Interest income on loans	-	90.145	-	-	90.145
Interest income on banks	12.365	-	526	-	12.891
Interest income on interbank money market placements	388	-	-	-	388
Interest income on marketable securities	26.932	-	-	-	26.932
Other interest income	-	-	-	1	1
Interest expense	(10.722)	(27.613)	(5)	-	(38.340)
Interest expense on borrowings	-	(23.178)	-	-	(23.178)
Interest on money market transactions	(10.722)	-	-	-	(10.722)
Other interest expense	-	(4.435)	(5)	-	(4.440)
Net fees and commissions income	(237)	5.959	-	254	5.976
Fees and commissions received	-	5.959	-	254	6.213
Fees and commissions paid	(237)	-	-	-	(237)
Dividend income	-	172	-	-	172
Trading profit/loss (net)	(1.047)	(1.841)	-	-	(2.888)
Profit/loss from capital market operations (net)	141	-	-	-	141
Profit/loss from derivative transactions (net)	(1.323)	-	-	-	(1.323)
Foreign exchange gains/losses (net)	135	(1.841)	-	-	(1.706)
Other operating income	135	14.292	761	1.138	16.326
Provisions for losses on loans and other receivables	-	(17.288)	-	(8)	(17.296)
Other operating expense	-	-	(749)	(60.441)	(61.190)
Profit before tax	27.814	63.826	533	(59.056)	33.117
The Profit/Loss for equity shares subject to the equity method accounting	-	-	-	(214)	(214)
Tax provision	-	-	533	(8.930)	(8.397)
Net profit for the period	27.814	63.826	1.066	(68.200)	24.506
SEGMENT ASSETS ⁽²⁾	850.116	1.881.995	6.814	55.453	2.794.378
Financial assets where fair value through profit and loss	65.343	-	-	-	65.343
Banks and money market placements	153.272	-	6.510	-	159.782
Available for sale financial assets	595.943	-	-	955	596.898
Loans	-	1.859.187	-	-	1.859.187
Investments held to maturity	35.558	-	-	-	35.558
Associates and subsidiaries	-	7.877	-	-	7.877
Tangible assets (net)	-	13.547	212	32.497	46.256
Intangible assets (net)	-	-	-	852	852
Investment properties	-	-	-	1.539	1.539
Other assets	-	1.384	92	19.610	21.086
SEGMENT LIABILITIES ⁽²⁾	509.626	1.723.189	622	560.941	2.794.378
Derivative financial liabilities held for trading	1.410	-	-	-	1.410
Funds borrowed and funds	-	1.706.554	-	-	1.706.554
Money market balances	508.216	-	-	-	508.216
Provisions	-	16.635	348	20.130	37.113
Shareholders' equity	-	-	5	528.875	528.880
Other liabilities	-	-	269	11.936	12.205

⁽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. 2010	Treasury	Investment Banking	Brokerage Operations	Undistributed ⁽¹⁾	Total Operations of the Group
Operating Income/Expense					
Interest income	25.220	54.668	666	1	80.555
Interest income on loans	-	54.668	-	-	54.668
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)	4.318	(22)	338	4.504
Fees and commissions received	-	4.318	301	338	4.957
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
Other assets	-	-	-	2.492	2.492
	-	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

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XXIII- Explanations on Other Matters:

The General Assembly of the Parent Bank of year 2010 was carried out on April 28, 2011. In accordance with the decision taken by Board of Directors on April 12, 2011 of the profit for the year 2010 amounting to TRY 21.121 Thousand, TRY 1.056 Thousand is transferred to first degree legal reserves. Of the net distributable profit amounting to TRY 20.065 Thousand, which is the remaining profit after deduction of first degree legal reserve, TRY 4.224 Thousand and TRY 604 Thousand are distributed as dividend to shareholders and personnel respectively, TRY 60 Thousand is transferred to second degree legal reserves and TRY 15.177 Thousand is transferred to extraordinary reserves.

According to the provisional 4th Article (Added Article: RG-6/3/2010-27513) of Communiqué on "Methods and Principles on Determining the Nature of Loans, Other Receivables and Allocation of Provisions", the Bank has applied zero percent generic provision rate for the loans disbursed between 6 March 2010 and 1 March 2011. Provisional application has ended with the decision of Banking Regulation and Supervision Board dated 10 February 2011 and numbered 4065. Therefore, the Bank has recorded expense amounting to TRY 5.692 in the first quarter for the generic provision calculated for the loans disbursed in the period mentioned above.

SECTION FOUR INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE

I – Explanations Related To Consolidated Capital Adequacy Ratio:

The capital adequacy standard ratio of the Group is 58,34% (31 December 2010: 75,10%).

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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	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)	95.135	-	1.593.644	225.625	214.807	221	651	95.137	-	1.600.154	225.625	206.796	221	651
Cash and cash equivalents	129	-	-	-	-	-	-	131	-	-	-	-	-	-
Matured marketable securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balances at the Central Bank of Republic of Turkey	39	-	-	-	-	-	-	39	-	-	-	-	-	-
Balances at domestic, foreign banks, head offices and branches abroad	-	-	153.116	-	-	-	-	-	-	159.567	-	-	-	-
Interbank money market placements	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Receivables from reverse repos transactions	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Required reserve deposits	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Loans	56.523	-	1.423.096	223.307	89.784	221	651	56.523	-	1.423.096	223.307	89.784	221	651
Non-performing loans (net)	-	-	-	-	48.310	-	-	-	-	-	-	48.310	-	-
Finance lease receivables	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Financial assets available-for-sale	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investments held to maturity	29.326	-	5.515	-	-	-	-	29.326	-	5.515	-	-	-	-
Receivables from the asset sale on credit terms	462	-	-	-	1.051	-	-	462	-	-	-	1.051	-	-
Sundry debtors	-	-	-	-	87	-	-	-	-	-	-	87	-	-
Interest and income accruals	2.310	-	11.917	2.318	1.634	-	-	2.310	-	11.976	2.318	1.634	-	-
Subsidiaries, associates and jointly controlled entities (joint ventures) (net)	-	-	-	-	14.069	-	-	-	-	-	-	5.756	-	-
Tangible fixed assets	-	-	-	-	47.003	-	-	-	-	-	-	47.215	-	-
Other assets	6.346	-	-	-	12.869	-	-	6.346	-	-	-	12.959	-	-
Off-balance sheet items	-	-	19.605	19.781	20.799	-	-	-	-	19.605	19.781	20.799	-	-
Non-cash loans and commitments	-	-	19.595	19.781	20.799	-	-	-	-	19.595	19.781	20.799	-	-
Derivative instruments	-	-	10	-	-	-	-	-	-	10	-	-	-	-
Non-risk weighted accounts	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total risk-weighted assets	95.135	-	1.613.249	245.406	235.606	221	651	95.137	-	1.619.759	245.406	227.595	221	651

Summary for capital adequacy standard ratio:

	Bank Only		Consolidated	
	Current Period (31.12.2011)	Prior Period (31.12.2010)	Current Period (31.12.2011)	Prior Period (31.12.2010)
Credit Risk Base Amount (CRBA)	682.592	473.897	675.883	468.028
Market Risk Base Amount (MRBA)	80.413	36.125	80.413	36.125
Operational Risk Base Amount (ORBA)	162.050	173.647	163.828	178.350
Equity	539.006	514.234	536.828	512.564
Equity/(CRBA+MRBA+ORBA)*100	58,27	75,22	58,34	75,10

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Information on equity items:

	Current Period (31.12.2011)	Prior Period (31.12.2010)
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	29.718	28.602
I. Degree Legal Reserve (Turkish Commercial Code 466/1)	15.976	14.920
II. Degree Legal Reserve (Turkish Commercial Code 466/2)	13.742	13.682
Reserves per Specific Acts	-	-
Statutory Reserves	-	-
Extraordinary Reserves	109.854	94.677
Reserves allocated per General Assembly Minute	109.854	94.677
Retained Earnings ^(*)	-	-
Accumulated Loss	-	-
Foreign Currency Share Capital Exchange Difference	-	-
Inflation Adjustment for the Legal, Statutory and Extraordinary Reserves	-	-
Profit	22.852	19.467
Net profit for the period	24.506	20.526
Retained Earnings	(1.654)	(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 (-)	19	25
Prepaid Expenses (-)	-	2.751
Intangible Assets (-)	852	263
Deferred Tax Asset in excess of 10% of the Core Capital (-)	-	-
Excess Amount defined in 3rd Clause, 56th Article of the Banking Act (-)	-	-
Goodwill (Net) (-)	-	-
Total Core Capital	529.118	507.272
SUPPLEMENTARY CAPITAL		
General Loan Provisions	11.501	5.704
45% of Movable Assets Revaluation Fund	-	-
45% of Immovable Assets Revaluation Fund	-	-
Bonus Shares of Subsidiaries, Associates and Jointly Controlled Entities (Joint Ventures)	-	-
Proportion of Primary Tier -II Capital excluded from the Core Capital Calculation	-	-
Tier -II Capital	-	-
45% of Marketable Securities Revaluation Fund	(1.109)	1.187
From Subsidiaries and Associates	-	-
From Financial Assets Available For Sale	(1.109)	1.187
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 Supplementary Capital	10.392	6.891
TIER-III CAPITAL		
CAPITAL	539.510	514.163
DEDUCTIONS FROM CAPITAL	2.682	1.599
Unconsolidated Investments in Entities (domestic/foreign) Operating in Banking and Financial Sectors	-	-
Loans to Banks, Financial Institutions (domestic/foreign) or Qualified Shareholders in the Form of Secondary Subordinated Debts and Debt Instruments Purchased from Such Parties Qualified as Primary or Secondary Subordinated Debts	-	-
Banks and Financial Institutions' Assets and Liabilities That are not Fully Consolidated but Included Using Equity Accounting	2.121	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	561	687
Other	-	-
TOTAL EQUITY	536.828	512.564

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

The sectorial 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 have collaterals. Real estate and tangible assets mortgages, business company liens, foreign currency notes and other liquid assets, bank guarantee letters and suretyships of real 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 94,91% (31 December 2010: 94,31%).
- b) The share of receivables from the top 100 non-cash loan customers in the overall non-cash loan portfolio stands at 100% (31 December 2010: 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 65,70% (31 December 2010: 72,2%).
- d) General loan loss provision related to the credit risk incurred by the Parent Bank is TRY 16.635 Thousand (31 December 2010: TRY 5.704 Thousand).

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

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:	1.719.644	1.098.906	123.194	68.376	686.529	215.145	381.960	175.671
Private Sector	1.714.538	1.094.068	-	-	3.583	3.862	78.844	7.547
Public Sector	-	-	-	-	676.358	209.993	-	-
Banks	-	-	123.194	68.376	5.515	-	282.349	149.351
Retail customers	5.106	4.838	-	-	118	335	-	-
Share certificates	-	-	-	-	955	955	20.767	18.773
Geographical concentration:	1.714.644	1.098.906	123.194	68.376	686.529	215.145	381.960	175.671
Domestic	1.714.644	1.098.906	123.194	68.376	686.529	215.145	361.193	156.898
EU countries	-	-	-	-	-	-	20.767	18.773
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 (31.12.2011)					
Domestic	2.714.838	843.970	78.844	47.795	24.506
EU countries	1.527	890.803	-	-	-
OECD countries ^(*)	35	-	-	-	-
Offshore banking regions	-	-	-	-	-
USA, Canada	265	373.295	-	-	-
Other Countries	-	121.029	-	-	-
Associates, subsidiaries and jointly controlled entities(joint ventures)	7.877	-	-	-	-
Unallocated assets/liabilities ^(**)	22.041	540.775	-	-	-
Total^(***)	2.746.583	2.769.872	78.844	47.795	24.506
Prior 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

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

^(**) Assets and liabilities that cannot be allocated on a consistent basis. TRY 504.374 Thousand of undistributed liabilities consist of shareholders' equity excluding net profit. (31 December 2010: TRY 492.422 Thousand).

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

^(***) The sum of liabilities and net profit/loss reflect total liabilities in the balance sheet.

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Sector concentrations for cash loans:

	Current Period(31.12.2011)				Prior Period(31.12.2010)			
	TRY	(%)	FC	(%)	TRY	(%)	FC	(%)
Agricultural	-	-	7.739	0,50	-	-	8.234	0,86
Farming and Raising Livestock	-	-	7.739	0,50	-	-	8.234	0,86
Forestry, Wood and Paper	-	-	-	-	-	-	-	-
Fishery	-	-	-	-	-	-	-	-
Manufacturing	58.981	22,71	1.266.945	81,68	29.284	15,10	723.772	75,65
Mining and Quarry	365	0,14	600	0,04	316	0,16	-	-
Production	22.645	8,72	214.037	13,80	28.067	14,48	141.764	14,82
Electricity, Gas and Water	35.971	13,85	1.052.308	67,84	901	0,46	582.008	60,83
Construction	-	-	-	-	-	-	-	-
Services	195.675	75,33	276.431	17,82	159.895	82,44	224.760	23,49
Wholesale and Retail Trade	-	-	-	-	-	-	-	-
Hotel, Tourism, Food and Beverage Services	131.920	50,78	153.170	9,87	92.403	47,64	146.923	15,36
Transportation and Communication	-	-	-	-	-	-	-	-
Financial Institutions	43.731	16,84	80.856	5,21	30.115	15,53	38.500	4,02
Real Estate and Renting Services	-	-	-	-	-	-	-	-
Self-Employment Services	-	-	-	-	18.307	9,44	-	-
Education Services	2.136	0,82	-	-	2.723	1,40	3.993	0,42
Health and Social Services	17.888	6,89	42.405	2,73	16.347	8,43	35.344	3,69
Other	5.106	1,97	-	-	4.774	2,46	-	-
Total	259.762	100,00	1.551.115	100,00	193.953	100,00	956.766	100,00

^(*) Net balance of non-performing loans is excluded from the table.

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

Maximum Exposure	Current Period (31.12.2011)	Prior Period (31.12.2010)
Balances with the Central Bank of the Republic of Turkey	39	13
Financial assets where fair value through profit and loss	65.343	49.033
Banks	159.782	131.981
Financial assets available for sale	596.898	122.997
Loans	1.859.187	1.178.241
Investments held to maturity	35.558	51.411
Total	2.716.807	1.533.676
Contingent liabilities	78.844	7.547
Derivative financial instruments	122.743	16.930
Commitments	20.767	19.773
Total	222.354	44.250
Total credit risk exposure	2.939.161	1.577.926

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 (31.12.2011)		Prior Period (31.12.2010)	
	Net value of collateral	Credit balance	Net value of collateral	Credit balance
Real estate mortgage ^(*)	33.817	33.817	79.213	79.213
Vehicle pledge	-	-	-	-
Cash collateral (Cash provisions, securities pledge etc.)	-	-	1.127	1.127
Pledge on wages	-	-	-	-
Cheques/Notes	-	-	-	-
Other (suretyship, commercial enterprise under pledge, commercial papers etc.)	-	-	-	-
Non-collateralized	-	-	-	-
Total	33.817	33.817	80.340	80.340

^(*) Net value of collateral is stated at the lower of appraisal value and mortgage value. When the collateral value exceeds the credit risk loan balance, credit risk loan balance is presented.

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

Type of collateral	Current Period (31.12.2011)		Prior Period (31.12.2010)	
	Net value of collateral	Credit balance	Net value of collateral	Credit balance
Real estate mortgage ^(**)	94.664	94.664	78.337	78.337
Cash collateral	-	-	-	-
Vehicle pledge	-	-	-	-
Other (suretyship, commercial enterprise under pledge, commercial papers etc.) ^(*)	103.132	-	103.132	-
Total	197.796	94.664	181.469	78.337

^(*) 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.

^(**) Net value of collateral is stated at the lower of appraisal value and mortgage value. When the collateral value exceeds the credit risk loan balance, credit risk loan balance is presented.

