

TÜRKİYE KALKINMA BANKASI A.Ş.
ANNUAL REPORT 2014

***Dedicated to
development for***

40
years



Kalkınma
Development Bank of Turkey

CONTENTS

Overview

- 04 Corporate Profile
- 06 Targets and Strategies of the Development Bank of Turkey
- 07 Our Mission, Our Vision, Our Core Values
- 08 Financial Highlights, Capital and Shareholding Structure
- 12 The Development Bank of Turkey: From Past to Present
- 16 Chairman and General Manager's Message
- 24 Global and Turkish Economy in 2014
- 31 The Development Bank of Turkey in the Sector
- 34 Review of Operations in 2014 and Targets for 2015
- 42 Our Subsidiaries
- 44 Information Technology
- 45 Environmental Management Activities
- 46 Research and Development Activities
- 48 Consultancy and Technical Assistance Services
- 50 Promotional and Social Activities
- 52 Declaration of Compliance of the Annual Report
- 53 Annual Activity Report Compliance Opinion

Corporate Governance

- 54 Board of Directors
- 58 Internal Systems Departments
- 59 Senior Management
- 61 Organizational Chart
- 62 Committees
- 67 Principles of the Bank's Personnel Policy
- 68 Corporate Governance Compliance Report
- 76 Amendments to the Articles of Association and Reasons
- 77 Summary of Board of Directors Report

Risk Management

- 78 Assessment of the Audit Committee Regarding the Operation of Internal Control, Internal Audit and Risk Management Systems and Its Activities during the Fiscal Year
- 80 Risk Management Policies
- 84 Assessment of Financial Position, Profitability and Debt Servicing Capability
- 88 Information on Transactions Between the Bank and Its Risk Groups
- 88 Support Services Providers
- 89 Credit Ratings
- 90 Financial Information and Key Ratios 2010-2014

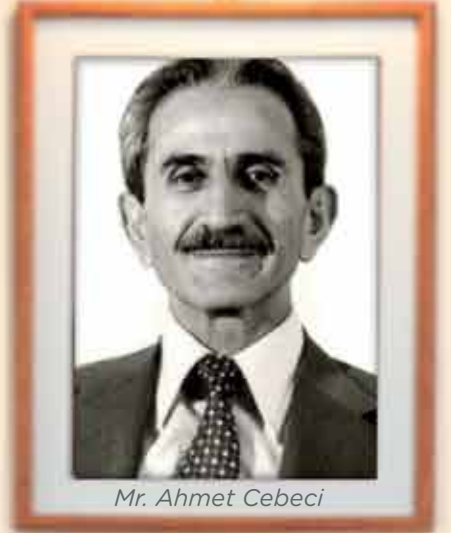
Financial Information And Independent Auditors' Report

- 91 Independent Auditor's Report for the Period of 01 January - 31 December 2014
- 92 The Unconsolidated Financial Report as of 31 December 2014

The Development Bank of Turkey has provided great contributions to the country, raising prosperity and **eliminating development imbalances between regions** for 40 years.

Since the 1980s - years in which **Turkey experienced fundamental changes** - we have built up experience that will illuminate our future.

We present **our 40 years of history** with remembrances from the esteemed individuals with whom we have shared our experience.



Mr. Ahmet Cebeci

In the 1970s, Turkish workers in Europe wanted to invest their savings to their hometowns in Turkey. Thus, the establishment of Devlet Sanayi ve İşçi Yatırım Bankası A.Ş. (DESİYAB) (State Industry and Laborer Investment Bank) became a priority. I took part in the preparation of the draft decree for the foundation of DESİYAB. The draft decree that we prepared was published as Statutory Decree No. 13 and DESİYAB was established. I was the first employee of the bank and Mr. Ahmet Cebeci began his career as the Bank's first General Manager. We went to Europe to invite our workers to become our partners. We supported the labor companies they established, participated in their investments and provided them with interest-free loans.



CORPORATE PROFILE

THE DEVELOPMENT BANK OF TURKEY PROVIDES RESOURCES OBTAINED WITHIN ITS INTERNATIONAL RELATIONS NETWORK TO A MAJOR SEGMENT OF THE BUSINESS COMMUNITY.

The Development Bank of Turkey is more than a conventional lender; it is also a service provider that shares its technical knowledge and experience with customers during the investment process.

Turkey’s leading bank in sustainable economic development

The Development Bank of Turkey has been providing significant and ongoing contributions to Turkey’s economic development and growth since 1975.

For 40 years, the Bank has played a key role in the realization of investments in different sectors by strategically procuring long-term resources, a fundamental element of sustainable economic development.

The Development Bank of Turkey carries out its operations with the mission of raising employment, income and prosperity levels. The Bank allocates resources to the financing of fixed and operating capital investments of companies across sectors, particularly energy and energy efficiency, industry, tourism, finance and healthcare.

Within the process of financially supporting private sector investment and entrepreneurship, the Development Bank of Turkey works in cooperation with major international financial institutions. The Bank provides resources through an international network and offers these resources to a major segment of the business community through supplying direct loans or through apex banking.

The Development Bank of Turkey also demonstrates its high added value through consultancy and technical assistance services. Thanks to its team of specialists with extensive national and international field experience and sector expertise, the Bank is able to support enterprises and institutions that operate in different areas and to make significant contributions to their efforts to improve their current potential.

The Development Bank of Turkey is more than a traditional creditor; it is also a service provider that shares its experience and technical know-how with customers during the investment process.

BEYOND PROVIDING FINANCIAL SUPPORT TO REALIZE OF ENVIRONMENTALLY SOUND PROJECTS, THE DEVELOPMENT BANK OF TURKEY LOOKS FOR “ECO-FRIENDLY CRITERIA,” ESPECIALLY IN INDUSTRY, TOURISM, ENERGY EFFICIENCY AND RENEWABLE ENERGY INVESTMENTS.

Supporting environmentally-sound investments is a top priority of the Development Bank of Turkey.

The Development Bank of Turkey also contributes to environmental sustainability efforts.

As well as providing resources to environmentally-sound investments, the Bank focuses on ensuring that investments - particularly in the industry, tourism, renewable energy and energy efficiency sectors - are also eco-friendly. In this manner, the Bank, as a responsible corporate citizen, contributes to the initiatives that protect the environment and address climate change, which are essential elements of sustainable development.

Total assets of more than TL 3.9 billion at end-2014

The total assets of the Development Bank of Turkey grew by 10.1% YoY to TL 3,914.9 million by end-2014 (2013: TL 3,556.1 million). The Bank has registered capital of TL 500 million and paid-in capital of TL 160 million. The Bank’s shareholders’ equity amounted to TL 642.6 million at end-2014.

The Republic of Turkey Prime Ministry Undersecretariat of Treasury holds 99.08% of the paid-in capital of the Development Bank of Turkey. The remaining share is traded on the Borsa Istanbul Second National Market under the “KLNMA” ticker.

With its strong shareholding structure, corporate competencies and professional human resources, the Development Bank of Turkey plans to continue contributing to Turkey’s 2023 vision and the country’s sustainable development process.

In 2014, the total asset size of the Development Bank of Turkey increased by 10.1% to TL 3,914.9 million (2013: TL 3,556.1 million).



TARGETS AND STRATEGIES OF THE DEVELOPMENT BANK OF TURKEY

THE DEVELOPMENT BANK OF TURKEY AIMS AT TAKING AN ACTIVE ROLE IN DETERMINING MACRO POLICIES AND SECTOR STRATEGIES REGARDING NATIONAL DEVELOPMENT THE BANK ALSO CREATES INCENTIVE MECHANISMS AND HELPS IMPLEMENTS INCENTIVES.

- To support such investments that ensure economic and technological progress nationwide and increase efficiency and competition;
- To contribute to the resolution of social problems in underdeveloped regions, as well as in developed areas due to urban migration, by implementing these projects in line with the results of studies conducted with the aim of raising 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 sector strategies for the development of our country, as well as in the creation and implementation of respective incentive mechanisms;
- To meet the financing needs of FX-earning companies through domestic and international funding resources;
- To meet entrepreneurs' demands, based on the principles of efficiency and productivity;
- To support Turkish entrepreneurs' investments abroad, particularly in the Turkic Republics; and
- To activate investment banking functions.

OUR MISSION

THE BANK'S MISSION IS TO INCREASE EMPLOYMENT, INCOME AND LIVING STANDARDS FACILITATING THE DEVELOPMENT AND SUSTAINABLE GROWTH OF OUR COUNTRY BY MEANS OF:

- SUPPORTING INVESTMENTS OF ENTERPRISES ORGANIZED AS JOINT STOCK COMPANIES BY PROVIDING FUNDS OBTAINED FROM DOMESTIC AND INTERNATIONAL SOURCES;
- DIRECTLY PARTICIPATING IN PIONEERING/MODEL ENTERPRISES;
- PROVIDING TECHNICAL ASSISTANCE TO ENTREPRENEURS;
- CONTRIBUTING TO THE DEVELOPMENT OF CAPITAL MARKETS.

OUR VISION

AS A PIONEER OF DEVELOPMENT AND SUSTAINABLE GROWTH, THE VISION OF THE BANK IS TO BECOME A GLOBAL DEVELOPMENT AND INVESTMENT BANK THAT:

- SUPPORTS INVESTMENTS ON A REGIONAL, SECTOR AND TECHNOLOGICAL BASIS AND FINANCES THEM EFFECTIVELY AND QUICKLY;
- SUPPORTS INVESTORS BY EMPOWERING AND ENCOURAGING THEM, AS WELL AS BY PROVIDING THEM WITH TECHNICAL ASSISTANCE.

OUR CORE VALUES

- Commitment to the principles of sustainable development,
- High-quality and modern development banking services,
- Environmental awareness,
- Monitoring economic, technological, social and cultural developments on every platform,
- High quality services and activities at international standards,
- Openness to change,
- Providing each customer group with appropriate products in line with the Bank's lines of services (customer orientation),
- Transparency,
- Accountability,
- Reliability.



FINANCIAL HIGHLIGHTS, CAPITAL AND SHAREHOLDING STRUCTURE

The Development Bank of Turkey outperformed the sector in 2014. The Bank closed 2014 with net profit of TL 46.9 million, up 28.1% from 2013. The Bank's loan volume grew 14% to TL 3,145 million despite the sector's flat credit growth performance last year.

KEY FINANCIAL INDICATORS (TL MILLION)

	December 2013	December 2014	Change (in value)	Change (%)
Total Assets	3,556.1	3,914.9	358.8	10.1
Loans	2,758.7	3,145.0	386.3	14.0
Foreign Sources	2,952.0	3,272.3	320.3	10.9
Shareholders' Equity	604.1	642.6	38.5	6.4
Total Income	167.3	188.3	21.0	12.6
Total Costs	120.1	129.1	9.0	7.5
Provision for Taxes	10.6	12.3	1.7	16.0
Profit/Loss	36.6	46.9	10.3	28.1

KEY RATIOS (%)

	December 2013	December 2014
Loans/Total Assets	77.6	80.3
Shareholders' Equity/Total Assets	17.0	16.4
Return on Assets	1.0	1.2
Return on Equity	6.1	7.3
Capital Adequacy Standard Ratio	21.4	20.4

The Development Bank of Turkey's capital adequacy ratio is significantly above the Turkish banking sector average of 16.3%.

Celebrating its 40th anniversary in 2015, the history of the Development Bank of Turkey comprises many "firsts" and "pioneering efforts" for the Turkish banking sector. The Development Bank of Turkey was the first bank to

- Offer financial and technical support to companies,
- Execute incentive loans,
- Perform an initial public offering in the capital markets,
- Prepare a financial support program to bring unfinished facilities into the economy,
- Transfer Islamic Development Bank resources to SMEs,
- Support clusters within a program,
- Receive ISO 14001 environmental management certification as a state-owned bank.

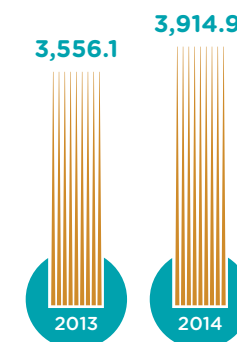
SHAREHOLDING STRUCTURE OF THE DEVELOPMENT BANK OF TURKEY

No.	Name/Title	Share (TL)	(%)
1	Undersecretariat of Treasury	158,530,452.32	99.08
2	Other	1,469,547.68	0.92
	Total	160,000,000.00	100.00

(*) As it covers all real and legal persons and the share certificates of these partnerships are traded on Borsa Istanbul, the absolute number of shareholders is unknown.

OUTPACING THE SECTOR'S GROWTH RATE, THE DEVELOPMENT BANK OF TURKEY'S NET PROFIT INCREASED 28.1% IN 2014, TO TL 46.9 MILLION.

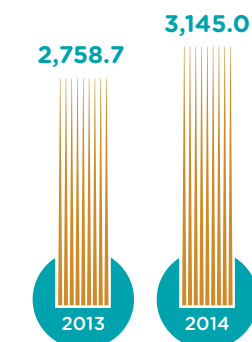
TOTAL ASSETS (TL MILLION)



10.1%

The Bank maintained its strong asset base in 2014.

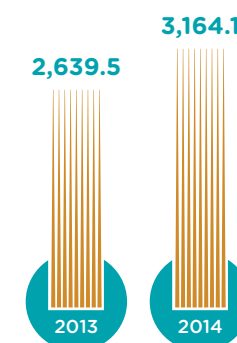
LOANS (TL MILLION)



14.0%

The Bank continued to support real sector investments.

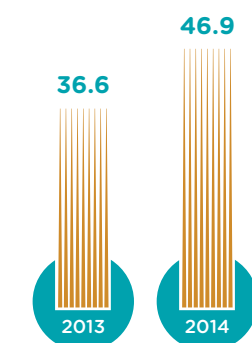
LOANS RECEIVED (TL MILLION)



19.9%

The Bank continued to cooperate with international financial institutions.

PROFIT/LOSS (TL MILLION)



28.1%

The Bank achieved net profit of TL 46.9 million in 2014.

ASSET STRUCTURE (%)

Subsidiaries and Affiliates
0.6%

Other
1.1%

Fixed Assets
1.8%

Loans
80.3%

80.3%

Some 80.3% of the total assets of Bank's are comprised of loans.

Liquid Assets
16.2%



Established by Statutory Decree No. 13 on November 11, 1975, Devlet Sanayi ve İşçi Yatırım Bankası (State Industry and Laborer Investment Bank) had several missions, including: transferring savings of Turkish workers employed abroad to Turkey; investing those savings across the country to help reduce unemployment; working with a profit-loss sharing scheme without charging interest; investing in sectors that were beyond the reach or not considered by the private sector; and opening such investments to the public after they became profitable.



THE DEVELOPMENT BANK OF TURKEY: FROM PAST TO PRESENT

THE BANK WAS FOUNDED UNDER THE NAME DEVLET SANAYİ VE İŞÇİ YATIRIM BANKASI (DESİYAB) A.Ş. (STATE INDUSTRY AND LABORER'S INVESTMENT BANK).

With its strong foundations and stable 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 with Devlet Sanayi ve İşçi Yatırım Bankası A.Ş. (DESİYAB) (State Industry and Laborer Investment Bank), established in accordance with the Authorization Act No: 1877 and Statutory Decree No: 13 dated November 27, 1975 to conduct all the activities of investment and development banking, including profit sharing-based capital finance, as an incorporated company and as a development and investment bank subject to the provisions of private law.

1975

THE BANK WAS RENAMED TÜRKİYE KALKINMA BANKASI A.Ş. (DEVELOPMENT BANK OF TURKEY) AND WAS ALSO AUTHORIZED TO FINANCE SECTORS OUTSIDE THE INDUSTRIAL SECTOR.

With a reorganization of its structure and activities in 1983, the Bank was renamed Türkiye Kalkınma Bankası A.Ş. on July 15, 1988 and was also authorized to finance sectors outside the industrial sector.

1988

T.C. TURİZM BANKASI A.Ş. (TOURISM BANK OF TURKEY) MERGED WITH THE DEVELOPMENT BANK OF TURKEY WITH ALL OF ITS ASSETS AND LIABILITIES.

T.C. Turizm Bankası A.Ş. (Tourism Bank of Turkey) was merged into the Development Bank of Turkey with all of its assets and liabilities in accordance with the decision made by the Higher Planning Council on January 20, 1989. The Bank thus added the tourism sector to the industries and areas it serves.

1989

THE BANK UNDERTOOK NEW PROGRAMS FOR PRIORITY REGIONS DEVELOPMENT.

The Bank started to implement three emergency support programs in regions where development was deemed a priority and successfully continued these programs until 2000.

1990

THE BANK'S CHARTER ACT NO. 4456 WAS ENACTED AND ENTERED INTO FORCE.

The Bank's Charter Act No: 4456 was enacted on October 14, 1999 and entered into force with its publication in the Official Gazette dated October 17, 1999 no. 23849. As a development and investment bank with a legal entity, which was founded in the form of an incorporated company subject to the provisions set forth in this act as well as the provisions of private law, the Development Bank of Turkey serves under the Prime Ministry.

1999

THE BANK LAUNCHES APEX BANKING ACTIVITIES.

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

2008

THE BANK'S TOTAL ASSETS EXCEED US\$ 1 BILLION.

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

2010

THE BANK CONTINUED SUSTAINABLE GROWTH.

Constantly progressing towards its targets, the Development Bank of Turkey continued to support customers operating in various areas, especially in energy efficiency, during 2012. Another important development in 2012 was Fitch's upgrade of the Bank's credit rating, to BBB-, in November.

2012

THE BANK SECURED LONG-TERM RESOURCES AT A RECORD LEVEL.

As a result of the strong international relations that it has built over many years, the Bank secured nearly US\$ 840 million in long-term resources from five different international financial institutions in 2013.

2013

THE BANK'S FINANCING SUPPORT TO NATIONAL DEVELOPMENT EXCEEDED TL 3 BILLION.

Making important contributions to the Turkish economy in the field of development banking for 40 years, the loan volume of the Development Bank of Turkey totaled TL 3,145 million in 2014. The share of total loans in the Bank's total assets rose to 80.3%.

2014



The major factor driving achievements in the tourism industry today is our Bank's success in solving problems related to our country's tourism infrastructure; by continuing its activities to train qualified personnel for the private sector, establishing pioneering and model facilities, and financing tourism investments. I believe that the Tourism Bank fulfilled its mission in this regard.

Today, if we are able to achieve significant tourism revenues by hosting so many tourists, it is due to the exemplary performance and policies of the Tourism Bank.



CHAIRMAN AND GENERAL MANAGER'S MESSAGE

THE DECLINE IN THE CURRENT ACCOUNT DEFICIT WAS A POSITIVE DEVELOPMENT FOR THE TURKISH ECONOMY IN 2014.

While the global economy remained fragile, the ongoing recovery of the US economy in 2014 was a significant development for the improvement of the world economic environment.

Compared to previous years, 2014 was positive in terms of world economic growth due to measures taken by developed economies, including the USA, to mitigate the effects of the crisis and to ensure sustainable economic growth.

While the world economy experienced some recovery in 2014-albeit with uneven country growth performances-the problems caused by high debt levels in developed countries, high unemployment rates and low demand rates, particularly in some European Union member states, are the biggest threats to the global economy in 2015. Indeed, the IMF has revised its 2015 world economic growth expectations downward.

The Bank decreased its NPL ratio.

In 2014, Development Bank of Turkey reduced its NPL ratio to 3.4%.

3.4%

The Bank posted an increase in Return on Equity.

In 2014, the Development Bank of Turkey increased its return on equity ratio to 7.3%.

7.3%

Total loans continued to grow

The Development Bank of Turkey expanded its total loans portfolio by 14%.

14%

Energy is the main sector in our loan portfolio.

Loans to the energy sector comprise 58% of Development Bank of Turkey's loan portfolio.

58%

In the coming years, the Development Bank of Turkey will continue to use its 40 years of development experience for the benefit of our country.



CHAIRMAN
AND
GENERAL
MANAGER’S
MESSAGE

WITH AN INCREASINGLY PROMINENT REPUTATION
IN THE BANKING SECTOR IN THE MEDIUM
AND LONG-TERM LOANS SEGMENT, THE LOAN
PORTFOLIO OF THE DEVELOPMENT BANK OF
TURKEY EXPANDED BY 14% AND TOTALED
TL 3,145 MILLION IN 2014.

The Turkish banking sector maintained a positive outlook in terms of capital adequacy, liquidity, asset quality and profitability indicators in 2014.

While the Eurozone recorded 0.9% growth in 2014 following declines in 2012 and 2013, the European Union and United States grew 1.9% and 2.5%, respectively. Among developed economies, Norway recorded 3% growth, the UK grew 2.7% and Germany posted growth 1.5%. The global economy is estimated to have expanded by 3.3% in 2014. While the average growth rate of developed markets was 1.8%, emerging economies continued to be the driving force of global growth with rates of 4.4%. China, the largest of the emerging economies, grew by 7.8% in 2013 and 7.4% in 2014; its is expected to grow 6.8% in 2015.

In 2015, the growth rate of the global economy is expected to exceed the 2014 rate due to relative recoveries observed in developed economies. However, the slowdown observed in 2014 in high growth rates for developing countries - the most important factor in reducing the impact of the 2008 crisis globally - should be taken into account in future projections.

In 2014, the global economy was mainly shaped by the US Federal Reserve’s decision to taper off monetary expansion; the US and Europe sanctions to Russia due to the Ukrainian crisis; the slowdown in the Chinese economy while Japan was entering deflation; and developments in the Eurozone with the strengthening US dollar against the Euro. The decline in oil prices, starting at the end of 2014, had a positive impact on external balances and production costs of energy-importing countries, including Turkey. As with the improving economic



indicators, the US Federal Reserve (Fed) tapered its monthly asset purchase program and concluded it as of October 2014. Considering that asset purchase programs have not yet resulted in an inflation increase and amid ongoing global concerns, discussions on the timing of the Fed’s potential interest rate hike indicate that an interest rate increase may be postponed until the second half of 2015. The Fed’s decision to raise interest is expected to produce adverse effects across global markets, particularly in economies in need of external resources.

Unemployment in developed countries has declined in line with 2014 growth rates, although not to desired levels. At the end of 2014, the unemployment rate fell to 5.6% in the US and decreased slightly in the Eurozone to 11.4%.

The Turkish economy demonstrated positive results in combatting the current account deficit.
Following a 4.1% rise in 2013, the Turkish economy recorded annual growth of 2.8% in the first three quarters of 2014. The decline in growth was driven by reduced agricultural production due to drought, the manufacturing industry’s slowdown, the

deceleration of the construction sector, and shrinking wholesale and retail trade. The growth rate in 2014 is expected to reach around 3.3%, the level stated in the revised Medium Term Program (2015-2017).

The current account deficit, at US\$ 64.7 billion at the end of 2013, fell to US\$ 45.8 billion by year-end 2014. As a net energy importer country, Turkey was affected positively by the continuing downward trend in oil prices that started in the year’s last quarter. The current account deficit decrease, along with economic growth in 2014, demonstrates the success of policies implemented to reduce dependence on imports, as well as the positive effect of the decline in oil prices.

As of December 2014, the Consumer Price Index (CPI) increased by 8.17% YoY, 0.8 percentage points above 2013 levels. The primary driver of rising inflation were stiffer prices in the services sector, especially higher food prices caused by adverse weather conditions in 2014.

In 2015, we estimate that the inflation rate will be around 5 - 5.5%, mainly due to lower oil prices as compared to 2014, along with an expected increase in agricultural production.

As a result of lower growth in 2014 compared to 2013, unemployment rose to 10.7% as of November 2014.

The banking sector has successfully maintained a strong capital structure that can manage risks.

In 2014, the Turkish banking sector maintained a positive outlook in terms of capital adequacy, liquidity, asset quality and profitability indicators. As a result of precautionary measures taken by the Central Bank and the BRSA, the capital adequacy ratio of the banking sector increased 1 percentage point compared to the previous year, to 16.3%. While the total assets of the banking sector increased by 15.1% YoY to almost TL 2 trillion, total loans amounted to TL 1.2 trillion and total deposits exceeded TL 1 trillion. By the end of 2014, the sector’s total equity, loans and deposits increased by 19.8%, 18.5% and 11.3% respectively. The share of NPLs in total loans was 2.8% and return on equity stood at 12.2% by year-end 2014.

The Development Bank of Turkey has contributed to financing the country’s development for 40 years.

To promote development and sustainable growth in Turkey, the Development Bank of Turkey continues its activities focusing on the needs of the country and investors. While providing financial products and services in line with the needs of investors via its loan allocation principle based on the project evaluation method; fostering progress and changes; leading the changes in the economy and also adapting it to them, the Development Bank of Turkey will continue its activities in accordance with these principles in the coming years.

In line with our country’s priorities, utmost importance is given to supporting renewable energy projects; a total of 205 projects were evaluated and 141 projects with a total installed capacity of 1,755 MW were provided with TL 3.9 billion in loans.

CHAIRMAN AND GENERAL MANAGER'S MESSAGE

WORKING FOR THE SUSTAINABLE DEVELOPMENT AND GROWTH OF TURKEY, THE DEVELOPMENT BANK OF TURKEY CONTINUES TO FOCUS ITS ACTIVITIES IN AREAS WHERE THE NEEDS OF THE COUNTRY AND ITS INVESTORS ARE MOST APPARENT.

The NPL ratio of the Development Bank of Turkey fell to 3.4% by end-2014, down from 10.8% in 2009, thanks to the Bank's successful marketing, lending, monitoring and risk management policies.

As an important player in the Turkish banking sector in medium- and long-term loan disbursement, the loan volume of the Development Bank of Turkey increased by 14% in 2014 to TL 3,145 million, while total assets reached TL 3,915 million, rising 10%. The increase in the Bank's activities had a positive impact on the Bank's financial indicators; the net profit of the Bank increased by 28%, and climbing to TL 47 million end-2014.

While its loan portfolio has been expanding, the Bank's NPL ratio fell to 3.4% by end-2014, down from 10.8% in 2009, thanks to the Bank's successful marketing, lending, monitoring and risk management policies.

Behind the support provided to the real sector through lending mechanisms, long-term sources with favorable conditions, acquired through strong relationships with international financial institutions, also play an important role. As a result of these relationships, the Bank signed agreements to provide funds amounting to US\$ 2.2 billion; a large portion of this amount has been disbursed as loans to meet the investment needs of the real sector.

1.8

TL billion

The Bank provided TL 1.8 billion in funding support to 79 energy projects with a total installed capacity of 970 MW.

Since 2005, the Bank has facilitated raising the energy production capacity of our country, which currently depends on sources abroad to fulfill energy needs, through financing provided to renewable energy and energy efficiency projects. The Bank's support to energy efficiency projects increased during this period. The share of energy projects in our loan portfolio has reached 58% at present, from 2% at the end of 2005. In line with our country's priorities, utmost importance is given to supporting renewable energy projects; a total of 205 projects were evaluated and 141 projects with a total installed capacity of 1,755 MW were provided with TL 3.9 billion in loans. The Bank also provided TL 1.8 billion in funding support to 79 energy projects with a total installed capacity of 970 MW.

One of the Bank's financial instruments is apex (wholesale banking), which channels funding for the real sector's long-term financing needs using intermediary banks to reach many small-scale enterprises. With apex banking, the Development Bank of Turkey had the opportunity to reach numerous smaller-size companies that do not have joint-stock company status. Through this method, applied by the world's most successful development banks, loans, targeting a contribution to employment and reduction of regional disparities, are disbursed. As part of apex banking, the Bank disbursed € 31.5 million in 2014 and the share of apex loans in total loans reached 11% by the end of the year.

The Development Bank of Turkey also utilizes its sector know-how and development experience by providing advisory and technical assistance to other countries. The technical cooperation agreement signed with the Development Bank of Ethiopia in 2014 is an example of such activities. As part of our technical cooperation and advisory activities, the Bank provided support to numerous agencies and local investors by preparing research and analyst reports under the agreements signed with development agencies, which are major players at the local level. The Bank also provided 12 institutional capacity-building trainings to over 200 agency personnel and carried out 13 different industry-region reports and feasibility studies in 2014.

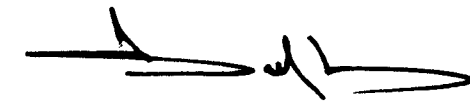
The Development Bank of Turkey will continue to grow.

As the Development Bank of Turkey, we aim to increase our support to our country's investors with the best use of our past experience and know-how to facilitate development and sustainable growth for our country in 2015, as we have in past years. In accordance with our strategic goals, we will continue to support existing and planned development projects.

In the period ahead, our top priority will continue to be growing and expanding our activities in line with our principles and founding philosophy and creating value for our investors, employees and our country.


I would like to extend my thanks to all our stakeholders, especially to our employees and our business partners, for their contributions to our success.

Respectfully yours,



Ahmet BUÇUKOĞLU
Chairman and General Manager

The Bank provided 12 institutional capacity-building trainings to over 200 agency personnel and carried out 13 different industry-region reports and feasibility studies in 2014.



During my long tenure as General Manager, in addition to expanding our Bank's operations, we also pioneered many firsts.

- We carried out rehabilitation activities for labor companies.*
- We performed the first overseas bond issue.*
- We took part in the establishment of the ISE; we performed the first initial public offerings on the stock market.*
- We started to finance large scale investments.*
- We developed pioneering projects; we established the first industrial facility in Hakkari.*
- We provided technical assistance to African countries.*
- DESİYAB became the Development Bank of Turkey.*
- The Tourism Bank was transferred to our Bank, thus expanding our field of activity.*
- We established the Personnel Foundation.*



GLOBAL AND TURKISH ECONOMY IN 2014

THE US ECONOMY APPEARS TO HAVE ENTERED A STRONG RECOVERY IN 2014.

Despite significant disruptions, and uneven and inadequate progress, the world economy continued to recover in 2014.

DEVELOPMENTS IN THE WORLD ECONOMY AND EXPECTATIONS

The global economy was unable to seize expected growth momentum.

Despite significant disruptions, and uneven and inadequate progress, the world economy continued to recover in 2014. However, ongoing problems, such as high private and public debt in developed countries, high unemployment rates in various countries and insufficient demand, did hinder economic recovery; meanwhile, emerging market economies tried to adapt themselves to economic growth rates below previous levels.

In addition, geopolitical tensions, such as the Russia-Ukraine conflict and disputes in the Middle East, increased in the past year. While these tensions currently only affect the related countries and their trade partners, they could have an adverse impact on the world economy in the coming period. That conflict zones are located in oil-producing countries raises the possibility of an increase in oil prices, which are on a downward trend due to both reduced demand and escalating use of shale gas. However, while oil-importing countries benefit from a decline in oil prices, this could also lead to economic setbacks in oil exporter countries. Additionally, economies that depend on funds provided by oil exporting nations could experience negative effects should those funds be reduced.

According to an IMF report dated January 2015, the world economy grew 3.4% and 3.3% in 2012 and 2013, respectively; and it is expected to grow 3.3% in 2014 and 3.5% in 2015. Growth rates in developed countries, which were 1.2% and 1.3% in 2012 and 2013, respectively, are expected to be 1.8% in 2014 and 2.4% in 2015. Meanwhile, emerging market economies posted growth of 4.7% in 2012 and 5.1% in 2013. The growth rate of developing countries is estimated to fall to 4.4% in 2014 and to 4.3% in 2015.

Following 2.2% growth in 2013, the growth rate for the US economy decreased in the first quarter of 2014 due to harsh winter conditions and adverse fluctuations in the export figures. In the second quarter of the year, however, the US economy resumed a growth trend with improving labor market conditions. The growth rate of US economy for 2014 is projected as 2.4%. The growth forecast for 2015 is 3.6%.

The Eurozone, following a decline of 0.7% and 0.5% in 2012 and 2013, respectively,, is expected to grow by just 0.8% in 2014. In 2015, growth is expected to be 1.2%.

Japan is expected to grow by just 0.1% in 2014 following 1.6% growth in 2013. Growth expectations for Japan in 2015 are 0.6%.

With the world's highest growth rate of 7.8% in 2013, China is projected to demonstrate lower growth, at 7.4%, in 2014.

Some economists believe that China's growth rate could even drop to 6.8% in 2015.

3.1%

Growth of world trade volume in 2014

3.3%

Growth of the world economy in 2014

The Fed's monetary policies will continue to be on the agenda in 2015.

Monetary policy terms have remained mostly consistent compared to 2013; countries continue to apply appropriate policies in line with their respective positions. In the Eurozone, the European Central Bank continues to take necessary measures to cope with low inflation, including cutting policy interest rates to improve liquidity. While an expansionary monetary policy continues in the US, the US Federal Reserve put an end to its asset purchases at the end of October. It is possible, however, that America's interest rates will remain at 0.25% for six months, with an interest rate hike beginning in the second quarter of 2015. Policy rates in developing countries such as Chile, Mexico and Peru were reduced after an unexpected increase. The tight monetary policy implemented in Turkey was loosened, while policy rates in Brazil, Colombia and Russia were increased.

The trade volume in world goods and services increased by 3.4% in 2013. Growth in world trade volume is expected reach 3.1% and 3.8% in 2014 and 2015, respectively. The export volume of developed countries, which rose by 2.0% in 2013, is expected to increase by 3.0% in 2014 and 3.7% in 2015. Growth rates for emerging economies and developing countries, which was 5.5% in 2013, are expected to be 3.6% and 3.2% in 2014 and 2015, respectively.

Consumer prices in developed countries increased by 1.4% in 2013. In emerging market economies, consumer prices rose 5.9% in 2013. Forecasts in 2014 and 2015 for developed countries are 1.4% and 1.0% and for developing countries 5.4% and 5.7%, respectively.

The unemployment rate in developed countries, at 7.9% in 2013, is expected to drop to 7.3% in 2014 and to 7.1% in 2015. Unemployment rates in the Eurozone are considerably higher. At 11.9% in 2013, rates are expected to improve slightly, to 11.6% in 2014 and to 11.2% in 2015. In 2013, the Eurozone countries with the highest unemployment rates were Greece with 27.3% and Spain with 26.1%. In 2015, these rates are expected to be around 23%.

While an expansionary monetary policy continues in the US, the US Federal Reserve put an end to its asset purchases at the end of October.

GLOBAL AND
TURKISH
ECONOMY
IN 2014

ACCORDING TO AN IMF REPORT DATED JANUARY 2015, THE WORLD ECONOMY GREW 3.4% AND 3.3% IN 2012 AND 2013 RESPECTIVELY; AND IT IS EXPECTED TO GROW 3.3% IN 2014 AND 3.5% IN 2015.

The unemployment rate in developed countries, at 7.9% in 2013, is expected to drop to 7.3% in 2014 and to 7.1% in 2015.