Credit quality per class of financial assets as of 31 December 2011:

Current Period (31.12.2011)	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	170	-	-	170
Financial assets where fair value through profit and loss	65.343	-	-	65.343
Banks	159.782	-	-	159.782
Financial assets available for sale	595.943	-	955	596.898
Loans	1.808.361	2.516	48.310	1.859.187
Corporate Loans	1.509.229	2.163	17.755	1.529.147
Consumer Loans	5.106	-	-	5.106
Specialized Loans	294.026	353	30.555	324.934
Investments held to maturity	35.558	-	-	35.558
Subsidiaries, associates and jointly controlled entities (joint ventures)	-	-	7.877	7.877

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

Prior 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

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

Current Period (31.12.2011)	0-30 Days	31-60 Days	61-90 Days	Total
Loans				
Corporate Loans	1.148	3	1.012	2.163
Consumer Loans	-	-	-	-
Specialized Loans	337	16	-	353
Total	1.485	19	1.012	2.516

Prior Period (31.12.2010)	0-30 Days	31-60 Days	61-90 Days	Total
Loans				
Corporate Loans	148	311	72	531
Consumer Loans	-	-	-	-
Specialized Loans	584	-	16	600
Total	732	311	88	1.131

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

	Current Period (31.12.2011)	Prior Period (31.12.2010)
Loans		
Corporate Loans	23.187	22.738
Consumer Loans	-	-
Specialized Loans	19.241	15.641
Total	42.428	38.379

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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.

a) Information on Market Risk:

	Current Period Total
(I) Capital requirement calculated for general market risk-Standard Method	2.579
(II) Capital requirement calculated for specific risk- Standard Method	363
(III) Capital requirement calculated for currency risk - Standard Method	3.491
(IV) Capital requirement calculated for commodity risk- Standard Method	-
(V) Capital requirement calculated for clearing risk - Standard Method	-
(VI) Total capital requirement calculated for market risk resulting from options- Standard 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)	6.433
(IX) Amount subject to market risk (12,5 x VIII) or (12,5 x VII)	80.413

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

	Current period (31.12.2011)			Prior period (31.12.2010)		
	Average	Maximum	Minimum	Maximum	Average	Minimum
Interest rate risk	1.750	2.216	1.281	566	734	344
Share risk	753	764	726	629	774	-
Currency risk	4.070	5.355	2.317	1.437	2.831	893
Commodity risk	-	-	-	-	-	-
Clearance risk	-	-	-	-	-	-
Options risk	-	-	-	-	-	-
Amount subject to total risk	6.573	8.335	4.324	2.632	4.339	1.237

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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 personnel, 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 operations 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 163.828 Thousand for 2011, and TRY 158.253 Thousand for 2012 using the gross income of the Group for the years 2011, 2010 and 2009.

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:

<u>Date</u>	<u>USD</u>	<u>EURO</u>	<u>100 JPY</u>
31/12/2011	1,87010	2,41620	2,43190
30/12/2011	1,83440	2,36620	2,37370
29/12/2011	1,88390	2,42270	2,42650
28/12/2011	1,88030	2,45470	2,41930
27/12/2011	1,87340	2,44290	2,40640
26/12/2011	1,87490	2,44300	2,40620

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 1,84767, EURO: TRY 2,42821, 100 JPY: TRY 2,37890.

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Information on the exchange rate risk of the Group:

	EURO	USD	Yen	Other FC ⁽¹⁾	Total
Current period (31.12.2011)					
Assets					
Cash (cash in vault, effectives, money in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey	-	-	-	-	-
Banks	3.351	551	69	118	4.089
Financial assets where fair value through profit and loss	-	-	-	-	-
Money market placements	-	-	-	-	-
Financial assets available for sale	-	-	-	-	-
Loans ⁽²⁾	1.083.892	450.652	-	16.571	1.551.115
Subsidiaries, associates and jointly controlled entities (joint ventures)	2.121	-	-	-	2.121
Investments held to maturity	-	-	-	-	-
Derivative financial assets for hedging purposes	-	-	-	-	-
Tangible Assets	-	-	-	-	-
Intangible Assets	-	-	-	-	-
Other assets ⁽⁴⁾	86	1.298	-	-	1.384
Total assets	1.089.450	452.501	69	16.689	1.558.709
		-	-	-	-
Liabilities		-	-	-	-
Interbank deposits	-	-	-	-	-
Other deposits	-	-	-	-	-
Money market borrowings	-	-	-	-	-
Funds provided from other financial institutions	1.109.401	513.466	-	17.058	1.639.925
Marketable securities issued	-	-	-	-	-
Sundry creditors	740	195	-	-	935
Derivative financial liabilities for hedging purposes	-	-	-	-	-
Other liabilities	-	-	-	-	-
Total liabilities	1.110.141	513.661	-	17.058	1.640.860
Net balance sheet position	(20.691)	(61.160)	69	(369)	(82.151)
Net off-balance sheet position	17.880	42.825	-	-	60.705
Assets on derivative instruments	17.880	42.825	-	-	60.705
Liabilities on derivative instruments	-	-	-	-	-
Non-cash loans	1.181	77.617	-	-	78.798
Prior Period (31.12.2010)					
Total assets	648.736	295.481	54	17.499	961.770
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

⁽¹⁾ Of the foreign currencies presented in the other FC column of assets, 99,30% is ID, 0,20% is GBP and 0,50% is CHF. Of the foreign currencies presented in the other FC column of liabilities is ID.

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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	(1.834)	284	-	-
EURO	10	268	329	-	-
JPY	10	7	5	-	-
Other	10	(37)	(118)	-	-

	Decrease in exchange rates	Effect on Profit/Loss ^(*)		Effect on Equity	
	%	Current Period	Prior Period	Current Period	Prior Period
USD	10	1.834	(284)	-	-
EURO	10	(268)	(329)	-	-
JPY	10	(7)	(5)	-	-
Other	10	37	118	-	-

^(*) 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 floating rate and funds provided with fixed and floating 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, and 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 are 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 scenarios of possible changes in interest rates for securities portfolio. Alternatives for compensation of probable losses that may arise as a result of fluctuations in market interest are examined using different markets. Interest rate sensitivity analysis is 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 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 (31.12.2011)	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	-	-	-	-	-	170	170
Banks	146.310	-	-	-	-	13.472	159.782
Financial assets where fair value through profit and loss	31.770	7.003	25.704	866	-	-	65.343
Money market placements	-	-	-	-	-	-	-
Financial assets available for sale	170.933	72.485	311.456	37.486	-	4.538	596.898
Loans	708.288	162.236	744.515	72.421	123.417	48.310	1.859.187
Investments held to maturity	35.558	-	-	-	-	-	35.558
Other assets ⁽⁴⁾	-	-	-	-	-	77.440	77.440
Total assets	1.092.859	241.724	1.081.675	110.773	123.417	143.930	2.794.378
Liabilities							
Interbank deposits	-	-	-	-	-	-	-
Other deposits	-	-	-	-	-	-	-
Money market borrowings	508.216	-	-	-	-	-	508.216
Sundry creditors	-	-	-	-	-	5.015	5.015
Marketable securities issued	-	-	-	-	-	-	-
Funds provided from other financial institutions	509.446	420.582	698.578	50.598	27.350	-	1.706.554
Other liabilities	-	-	-	-	-	574.593	574.593
Total liabilities	1.017.662	420.582	698.578	50.598	27.350	579.608	2.794.378
Long position on balance sheet	75.197	-	383.097	60.175	96.067	-	614.536
Short position on balance sheet	-	(178.858)	-	-	-	(435.678)	(614.536)
Long position on off-balance sheet	-	-	-	-	-	-	-
Short position on off-balance sheet	-	-	-	-	-	-	-
Total position	75.197	(178.858)	383.097	60.175	96.067	(435.678)	-

⁽¹⁾ Balances without fixed maturity are shown in the "Up to 1 Month" and "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 (31.12.2011)	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	-	-	-	11,77
Financial assets where fair value through profit and loss	-	-	-	7,97
Money market placements	-	-	-	-
Financial assets available for sale	-	-	-	9,10
Loans	4,16	2,96	-	12,86
Investments held to maturity	-	-	-	8,95
Liabilities				
Interbank deposits	-	-	-	-
Other deposits	-	-	-	-
Money market borrowings	-	-	-	5,75
Sundry creditors	-	-	-	-
Marketable securities issued	-	-	-	-
Funds provided from other financial institutions	2,03	1,00	-	6,74

^(*) 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 (31.12.2010)	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	13	-	-	-	-	125	138
Banks	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	43.767	16.307	41.906	16.204	-	4.813	122.997
Loans	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" and "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 (%):

	EURO	USD	JPY	TRY
Prior 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	-	-	-	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.