TABLE - 1 MAIN INDICATORS OF THE WORLD ECONOMY (% CHANGE)

	2013	2014 (Estimated)	2015 (Estimated)
Growth Rate			
World	3.3	3.3	3.5
Developed Countries	1.3	1.8	2.4
Emerging Market Economies and Developing Countries	4.7	4.4	4.3
World Trading Volume			
Volume	3.4	3.1	3.8
Import - Developed Countries	2.0	3.0	3.7
Import - Emerging Market Economies and Developing Countries	5.5	3.6	3.2
Consumer Prices			
Developed Countries	1.4	1.4	1.0
Emerging Market Economies and Developing Countries	5.9	5.4	5.7
Unemployment (World)	7.9	7.3	7.1

Source: January report of IMF (Unemployment numbers: October 2014 report).

IN TURKEY, DECELERATED ECONOMIC ACTIVITY RESULTED FROM CONTRACTIONS IN THE AGRICULTURAL SECTOR DUE TO ADVERSE WEATHER CONDITIONS, THE SLOWDOWN IN CONSUMER SPENDING AND WEAKENED INVESTMENT SPENDING.

DEVELOPMENTS IN THE TURKISH
ECONOMY AND EXPECTATIONS

The Turkish economy is expected to end the year with a growth rate close to 3%. After showing 2.2% growth in 2012, the Turkish economy grew 4.1% in 2012. The growth rates were 3.1%, 4.5%, 4.5% and 4.2% in the first, second, third and last quarters of 2013, respectively. GDP at constant prices increased by 4.8% in the first quarter of 2014 compared to the same quarter of the previous year. In the second quarter, however, GDP registered an increase of just 2.2%, mainly due to the decline in agricultural production due to drought, the slowdown in the manufacturing industry, the deceleration of the construction industry and the decrease in retail and wholesale trade. The third quarter saw an increase of just 1.7%. Thus, between January and September of 2014, the Turkish economy grew by 2.8%. As per the 2015-2017 Medium-Term Program (MTP), the growth rate is estimated to be 3.3% in 2014 and 4.0% in 2015. In the IMF report dated October 2014, the growth of Turkish economy in 2014 is stated as 4.0%. In the same report, the Turkish economy is expected to grow 3% both in 2014 and 2015.

Using the expenditure approach to calculation, GDP at constant prices, the growth rate of private consumption expenditures, declined 0.5% in 2012 and grew 5.1% in 2013, before dropping 1.3% in the first nine months of 2014. Public consumption increased by 6.1% in 2012, close to 2013 levels of 6.2%. In 2014, public consumption increased 9.2%, 2.6% and 6.6% in the first, second and third quarters, respectively, corresponding to a 6.0% increase in the first nine months of 2014. The MTP figures indicate 2.2% growth in public consumption and 4.0% growth in private consumption in 2015. Following a 2.7% decline in 2012, fixed capital investments increased 4.2% in 2013. However, in 2014 and in line with the 1.8% decline expected by the MTP, fixed capital investments fell 1.4% in first nine months of 2014, declining 0.2% in the first quarter, 3.5% in the second quarter and 0.4% in the third quarter of the year.

According to the MTP, fixed capital investments are expected to increase by 4.2% in 2015.

As of December 2014, the Consumer Price Index (CPI) increased by 8.17% YoY compared to the same month of the previous year, and rose by 8.85% according to the 12-month average. Expenditures showing the highest increase in the 12-month average CPI were those associated with the food industry, which was affected by weather conditions in 2014. As an energy importing country, Turkey benefited from the decline in oil and energy prices in recent years, which helped to achieve low levels of inflation.

In the period between January and September of 2014, the Turkish economy grew by just 2.8%.

GLOBAL AND
TURKISH
ECONOMY
IN 2014

MEASURES TAKEN BY COUNTRIES WORLDWIDE
HAVE EASED THE EFFECTS OF THE GLOBAL
ECONOMIC CRISIS THAT COMMENCED IN 2008,
AND THE RECOVERY PROCESS HAS STARTED,
BOTH GLOBALLY AND IN TURKEY.

GDP at constant prices increased by 4.8% in the first quarter of 2014 compared to the same quarter of the previous year.

According to the MTP, the annual rate of change in the CPI is expected to be 9.4% in 2014 and 6.3% in 2015.

As a result of the CBT's tight monetary policy and measures aimed at lowering inflation, the annual loan growth rate is expected to be about 15% by the end of 2014 and to stabilize at this level. Meanwhile, inflation is estimated to be in the range of 8.4% to 9.4% . For 2015, inflation is predicted to be in the range of 4.6% to 7.6%. These estimates are based on the assumption that food, oil and commodity prices will continue on a downward trend. In the event of deterioration in medium-term inflation, tightening of liquidity and monetary policies is possible.

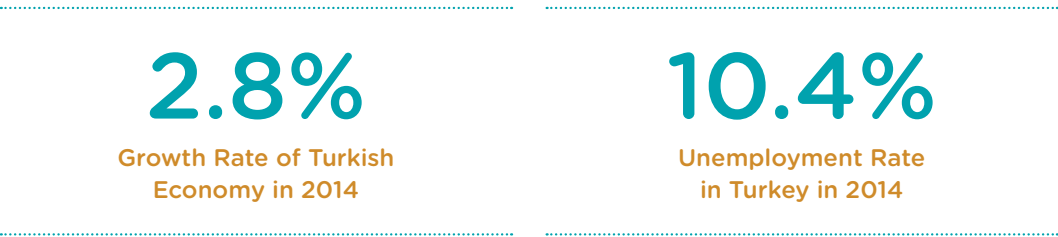
The current account deficit, the greatest vulnerability in the Turkish economy, contracted significantly in 2014.

In 2014, Turkish exports did not reach desired levels due to both lagging performance in the Eurozone economies that are Turkey's most important export markets as well as adverse geopolitical developments in our neighboring countries. However, growth in imports was also limited by falling commodity prices due to weak global demand; this in turn contributed positively to the current account balance. Our exports, which were US\$ 151.8 billion in 2013, were US\$ 144.5 billion in the January-November 2014 period, showing a 4.2% upswing from the same period in 2013. While total imports stood at US\$ 251.7 billion in 2013, the cumulative imports for the period

of January-November 2014 reached US\$ 220.5 billion, indicating a decline of 3.5% compared to cumulative imports in January-November 2013. The exports to imports ratio, standing at 60.3% in 2013, increased to 65.5% in the January-November 2014 period. According to the MTP, the exports to imports ratio is projected to amount to 65.8% in 2014 and 67.1% in 2015.

According to the latest figures announced by the Central Bank, the current account deficit decreased by US\$ 17.9 billion to US\$ 38.7 billion in the January-November 2014 period compared to the same period in the previous year. This decline was primarily caused by the reduction of the trade deficit in the balance of payments account, the increase in net service revenues and the decline in the primary income deficit. In the Medium Term Program, the current account deficit is estimated to be US\$ 46 billion by the end of 2014; it is expected to remain at the same level in 2015.

According to the CBT's January-November 2014 Balance of Payments report, net assets from direct investments were US\$ 6.6 billion and net liabilities were US\$ 10.9 billion. With regard to portfolio investments, foreign investors carried out net purchases of US\$ 2.5 billion in the stock market in the January-November period. Through Eurobond issues, banks raised US\$ 10.2 billion and the real sector generated US\$ 3.1 billion in funding in the first 11 months of the year. The general government generated US\$ 4.2 billion from foreign markets in this 11-month



period. The banking sector had a net disbursement of US\$ 5.8 billion in long-term loans and US\$ 5.3 billion in short-term loans.

According to the latest data released by the Turkish Statistical Institute (TurkStat) as of October 2014, the unemployment rate in Turkey, which was 9.2% in 2012 and 9.7% in 2013, is estimated at 10.4%. The Medium Term Program forecast for the same data is 9.6% in 2014 and 9.5% in 2015. The unemployment rate is estimated to be 9.9% and 9.5% for the years 2014 and 2015, respectively, in the IMF's October 2014 report.

In 2015, the growth of Turkish economy is expected to gain momentum.

In summary, it can be said that the effects on the world economy, resulting from the global economic crisis that began in 2008, have eased through the measures taken by countries around the globe in subsequent years, and that the recovery process has started both in the world and in Turkey. However, the presence of risks should not be ignored. Problems such as shrinking food supplies - resulting from adverse weather conditions generated by climate change - along with persistent unemployment around the globe, lack of demand, and geopolitical tensions particularly in Russia-Ukraine and the Middle East, have been holding back the world's economies, including Turkey, from reaching high growth rates. In fact, in both the IMF's October 2014 report and in the Medium-Term Program (2015-2017) of Turkey, 2015 growth expectations for the world economy were downgraded to 3.8% to 4.0% and for the Turkish economy, a change from similar but previously-announced reports.

TABLE 2 - KEY INDICATORS FOR THE TURKISH ECONOMY

	2013	2014 ¹	2015 ²
Growth Rate	4.1	2.8	4.0
Foreign Trade (Export/Import)	60.3	65.5 ^(*)	67.1
Consumer Prices Change	7.4	8.85	6.3
Unemployment Rate	9.7	10.4 ^(**)	9.5

Notes: ⁽¹⁾ Estimated. ⁽²⁾ Program.
^(*) Period of January-November 2014.
^(**) September 2014
Sources: Ministry of Development, Medium Term Program (2015-2017), TÜİK.

GLOBAL AND TURKISH ECONOMY IN 2014

IN 2014, THE TURKISH BANKING SECTOR INCREASED ITS TOTAL ASSETS TO TL 1,994 BILLION WHILE MAINTAINING STABLE GROWTH.

The banking sector's capital adequacy ratio, which stood at 15.3% at end-2013, rose to 16.3% by December 2014.

BANKING SECTOR

Although new regulations issued by the Banking Regulation and Supervision Agency (BRSA) resulted in a slowdown in loan volume, the banking sector continued to grow steadily.

The Turkish banking sector continued stable growth in 2014 and expanded its total assets by 15.1% YoY to TL 1,994 billion by end-2014. Moreover, the sector increased its total number of employees and total number of branches.

In 2014, while moderate domestic demand put pressure on loan volume growth, the measures taken by the BRSA also led to a slower increase, especially in retail loans. In addition, the decision in January by the Central Bank of Turkey (CBT) to increase interest rates drove a rise in sector funding costs in the year's first quarter. However, the subsequent period's interest rate cuts signaled the return of a downward trend in sector funding costs.

Continuing to diversify its funding sources, the banking sector maintained its solid structure.

In 2014, the sector's main funding sources continued to be deposits, funds provided from abroad and repo transactions. Security issuances remained one of the most important instruments supporting banks' balance sheets; the balance of the securities issued by the sector increased 47.4% YoY to TL 89 billion by end-2014. While international markets saw significant fluctuations throughout the year, the sector has not experienced problems in obtaining funds from abroad.

The banking sector's capital adequacy ratio (CAR) further strengthened in 2014. At 15.3% by the end of 2013, the CAR rose to 16.3% as of December 2014. Despite slower growth, increases in the non-performing loan (NPL) ratio were limited, rising to 2.8% as of December 2014, up from 2.7% at end-2013.

THE DEVELOPMENT BANK OF TURKEY IN THE SECTOR



THE DEVELOPMENT BANK OF TURKEY'S TOTAL LOANS TO TOTAL ASSETS RATIO CONTINUED TO EXCEED SECTOR AND GROUP AVERAGES, STANDING AT 80.3% BY END-2014.

By the end of 2014, the total asset size of the Turkish banking sector had risen 15.1% over the previous year, to TL 1,994 billion (US\$ 862.4 billion). Asset growth in the development and investment banks subgroup was above that of the banking sector, rising by 31.4% YoY due to elevated demand for investment loans between 2011 and 2013, the period following the global crisis. In 2014, even as asset growth in this subgroup lost momentum due to contraction in domestic demand, at 20.6%, it still exceeded the sector growth rate. In 2014, the increase in the dollar exchange rate was above the growth rate of Turkish lira-denominated assets of the Development Bank of Turkey; the Bank's US dollar-denominated asset size was below its 2013 level, standing at US\$ 1.69 billion. The Development Bank of Turkey notched up an average of 27.2% growth. With this result, the Bank demonstrated a better performance than the sector (19.2% growth) and the subgroup of development and investment banks (25.9% growth) on the basis of growth in total assets.

The ratio of liquid assets in the banking industry's asset composition increased rapidly in 2010, reaching 31%, due to the effects of the global crisis; the ratio of liquid assets then began to decline as the impacts of the crisis eased and as banks demonstrated an increased preference for loans in their asset placement selection. The ratio fell to as low as 17.3% in 2014. The loans/total assets ratio, which is an indicator of a bank's liquidity, has continued to rise in recent years. The loans/total assets ratio in the banking industry increased to 62.2% by the end of 2014 (2010: 52.2%) and 68.3% in the subgroup of development and investment banks (2010: 51.7%). Meanwhile, at the Development Bank of Turkey, the loans/total assets ratio was 80.3% at end-2014, well in excess of the sector average ratio and the average ratio in the subgroup of development and investment banks.

Having strongly increased its loan supply activities in recent years, the Development Bank of Turkey performs funding predominantly through foreign borrowing. In parallel with the rapid increase of foreign borrowing in its resource composition, the ratio of foreign resources to the Bank's total liabilities rose from 67.8% in 2010 to 83.6% in 2014. As the Bank's shareholders' equity/liabilities ratio declined as a result of the developments in its liabilities composition as described above, the Bank's leverage and financing ratios showed a considerable upturn.

The Bank's average asset growth rate for the last five years was realized as 27.2%, higher than the sector average (19.2%) and the subgroup average (25.9%).

THE DEVELOPMENT BANK OF TURKEY IN THE SECTOR

IN 2014, THE NET PROFIT OF THE BANKING SECTOR TOTALED AS TL 24.7 BILLION.

The net profit of the Development Bank of Turkey increased by 28.1% compared to previous year, rising to TL 46.9 million in 2014.

In 2014, the banking sector's net profit of approximately TL 24.7 billion was consistent with the previous year. Despite increases in net interest income and foreign exchange gains in 2014, the sector's non-interest expenses rose, mainly due to losses made in capital market transactions, thus eliminating the positive impact of interest-foreign exchange net income and reducing the sector's net profit.

For the subgroup of development and investment banks, the rate of return on assets rose to 2.0% in 2014 from 1.9% in 2013, mainly due to higher net profits. However, both increasing asset size and decreasing net profit resulted in a drop in the rate of return on assets, from 1.6% to 1.3% over the same period. In line with the development and investment banks subgroup, the Development Bank of Turkey increased its return on assets to 1.2% in 2014, up from 1.0% in 2013. The Bank's net profit increased by 28.1% YoY and amounted to TL 46.9 million by end-2014. The boost in net profit was mainly due to a rise of 10.3% (TL 11.5 million) in the interest margin and positive foreign exchange margin, which was negative in 2013.

In 2014, the banking sector's credit growth slowed due to contracting domestic demand arising from tightened monetary policies applied by the CBT from the beginning of the year; BRSA regulations leading to slower loan growth; and, in particular, tax increases that affected private consumption. The sector's credit growth, which was 31.8% in 2013, dropped to 18.5% in 2014.

After the conclusion of the asset purchase program, the Fed is expected to raise short-term interest rates in 2015; accordingly, a tightened monetary policy is anticipated in the US. However, to resolve the Eurozone's economic recession and revitalize that region's economy, the European Central Bank (ECB) announced a quantitative easing program to be implemented from March 2015 to the end of 2016. The program will be comprised mainly of government bonds purchases. Accordingly, the ECB will make a total of € 1.1 trillion in asset purchases comprised of € 60 billion monthly purchases, with the majority of assets being government bonds. The ECB will apply an expansionary monetary policy in 2015; thus, a potential contraction in global liquidity caused by the Fed's tightening policies could be offset by the ECB's expansionary policies in 2015.

The considerable drop in crude oil prices in the second half of 2014 reduced producer and consumer inflation rates by the end of the year through lower energy costs. This decline in energy prices is not expected to continue in 2015; rather, a slight increase is anticipated. However, since the domestic demand outlook in 2015 is more optimistic than the previous year's, a slight rise is expected in lending activities.

POSITION IN THE SECTOR

[illegible]



REVIEW OF OPERATIONS IN 2014 AND TARGETS FOR 2015

IN 2014, THE DEVELOPMENT BANK OF TURKEY INCREASED FUNDING SUPPORT TO PRIVATE SECTOR INVESTMENTS BY 14%; WITH THE BANK'S TOTAL LOAN VOLUME RISING TO TL 3,145 MILLION.

As a bank providing products and services that are customer-oriented and compatible with market needs, and as an institution that values development and change, the Development Bank of Turkey has 40 years of long-term resource-based development banking experience.

The asset size of the Development Bank of Turkey reached TL 3,915 million, up 10% in 2014.

The Bank increased its loan volume by 14% YoY to TL 3,145 million in 2014 from TL 2,759 million at the end of 2013.

The share of loans in the Development Bank of Turkey's total assets stood at 80.3% by end-2014 compared to 77.6% as of December 2013, due to higher growth in loans rather than in assets.

In 2014, the long-term funds obtained from international financial institutions, which are the main source of the Bank's loan portfolio, totaled TL 3,164 million, up 20% increase. The amount of new resources provided from international financial institutions in the last two years reached US\$ 1 billion.

The net profit of the Development Bank of Turkey grew 28.1% YoY and amounted to TL 46.9 million by December 2014. The Bank's return on assets and return on equity ratios, which were 1.0% and 6.1%, respectively, at the end of 2013, increased to 1.2% and 7.3%, respectively, by the end of 2014.

2014 in figures...

- Providing support to private sector investments that are of utmost importance to the Turkish economy's development goals and sustainable growth, the loan volume of the Development Bank of Turkey expanded to TL 3,145 million.
- Following a loan policy based on a project evaluation method, and as one of the most prominent banks in project financing, loan applications submitted to the Development Bank of Turkey amounted to TL 2,126 million in 2014.
- In 2014, the Development Bank of Turkey allocated TL 1,631 million in loans, signed loan agreements amounting to TL 1,081 million, and completed new disbursements amounting to TL 676 million.
- Helping to increase energy generation capacity by supporting renewable energy and energy efficiency with a growing emphasis on energy efficiency projects since 2005, the total number of renewable energy and energy efficiency projects financed by the Development Bank of Turkey rose to 79 by end-2014.



2,126

TL million

Loan applications submitted to the Development Bank of Turkey amounted to TL 2,126 million in 2014.

Playing an effective role in the development of the country's economy since its establishment, the Development Bank of Turkey continues to offer long-term funding provided internationally to Turkish investors. As a result, the Bank continuously improves its effectiveness and competency in accessing international funding, in project evaluation and project financing, in grant programs, and also in international technical cooperation.

APEX BANKING

The Development Bank of Turkey has developed apex banking as an active line of business.

As part of its wholesale banking activities, the Development Bank of Turkey provided over 800 SMEs with financing and generated additional employment opportunities to more than 6,300 people through intermediary banks and leasing companies.

Under the loan agreement signed on December 19, 2013 between the Council of Europe Development Bank (CEB) and the Development Bank of Turkey, the Bank

obtained € 80 million for disbursement through financial leasing companies to SMEs operating in Turkey. By end-2014, € 31.5 million of such funds was disbursed under loan agreements signed with the leasing companies at the end of May 2014. Along with the remaining funds, the Bank aims to continue its strong support to SMEs with new funds obtained from new sources.

Standing by and supporting SMEs to the present day, the Development Bank of Turkey will continue to support investors in the industry, tourism, health, education, information technology, renewable energy and energy efficiency sectors by securing new funding sources.

Solid support to investments through funds obtained from abroad...

Information regarding funds obtained from international financial institutions in 2014 is given below:

WORLD BANK (WB)

World Bank Additional Finance: In line to the agreement signed by and between the World Bank and the Development Bank of Turkey on December 5, 2011 under the guarantee of the Undersecretariat of Treasury for the financing of renewable energy and energy efficiency projects, the Bank received resources with a US\$ 8.97 million and € 8.91 million limit and disbursed all these resources to companies.

As part of its wholesale banking applications, the Development Bank of Turkey provided over 800 SMEs with financing and generated additional employment opportunities for more than 6,300 people through intermediary banks and leasing companies.

REVIEW OF
OPERATIONS
IN 2014 AND
TARGETS
FOR 2015

THE DEVELOPMENT BANK OF TURKEY CONTINUES TO MAKE EFFORTS TO PROVIDE NEW RESOURCES FROM THE INTERNATIONAL FINANCIAL INSTITUTIONS WITH WHICH IT HAS ONGOING RELATIONSHIPS, AS WELL AS TO ESTABLISH NEW RELATIONS WITH ADDITIONAL FINANCIAL INSTITUTIONS.

The Bank signed a loan agreement amounting to € 100 million with the European Investment Bank (EIB) on December 9, 2014 to finance renewable energy and energy efficiency investments, along with investments to improve the environmental performances of industrial processes.

The World Bank Clean Technology Fund: A total of US\$ 30 million was provided on June 9, 2009. The remaining US\$ 979,000 from the fund was withdrawn and granted to investors in 2014.

EUROPEAN INVESTMENT BANK (EIB)
EIB Sustainable Tourism and Energy Project Financing: The Development Bank of Turkey and EIB signed a € 100 million loan agreement on April 25, 2013 for the financing of tourism sector investments, renovation and energy efficiency projects. Under the agreement, € 50 million was disbursed as of year-end 2014.

EIB Development SME Investment-Business Loans: With an agreement signed with EIB under the guarantee of the Republic of Turkey Undersecretariat of Treasury on December 3, 2013, funds amounting to € 150 million were secured to finance investments in SMEs. In 2014, € 29 million of such funds were disbursed.

EIB Renewable Energy and Environmental Investments Financing: On December 9, 2014, the Bank signed a loan agreement amounting to € 100 million with EIB under the guarantee of the Undersecretariat of Treasury for the financing of renewable energy and energy efficiency investments, along with investments to improve the environmental performances of industrial processes.

Islamic Development Bank (IDB)
IDB Renewable Energy and Energy Efficiency Investments Financing: On December 30, 2013, the Development

Bank of Turkey and the Undersecretariat of Treasury signed a loan agreement with respect to the use of resources, provided by IDB, in the financing of renewable energy and energy investments in Turkey. With this long-term resource amounting to US\$ 220 million, the Bank will support renewable energy and energy efficiency investments which aim to eliminate negative impacts on the environment, prevent climate change and reduce greenhouse gas emissions. Under the agreement, US\$ 75 million of funds was disbursed in 2014. The allocation of funds to related companies continues.

JAPAN BANK FOR INTERNATIONAL COOPERATION (JBIC)
Japan Bank for International Cooperation (JBIC) I: For the financing of renewable energy and energy efficiency projects, and under the guarantee of the Undersecretariat of the Treasury, the Development Bank of Turkey signed a US\$ 100 million loan agreement with JBIC on March 26, 2013. In 2014, US\$ 34 million of these funds was extended to companies.

German Development Bank (KfW)
KfW Infrastructure Investments Financing: Regarding the loan agreement signed between KfW and the Undersecretariat of the Treasury for the financing of infrastructure investments as part of municipal activities, the Development Bank of Turkey signed an agreement with the Undersecretariat of the Treasury on August 15, 2014 for the granting of said resources.



EUR **23** million
The Development Bank of Turkey signed a loan agreement on August 15, 2014 amounting to € 23 million, provided by the German Development Bank.

RELATIONSHIPS WITH FINANCIAL INSTITUTIONS
The Development Bank of Turkey places utmost importance on its relationships with international financial institutions. The Bank continues to work in cooperation with international financial institutions to extend new resources, and to establish new relationships with additional financial institutions.

Taking global economic conditions into consideration, and in close cooperation with the Undersecretariat of Treasury, the Bank continues its efforts to secure long-term and low-cost sources as well as to ensure the diversity of those sources. To this end, negotiations with international financial institutions are ongoing, to provide resources for renewable energy, energy efficiency and financing SME investments, and to conduct correspondent banking operations.

PROJECT DEVELOPMENT ACTIVITIES
The Development Bank of Turkey's project development objectives are formulated in line with Turkey's 2023 vision and aim to serve this vision.
The Bank's policy to support and develop regional venture capital initiatives is in compliance with the Medium Term Plan (MTP)'s target to expand and improve the business and investment environment at the regional level.

In 2014, as part of "The Development Bank of Turkey Clustering Support Project," various financing models were studied with respective ministries. The Project aims to provide funding for the investments of SME members of potential clusters that contribute to the cluster value chain. To determine SMEs' investment financing needs, Company Summary Information and Evaluation Forms and questionnaires were prepared for clusters' management and member SMEs. A report on these studies' results is to be submitted to international financial institutions.

Studies regarding the "The Development Bank of Turkey Draft Project on SME Financing within the Scope of Urban Transformation" were prepared for submission to international financial institutions.

Thanks to strong relationships established with international financial institutions and close co-operation with the Undersecretariat of Treasury, the Development Bank of Turkey creates resources in areas of critical importance for the economy, such as renewable energy, energy efficiency and financing SME investments.

REVIEW OF
OPERATIONS
IN 2014 AND
TARGETS
FOR 2015

THE DEVELOPMENT BANK OF TURKEY CLOSELY
MONITORS DEVELOPMENTS IN DOMESTIC AND
INTERNATIONAL MONEY AND CAPITAL MARKETS
IN THE GENERAL ECONOMIC ENVIRONMENT.

Studies regarding “The Development Bank of Turkey Draft Project on SME Financing within the Scope of Urban Transformation” were prepared for submission to international financial institutions.

The Development Bank of Turkey explored its contribution and cooperation potential to the “Technological Products Investment Support Program” administered by the Republic of Turkey Ministry of Science, Industry and Technology. Possible technical cooperation alternatives were identified between the Ministry and the Bank.

The Development Bank of Turkey has been participating in the preparatory work for the G20 global economic cooperation platform; Turkey will undertake the presidency of the G20 in 2015. The study, “Analysis and Recommendations on the Current Situation of Investment and Infrastructure,” covering the Bank’s know-how and insight regarding Turkey’s G20 Presidency, was submitted to the Steering Committee of the G-20 Presidency. The Bank continues ongoing studies.

As required by the East Marmara Development Agency, the Bank conducted a survey to determine financing needs around the transfer of the firms operating in the leather industry to the soon-to-be-established Gerede Organized Industrial Zone Specialized in Leather. A financing model will be determined in line with the survey’s findings.

The Development Bank of Turkey participated in studies concerning the “Current Situation, Regulation and Strategy Papers, Support and Incentives in Our Country in Energy Efficiency,” organized by the Directorate General for Productivity of the Ministry of Science, Industry and Technology within the framework of the “Transformation of the Electric Motors in the Industry” program and the “Tenth Development Plan-Industrial Energy Efficiency Action Plan.”

TREASURY AND CAPITAL MARKET
TRANSACTIONS

Effective Interest, Foreign Exchange and
Liquidity Risk Management

The Development Bank of Turkey closely monitors developments in both domestic and international money and capital markets in the general economic environment. The Bank manages its Turkish lira and foreign currency assets through risk-return calculations and effective interest rate, foreign exchange and liquidity risk management.

Management of TL Assets

The Bank’s TL assets, which comprise a significant share of the assets managed by the Treasury Department, are kept in Turkish Lira securities, Eurobonds and, primarily, in bank placements.



The amount and distribution of the assets managed by the Treasury Department is given in the table below. As of December 31, 2014, the share of TL placements was 49.2%, the share of the Bank’s securities portfolio was 8.5% and the share of foreign currency assets (FX placements + securities) was 41.8%. Total TL assets

decreased by 5.2% YoY in 2014, mainly because borrowing conducted through open market operations (OMO) in 2013 was not repeated in 2014. A communiqué issued by the Central Bank revoked the OMO borrowing opportunity of those banks not subject to reserve requirements.

As of December 31 2014, the Bank’s share of TL placements total assets was 49.2%, the share of securities portfolio was 8.5% and the share of the Bank’s foreign currency assets (FX Placement + Securities) was 41.8%.

TOTAL ASSETS (TL MILLION)	31.12.2013	31.12.2014
MONEY MARKET PLACEMENTS IN FX	126.2	243.3
FX SECURITIES	2.4	26.7
MONEY MARKET PLACEMENTS IN TL	310.8	318.2
TL SECURITIES	239	54.8
INVESTMENT FUNDS	3.2	3.5
TOTAL	681.6	646.5

DISTRIBUTION OF TOTAL ASSETS (%)	31.12.2013	31.12.2014
MONEY MARKET PLACEMENTS IN FX/TOTAL ASSETS	18.5	37.6
FX SECURITIES/TOTAL ASSETS	0.4	4.2
MONEY MARKET PLACEMENT IN TL/TOTAL ASSETS	45.6	49.2
TL SECURITIES/TOTAL ASSETS	35.0	8.5
INVESTMENT FUNDS PORTFOLIO/TOTAL ASSETS	0.5	0.5
TOTAL	100	100

REVIEW OF
OPERATIONS
IN 2014 AND
TARGETS
FOR 2015

IN 2014, THE DEVELOPMENT BANK OF TURKEY
CONTINUED TO PROVIDE CUSTOMERS WITH REPO,
REVERSE REPO, MUTUAL FUNDS, AND TREASURY
BILLS AND GOVERNMENT BONDS BROKERAGE
SERVICES.

The TL equivalent of the Bank's Eurobond portfolio was about TL 2 million in 2013, rising in 2014 to approximately TL 26 million.

The Bank's total TL placements were TL 310.8 million in 2013, and increased to TL 318.2 million by end-2014. The share of TL placements in the Bank's securities portfolio rose from 45.6% in 2013 to 49.2% in 2014; this situation came about because of the decrease in liquid assets due to the aforementioned factors. The Central Bank's tight monetary policy, applied since January, and the negative slope of the yield curve were influential in shaping this preference. While TL placements were increased, the overall securities portfolio was reduced.

The securities portfolio, which was TL 239 million in 2013, declined to TL 54.8 million by the end of 2014. The drop was due both to the Bank's portfolio preferences, and the CBT's restriction on the Bank's OMO borrowing in 2014, which limited the Bank's funding opportunities.

Management of FX Assets

The Turkish lira equivalent of the Development Bank of Turkey's FX assets (FX Placement + Securities) was TL 128.6 million in 2013, which climbed to TL 270 million in 2014. With this increase, the share of FX assets in the current portfolio rose to 41.8%; foreign currency inflows from loans provided from various sources (IDB, EIB, JBIC, among others) accounted for that growth.

The weight of Eurobonds in FX assets increased in 2014 compared to the previous year. The TL equivalent of the Bank's Eurobond portfolio was about TL 2 million in 2013. In 2014, this amount increased to approximately TL 26 million. A portion of the FX assets was kept in the Eurobond portfolio while the remaining assets were put in overnight and monthly FX placements.

Management of Mutual Funds

In 2014, the Development Bank of Turkey continued to provide customers with repo, reverse repo, mutual funds, and treasury bills and government bonds brokerage services. The procedures of the Bank before the Central Registry Agency were completed. The Bank obtained Portfolio Management Fee income amounting to TL 859,000 in 2014. As of December 31, 2014, the Bank's type-A variable mutual fund and type-B variable mutual fund yielded 10.3% and 6.3% annual returns, respectively.

The Bank's 2015 Targets

With the purpose of ensuring economic, technological and socio-cultural development in a country and helping it reach a higher level of prosperity in line with the priorities of the public authorities, national development banks are financial institutions that undertake the necessary planning, carry out the related practices and provide the mid- and long-term financing required to achieve this purpose.

TL 318.2 million

The Bank's total TL placements were TL 310.8 million in 2013, and increased to TL 318.2 million by end-2014.

TL 270 million

The TL equivalent of the Development Bank of Turkey's FX assets was TL 128.6 million in 2013, and rose to TL 270 million in 2014.

As well as providing support to projects that are of strategic importance to the country, the Bank also takes a role in evaluating and managing investment projects and carries out the necessary technical support for the creation of institutional capacities. As a state-owned development and investment bank, the Development Bank of Turkey continues to operate in this context.

The main objective of the Tenth Development Plan (2014-2018) is to develop Turkey into an advanced economy in the international value chain hierarchy, address poverty and improve income distribution. Aims to achieve these basic objectives include accelerating industrialization and capital accumulation, raising production efficiency, reducing the economy's dependence on imports and transforming the structure of production by elevating the economy's capacity for innovation. The Medium Term Program (2015-2017) is designed to ensure that the Turkish economy can deliver the development necessary to achieve 2023 targets on a more competitive and innovative platform. The MTP's main objective is to strengthen macroeconomic and financial stability through increasing growth performance while reducing the current account deficit, and achieving inflation targets.

In the coming period, the Development Bank of Turkey will continue to support private sector manufacturing investments in accordance with the objectives of the Tenth Development Plan and the Medium Term Program; it will also contribute to increasing the share of the manufacturing industry in GDP. Having provided support to renewable energy and energy efficiency projects since 2005, the Bank continues to support such projects while contributing to the goals of reducing the country's energy footprint and promoting green growth.

Also in line with national programs and targets, the Bank will prioritize its efforts to achieve targets in the manufacturing industry and tourism sector with Wholesale Banking activities such as SME clustering, energy efficiency, innovation and R&D investment. The Bank's will work to reduce regional disparities while continuing to be active with regard to clustering support, technical assistance and consulting services, and providing institutional capacity development for companies.

In this context, the Development Bank of Turkey will increase its contribution to the Tenth Development Plan and the Medium Term Program targets in 2015. The Bank will also continue to provide direct financing to the manufacturing industry, tourism sector, and energy and energy efficiency projects, and provide financing to SMEs through Wholesale Banking activities.

The Development Bank of Turkey will increase its contribution to the Tenth Development Plan and the Medium Term Program targets in 2015. The Bank will also continue to provide direct financing to the manufacturing industry, tourism sector, and energy and energy efficiency projects, and provide financing to SMEs through Wholesale Banking activities.



OUR SUBSIDIARIES

THE DEVELOPMENT BANK OF TURKEY PARTICIPATES IN RAISING CAPITAL FOR NEW ENTERPRISES THAT ENCOURAGE ENTREPRENEURSHIP, CONTRIBUTE TO EMPLOYMENT AND REDUCE REGIONAL DISPARITIES. IT PROVIDES SUPPORT TO DISTRESSED COMPANIES THROUGH CAPITAL RAISING. THE BANK ALSO ESTABLISHES AND PARTICIPATES IN PIONEERING PARTNERSHIPS.

The subsidiaries in which the Development Bank of Turkey holds direct control are Tasfiye Halinde Kalkınma Yatırım Menkul Değerler A.Ş. (T.H. KYMD A.Ş.) (in Liquidation) and Arıcak Turizm ve Ticaret A.Ş.

In accordance with its mission to support development and sustainable growth, the Development Bank of Turkey supported regional, sector and technology investments in line with the objectives and policies described in the “Development Plans and 2014 Annual Program” in 2014. The Bank’s policy facilitates participating in raising capital for new enterprises that encourage entrepreneurship, contribute to employment and reduce regional disparities with a “social benefits and social costs” approach. The Bank also provides support to distressed companies through capital raising, and by establishing and participating in pioneering partnerships.