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 increase	(10.671)	4.219	(5.687)	(1.507)
3 points decrease	1 point decrease	9.205	(4.617)	5.893	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 departments 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 use 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 liquidity 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 Assessment of Liquidity Adequacy of Banks", weekly and monthly calculated foreign currency ratios are required to be 80%; total liquidity adequacy ratios are required to be 100% at minimum, respectively. Rates at the second maturity segment should not be below the required rates twice in a row within a calendar year. 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 2011 and 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 (%)	167,17	180,68	129,94	175,00
Maximum (%)	1.244,90	292,54	315,12	289,15
Minimum (%)	80,69	126,65	76,24	136,15

Prior 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

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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 (31.12.2011)								
Assets								
Cash (cash in vault, effectives, money in transit, cheques purchased) and Balances with the Central Bank of the Republic of Turkey	170	-	-	-	-	-	-	170
Banks	13.472	146.310	-	-	-	-	-	159.782
Financial assets at fair value through profit and loss	-	30.739	7.003	25.704	1.897	-	-	65.343
Money market placements	-	-	-	-	-	-	-	-
Financial assets available-for-sale	4.538	155.157	72.485	311.456	37.486	15.776	-	596.898
Loans	-	187.453	30.190	125.045	827.407	640.782	48.310	1.859.187
Investments held-to-maturity	-	6.232	-	-	9.171	20.155	-	35.558
Other assets	-	-	-	-	-	-	77.440	77.440
Total assets	18.180	525.891	109.678	462.205	875.961	676.713	125.750	2.794.378
Liabilities								
Interbank deposits	-	-	-	-	-	-	-	-
Other deposits	-	-	-	-	-	-	-	-
Funds provided from other financial instruments	-	101.350	56.115	88.137	409.350	1.051.437	165	1.706.554
Money market borrowings	-	508.216	-	-	-	-	-	508.216
Marketable securities issued	-	-	-	-	-	-	-	0
Sundry creditors	4.945	-	-	-	-	-	70	5.015
Other liabilities ⁽³⁾	-	3.045	1.565	-	-	-	569.983	574.593
Total liabilities	4.945	612.611	57.680	88.137	409.350	1.051.437	570.218	2.794.378
Liquidity Gap	13.235	(86.720)	51.998	374.068	466.611	(374.724)	(444.468)	-
Prior Period (31.12.2010)								
Total Assets	9.847	164.973	131.765	189.095	579.164	430.726	91.434	1.597.004
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)	-

⁽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 (31.12.2011)	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	105.874	62.813	111.358	485.545	1.136.823	(195.859)	1.706.554
Money market borrowings	508.253	-	-	-	-	(37)	508.216
Total	614.127	62.813	111.358	485.545	1.136.823	(195.896)	2.214.770

Prior Period (31.12.2010)	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

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

Current Period (31.12.2011)	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
Letters of Credit	-	56	-	1.182	77.560	-	78.798
Endorsements	-	-	-	-	-	-	-
Letters of Guarantee	46	-	-	-	-	-	46
Acceptances	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total	46	56	-	1.182	77.560	-	78.844

Prior 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

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The following table shows the outstanding maturities of derivative financial assets and liabilities as of 31 December 2011.

Current Period (31.12.2011)	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
Forwards contracts- buy	4.264	241	-	-	-	4.505
Forwards contracts- sale	4.325	247	-	-	-	4.572
Swaps - buy	56.200	-	-	-	-	56.200
Swaps - sale	57.466	-	-	-	-	57.466
Futures - buy	-	-	-	-	-	-
Futures - sale	-	-	-	-	-	-
Options - buy	-	-	-	-	-	-
Options - sale	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total	122.255	488	-	-	-	122.743

The following table shows the outstanding maturities of derivative financial assets and liabilities as of 31 December 2010.

Prior 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

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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 (31.12.2011)	Prior Period (31.12.2010)	Current Period (31.12.2011)	Prior Period (31.12.2010)
Financial Assets	2.651.425	1.484.630	2.662.471	1.484.833
Banks ^(*)	159.782	131.981	159.782	132.029
Financial Assets Available-for-Sale	596.898	122.997	596.898	122.997
Investments Held-to-Maturity	35.558	51.411	34.978	51.566
Loans	1.859.187	1.178.241	1.870.813	1.178.241
Financial Liabilities	1.711.569	1.051.377	1.726.804	1.051.377
Interbank Deposits	-	-	-	-
Other Deposits	-	-	-	-
Funds Provided from Other Financial Institutions	1.706.554	1.047.679	1.721.789	1.047.679
Marketable securities issued	-	-	-	-
Sundry Creditors	5.015	3.698	5.015	3.698

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

^(**) Book value of banks balance is very close to its fair value.

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 (31.12.2011)	Level 1	Level 2	Level 3
Financial assets at fair value through profit and loss	65.343	-	-
Debt securities	65.343	-	-
Share certificates	-	-	-
Derivative financial assets held-for-trading	-	-	-
Other	-	-	-
Financial assets available-for-sale*	595.943	-	-
Debt securities	592.360	-	-
Other	3.583	-	-
Investment in subsidiaries and associates(**)	-	-	-
Derivative financial liabilities	-	1.410	-

* 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 (31.12.2010)	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.

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 fiduciary 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 (31.12.2011)		Prior Period (31.12.2010)	
	TRY	FC	TRY	FC
Cash and foreign currency	131	-	125	-
Central Bank of the Republic of Turkey	39	-	13	-
Other	-	-	-	-
Total	170	-	138	-

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 (31.12.2011)		Prior Period (31.12.2010)	
	TRY	FC	TRY	FC
Unrestricted Demand Deposit	39	-	13	-
Unrestricted Time Deposit	-	-	-	-
Restricted Time Deposit	-	-	-	-
Total	39	-	13	-

2.a) Information on financial assets at fair value through profit and loss given as collateral or blocked and subject to repurchase agreement (Net):

2.a.1) Financial assets at fair value through profit and loss subject to repurchase agreements:

	Current Period (31.12.2011)		Prior Period (31.12.2010)	
	TRY	FC	TRY	FC
Share certificates	-	-	-	-
Bonds, treasury bills and similar securities	118	-	369	-
Other	-	-	-	-
Total	118	-	369	-

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2.a.2) Financial assets at fair value through profit and loss given as collateral or blocked:

	Current Period (31.12.2011)		Prior Period (31.12.2010)	
	TRY	FC	TRY	FC
Share certificates	-	-	-	-
Bonds, treasury bills and similar securities	60.816	-	15.891	-
Other	-	-	-	-
Total	60.816	-	15.891	-

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

	Current Period (31.12.2011)		Prior Period (31.12.2010)	
	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 (31.12.2011)		Prior Period (31.12.2010)	
	TRY	FC	TRY	FC
Banks				
Domestic	155.693	2.262	130.628	669
Foreign	-	1.827	-	684
Foreign Head Office and Branches	-	-	-	-
Total	155.693	4.089	130.628	1.353

3.b) Information on foreign bank accounts:

	Unrestricted Amount		Restricted Amount	
	Current Period (31.12.2011)	Prior Period (31.12.2010)	Current Period (31.12.2011)	Prior Period (31.12.2010)
EU Countries	1.527	563	-	-
USA and Canada	265	94	-	-
OECD Countries*	35	27	-	-
Off-Shore Banking Regions	-	-	-	-
Other	-	-	-	-
Total	1.827	684	-	-

* 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:

	Current Period (31.12.2011)		Prior Period (31.12.2010)	
	TRY	FC	TRY	FC
Share certificates	-	-	-	-
Bonds, treasury bills and similar securities	512.587	-	-	-
Other	-	-	-	-
Total	512.587	-	-	-

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

	Current Period (31.12.2011)		Prior Period (31.12.2010)	
	TRY	FC	TRY	FC
Share certificates	-	-	-	-
Bonds, treasury bills and similar securities	9.539	-	57.048	-
Other	-	-	-	-
Total	9.539	-	57.048	-

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

	Current Period (31.12.2011)	Prior Period (31.12.2010)
Debt Securities	596.341	122.042
Quoted on a stock exchange ^(*)	596.341	122.042
Unquoted	-	-
Share Certificates	13.046	13.046
Quoted on a stock exchange	-	-
Unquoted	13.046	13.046
Provision for impairment (-)	12.489	12.091
Total	596.898	122.997

^(*) Available-for-sale financial assets amounting to TRY 3.583 Thousand (2010: TRY 3.862 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 (31.12.2011)		Prior Period (31.12.2010)	
	Cash	Non-Cash	Cash	Non-Cash
Direct loans granted to shareholders	-	-	-	-
Legal Entities	-	-	-	-
Individuals	-	-	-	-
Indirect loans granted to shareholders	-	-	-	-
Loans granted to employees	5.106	-	4.838	-
Total	5.106	-	4.838	-