After the purpose of participation is achieved, the Bank offers its shares to the public in order to contribute to the development of capital markets and the expansion of the capital to the public. If this is not possible, the Bank is engaged in selling its shares to entrepreneurs in the form of block sales.

Meanwhile, as in previous years, the Bank continued to sell its shares in its current subsidiaries and deploy its existing preferential rights in the capital increases of these subsidiaries in line with its own benefits until the Bank’s shares are sold.

In accordance with Item 49 of the Banking Law, the subsidiaries in which the Bank holds direct control are Kalkınma Yatırım Menkul Değerler A.Ş. (KYMD A.Ş.) and Arıcak Turizm ve Ticaret A.Ş.

DOMESTIC SUBSIDIARIES OF THE DEVELOPMENT BANK OF TURKEY

NAME OF THE COMPANY	CAPITAL OF THE COMPANY (TL)	PARTICIPATION RATE (%)	TOTAL PARTICIPATION OF THE BANK (TL)
ARICAK A.Ş.	1,250,000	99.71	1,246,400
KALKINMA YATIRIM MENKUL DEĞERLER A.Ş. (IN LIQUIDATION) (*)	5,000,000	100.00	4,999,930
MAKSAN A.Ş.	1,525,200	31.14	474,956
TAKASBANK A.Ş.	600,000,000	0.36	2,179,154
TEŞ. DESTEKLEME AJANSI A.Ş.	30	20.00	6
TÜRK SUUDİ YATIRIM HOLDİNG A.Ş. (IN LIQUIDATION)	5,800,000	100.00	4,999,930
YOZGAT OTELCİLİK A.Ş.	96,000	3.75	3,600

(*) As the Bank’s subsidiary Kalkınma Yatırım Menkul Değerler A.Ş. is undergoing a liquidation process and in accordance with the related provisions of TAS and TFRS, the net investment value of Kalkınma Yatırım Menkul Değerler A.Ş. in liquidation has been classified as financial assets available for sale.

FOREIGN SUBSIDIARIES OF THE DEVELOPMENT BANK OF TURKEY

NAME OF ASSOCIATION	PLACE OF ESTABLISHMENT	PAID IN CAPITAL (EURO)	PARTICIPATION RATE (%)	TOTAL PARTICIPATION OF THE BANK (EURO)
İstanbul Venture Capital Initiative- iVCi	Luxembourg	90,480,000	6.25	5,655,000

Istanbul Venture Capital Initiative - iVCi

The Development Bank of Turkey committed to provide € 10 million in shares for the Istanbul Venture Capital Initiative (iVCi) established in 2007 under the leadership of the European Investment Fund (EIF), which is owned by the European Investment Bank and the European Commission. This initiative, with a total capital of € 160 million, is established in Luxembourg and subject to that country’s legislation. Other partners in the initiative are the European Investment Fund, with € 50 million; the Technology Development Foundation of Turkey, with € 40 million; KOSGEB, with € 50 million; Garanti Bank, with € 5 million; and the National Bank of Greece, with € 5 million.

The initiative possesses an umbrella fund status that provides support to selected Turkish venture capital companies under the condition that the primary beneficiaries are companies in Turkey. The Bank holds

the right to have a representative on the Board of iVCi and an observer member in the investment committee.

The current investment period for iVCi has ended. As of September 2014, in addition to a co-investment decision, the iVCi Investment Committee decided to invest in nine sub-funds amounting to a total of € 156,792,126. The G43 Anatolian Venture Capital Fund, an investment fund for Anatolia created using European Union sources (IPA-Pre-Accession Assistance) by transferring funds through the European Investment Fund, is among the funds invested.

The total size of the funds in the iVCi portfolio exceeded € 1.6 billion; the portfolio comprised of 32 companies in various sectors, including 23 companies in Turkey. These funds’ investment activities, excluding one fund at the liquidation phase, are ongoing.

The total size of the funds in the iVCi portfolio exceeded € 1.6 billion; investments are comprised of 32 companies in various sectors, including 23 companies in Turkey.



INFORMATION TECHNOLOGY

THE DEVELOPMENT BANK OF TURKEY AIMS TO BE AMONG THE SECTOR'S BEST WITH AN ADVANCED IT INFRASTRUCTURE, UTILIZING THE LATEST STATE-OF-THE-ART TECHNOLOGIES.

In 2014, to ensure continuity of services, two data centers were restructured. The impact of possible interruptions has been minimized through coordinating these centers with the Disaster Recovery Center.

In 2014, The Development Bank of Turkey conducted improvement and development activities in its information technology infrastructure to provide maximum efficiency. To this end, two data centers were restructured and the impact of possible interruptions was minimized through coordinating these centers with the Disaster Recovery Center. Taking into consideration issues such as the environment, energy awareness, sustainability and manageability, the transition of the infrastructure to virtualization technology was completed.

New applications were developed in line with business needs that arose throughout the year and the core banking software was aligned with changes in the Banking Law, BRSA legislation and other relevant regulations.

In 2014, the results of independent audit and safety tests were evaluated and identified; and issues that were identified were resolved. These efforts will continue in the coming term based on BRSA legislation and regulations relating to ITIL and COBIT.

Aiming to be among the best of the sector with its IT infrastructure and by using the latest, state-of-the-art technologies, the Bank also aims to increase its process efficiency, competitive strength, and the performance of its workforce by placing importance on legal compliance, data security, business continuity and infrastructure development.

The Development Bank of Turkey will press ahead with its IT and systems infrastructure investments in 2015 in order to ensure that all stakeholders are able to reliably access the right information in the shortest time and in the easiest manner possible.

ENVIRONMENTAL MANAGEMENT ACTIVITIES



THE DEVELOPMENT BANK OF TURKEY AIMS TO REDUCE NEGATIVE ENVIRONMENTAL IMPACTS RESULTING FROM ITS SERVICES, ACTIVITIES AND RESOURCE UTILIZATION, WHILE INCREASING ITS POSITIVE ENVIRONMENTAL EFFORTS.



The Development Bank of Turkey has successfully implemented the Environmental Management System since 2010 and announces its environmental policy to the public via its website.

As a bank that regards environmental awareness as a key element in sustainable development, and finances renewable energy projects; and in line with the responsibility of being the first and only state-owned bank entitled to receive Environmental Management System Certification, the Development Bank of Turkey upheld and expanded environmental awareness in 2014.

In 2014, the Bank's General Management revised the Environmental Management Committee, which is responsible for ensuring the implementation of the Environmental Management System in the Bank.

In 2014, the system's functions were maintained through a Management Review Meeting and eight Committee Meetings.

As a result of the certification renewal audit performed by the Turkish Standards Institution (TSE) on May 13 and 14, 2014, the Environmental Management System Certification of the Development Bank of Turkey was renewed on May 26, 2014. In addition, the Bank performed an in-house audit evaluating the Environmental Management System in November 2014.

Development Memorial Forest

In 2014, periodic maintenance was conducted for the Development Memorial Forest. The Forest, in the district of Etimesgut, Ankara, was created on behalf of the Bank by the Ankara Provincial Directorate of the Environment and Forestry.

Social Responsibility

As per Article 4.2 related to the Social Responsibility requirement in the TSE-EN-ISO 14001 Standard, the Development Bank of Turkey continued its efforts to raise environmental awareness among its stakeholders.

The Bank provided information concerning the environment and environmental sustainability in feasibility training programs offered to development agencies.

The Bank ensured its personnel's participation in training programs, fairs and congresses related to issues such as the environment, energy, energy efficiency and waste technologies. In addition, the TEMA Foundation provided environmental education to pupils in the Bank's kindergarten.

Utilization of Electricity Generated from Renewable Energy Sources

Having adopted the principle of reducing its environmental impact and lowering the quantity of resources used in its services and activities, and to enhance its positive environmental impacts, the Development Bank of Turkey continued to utilize renewable electricity in 2014. This contributes to the efforts to use electricity generated from environmentally friendly and cost-efficient energy sources.

Support Provided to Energy Projects and Carbon Emission Reduction

Between 2004 and 2014, the annual carbon emission reduction achieved through loans granted to the energy sector by the Development Bank of Turkey reached more than 3.5 million tons. This is expected to increase in the coming years.

Supporting renewable energy projects and regarding environmental awareness as a key element in sustainable development, the Development Bank of Turkey is the first and only state-owned bank entitled to receive Environmental Management System Certification.



RESEARCH AND DEVELOPMENT ACTIVITIES

REPORTS AND TRAININGS CONTRIBUTE TO THE EFFECTIVE EXECUTION OF DEVELOPMENT BANKING ACTIVITIES BY THE DEVELOPMENT BANK OF TURKEY.

In addition to transferring resources to eligible projects, the Development Bank of Turkey also evaluates the economic and social contributions of investments to the larger economy.

High Value-added Research and Development Activities

The Development Bank of Turkey performs high value-added research and development activities with a customer-oriented approach, provides direction to development with its know-how and institutional competencies, and reinforces customer satisfaction.

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

In research units staffed exclusively with specialists, research efforts are conducted not only for the benefit of the Bank's own operations but in the areas needed by the Turkish economy as well; all eligible studies are disclosed publicly through an electronic environment.

The Bank's primary research activities in 2014 were clustered in the main categories as follows:

Regional Studies

Conducted for the purpose of formulating the development strategies of a specific geographic region, evaluating strategic sectors and analyzing any possible investment ideas, regional studies were primarily focused on development agencies in 2014. In this context, the Bank prepared the following reports:

- "Ankara Construction Machinery Industry Survey" report for the Ankara Development Agency;
- "Kütahya Potential Investment Areas Survey" report for the Governorship of Kütahya;
- "Feasibility Report on the Fish Feed Facility in Trabzon" and "Feasibility Report on the Kiwi Fruit Processing and Cold Storage Facility in Rize" for the DOKA (EBSDA - Eastern Black Sea Development Agency);
- "Report on the Research of Feasible Investment Areas in the Province of Mersin" for the Çukurova Development Agency;
- "Textile and Technical Textile Center of Excellence Feasibility Study" report for the Uludağ Exporters' Association, and the Bursa Textile and Apparel, Technology, Education, Research, Consulting and Energy Efficiency Services company (BUTEKOM);
- "TR83 Region - Provincial Potential Investment Issues Survey" report for the Middle Black Sea Development Agency (OKA);

IN RESEARCH UNITS STAFFED EXCLUSIVELY WITH SPECIALISTS, RESEARCH EFFORTS ARE CONDUCTED NOT ONLY FOR THE BENEFIT OF THE BANK'S OWN OPERATIONS BUT ALSO IN THE AREAS NEEDED BY THE TURKISH ECONOMY; ALL ELIGIBLE STUDIES ARE DISCLOSED PUBLICLY THROUGH AN ELECTRONIC ENVIRONMENT.

- "TR82 Region - Provincial Potential Investment Issues Survey" report for the North Anatolian Development Agency (KUZKA);
- "Çankırı Municipal Slaughterhouse and Livestock Exchange Market Survey" report for the Municipality of Çankırı.

Training Activities

As required by various institutions and organizations, particularly development agencies, the Bank's personnel provide domestic and overseas technical capacity building and informative training activities. In this context, the Bank conducted the following training activities:

- A total of six "Feasibility Assessment Analysis (Economic Analysis and Valuation)" trainings, comprised of on-site trainings for personnel of the Eastern Mediterranean Development Agency (DOĞAKA), the Eastern Anatolia Development Program (DAP), the Governorship of Niğde and Uludağ Exporters' Association, and the Bursa Textile and Apparel, Technology, Education, Research, Consulting and Energy Efficiency Services company (BUTEKOM), and two trainings on Bank premises for personnel of various development agencies;
- Two on-site "Analysis of Basic Macroeconomic Indicators" trainings to the personnel of the ORAN Development Agency and the İPEKYOLU Development Agency;

- Two on-site "Determination of Regional Potential Investment Areas Reflecting Regional Competitiveness Analysis, Sector Performance Evaluation, Intersector Interaction and Sector Structural Analysis" trainings to personnel of the Middle Black Sea Development Agency (OKA) and the Eastern Mediterranean Development Agency (DOĞAKA);
- "Project Validation & Modeling" training seminar to ADFIMI in Tirana/Albania.

General Studies

These studies are conducted in subjects directly or indirectly related to the Bank's areas of business in order to contribute to the decision-making support processes. In this context, ESAM (Economic and Social Researches Center) prepared the following:

- "Presentations on the Development in Basic Macroeconomic Indicators" (revised once a month); and
- Reports with "Specific Indicators on the Monthly Developments in the Manufacturing Industry," including the manufacturing industry as a whole and its 24 sub-sectors

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, the ones that are not deemed confidential are disclosed to the public and posted on the Bank's website at www.kalkinma.com.tr.

As required by various institutions and organizations, particularly development agencies, the Bank's personnel provide domestic and overseas technical capacity building and informative trainings.



CONSULTANCY AND TECHNICAL ASSISTANCE SERVICES

IN 2014, THE DEVELOPMENT BANK OF TURKEY CONTINUED TO SHARE ITS INDUSTRY KNOW-HOW AND DEVELOPMENT EXPERIENCE VIA ADVISORY AND TECHNICAL ASSISTANCE SERVICES.

The Development Bank of Turkey provides tangible support to the efforts made by enterprises from different sectors during their development and growth.

Supporting the development efforts of our country at sector, regional, national and international levels, and with significant experience in these fields, the Development Bank of Turkey aims to provide solid contributions to improve the potential of businesses and institutions operating in different areas by sharing its considerable expertise with them.

Technical Support Program for Development Agencies

The cooperation launched in 2010 by and between the Development Bank of Turkey and the development agencies has diversified and intensified since then. The Bank supported the development agencies – which are local actors operating at a regional level to improve regional competitive strengths, raise the capacity of regional economies and to support internal growth dynamics – by collaborating with them in corporate capacity training programs, sector research studies and strategy reports, and in feasibility studies. In addition to these support activities, the Bank launched efforts with respect to the development of new financial instruments for entrepreneurs. The Bank is currently working on models with respective parties regarding this issue.

The Development Bank of Turkey provides project feasibility advisory to agency officials at meetings held on the Bank's premises and assistance in creating project road maps.

The Development Bank of Turkey supports with significant contributions the development and growth efforts of companies operating in different sectors. In line with the needs of various organizations and companies, the Bank provides advisory services for developing projects, improving quality and productivity and making investment decisions, along with other issues that arise in the technical, legislative and planning phases of projects.

As part of its cooperation with development agencies, the Bank conducted 12 institutional capacity training programs and 13 different sector-regional research reports and feasibility studies in 2014. A total of 227 agency personnel attended these training programs in 2014. Between 2011 and 2014, a total of 1,341 agency personnel attended institutional capacity training programs conducted by the Bank. During the same period, the Bank conducted 35 different studies, including industry-specific reports for different regions and fields, feasibility reports, investment area surveys and strategy progress reports.

THE BANK CONDUCTED 12 INSTITUTIONAL CAPACITY TRAINING PROGRAMS AND 13 SECTOR-REGIONAL RESEARCH REPORTS AND FEASIBILITY STUDIES IN 2014.

COMCEC Grant Program

Following the signing of the memorandum of understanding between COMCEC and the Development Bank of Turkey, an operational agreement was signed for a grant project. With the project's commencement in 2014, 30 projects from various countries were added to the candidate list.

In April 2014, agreements on 15 projects from various countries were signed. Project funds transferred from the Ministry of Development to the Bank were distributed to relevant personnel in line with time sheets submitted by experts and coordinators involved in related projects. A two-day project implementation training was given to a group of 30 personnel from the project executing agencies. The Development Bank of Turkey was represented at the 30th COMCEC Meeting held in Istanbul. As of December 15, 2014, a total of US\$ 261,645 was distributed for eight active projects. Eight quarterly reports were prepared, three monitoring visits were conducted and two Steering Committee reports were written.

Technical Cooperation with the Development Bank of Ethiopia

In the course of the cooperation that has developed with the efforts of the Turkish Cooperation and Coordination Agency (TIKA), a technical cooperation agreement was signed by and between the Development Bank of Turkey and the Development Bank of Ethiopia. The closing meeting of the project was held in January 2014 in Addis Ababa; studies for the second stage agreement and preparations for the program continued, while the two development bank decided to extend areas of cooperation to cover the Turkish investors in Ethiopia. The related agreement was signed on June 23, 2014.

The Development Bank of Turkey supports development agencies through institutional capacity trainings, feasibility studies, sector-specific research reports and strategy reports.



PROMOTIONAL AND SOCIAL ACTIVITIES

THE DEVELOPMENT BANK OF TURKEY WAS EFFECTIVELY PROMOTED THROUGH ITS PARTICIPATION IN SOCIAL EVENTS THROUGHOUT THE YEAR.

THE BANK ENABLED THE PARTICIPATION OF 3,954 PEOPLE IN VARIOUS CULTURAL AND ARTISTIC ACTIVITIES IN 2014.

The Development Bank of Turkey participated as a panelist at the “ADFIMI Green Finance” training held in Istanbul May 13-15.

Promotional Activities

- Four employees of the Bank participated in the CeBIT 2014 International Information Technologies Fair, held from March 10 to March 14 by HANNOVER MESSE A.G. in Hannover, Germany.
- Seven Bank employees participated in the 20th ICCI International Energy and Environment Fair and Conference, held in Istanbul from April 24 to April 26, 2014.
- The Bank participated as a panelist on “Financing Energy Projects” at the Energy Summit held in Gaziantep, Turkey on February 21, 2014.
- In the “Industry Briefing Meeting” held by the Southern Marmara Tourist Hoteliers Association (GÜMTOB) in Bursa on March 12, 2014, the Bank delivered a presentation on financing modernization, expansion and energy efficiency investments for the hotels of those companies in its loan portfolio operating in the tourism sector, and the disbursement conditions of such funds.
- The Bank participated in the Energy Efficiency Fair held from April 9 to April 11, and the 20th ICCI International Energy and Environment Fair and Conference held from April 24 to April 26, 2014, in Istanbul.

- The Bank participated as a panelist in the “ADFIMI Green Finance” training held in Istanbul from May 13 to May 15.
- The Bank participated in the International Fair for the “Tenth Environmental Recycling Technologies and Waste Management” held from June 12 to June 14, 2014, in Istanbul.
- The Bank participated in the “Biogas Workshop” for Investment Professionals, organized by the Republic of Turkey Ministry of Environment and Urbanization, and the German Federal Ministry for the Environment, Nature Conservation, Building and Nuclear Safety.
- The Bank delivered a presentation for the “Wind Power Plant Fair” held in Istanbul on November 5 and 6, 2014.
- The Bank participated in the “License-Exempt Electricity Generation” seminar at the “7th International Energy Congress Exhibition” held on November 24 and 25, 2014, at the Congresim Ankara (ATO).

Social Responsibility Activities

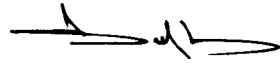
- The Development Bank of Turkey provided school materials for the children of its cleaning, security and support services personnel.
- The Bank’s employees sent books and toys to the Primary School of Damlalı Village, Adana, Tufanbeyli.

Sports, Culture and Arts

- Five Bank personnel participated in the Athletics-Running category in the “12th Corporate Games” held from May 23 to May 25, 2014.
- The Bank’s Turkish Art Music Choir started its activities for 2014-2015.
- The “Turkish Classical Music” choir, created with the participation of Bank employees and music-lovers, performed on June 7, 2014 at the Painting and Sculpture Museum (Operetta Stage) Concert Hall. The Bank’s senior management and 550 guests were present at the concert.
- In 2014, new issues of the Bank’s e-Journal were published.
- The Bank enabled the participation of 3,954 people in various cultural and artistic activities (Concert-Opera-Theatre-Operetta-Concert) in 2014.

DECLARATION OF COMPLIANCE OF THE ANNUAL REPORT

The 2014 Annual Report of the Bank, which was prepared in accordance with the Banking Regulation and Supervision Agency (BRSA)'s "Regulation on the Principles and Procedures Concerning the Preparation of the Annual Report by Banks" and the Capital Markets Board's "Communiqué (II-14.1) on the Financial Reporting Standards in Capital Markets" and examined in the framework of the information we have with respect to our duties and responsibilities in the Bank, does not include any untrue statements or any shortcomings on major issues, and fairly and correctly reflects the Bank's financial position, results of operations, together with the risks and uncertainties it faces.



Ahmet BUÇUKOĞLU
Chairman and General Manager



Prof. Dr. Ahmet KESİK
Chairman of the Audit Committee



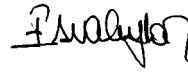
Dr. Zeki ÇİFTÇİ
Vice Chairman of the Audit Committee



Şerif ÇELENK
Member of the Audit Committee



Bahattin SEKKİN
Executive Vice President Responsible
For Financial Reporting



Esra CEYLAN
Budget Manager

ANNUAL ACTIVITY REPORT COMPLIANCE OPINION

Deloitte.

DRT Bağımsız Denetim ve
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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 activity report of Türkiye Kalkınma Bankası A.Ş. prepared as of December 31, 2014 with the audited financial statements as of and for the same period then ended. The Board of Directors of the Bank is responsible for the annual activity report. As independent auditors, our responsibility is to express an opinion on the audited annual activity report based on the compliance of financial information provided in the annual activity report with the financial statements subject to the Bank's audit report dated February 13, 2015.

Our audit was conducted in accordance with the accounting standards, principles and procedures of preparing and issuing annual activity reports as set out by the Banking Act No. 5411 and the Turkish Commercial Code ("TCC") No. 6102, and Auditing Standards described in the Independent Auditing Standards of Turkey issued by the Public Oversight Accounting and Auditing Standards Authority ("KGK") and with the regulations on Article 397 of the Turkish Commercial Code ("TCC") No. 6102. Those standards require that we plan and perform our audit to obtain reasonable assurance whether the annual activity 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 activity report presents fairly, in all material respects, the financial information regarding the financial position of Türkiye Kalkınma Bankası A.Ş. as of December 31, 2014 in accordance with the prevailing accounting principles and standards set out as per Article 40 of the Banking Act No: 5411. The financial information provided in the annual activity 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.

Other Obligations Arising from Legislation

In accordance with Article 402 of the third paragraph of the (TCC); within the framework of the International Standard on Auditing ("ISA") 570 "Going Concern," there is no significant issue to be reported regarding the activities of the Bank that may be continued in the foreseeable future.

Ankara, February 27, 2015

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



Erdem TAŞ, SMMM
Partner, Chief auditor, SMMM



BOARD OF DIRECTORS



Ahmet BUÇUKOĞLU
*Chairman of the Board of Directors and
General Manager*

Born in Kayseri, in 1955. He graduated from Ankara University Faculty of Political Sciences, Department of Economics/Public Finance in 1981. In 1982, Ahmet Buçukoğlu began his career as an Assistant Inspector at the Board of Inspection of T. C. Ziraat Bankası (Agricultural Bank of the Republic of Turkey). He later assumed the following duties consecutively within the structure of T.C. Ziraat Bankası: 1986-1989, Inspector at the Board of Inspection; 1989-1995, Assistant Manager at the Agricultural Credit Department; 1995-1998, Manager at the Intelligence Department; 1998-2003, Manager at Istanbul Aksaray, Osmanbey and Beyazıt Branches; 2003-2006, Head of Region at Istanbul 1st Regional Directorate; and at Kocaeli Regional Directorate, 2006-2007, Branch Manager at Istanbul 3rd Regional Directorate; 2007-2012, Manager at Istanbul Zeytinburnu Branch; 2012-2014, Region Manager at Istanbul 2nd Regional Directorate. As of 27 June 2014, he serves as the Chairman of the Board of Directors and the General Manager at the Development Bank of Turkey. Moreover, he is a Member of the Board of Directors at ADFIAP (Association of Development Financing Institutions in Asia and the Pacific) and at ADFIMI (Association of National Development Finance Institutions in Member Countries of the Islamic Development).



Mustafa Cüneyd DÜZYOL
Deputy Chairman of the Board of Directors

Born in İzmir, in 1964. He graduated from the Middle East Technical University Faculty of Engineering, Department of Civil Engineering in 1988. He received his bachelor's degree in Development Economics, at the University of East Anglia in the UK and a master's degree in Economic Policy at the University of Illinois in the United States. In 1988, Mr. Düzyol began his professional career as a Civil Engineer at the Turkish Standards Institute and assumed duties respectively as a Planning Assistant Specialist, as the Head of Department and as a General Manager between 1989 and 2009 at the DPT (State Planning Organization) Economic Sectors and Coordination General Directorate. He served as the Deputy Undersecretary of the State Planning Organization (DPT) between 2009-2011, and as the Deputy Undersecretary of the T.R Ministry of Development between 2011-2014, and as a Member of the Board of Directors at T.C. Ziraat Portföy A.Ş. between May 2012 -May 2014. As of the 2 December 2014, Mr. Düzyol serves as the Undersecretary of the T.R Ministry of Development. He has been a Member of the Board of Directors since April 29, 2014 and the Deputy Chairman of the Board of Directors at the Bank since July 21, 2014.



Selim YEŞİLBAŞ
*Member of the Board of Directors,
Deputy Chairman of the Corporate
Governance Committee*

Born in Alaca-Çorum, in 1970. He graduated from Ankara University Faculty of Political Sciences, Department of Public Finance in 1993. Between 1998-2000, he received a master's degree in the Policy Economics at the US University of Illinois at Urbana Champaign. In 1994, Mr. Yeşilbaş began his career as a Treasury Assistant Specialist at the Undersecretariat of Treasury Public Finance General Directorate. Between 1995-2004, Mr. Yeşilbaş assumed duties as a Treasury Assistant Specialist, Treasury Specialist and a Branch Manager at the Undersecretariat of Treasury State Economic Enterprises General Directorate. He was the Consultant of Executive Director at World Bank between 2004-2008, and the Head of International Capital Markets Department and the State Economic Enterprises General Manager at the Undersecretariat of Treasury Foreign Economic Relations General Directorate between 2008-2011. Between 2010 April-2014 August, he served as a Member of the Board of Directors at the Turkish Labor Institution. Since November 2011, he has served as the General Director at the Undersecretariat of Treasury State-Owned Enterprises. Additionally, he is a Member of the Board of Directors as of the 29 April 2014 and the Deputy Chairman of the Board of Directors at the Bank as of the 30 April 2014.



Hakan TOKAÇ
*Member of the Board of Directors,
Member of the Compensation Committee*

Born in Ankara in 1972, Mr. Hakan Tokaç graduated from the Faculty of Political Science, Department of Public Finance at Ankara University in 1994 and completed two MA degrees in the fields of finance and accounting from the University of Illinois in the United States in 2002. He began his professional career as a Deputy Police Chief at the General Directorate of Security between 1994-1996. Mr. Tokaç served as an Assistant Specialist at the Undersecretariat of Customs General Directorate and of Customs from 1996 to 1997; as an Assistant Treasury Specialist and Treasury Specialist at the Undersecretariat of Treasury General Directorate of Public Finance from 1997 to 2004; as Budget and Finance Coordinator at the State Planning Organization EU Education and the Youth Programs Centre between 2004 and 2006; and as the Head of Strategy Development Department of the Undersecretariat of Treasury during 2006-2007. Between 2007-2013, he served as Assistant General Manager of Public Finance in the Undersecretariat of Treasury. A member of the Board of Directors since 1 May 2007, he has been serving as General Manager at the Undersecretariat of Treasury Foreign Economic Relations Department since September 2013. Mr. Tokaç is fluent in English.

BOARD OF DIRECTORS



Şerif ÇELENK

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

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



Prof. Dr. Ahmet KESİK

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

Born in Karapınar-Konya in 1965, Prof. Ahmet Kesik graduated from the Faculty of Political Sciences, Department of Economics at Ankara University in 1986 and completed an MA degree from the Western Illinois University in the USA, and a doctorate in the Faculty of Economics, Department of Public Finance at İstanbul University (IU). He served as an Associate Professor in the area of finance at the Inter-university Committee and earned his professorship in the field of Financial Theory at the Faculty of Political Sciences, Department of Finance at Yıldırım Beyazıt University on March 22, 2013. Beginning on his professional career as a Budget Controller at the General Directorate of Budget and Financial Control under the Ministry of Finance in 1987, Mr. Kesik served as the Department Head from 1997 to 2002 and as the Assistant General Manager from 2002 to 2006 in the same unit, and as the Head of the Strategy Development Department at the Ministry of Finance between 2006 and 2013. He served as the Deputy General Manager of the Management Services Department at the Ministry of Development between 2012-2014. Mr. Kesik has been a Board member at the Bank since May 15, 2012.



Zeki ÇİFTÇİ Ph.D.

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

Born in Çelikgörü-Çanakkale in 1961, Zeki Çiftçi graduated from the Department of Electrical and Electronic Engineering at the Middle East Technical University in 1985. He completed his graduate degree in the same department and gained a Ph.D. from the Department of Electronics Computer Education at Gazi University. He began his professional career as a Research Assistant in 1985 in the Department of Electrical and Electronic Engineering at the Middle East Technical University. He joined the Development Bank of Turkey in 1987, Mr. Çiftçi served as an Assistant Specialist, Specialist, Senior Specialist and Manager at the Development Bank of Turkey from 1987 to 2007 and as the Manager and Vice Chairman of the Information Technologies Department in the Grand National Assembly between 2007 and 2012. He has been working as an Assistant General Manager at the Turkish Radio and Television Corporation since 2012 where he was appointed Board Member on 27 May 2013. Çiftçi has been a Board member at the Bank since May 15th, 2012.

Composition and Operation of the Board of Directors of the Development Bank of Turkey and Information on the Number of Meetings and Resolutions in 2014:

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 CEO. The Board of Directors serves for a term of three years. A member may be re-elected after the expiry 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 2014, the Board of Directors convened 24 times and passed 244 resolutions, 11 of which were interim resolutions.

NOTES

* The Memberships of Ahmet Yaman and İrfan Tokgöz ended as of 25 of April 2014, and the Membership of Metin Pehlivan ended as of 27 of June 2014.

* As required by Capital Markets Board communique IV:56, the Bank's Audit Committee members İrfan Tokgöz, Zeki Çiftçi, Ph.D. and Şerif Çelenk have also held seats as independent members of the Bank's Board of Directors since 22 February 2013.

INTERNAL SYSTEMS DEPARTMENTS

Fatih ŞAHİN

Head of Internal Audit

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

Ramazan KOYUNCUGİL

Manager of Internal Control

Born in Seydişehir, Konya in 1961, Mr. 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 Tourism Bank in 1983, Mr. 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 13, 2009 and Manager of Internal Control since March 15, 2011.

Semra PEKKAYA, Ph.D.

Risk Monitoring Manager

Born in Polatlı, Ankara in 1969, Dr. Semra Pekkaya graduated from Ankara University (Faculty of Political Science, Department of Economics) in 1989 and received her master's degree (1997) and doctorate (2005) from Gazi University, Department of Economics. Beginning her career as an assistant specialist at Türkiye Kalkınma Bankası in 1990, she worked in the Bank's Economic and Social Research, Resources and International Relations, and Investments Portfolio units as a Specialist. When the Bank's Risk Monitoring Department was set up in 2001, she became its first Assistant Manager, a position that she held until 2006 when she became manager. Dr. Pekkaya served as Manager of the TKB Treasury unit in 2011-2013. She has been Risk Monitoring Manager since 13 September 2013.

SENIOR MANAGEMENT



Bahattin SEKKİN
Executive Vice
President

Zekai İŞILDAR
Executive Vice
President

Ahmet BUÇUKOĞLU
Chairman of the
Board of Directors and
General Manager

Adnan YALÇINCI
Executive Vice
President

İrfan YAŞAR
Executive Vice
President

SENIOR
MANAGEMENT

Ahmet BUÇUKOĞLU
Chairman of the Board of Directors and General Manager
Born in Kayseri, 1955. He graduated from Ankara University Faculty of Political Sciences, Department of Economics/Public Finance in 1981. In 1982, Ahmet BUÇUKOĞLU began his career as an Assistant Inspector at the Board of Inspection of T. C. Ziraat Bankası (Agricultural Bank of the Republic of Turkey). He later assumed the following duties consecutively within the structure of T.C. Ziraat Bankası; 1986-1989; Inspector at the Board of Inspection, 1989-1995; Assistant Manager at the Agricultural Credit Department, 1995-1998; Manager at the Intelligence Department, 1998-2003; Manager at Istanbul Aksaray, Osmanbey and Beyazıt Branches, 2003-2006; Head of Region at Istanbul 1st Regional Directorate and at Kocaeli Regional Directorate, 2006-2007; Branch Manager at Istanbul 3rd Regional Directorate, 2007-2012; Manager at Istanbul Zeytinburnu Branch, 2012-2014; Region Manager at Istanbul 2nd Regional Directorate. As of 27 June 2014, he serves as the Chairman of the Board of Directors and the General Manager at the Development Bank of Turkey. Moreover, he is a Member of the Board of Directors at ADFIAP (Association of Development Financing Institutions in Asia and the Pacific) and at ADFIMI (Association of National Development Finance Institutions in Member Countries of the Islamic Development).