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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	1.486.832	11.289	11.041	7.085
Discount notes	-	-	-	-
Export loans	-	-	-	-
Import loans	-	-	-	-
Loans given to financial sector	124.587	-	-	-
Foreign loans	-	-	-	-
Consumer loans	5.106	-	-	-
Credit cards	-	-	-	-
Precious metal loans	-	-	-	-
Other	1.357.139	11.289	11.041	7.085
Specialized loans	267.678	11.261	7.711	7.980
Other receivables	-	-	-	-
Total	1.754.510	22.550	18.752	15.065

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	179.611	-	-	-
Non-specialized loans	179.611	-	-	-
Specialized loans	-	-	-	-
Other receivables	-	-	-	-
Medium and long term loans and other receivables	1.574.899	22.550	18.752	15.065
Non-specialized loans	1.307.221	11.289	11.041	7.085
Specialized loans	267.678	11.261	7.711	7.980
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	-	5.106	5.106
Real estate loans	-	-	-
Vehicle loans	-	-	-
Consumer loans	-	-	-
Other	-	5.106	5.106
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	-	5.106	5.106

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5.d) 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.e) Loans according to type of borrowers:

	Current Period (31.12.2011)	Prior Period (31.12.2010)
Public	39.770	20.000
Private	1.771.107	1.130.719
Total	1.810.877	1.150.719

5.f) Breakdown of domestic and international loans:

	Current Period (31.12.2011)	Prior Period (31.12.2010)
Domestic loans	1.810.877	1.150.719
International loans	-	-
Total	1.810.877	1.150.719

5.g) Loans granted to subsidiaries and associates:

TRY 1,188 Thousand of loan disbursed to Arıcak A.Ş., a subsidiary of the Parent Bank, has been followed at Group V. For this loan, TRY 1.026 Thousand special provision has been provided.

5.h) Specific provisions provided against loans:

	Current Period (31.12.2011)	Prior Period (31.12.2010)
Loans and other receivables with limited collectability	1.067	14
Loans and other receivables with doubtful collectability	336	16
Uncollectible loans and receivables	44.964	50.798
Total	46.367	50.828

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

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

	III. Group	IV. Group	V. Group
	Loans and Other Receivables With Limited Collectability	Loans and Other Receivables With Doubtful Collectability	Uncollectible Loans and Other Receivables
Current Period (31.12.2011)	3.670	448	8.128
(Gross amounts before specific provisions)	-	-	-
Restructured loans and other receivables	-	-	-
Rescheduled loans and other receivables	3.670	448	8.128
Prior Period(31.12.2010)	430	-	894
(Gross amounts before specific provisions)	-	-	-
Restructured loans and other receivables	-	-	-
Rescheduled loans and other receivables	430	-	894

5.i.2) Information on the movement of non-performing receivables:

	III. Group	IV. Group	V. Group
	Loans and Other Receivables With Limited Collectability	Loans and Other Receivables With Doubtful Collectability	Uncollectible Loans and Other Receivables
Prior period end balance	2.738	37	75.575
Additions (+) ^(****)	24.053	134	7.587
Transfer from other categories of non-performing loans (+)		2.893	2.762
Transfer to other categories of non-performing loans (-)	(5.305)	(350)	
Collections (-) ^{(**)(***)}	(141)	(120)	(11.625)
Write-offs (-) ^(**)	-	-	(3.561)
Corporate and commercial loans	-	-	(3.561)
Consumer loans	-	-	-
Credit cards	-	-	-
Other	-	-	-
Current period end balance	21.345	2.594	70.738
Specific provisions (-)	(1.067)	(336)	(44.964)
Net balance on balance sheet	20.278	2.258	25.774

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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 Collectability 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 Collectability	Loans and Other Receivables With Doubtful Collectability	Uncollectible Loans and Other Receivables
Current Period (Net) (31.12.2011)	20.278	2.258	25.774
Loans to Real Persons and Legal Entities (Gross)	21.345	2.594	70.738
Specific Provisions (-)	(1.067)	(336)	(44.964)
Loans to Real Persons and Legal Entities (Net)	20.278	2.258	25.774
Banks (Gross)	-	-	-
Specific Provisions (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	-
Specific Provisions (-)	-	-	-
Other Loans and Receivables (Net)	-	-	-
Prior 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)	-	-	-

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.

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. In the current period, TRY 3.561 Thousand (31 December 2010: TRY 4.821 Thousand) of receivable, has been written off.

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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:

	Current Period (31.12.2011)	Prior Period (31.12.2010)
Bills	1.704	-
Bonds and similar investment securities	-	-
Other	-	-
Total	1.704	-

a.2) Held-to-maturity investments given as collateral or blocked:

	Current Period (31.12.2011)	Prior Period (31.12.2010)
Bills	-	51.411
Bonds and similar investment securities	-	-
Other	-	-
Total	-	51.411

6.b) Information on held-to-maturity debt securities:

	Current Period (31.12.2011)	Prior Period (31.12.2010)
Government Bonds	29.858	51.411
Treasury Bills	-	-
Other public sector debt securities	-	-
Total	29.858	51.411

6.c) Information on held-to-maturity investments:

	Current Period (31.12.2011)	Prior Period (31.12.2010)
Debt Securities	35.558	51.411
Quoted on a stock exchange	35.558	51.411
Unquoted	-	-
Provision for impairment(-)	-	-
Total	35.558	51.411

6.d) Movement of held-to-maturity investments:

	Current Period (31.12.2011)	Prior Period (31.12.2010)
Balance at the beginning of the period	51.411	80.369
Foreign currency differences on monetary assets	-	-
Purchases during the year ^(*)	69.678	34.839
Disposals through sales and redemptions ^(*)	(85.531)	(63.797)
Provision for impairment (-)	-	-
Balance at the end of the period	35.558	51.411

^(*) Purchases during the year includes interest accrual differences equal to TRY 3.244 Thousand and disposals during the year includes interest accrual differences equal to TRY 6.137 Thousand.

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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

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	20.868	12.659	2.470	123	-	461	701	-
2	-	-	-	-	-	-	-	-
3	7.336	7.315	3.960	11	-	1.692	(147)	-
4	-	-	-	-	-	-	-	-
5	213	210	170	1	-	(30)	(22)	-

^(*) 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 September 30, 2011.

^(***) Teşebbüs Destekleme Ajansı and Türsan are inactive.

^(****) Türk Suudi A.Ş. which is in liquidation process, has sold a portion of its real estates in the current period. The liquidation process of the firm is expected to be finalized in 2012.

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 ^(*)	Luxemburg	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	34.386	33.940		71		(6.367)	(3.692)	

^(*) The information of İstanbul Venture Capital Initiative, "İVCİ", are provided from the financial statements as of 31 December 2011. (Capital commitment of İVCİ is EUR 160 Million and the Bank's capital commitment is EUR 10 Million. The Bank has made EUR 1.405.000 capital payment). Prior period information are provided from the financial statements as of 31 December 2010.

7.c. Movement of associates:

	Current Period (31.12.2011)	Prior Period (31.12.2010)
Balance at the beginning of the period	912	623
Movements during the period	1.209	289
Additions	1.423	544
Bonus shares certificates	-	-
Shares in current year profit	-	-
Disposals	-	-
Revaluation increase	-	-
Provision for impairment	(214)	(255)
Balance at the end of the period	2.121	912
Capital commitments	-	-
Share percentage at the end of the period (%)	-	-

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7.d. Sectorial information about associates and their carrying amounts:

	Current Period (31.12.2011)	Prior Period (31.12.2010)
Banks	-	-
Insurance companies	-	-
Factoring companies	-	-
Leasing companies	-	-
Financing companies	-	-
Other financial associates	2.121	912

7.e. Associates quoted in the stock exchange:

None.

8. Information on subsidiaries (net):

8.a.1. Information on unconsolidated associates subsidiaries:

Description	Address(City/Country)	The Bank's share percentage-if different-voting percentage (%)	The Bank's risk group share percentage (%)
1 Arıcak A.Ş. ^(*)	İstanbul	100,00	99,71

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 9.973	8.525	9.954	-	-	(339)	(355)	-

^(*) The shares of the Bank in Arıcak A.Ş. which has been followed at subsidiaries account, has been reclassified to the account "V. Group Uncollectible loans" as of March 31, 2011.

8.b.1. Information on consolidated associates subsidiaries:

Description	Address (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

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 6.814	6.197	212	526	-	(501)	(436)	-

^(*) 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. Related to the sale request of the company, Capital Market Board of Turkey has declared the cancellation of licenses in favor of another brokerage firm with its letter dated 20.12.2011. Information of Kalkınma Yatırım Menkul Değerler A.Ş. is provided from 31 December 2011 financial statements. Prior period information are provided from financial statements December 31, 2010.

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8.b.2. Movement of consolidated subsidiaries:

	Current Period (31.12.2011)	Prior Period (31.12.2010)
Balance at the beginning of the period	6,442	8,987
Movements during the period	(404)	(2,545)
Additions	-	-
Bonus shares certificates	-	-
Shares in current year profit	-	-
Disposals	-	-
Revaluation increase	-	-
Provision for impairment	(404)	(2,545)
Balance at the end of the period	6,038	6,442
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.

8.b.3. Sectorial information about subsidiaries and their carrying amounts:

	Current Period (31.12.2011)	Prior Period (31.12.2010)
Banks	-	-
Insurance companies	-	-
Factoring companies	-	-
Leasing companies	-	-
Financing companies	-	-
Other financial subsidiaries	6,038	6,442

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. The Group has no receivable from operating leasing (31 December 2010: TRY 246 Thousand).

11. Information on derivative financial assets for hedging purposes:

None.

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12. Information on tangible fixed assets:

Current Period (31.12.2011)	Real-Estates	Non-Current Assets to be Disposed	Vehicles	Other	Total
Cost					
Balance at the beginning of the period	119.521	8.053	93	6.169	133.836
Provision for impairment	(61.795)	(126)	-	-	(61.921)
Movements during the period					
-Additions	-	6.588	-	86	6.674
-Classified from investment property ^(*)	1.812	-	-	-	1.812
-Disposals (-)	-	(661)	-	(76)	(737)
-Provision for impairment (-)	-	(30)	-	-	(30)
-Reversal from investment property ^(*)	(540)	-	-	-	(540)
-Reversal from provision for impairment (-)	-	4	-	-	4
Balance at the end of the period	58.998	13.828	93	6.179	79.098
Accumulated Depreciation					
Balance at the beginning of the period	24.832	159	19	4.151	29.161
Movements during the period					
-Depreciation charge ^(**)	2.428	181	19	825	3.453
-Classified from investment property ^(*)	358	-	-	-	358
-Disposals (-)	-	(59)	-	(71)	(130)
-Provision for impairment (-)	-	-	-	-	-
Balance at the end of the period	27.618	281	38	4.905	32.842
Net book value at the end of the period	31.380	13.547	55	1.274	46.256

^(*) Real estate whose net book value is TRY 914 Thousand and rented to Kalkınma Yatırım Menkul Değerler A.Ş. which is a subsidiary of the Parent Bank is classified under tangible assets.

^(**) TRY 22 Thousand of depreciation for non-current assets to be disposed which is equal to TRY 181 Thousand is presented under other operation expenses".

Prior 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)
-Classified as Investment Property(-)	-	(84)	-	-	(84)
-Reversal from depreciation (-)	(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 for non-current assets to be disposed which is equal to TRY 83 Thousand is presented under other operation expenses".

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13. Information on intangible assets:

	Current Period (31.12.2011)	Prior Period (31.12.2010)
Cost		
Balance at the beginning of the period	1.640	1.454
Movements during the period		
-Additions	1.025	186
-Disposals(-)	-	-
Balance at the end of the period	2.665	1.640
Accumulated Depreciation		
Balance at the beginning of the period	1.377	948
Movements during the period		
-Depreciation charge	436	429
-Disposals	-	-
Balance at the end of the period	1.813	1.377
Net book value at the end of the period	852	263

14. Information on investment properties:

As of 31 December 2011 the Group has investment properties held for rent whose net book value is TRY 1.539 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 4.500 Thousand. As of 31 December 2011, the Group has gained rental income from investment properties which is equal to TRY 350 Thousand. (31 December, 2010: TRY 266 Thousand).

	Current Period(31.12.2011)	Prior Period (31.12.2010)
Cost		
Balance at the beginning of the period	3.762	-
Provision for impairment	(540)	-
Movements during the period		
- Classified to tangible assets (-)	(1.812)	-
- Classified as investment property	-	3.762
- Provision for impairment(-)	-	(540)
- Provision for impairment classified to tangible assets	540	-
Balance at the end of the period	1.950	3.222
Accumulated Depreciation		
Balance at the beginning of the period	730	-
Movements during the period		
- Accumulated depreciation classified to investment properties (-)	-	655
- Depreciation charge	39	75
- Classified to tangible assets(-)	(358)	-
Balance at the end of the period	411	730
Net book value at the end of the period	1.539	2.492

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15. Information on deferred tax assets:

As of 31 December 2011, the Group has deferred tax asset amounting to TRY 6.268 Thousand. (31 December 2010: TRY 6.326 Thousand). The Group has computed deferred tax asset 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 Group has no deferred tax assets calculated for period losses or tax deductions as of December 31, 2011 (31 December 2010: None).

	Current Period (31.12.2011)	Prior Period (31.12.2010)
Deferred tax asset/liability		
Provision for impairment of tangible fixed assets	30	76
Retirement pay provision	4.027	3.605
Provision for non-performing loans	2.289	2.841
Valuation of financial assets	(135)	(155)
Other	57	(41)
Total	6.268	6.326

Movement of deferred tax assets:

	Current Period (31.12.2011)	Prior Period (31.12.2010)
Net book value at the beginning of the period	6.326	9.008
Deferred tax income/loss (Net)	(994)	(2.024)
Deferred tax classified under shareholders' equity	936	(658)
Total	6.268	6.326

16. Information on assets held for sale and discontinued operations:

None.

17. Information on other assets:

	Current Period (31.12.2011)	Prior Period (31.12.2010)
Inventory	37	50
Prepaid expenses	2.962	2.751
Temporary account debtor	9.997	474
Sundry receivables	87	97
Receivables from asset sales on credit terms	1.513	521
Accrual of fund management fee	11	14
Receivables from state institutions and organizations	1	1
Total	14.608	3.908

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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:

	Current Period (31.12.2011)		Prior Period (31.12.2010)	
	TRY	FC	TRY	FC
Derivative financial liabilities held-for-trading				
Forward transactions	75	-	38	-
Swap transactions	1.335	-	-	-
Futures transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
Total	1.410	-	38	-

3. Information on funds borrowed:

3.a) Information on banks and other financial institutions:

	Current Period (31.12.2011)		Prior Period (31.12.2010)	
	TRY	FC	TRY	FC
From Central Bank of the Republic of Turkey	-	-	-	-
From domestic banks and institutions	-	254.741	-	256.824
From foreign banks, institutions and funds	-	1.385.127	-	699.555
Total	-	1.639.868	-	956.379

3.b) Maturity structure of funds borrowed:

	Current Period (31.12.2011)		Prior Period (31.12.2010)	
	TRY	FC	TRY	FC
Short-term	-	163.071	-	98.658
Medium and long-term	-	1.476.797	-	857.721
Total	-	1.639.868	-	956.379

3.c) Additional information for the areas of liability 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.

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3.c.1) Explanations on funds:

Material part of the domestic funds amounting to TRY 66.686 Thousand is from Undersecretariat of Treasury. Loans disbursed to investor companies in Cyprus from funds obtained from Undersecretariat of Treasury amount to TRY 55.318 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 403.041 Thousand, TRY 49.025 Thousand and TRY 56.032 Thousand of repurchase agreements amounting to TRY 508.216 Thousand belong to Central Bank of Turkey, Banks and brokerage firms respectively. Remaining balance amounting to TRY 118 Thousand belongs to real persons and legal entities (31 December 2010: TRY 335 Thousand).

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 generic provisions:

	Current Period (31.12.2011)	Prior Period (31.12.2010)
General Provisions	16.635	5.704
Allocated for Group - I loans and receivables	15.813	4.045
Allocated for Group - II loans and receivables	563	1.356
Allocated for non-cash loans	157	14
Other	102	289

(*) BRSA has allowed banks to use zero percent generic provision rate for the loans disbursed between 6 March 2010 and 1 March 2011 with the provisional 4th Article (Added Article: RG-6/3/2010-27513) of Communiqué on "Methods and Principles on Determining the Nature of Loans, Other Receivables and Allocation of Provisions" and has ended this application with the decision dated 10 February 2011 and numbered 4065. TRY 5.692 Thousand of the provision allocated in the current period is the balance of provision corresponding to the provisional application period but allocated in the current period.