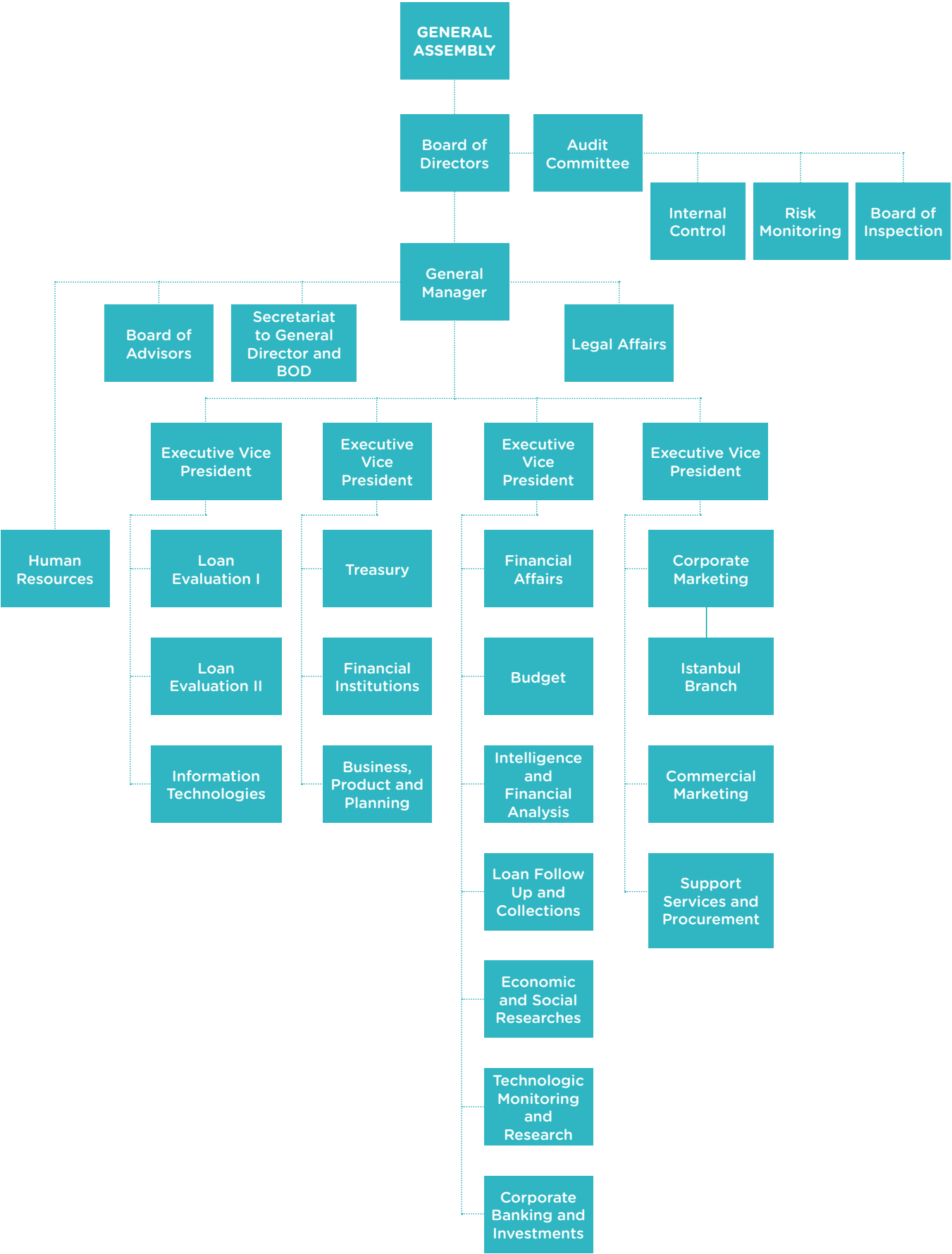
Bahattin SEKKİN
Executive Vice President
Born in Üçkuyu-Afyonkarahisar in 1956, Mr. Bahattin Sekkin graduated from the Faculty of Economics and Administrative Sciences, Department of Business Administration at Middle East Technical University, in 1980. Beginning his professional career as an Assistant Specialist at the Bank in 1981, Mr. Sekkin served as a Specialist between 1985 and 1990, a Senior Specialist in 1990, Assistant Manager between 1990 and 1997, Executive Vice President in 1997, Advisor to the General Manager between 1997 and 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. between 1987 and 1988 and at Keban Holding Sodyum Bikromat A.Ş. in 1988 and as Executive Vice President at Turkish Saudi Investment Holding in 1993. Mr. Sekkin has been serving as an Executive Vice President at the Bank since August 22, 2003. Mr. Bahattin Sekkin is currently in charge of the Financial Affairs, Loan Follow Up, Intelligence, Budget, ESAM (Economic and Social Research), TIAR (Technologic Monitoring and Research), Corporate Banking departments.

Adnan YALÇINCI
Executive Vice President
Born in Ankara in 1965, Mr. Adnan Yalçinci 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, Mr. Yalçinci worked for Türkiye Halk Bankası in 1988 and 1989. He 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/Ankara Branch of Ziraat Bank between 2001 and 2005. Mr. Adnan Yalçinci has been an Executive Vice President at the Bank since October 14, 2005 and served as a member of the Board of Directors from 2008 to 2009. Mr. Yalçinci is currently in charge of the Corporate Marketing, Commercial Marketing, İstanbul Branch, Support Services and Purchasing departments.

Zekai İŞILDAR
Executive Vice President
Born in Pınarbaşı-Kayseri in 1963, Mr. Zekai İşildar 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, Mr. İşildar served as a Specialist, Senior Specialist and Manager. Afterwards, he was appointed Acting Executive Vice President in 2007, and then Executive Vice President on January 30, 2009. Mr. Zekai İşildar has also been serving as a Board Member at various subsidiaries of the Bank. He is currently in charge of the Loan Evaluation I, Loan Evaluation II, Support Services and Procurement and Information Technologies departments.

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

ORGANIZATIONAL CHART



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. 162 dated 15 September 2014.

The Audit Committee was formed in accordance with Board of Directors' decision number 277 and dated 31 October 2006. Prof. Dr. Ahmet Kesik, Şerif Çelenk

and Zeki Çiftçi, Ph.D., who are members of Board of Directors, were selected as the Audit Committee members with decision number 82 and dated 30 April 2014. İrfan Tokgöz was selected as the Chairman of the Audit Committee and Şerif Çelenk was selected as the Vice Chairman of the Audit Committee by the Audit Committee's meeting on 22 May 2014.

The 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 16 times in 2014 and passed 74 decisions to be submitted to the Bank's Board of Directors.

MEMBERS OF THE AUDIT COMMITTEE AND THEIR PRIMARY FUNCTIONS^(*)

NAME	TITLE	PRIMARY FUNCTION
Prof. Dr. Ahmet KESİK	Audit Committee Chairman	Professor at Yıldırım Beyazıt University, Faculty of Political Sciences, Department of Finance
Zeki ÇİFTÇİ, Ph.D.	Audit Committee Vice Chairman	Turkish Radio and Television Corporation, Assistant General Manager
Şerif ÇELENK	Member	Banking Professional

(*) Between May 21, 2008- April 25, 2014; İrfan Tokgöz served as the Chairman of the Audit Committee.

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 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 regulation was revised with the Board of Directors' Decision no.214, dated 25 November 2014.

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, to carry out initiatives to make improvements in this respect and to make recommendations to the Board of Directors. With the Board

of Directors' Decision no.81, dated 30 April 2014; Zeki Çiftçi, Ph.D., who is an independent member of Board of Directors without executive duty, was selected as Corporate Governance Committee Chairman, and Selim Yeşilbaş was selected as the Deputy President of Corporate Governance Committee on 27 May, 2013.

The Corporate Banking and Investment Management act as the secretariat of Corporate Governance Committee and passed two decisions in 2014.

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
Zeki ÇİFTÇİ, Ph.D.	Corporate Governance Committee Chairman	Turkish Radio and Television Corporation, Assistant General Manager
Selim YEŞİLBAŞ	Corporate Governance Committee Vice Chairman	General Manager at the Undersecretariat of Treasury General Directorate of Publicly Owned Institutions
Metin ÇINAR	Member	Development Bank of Turkey, Corporate Banking and Investments Manager

Loans and Participations Committee

The 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 facilitate 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 2014, the Committee met 23 times and passed 135 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
Ahmet BUÇUKOĞLU	Chairman	General Manager
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
		Commercial Loans Marketing Director
		Corporate Marketing Director
		Intelligence and Financial Analysis Director

(*) Metin Pehlivan was the Chairman of the Credit Participation Committee between March 15, 2011-June 27, 2014.

COMMITTEES

Assets and Liabilities Management Committee

The Assets and Liabilities Management Committee was set up to facilitate 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 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 the 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 2014, the Committee met 20 times and passed 20 decisions to be submitted to the Bank's Board of Directors.

MEMBERS OF THE ASSETS AND LIABILITIES MANAGEMENT COMMITTEE AND THEIR PRIMARY FUNCTIONS^(*)

NAME	TITLE	PRIMARY FUNCTION
Ahmet BUÇUKOĞLU	Chairman	General Manager
İrfan YAŞAR	Vice Chairman	Executive Vice President
Bahattin SEKKİN	Member	Executive Vice President
Adnan YALÇINCI	Member	Executive Vice President
Zekai İŞILDAR	Member	Executive Vice President

^(*) Metin Pehlivan was the Chairman of the Credit Participation Committee between March 15, 2011-June 27, 2014.

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. 147 dated 15 August 2014.

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 eight times in 2014.

MEMBERS OF THE ENVIRONMENTAL MANAGEMENT COMMITTEE AND THEIR PRIMARY FUNCTIONS

NAME	TITLE	PRIMARY FUNCTION
İbrahim SEVİN	Representative of the Management	Manager
Kurtay Kurtar ERBAŞ	Assistant to the Representative of the Management	Senior Supervisor
Caner Emre AKÇAY	Assistant to the Representative of the Management	Specialist
Zeki AVŞAR	Member	Senior Specialist
Sema MOURGUES	Member	Senior Specialist
Özlem ÇOLAK	Member	Senior Supervisor
Hatice ERTÜRK	Member	Supervisor

Information Technology Committee

The Functions, Authorities and Operating Procedures and Principles of the Information Technology (IT) Committee was put into 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 Information Technology Committee Bylaws by the Board of

Directors resolution no. 273 dated 21 October 2014. 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; assessing opportunities for cooperation and coordination in these matters; and facilitating the implementation of corporate governance principles. In 2014, the Committee met four times and passed four decisions to be submitted to the Bank's Board of Directors.

MEMBERS OF THE INFORMATION TECHNOLOGY COMMITTEE AND THEIR PRIMARY FUNCTIONS^(*)

NAME	TITLE	PRIMARY FUNCTION
Zekai İŞILDAR	Chairman	Executive Vice President
İrfan YAŞAR	Member	Executive Vice President
Adnan YALÇINCI	Member	Executive Vice President
Zekai İŞILDAR	Member	Executive Vice President
Bahattin SEKKİN	Member	Executive Vice President
Asim DEMİR	Member	Head of Information Technology Department (by proxy)

^(*) Metin Pehlivan was the Chairman of the Information Technology Committee between March 15, 2011-June 27, 2014.

Compensation Committee

The BRSA's Regulation Amending the Regulation on 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; and the establishment of 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,

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. With the Board of Directors' Decision no.80, dated: April 30, 2014, Şerif Çelenk was elected as the Chairman, and Prof. Dr. Ahmet Kesik and Hakan Tokaç were elected as the Members of the Compensation Committee. The Committee held one meeting in 2014 and made one decision to be submitted to the Board of Directors of the Bank.

MEMBERS OF THE COMPENSATION COMMITTEE AND THEIR PRIMARY FUNCTIONS^(*)

NAME	TITLE	PRIMARY FUNCTION
Şerif ÇELENK	Chairman	Banking Professional
Prof. Dr. Ahmet KESİK	Member	Professor at Yıldırım Beyazıt University, Faculty of Political Sciences, Department of Finance
Hakan TOKAÇ	Member	Acting General Manager for Foreign Economic Relations in Undersecretariat of Treasury

^(*) Zeki Çiftçi, served as a member of the Compensation Committee between June 28, 2013 - April 30, 2014.

COMMITTEES

Business Continuity Management Committee

In accordance with the Code of Banks Internal Systems, the Business Continuity Management Committee was formed in order to maintain and update the plans and procedures regarding business continuity policies. The Business Continuity Management Committee is also responsible for taking appropriate measures, tracking the efficiency of projects and implementing the necessary measures related to these plans and projects.

The Business Continuity Management Committee undertakes its operations in accordance with decision no. 48 and dated 14 March 2012 concerning the business continuity plan.

The Committee meets to carry out its duty and responsibilities at least twice a year. The Business Continuity Management Committee held two meetings in 2014, and passed two resolutions.

MEMBERS OF THE BUSINESS CONTINUITY MANAGEMENT COMMITTEE AND THEIR PRIMARY FUNCTIONS^(*)

NAME	TITLE	PRIMARY FUNCTION
Ahmet BUÇUKOĞLU	Chairman	General Manager
İrfan YAŞAR	Member	Executive Vice President
Adnan YALÇINCI	Member	Executive Vice President
Zekai İŞILDAR	Member	Executive Vice President
Bahattin SEKKİN	Member	Executive Vice President
Salih DEMİREL	Member	Head of Human Resources Department
Abdulazim ÖZDEMİR	Member	Head of Support Services and Procurement Department
Asım DEMİR	Member	Head of Information Technology Department (by proxy)

^(*) Metin Pehlivan was the Chairman of the Business Continuity Management Committee between March 15, 2011-June 27, 2014.

Emergency and Unexpected Situation Plan and High Level Emergency and Unexpected Situation Committee

Having entered effect following decision no: 240 by the Board of Directors, dated 30 December 2014, the Emergency and Unexpected Situation Plan and the Directive on the High Level Emergency and Unexpected Situation Committee were prepared in accordance with the Banking Regulation and Supervision Agency (BRSA)'s "Regulation on the Internal Systems of Banks", which was published in issue no: 28337 of the Official Gazette

dated: 28 June 2012, and "Communiqué on Principles to be Considered in Information Systems Management in Banks", which was published in the Official Gazette dated: 14 September 2007, as well as paragraph "f" of article "12" of Law no. 4456 on the Establishment of the Development Bank of Turkey. The Committee convenes at least twice a year, but more frequently if necessary, to fulfill its basic duties and responsibilities with respect to the Emergency Plan. The Committee held two meetings in 2014 and made two decisions.

MEMBERS OF THE HIGH LEVEL EMERGENCY AND UNEXPECTED SITUATION COMMITTEE AND THEIR PRIMARY FUNCTIONS^(*)

NAME	TITLE	PRIMARY FUNCTION
Ahmet BUÇUKOĞLU	Chairman	General Manager
İrfan YAŞAR	Member	Executive Vice President
Adnan YALÇINCI	Member	Executive Vice President
Zekai İŞILDAR	Member	Executive Vice President
Bahattin SEKKİN	Member	Executive Vice President
Osman KILIÇ	Member	Senior Legal Counselor
Abdulazim ÖZDEMİR	Member	Head of the Support Services and Procurement Department
Semra PEKKAYA, Ph.D.	Member	Risk Monitoring Manager

^(*) Metin Pehlivan was the Chairman of the Committee between March 15, 2011-June 27, 2014.

PRINCIPLES OF THE BANK'S PERSONNEL POLICY

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.

The recruitment and promotion of the Bank's personnel is carried out in accordance with the "Personnel Bylawss, Board of Inspection Bylaws and the Bylaws on the Recruitment, Qualifications and Promotion Principles for Specialist and Assistant Specialist. An annual Service Agreement is signed with the Bank personnel. The performance assessment of the Bank personnel is made within the framework of the performance assessment criteria. Moreover, internship/skill training opportunities are given to the university and vocational high school students.

While we had 651 personnel in different position groups at the Bank in the first half of 2014, this number was 636 as of the year-end. In order to achieve future goals and increase the quality of its personnel, the Bank offers training programs. Furthermore, in a bid to take the current experience and know-how into the future, priority is given employing adequate and high quality specialist personnel.

Employees are provided with the Bank's regulations, studies of the departments, updated announcements and supplementary resources in an efficient manner through our website and in-house intranet site. Bank exams are publicly announced via press publications and on the web, and exam results are also publicly online and the relevant persons are informed in writing.

Furthermore the Human Resources Department workd to:

- Realize studies for improving the efficiency and productivity of the Bank's operations
- Pursue and protect employee personal rights in accordance with the law and new policies.
- Apply the use of Right of Petition Law no. 3071 and the Right to Information Act no. 4982.
- Assess the individual job applications made to the Bank;

While we had 654 personnel (40 of them with term contract) as of 2013 year-end, the number of employees of the Bank was 635 (35 of them with term contract) as of the 2014 year-end.

Training Activities

In 2014, while 781 Bank personnel benefited from Internal Occupational Trainings, 205 Bank personnel benefited from External Domestic Trainings. While two staff members joined External Foreign Trainings. Moreover, 12 Project Preparation Training programs were organized externally and 235 people benefited from them.

CORPORATE GOVERNANCE COMPLIANCE REPORT

SECTION I. CORPORATE GOVERNANCE COMPLIANCE DECLARATION

The Development Bank of Turkey undertakes its operations in accordance with Law no. 4456 and other regulatory laws in this scope. The Bank undertakes the greatest care to comply with the obligatory principles of the Corporate Governance Principles, issued by Capital Markets Board and maximum attention is paid for the issues that are not obligatory.

In this scope:

- A Corporate Governance Committee was formed and the Committee's operating procedures and principles were set out in the Corporate Governance Committee Regulation.
- Information Disclosure Policy, Profit Distribution Policy, Compensation Policy, and the List of Persons with Access to Inside Information were approved.
- The organization structure needed for the Shareholder Relations Department to execute its functions was put in place.
- The Bank strives to continually improve its website for its effective use in sharing information with investors and shareholders.

SECTION II - SHAREHOLDERS

2.1. Shareholder Relations Unit

The functions of the Bank's Shareholders Relations Department are carried out by the Corporate Banking and Investments Department of our Bank.

Eight applications were made to the department within the period and all of them were answered.

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

Corporate Banking and Investments Directorate

Unit Manager	: Metin ÇINAR, Ph.D.
License	: Corporate Governance Rating
Phone	: +90 312 425 32 05 / +90 312 418 3072
E-mail	: 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
E-mail	: guldogan.hancioglu@kalkinma.com.tr bankacilikyatirimlar@kalkinma.com.tr

Executive Vice President managing the department: Bahattin SEKKİN.

A report was presented to the Board of Directors on the 15th of January 2015 regarding the activities carried out by the Department.

2.2. Exercise of Shareholders' Right to Obtain Information

The Bank receives applications in writing from small shareholders requesting information on various topics. 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 the information disclosed on its web site. Announcements aiming to facilitate effective exercise of shareholder rights 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. The Bank did not receive any requests for the appointment of a special auditor during the reporting period.

2.3. Information About General Assembly

The Ordinary General Meeting for 2013 was held under the custody of the Ministry representative on April 25, 2014 at 10:00 in the Bank's headquarters at the following address: "Necatibey Cad. No: 98, Kat: 7, Bakanlıklar/ANKARA". The meeting invitation, including the agenda, was published, as prescribed in the Law and the Articles of Association, within the relevant timeframe, in the Turkish Trade Registry Gazette no: 8541 of April 2, 2014, and in the Dünya and Star newspapers, both dated: April 3, 2014. Upon review of the list of attendants, it was verified that out of 16,000,000,000 shares representing the company's share capital of TL 160,000,000.00, a total of 15,853,072,096.7 shares representing the company's share capital of TL 158,530,720.967 were represented at the meeting.