The restructuring made by the Parent Bank for the loans and other receivables does not include extension of maturity defined in the first payment plan. Therefore, the Parent Bank does not allocate additional provision for these loans according to explanation included to (a) and (b) clauses of the 4th Article (Added Article: RG-28/5/2011-27947) of Communiqué on "Methods and Principles on Determining the Nature of Loans, Other Receivables and Allocation of Provisions".

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

There are no foreign exchange 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.

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7.d) Employee benefits provisions:

The Group 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 2011, the Group set provision for employee benefits equal to TRY 20.321 Thousand.

	Current Period (31.12.2011)	Prior Period (31.12.2010)
Liabilities at the beginning of period	18.220	17.541
Service cost for the period	2.307	1.515
Interest cost for the period	849	1.038
Payments in the period	(1.055)	(1.874)
Liabilities at the end of period	20.321	18.220

8. Explanations on tax liabilities:

8.a) Information on current tax liability:

8.a.1) Information on tax provision:

	Current Period (31.12.2011)		Prior Period (31.12.2010)	
	TRY	FC	TRY	FC
Corporation tax and deferred tax				
The corporate tax payable ^(*)	1.559	-	3.103	-
Deferred tax payable	40	-	49	-
Total	1.599	-	3.152	-

8.a.2) Information on taxes payable:

	Current Period (31.12.2011)	Prior Period (31.12.2010)
Corporate tax payable	1.559	3.103
Taxation on income on marketable securities	413	33
Property tax	1	1
Banking insurance transaction tax (BITT)	230	127
Foreign exchange transaction tax	-	-
Value added tax payable	166	34
Other	629	588
Total	2.998	3.886

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8.a.3) Information on premiums:

	Current Period (31.12.2011)	Prior Period (31.12.2010)
Social security premiums- Employee	77	81
Social security premiums- Employer	108	112
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	5	6
Unemployment insurance- Employer	12	12
Other	-	-
Total	202	211

8.b) Information on deferred tax liabilities, if any:

As of 31 December 2011 the Group has TRY 40 Thousand (31 December 2010: TRY 49 Thousand) deferred tax liability. Detailed explanation is presented in 'Chapter VI/15'.

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 (31.12.2011)	Prior Period (31.12.2010)
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 capital reserves.

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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 Parent 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 Business, Product and Planning Department. 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 (31.12.2011)		Prior Period (31.12.2010)	
	TRY	FC	TRY	FC
From associates, subsidiaries and jointly controlled entities (joint ventures)	-	-	-	-
Valuation difference	(1.109)	-	2.637	-
Foreign exchange difference	-	-	-	-
Total	(1.109)	-	2.637	-

12. Information on minority interests:

None.

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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 (31.12.2011)	Prior Period (31.12.2010)
Asset purchase commitments	-	1.000
Share capital commitments to associates and subsidiaries	20.767	18.773
Total	20.767	19.773

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 78.798 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 46 Thousand (31 December 2010: TRY 47 Thousand.). TRY 1 Thousand of this amount is letter of customs guarantee and other part is letters of certain guarantees.

1.c.1) Total non-cash loans:

	Current Period (31.12.2011)	Prior Period (31.12.2010)
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	78.844	7.547
Total	78.844	7.547

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1.c.2) Non-cash loans sectorial risk concentrations:

	Current Period (31.12.2011)				Prior Period (31.12.2010)			
	TRY	(%)	FC	(%)	TRY	(%)	FC	(%)
Agriculture	2	4,35	-	-	2	4,26	28	0,37
Farming and raising livestock	2	4,35	-	-	2	4,26	28	0,37
Forestry	-	-	-	-	-	-	-	-
Fishery	-	-	-	-	-	-	-	-
Industry	8	17,39	78.798	100	9	19,15	7.472	99,63
Mining and quarry	-	-	-	-	-	-	-	-
Manufacturing	8	17,39	38.064	48,31	9	19,15	-	-
Electricity, gas and water	-	-	40.734	51,69	-	-	7.472	99,63
Construction	1	2,17	-	-	1	2,13	-	-
Service	35	76,09	-	-	35	74,46	-	-
Wholesale and retail trade	-	-	-	-	-	-	-	-
Hotel and food services	1	2,17	-	-	-	-	-	-
Transportation and communication	-	-	-	-	-	-	-	-
Financial institutions	34	73,92	-	-	35	74,46	-	-
Real estate and leasing services	-	-	-	-	-	-	-	-
Self-employment services	-	-	-	-	-	-	-	-
Educational services	-	-	-	-	-	-	-	-
Health and social services	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total	46	100	78.798	100	47	100	7.500	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 of 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:

Istanbul Venture Capital Initiative (iVCi - A Luxembourg Investment Company Fund) is founded as a stock company having variable capital and subject to laws of Luxembourg. 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 commitment was EUR 150 Million and its capital was increased to EUR 160 Million with new participants in March 2009. The Parent Bank's participation was approved by Board of Directors of iVCi on 13 November 2007 and share purchase agreement was signed at the same date.

The Parent Bank made payment of share capital amounting to EUR 1.405.000 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, EUR 167.500 on 15 July 2011 and 10 November EUR on 437.500.

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A lawsuit amounting to TRY 1.493 Thousand which is included in lawsuits against the Parent Bank has resulted in favor of the Parent Bank. The decision will become final upon decision of the Court of Appeal. Since the lawsuit is not deemed likely to result against the Parent Bank, provision has not been provided in the unconsolidated 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 (31.12.2011)		Prior Period (31.12.2010)	
	TRY	FC	TRY	FC
Interest on Loans ^(*)	39.245	50.900	29.265	25.403
Short term loans	53	6.436	99	2.860
Medium and long term loans	24.097	44.464	21.397	22.543
Interest on non-performing loans	15.095	-	7.769	-
Premiums from resource utilization support fund	-	-	-	-

^(*) Includes fees and commissions obtained from cash loans.

1.b) Information on interest income on banks:

	Current Period (31.12.2011)		Prior Period (31.12.2010)	
	TRY	FC	TRY	FC
From Central Bank of the Republic of Turkey	-	-	-	-
From domestic banks	12.889	2	3.646	31
From foreign banks	-	-	-	-
From foreign head office and branches	-	-	-	-
Total	12.889	2	3.646	31

1.c) Information on interest income on marketable securities:

	Current Period (31.12.2011)		Prior Period (31.12.2010)	
	TRY	FC	TRY	FC
From financial assets held-for-trading	6.112	-	5.948	-
From financial assets at fair value through profit and loss	-	-	-	-
From financial assets available-for-sale	16.629	-	4.707	-
From investments held-to-maturity	4.191	-	7.097	-
Total	26.932	-	17.752	-

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1.d) Interest income from subsidiaries and associates:

	Current Period (31.12.2011)	Prior Period (31.12.2010)
Interest Income from Subsidiaries and Associates	-	15

^(*) Interest income from subsidiaries and associates presents the interest received from Aciselsan A.Ş. which was transferred to Privatization Administration on 24 May 2010.

2.a) Information on interest expense on borrowings:

	Current Period (31.12.2011)		Prior Period (31.12.2010)	
	TRY	FC	TRY	FC
Banks ^(*)	48	1.625	95	422
Central Bank of the Republic of Turkey	-	-	-	-
Domestic Banks	48	994	95	420
Foreign Banks	-	631	-	2
Foreign Head Office and Branches	-	-	-	-
Other Institutions	585	20.920	513	10.168
Total	633	22.545	608	10.590

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 (31.12.2011)	Prior Period (31.12.2010)
From financial assets held-for-trading	-	-
From financial assets at fair value through profit and loss	-	-
From financial assets available-for-sale	89	31
Other	83	294
Total	172	325

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4. Information on trading profit/loss:

	Current Period (31.12.2011)	Prior Period (31.12.2010)
Profit	5,258	5,008
Profit from the capital market operations	573	694
Profit on derivative financial instruments	87	637
Foreign exchange gains	4,598	3,677
Loss (-)	(8,146)	(2,208)
Loss from the capital market operations	(432)	(1)
Loss on derivative financial instruments	(1,410)	(130)
Foreign exchange losses	(6,304)	(2,077)

5. Information on other operating income:

	Current Period (31.12.2011)	Prior Period 31.12.2010)
Income from sale of assets	2,184	1,388
Reversals from prior years' provisions	12,112	14,853
Other	2,030	1,235
Total	16,326	17,476

6. Provision expenses for impairment on loans and other receivables:

	Current Period (31.12.2011)	Prior Period (31.12.2010)
Specific provisions on loans and other receivables	5,367	534
Group- III loans and receivables	1,067	14
Group- IV loans and receivables	325	3
Group-V loans and receivables	3,975	517
General loan provision expenses	11,910	-
Provision expenses for possible losses	-	-
Marketable securities impairment expenses	11	-
Financial assets at fair value through profit and loss	11	-
Financial assets available-for-sale	-	-
Impairment losses from associates, subsidiaries, jointly controlled entities (joint ventures) and investments held-to-maturity	8	556
Associates	8	556
Subsidiaries	-	-
Jointly controlled entities (joint ventures)	-	-
Investments held-to-maturity	-	-
Other	-	-
Total	17,296	1,090

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7. Information on other operating expenses:

	Current Period (31.12.2011)	Prior Period (31.12.2010)
Personnel expenses	44.297	42.620
Provision for employee termination benefits	3.156	2.553
Provision expense for bank social aid fund deficits	-	-
Fixed assets impairment expense	-	-
Depreciation expenses of fixed assets	3.311	3.477
Intangible assets impairment expense	-	-
Goodwill impairment expense	-	-
Amortization expenses of intangible assets	436	429
Impairment expense for equity shares subject to the equity method accounting	-	-
Impairment expense of assets that will be disposed	30	30
Amortization expenses of assets that will be disposed	159	62
Impairment expense for non-current assets held for sale and discontinued operations	-	-
Other operating expenses	7.826	7.013
Operational leasing expenses	50	47
Maintenance expenses	932	734
Advertisement expenses	83	154
Other expenses ^(*)	6.761	6.078
Loss on sale of assets	-	1.272
Other	1.975	1.912
Total	61.190	59.368

^(*) Other expenses consist of cleaning expenses equal to TRY 1.766 Thousand (December 31, 2010: TRY 1.598 Thousand), heating, lighting and water expenses equal to TRY 712 Thousand (December 31, 2010: TRY 719 Thousand), rent expenses equal to TRY 612 Thousand (December 31, 2010: TRY 513 Thousand), security expenses equal to TRY 569 Thousand (December 31, 2010: TRY 553 Thousand), nursery expenses equal to TRY 321 Thousand (December 31, 2010: TRY 309 Thousand), communication expenses equal to TRY 343 Thousand (December 31, 2010: TRY 351 Thousand), computer usage expenses equal to TRY 451 Thousand (December 31, 2010: TRY 255 Thousand), vehicle expenses equal to TRY 460 Thousand (December 31, 2010: TRY 253 Thousand) and depreciation expenses equal to TRY 23 Thousand which is allocated in the current period for three real estates regarding the year 2010 (December 31, 2010: 21). Remaining balance amounting to TRY 1.504 Thousand (December 31, 2010: TRY 1.506 Thousand) consists of other miscellaneous expenses.

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

As of 31 December 2011, the Group's income before tax from the continuing operations is TRY 33.397 Thousand and the Parent Bank has no discontinued operations.

9. Information on tax provisions for continuing and discontinued operations:

As of December 31, 2011, the Group's income tax provision from continuing operations amounting to TRY 8.397 Thousand (31 December 2010: TRY 7.374 Thousand) consists of TRY 7.403 Thousand of current tax charge (31 December 2010: TRY 5.350 Thousand) and TRY 994 Thousand of deferred tax charge (31 December 2010: TRY 2.024 Thousand).

10. Information on net profit/loss of the period from continuing and discontinued operations:

The Group has earned net profit equal to TRY 24.506 Thousand from continuing operations between 1 January 2011 and 31 December 2011.

Türkiye Kalkınma Bankası A.Ş. and Its Financial Affiliates

Notes to the Consolidated Financial Statements

for the Year Ended 31 December 2011

(Amounts expressed in Thousands of the Turkish Lira (TRY) unless otherwise stated.)

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 are 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 are 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:

"Other interest expenses" include interest payments of the Parent Bank to Turkish Treasury due to incentive funds.

TRY 4.412 Thousand (31 December 2010: TRY 3.235 Thousand) of "Other Fees and Commission Received" amounting to TRY 5.204 Thousand (31 December 2010: TRY 4.478 Thousand) includes project service income collected from loan customers.

V. Explanations and Notes Related to Consolidated Statement of Changes in Shareholders' Equity

In legal records, paid-in capital is TRY 160.000 Thousand. (31 December 2010: TRY 160.000 Thousand). As of the balance sheet date, the balance of legal reserves is TRY 29.719 Thousand. (31 December 2010: TRY 28.602 Thousand) and the balance of extraordinary reserves is TRY 109.854 Thousand. (31 December 2010: TRY 94.677 Thousand).

Marketable securities valuation differences is TRY (1.109) 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 (153.070) Thousand (December 31, 2010: TRY 69 Thousand). The balance consists of interest income on loans and securities amounting to TRY 117.171 Thousand (December 31, 2010: TRY 90.613 Thousand) and interest expense on borrowings amounting to TRY 35.310 Thousand (December 31, 2010: TRY 16.410 Thousand).

The effect of change in foreign exchange rate on cash and cash equivalents is stated, approximately, as TRY 518 Thousand as of December 31, 2011. (December 31, 2010: TRY 952 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.

2. Cash and cash equivalents at the beginning of the period:

	Current Period (31.12.2011)	Prior Period (31.12.2010)
Cash	5.979	8.380
Cash in TRY and foreign currency	125	92
Demand deposits at banks	5.854	8.288
Cash equivalents	105.580	197.337
Interbank money market placements	-	110.600
Time deposits at banks	105.580	86.737
Total cash and cash equivalents	111.559	205.717

The total amount arising from prior period transactions equals to total amount of current period cash and cash equivalents.

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3. Cash and cash equivalents at the end of the period:

	Current Period (31.12.2011)	Prior Period (31.12.2010)
Cash	13.641	5.979
Cash in TRY and foreign currency	131	125
Demand deposits at banks and Central Bank of the Republic of Turkey	13.510	5.854
Cash equivalents	146.096	105.580
Interbank money market placements	-	-
Time deposits at banks	146.096	105.580
Total cash and cash equivalents	159.737	111.559

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	100	-	-	-	-	-
Closing Balance	162	-	-	-	-	-
Interest and Commissions Income	-	-	-	-	-	-

^(*) TRY 1,188 Thousand of loan disbursed to Arıcak A.Ş., a subsidiary of the Parent Bank, has been followed at Group V. For this loan, TRY 1.026 Thousand special provision has been provided.

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	783	-	-	-	-	-
Closing Balance	-	-	-	-	-	-
Interest and Commissions Income	15	-	-	-	-	-

c) Information on forward transactions, option contracts and similar transactions between the Parent Bank and its risk groups:

None.

Türkiye Kalkınma Bankası A.Ş. and Its Financial Affiliates

Notes to the Consolidated Financial Statements

for the Year Ended 31 December 2011

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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 and Vice General Managers are presented below.

	Current Period (31.12.2011)	Prior Period (31.12.2010)
Salary	947	858
Dividend and fringe benefits	130	127
Total	1.077	985

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
Foreign branches	-	-	1-	-	-
			2-	-	-
			3-	-	-
Off-shore branches	-	-	1-	-	-
			2-	-	-
			3-	-	-

^(*) Total number of employees is 708 and 14 of them are employed at İstanbul Branch.

IX. Explanations Related to the Subsequent Events:

None.

Türkiye Kalkınma Bankası A.Ş. and Its Financial Affiliates

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for the Year Ended 31 December 2011

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SECTION SIX

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 2011 and 31 December 2010 are presented below:

	31.12.2011	31.12.2010
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 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 2011 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 28 February 2012 is presented preceding the consolidated financial statements.

II. Explanations and Notes Prepared by Independent Auditor:

None.

Türkiye Kalkınma Bankası A.Ş.

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efficiency

production

employment

development