At the meeting, the following issues were discussed and unanimously approved;

- Approving the balance sheet and income statement;
- Acquittance of the members of the Board of Directors within the framework of the Turkish Code of Commerce (Members of the Board of Directors did not cast votes for their own acquittance), provided that the Board of Directors' probable liabilities that may arise as a result of the audits made by the Turkish Court of Accounts regarding 2013 Activities, are reserved;
- Proposal of the Board of Directors regarding profit distribution;
- Approving the Members of the Board of Directors Hakan TOKAÇ, Şerif ÇELENK, Dr. Zeki ÇİFTÇİ, Prof. Dr. Ahmet KESİK to continue their duties; electing Mustafa Cüneyd DÜZYOL and Selim YEŞİLBAŞ for a three year term;
- Proposal for determining the remunerations of the Board of Directors;
- Approving the DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş., as the independent auditor of the Bank for 2014 within the framework of the Turkish Code Commerce n. 6102, and authorizing the General Directorate to make an agreement with this firm.

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 the year were made available at the location of the meeting for the examination of the shareholders prior to the Ordinary General Assembly meeting. The media and Bank's personnel also attended the Ordinary General Meeting.

In General Meeting, suggestions concerning the agenda were presented by the representative of the controlling shareholder, and were unanimously accepted. Shareholders did not use their right to ask questions.

Minutes to the General Assembly are publicly announced on the Bank's website <http://www.kalkinma.com.tr/genel-kurul.aspx> and on the Public Disclosure Platform's website <http://www.kap.gov.tr/yay/Sorgu/SorguBildirim.aspx>.

2.4. Rights to Vote and Minority Rights

There are no privileges regarding the voting rights in the Articles of Association of the Bank. The Bank does not have any subsidiaries that create parent company relationship. Companies that have subsidiary relationships did not cast votes at 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.

2.5. Entitlement to Dividends

There are no privileges in participating in the Bank's profit. Pursuant to the Bank's Charter Act and Articles of Association that is available on the Bank's website; "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.

Shareholders were informed about the Profit Distribution Policy. The latter, has been made public on the Bank's website.

CORPORATE GOVERNANCE COMPLIANCE REPORT

2.6. Transfer of Shares

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

SECTION III - PUBLIC DISCLOSURE AND TRANSPARENCY

3.1. Company Website and Its Content

Information regarding corporate governance principles is available on the Bank's website. The Bank's corporate website address is: (<http://www.kalkinma.com.tr/>) and the address of the website prepared in English is: (<http://english.kalkinma.com.tr/>).

3.2. Annual Report

Banks' annual reports address all information requirements mentioned in Corporate Governance Principles.

SECTION IV - STAKEHOLDERS

4.1. Informing Stakeholders

The Bank expends best effort in providing information 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:

- (a) Material Event Disclosures submitted to the Public Disclosure Platform;
- (b) Financial Statements and their Accompanying notes, Independent Audit Reports and Declarations submitted to Borsa İstanbul and the CMB on a periodic basis;
- (c) Annual and interim reports;
- (d) Notices and announcements published in the Turkish Trade Registry Gazette and daily newspapers in certain circumstances (capital increase, General Assembly meetings);
- (e) The Bank's website www.kalkinma.com.tr;
- (f) Press announcements made during the year via the print and visual media;
- (g) Announcements made to data distribution institutions;
- (h) 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.

There is no mechanism established for the stakeholders to inform the Corporate Governance Committee about Bank's transactions that do not comply with the legislation and code of ethics.

4.2. Stakeholder Participation in Management

There is no arrangement aimed at the participation of shareholders in the management.

4.3. 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.

The recruitment and promotions of Inspectors and Assistant Inspectors 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.

Moreover, internships and skill training programs are offered to both university and vocational high school students.

The Bank determines the career paths of its personnel and related issues in accordance with the Personnel Code and carries out the promotion of its personnel according to the plans that were determined in advance.

A total of 651 personnel were employed in different positions in the first half of 2014; this number had declined to 635 by the end of the year. In order to achieve the future goals of the Bank and increase the quality of its personnel, the Bank offers training programs. Furthermore, in a bid to carry the current experience and knowledge to the future, priority is given to employing qualified, high quality specialist personnel.

Since the Bank's personnel are working under a contract statute, the Labor Contract is signed on an annual basis.

Employees have the opportunity for promotion in accordance with their performance and in line with their current positions after they are evaluated within the framework of specified performance evaluation criteria.

Employees are provided with access to the Bank's regulations, studies of the departments, updated announcements and supplementary resources in a rapid and efficient manner through our website and in-house intranet site.

Furthermore, efforts are undertaken aimed at increasing the effectiveness and efficiency of our Bank's operations:

The Bank aims to pursue and protect employee personal rights in accordance with the law and new policies.

The Bank aims to correctly respond to any petitions submitted by personnel within the framework of the Use of Right of Petition Law no. 3071 and the Right to Information Act no. 4982.

The Bank performs the assessment of personal job applications.

The Bank informs the public regarding examinations prepared by the Bank through the press and the internet.

The Bank provides a written declaration of the results of examinations through its website.

No complaint was received from any of the personnel with respect to discrimination.

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.

4.4 Code of Ethics and Social Responsibility

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.

Being the first public bank with Environmental Management System certification, Türkiye Kalkınma Bankası A.Ş. continues to implement this system effectively since 2010. While providing services and carrying out activities, the Bank takes into consideration environmental awareness that is the basic principle of the sustainable development, and aims continuous improvement. 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.

The Bank issued statements regarding energy and environmental issues on different platforms in an effort to raise awareness and accelerate development of the country in 2013, and provided training programs regarding the preparation of feasibility studies to Development Agencies. These training programs are especially focused on raising environmental awareness and increasing energy efficiency.

Türkiye Kalkınma Bankası A.Ş. achieved the following social responsibility targets within the scope of the Environmental Management System;

- The treatment of the Development Memorial Forest - built by the Ankara Provincial Directorate of Environment and Forestry in the district of Etimesgut in Ankara on behalf of the Bank - was completed.
- In the feasibility training programs given to the development agencies, our Bank provided information about the environment and environmental sustainability.
- During the year, the Bank ensured that its personnel participated in training programs, expos and congresses about the issues such as environment, energy, energy efficiency and waste technologies.

CORPORATE GOVERNANCE COMPLIANCE REPORT

- Environmental education was given to the pupils in the Development Kindergarten by TEMA.
- Having adopted the principle of reducing resource utilization and the negative environmental impacts resulting from its services and activities, the Development Bank of Turkey has been using Renewable Electricity.
- Energy sector projects financed by the Development Bank of Turkey resulted in a reduction of over 3.5 million tons in carbon emissions per year between 2004 and 2014. And the aim is to increase this quantity in the upcoming years.

SECTION V - BOARD OF DIRECTORS

5.1. The Structure and Composition of the Board of Directors

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

The Board of Directors is composed of seven members, six members elected by the General Assembly from among shareholders plus the General Manager. The Board of Directors includes three independent members as a requirement stipulated by the Capital Markets Board's Communique on Corporate Governance.

There is no restriction for the Board members to be employed outside the Bank.

BOARD OF DIRECTORS (*)

NAME	TITLE	STARTING DATE OF CURRENT POSITION	PLACE OF DUTY OUTSIDE THE BANK
Ahmet BUÇUKOĞLU	Chairman of the Board of Directors and General Manager	27 June 2014	
Mustafa Cüneyd DÜZYOL	Member of the Board of Directors, Vice Chairman of the Board of Directors (Non-executive member)	29 April 2014 21 July 2014	Undersecretary of Ministry of Development
Hakan TOKAÇ	Member of the Board of Directors, Member of Compensation Committee (Non-executive member)	1 May 2007 30 April 2014	Acting General Manager for Foreign Economic Relations in Undersecretariat of Treasury
Selim YEŞİLBAŞ	Member of the Board of Directors, Vice Chairman of Corporate Governance Committee (Non-executive member)	29 April 2014 30 April 2014	General Manager of Publicly Owned Institutions Board in Undersecretariat of Treasury
Şerif ÇELENK	Member of the Board of Directors, Member of the Audit Committee, Chairman of the Compensation Committee (Non-executive independent member)	2 March 2009 18 May 2012 28 June 2013	Retired Banking Professional
Prof. Dr. Ahmet KESİK	Member of the Board of Directors, Chairman of the Audit Committee, Compensation Committee Member (Non-executive member)	15 May 2012 22 May 2014 30 April 2014	Associate Professor at Yıldırım Beyazıt University
Zeki ÇİFTÇİ, Ph.D.	Member of the Board of Directors, Vice Chairman of the Audit Committee, Chairman of the Corporate Governance Committee (Non-executive independent member)	15 May 2012 22 May 2014 30 April 2014	Turkish Radio and Television Corporation Board Member and Assistant General Manager

(*) A biography of Board of Directors is included in the Board of Directors section in the annual reports.

5.2. Working Principles of the Board of Directors

It is stated that the Board of Directors shall arrange at least two meetings per month and 24 meetings per year with absolute majority of the total member number, and decisions will be taken with a unanimity of votes without abstention vote; in the event of a split votes, the chairman's vote will count as two votes in accordance with Law no. 4456, under the Main Contract. The decisions reached in the meetings are recorded in the minute book in accordance with legislation, any and dissenting votes are recorded in the minute book, along with their justification. No member of the Board of Directors has the right to veto.

The Private Secretariat and Board of Directors Office is responsible for the information and communication of the Chairman and members of Board of Directors. While the agenda of the meeting is determined by the Chairman and the General Manager, the date is determined by the Chairman.

Board of Directors of the Bank met a total of 24 times in 2014 and made 244 decisions, 11 of which are interim decisions.

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

Members of the Bank's Board of Directors serve on more than one committee, in view of the obligation of independent members to be present in committees, the number of members on the Board and the duties of Board members outside the Bank.

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.

The Audit Committee members were elected with the Board of Directors' meeting Decision dated April 30, 2014. Prof. Dr. Ahmet KESİK was elected as the Committee Chairman and Dr. Zeki ÇİFTÇİ was elected as the Deputy Chairman at the Audit Committee meeting (n.7, dated May 22, 2014).

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 16 times and passed 74 decisions in 2014.

Chairman:	Prof. Dr. Ahmet KESİK (Non-executive, independent Board of Directors Member)
Vice Chairman:	Zeki ÇİFTÇİ, Ph.D. (Non-executive, independent Board of Directors Member)
Member:	Şerif ÇELENK (Non-executive, independent Board of Directors Member)

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 member structure of the Committee was revised in the Regulation that was amended with the Board of Directors' Decision no. 214, dated November 25, 2014; the Committee conducts its activities within this framework.

At the Board of Directors meeting of 30 April 2014, Zeki ÇİFTÇİ, Ph.D., a non-executive independent member of the Board of Directors was elected as the Chairman of the Corporate Governance Committee and Prof. Dr. Ahmet KESİK, also a non-executive member of the Board of Directors, was elected as the Vice Chairman of the Committee.

CORPORATE
GOVERNANCE
COMPLIANCE
REPORT

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 2014. Corporate Governance Committee is continuing to work toward improving the Bank's corporate governance practices.

Chairman:	Zeki ÇİFTÇİ, Ph.D. (Non-executive, independent Board of Directors Member)
Vice Chairman:	Selim YEŞİLBAŞ (Non-executive, Board of Directors Member)
Member:	Metin ÇINAR (Director of Investor Relations Unit)

Furthermore, the Bank's Board of Directors decided that the duties of the Candidate Nomination Committee shall be performed by the Corporate Governance Committee. The decision was reached within the framework of the Capital Markets Board's "Communiqué on the Determination and Implementation of Corporate Governance Principles".

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. Moreover, the Board of Directors is responsible for revising these policies, establishing a pricing committee which is responsible for assessing pricing policies, creating recommendations in this area and preparing a report to the Board of Directors.

In this regard, Compensation Committee was formed with the Bank's Board of Directors' resolution no. 272 dated 8 December 2011 in order to evaluate, within the framework of risk management activities, the compensation policy and related applications, and to present recommendations to the Board of Directors.

In the meeting of the Board of Directors held on April 30th 2014, Mr. Şerif ÇELENK (board member) was appointed as the Chairman of the Compensation Committee, with Zeki ÇİFTÇİ, Ph.D., Prof. Dr. Ahmet KESİK and Hakan TOKAÇ (board members) as members of the same committee.

Chairman:	Şerif ÇELENK (Non-executive, independent Board of Directors Member)
Member:	Prof. Dr. Ahmet KESİK (Non-executive, independent Board of Directors Member)
Member:	Hakan TOKAÇ (Non-executive, Board of Directors Member)

5.4. Risk Management and the Internal Control Mechanism

Internal control, internal audit and risk management activities are conducted in accordance with the BRSA's "Code of Banks Internal Systems," which was declared on 11 July 2014.

The Audit Committee is responsible for maintaining the efficiency and adequacy of internal systems, the completeness of information provided from the auditing and reporting systems, the pre-evaluation of ratings, assessment and support services, the regular tracking of these agencies' activities, maintaining the subsidiaries' internal auditing actives and the consolidation of the process.

Three non-executive members of the Bank's Board of Directors were elected as Audit Committee members. The Internal Control Department, Board of Inspection and Risk Monitoring Department structured within the scope of Internal Systems carry out activities under the Audit Committee in line with the regulations approved by the Bank's Board of Directors.

The Audit Committee reports the activities and results of these activities carried out by the Board of Inspection, the Internal Control Management and Risk Monitoring Management to the Board of Directors every six months.

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

The Board of Inspection continues its annual auditing activities in line with the internal audit plans confirmed by Board of Directors. The Board of Inspection Presidency also reports the operational results to Board of Directors through the Audit Committee every three months.

Existing and potential risks faced by the Bank are monitored through internal reports prepared on daily, weekly and monthly basis by the Risk Monitoring Department.

Various analyses regarding the risks exposed by the Bank are included in the monthly risk analysis reports prepared by the Risk Monitoring Department.

With the "Risk Limits Monitoring Report" prepared by the Risk Monitoring Department, the results regarding the risk limits determined – and approved by the Board of Directors – for the quantifiable risks are specified.

Monthly reports are submitted to the Audit Committee, the Board of Directors, Active-Passive Management, Senior Management and other related units. As such, executive, managing and auditing mechanisms are informed of the risks.

The Capital Adequacy Ratio that was calculated by the Risk Monitoring Department within the scope of the legal reporting, started to be calculated within the framework of the Basel II approach since July 2012. On the other hand, Interest Rate Standard Ratio arising from Banking Book is calculated by the mentioned Department and reported to the BRSA. Moreover, as per the Regulation on "Banks' Internal Systems and Internal Capital Adequacy Evaluation Process" published by the Banking Regulation and Supervision Agency in the Official Gazette n.29057, dated 11.07.2014; "Türkiye Kalkınma Bankası A.Ş. Internal Capital Adequacy Evaluation Process Report (ISEDES)" for 2013 period was prepared by the Risk Monitoring Department on September 2014, approved by the Board of Directors and submitted to the BRSA.

The general risk principles followed by the bank can be defined as including the following activities: specializing in activities in accordance with its mission, vision and its structure defined in its settlement law, taking definable, monitorable and/or manageable risks accordingly, avoiding risks other than the ones unavoidable due to the main activities. Within this scope, fundamental principle is taking risks which are defined and manageable. Additionally, current and future potential effects of the risks currently taken are measured to the extent possible by the risk measurement and reporting techniques and it is continued to be performed accordingly.

Risk management is carried out under different committees determined by their operational areas. While the Active-Passive Management Committee determines the general policies concerning the Bank's current assets and foreign exchange exposure, the Credit Participation Committee determines the relevant credit risk policies.

5.5. The Company's Strategic Position

Law no. 4456 regulating the establishment of the Bank defines the objectives and scope of the Bank as follows: "With the aim of promoting Turkey's development, to grant loans to enterprises incorporated as joint stock companies, to provide them with financial and operational support by participating in them, to channel both domestic and foreign savings into investments bearing the potential to provide a contribution to the development of the country, to contribute to the development of the capital markets, to finance domestic, foreign and international joint investments, and to carry out all functions of development and investment banking."

The Bank's mission and vision adopted by the Board of Directors' decision no. 211 and dated 8 September 2008 are set out on the Bank's website.

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

CORPORATE GOVERNANCE COMPLIANCE REPORT

The Bank's activities are arranged, in the form of tables, on the basis of the rate of attainment of the objectives and the past performances. These monthly reports, are submitted for the consideration of the Board of Directors. The annual reports, work programs and the budget are submitted to the Board of Directors for the approval. In addition, performance reports are prepared every six months.

5.6. Financial Rights

The remuneration of members of the Board of Directors is determined by the General Assembly; there is no additional compensation provided. Payments and benefits offered to the members of Board of Directors and senior managers, as well as the criteria for determining such remuneration, are presented to the public through KAP (Public Disclosure Platform) and our Company's official website (in the "Financial Reports" section under "Financial Information"), within the scope of the independent audit report issued every three months.

Personnel credits are made available to members of the Board of Directors in accordance with the rules applicable for the Bank's personnel as prescribed by the Personnel Loan Regulation. There is no credit, debt record or bail concerning any board member or post-holder whether directly or through a third party, other than the credits stated above.

AMENDMENTS TO THE ARTICLES OF ASSOCIATION AND REASONS

Within 2014, there were no amendments made to the Articles of Association of the Bank.

According to Establishment Law no.4456, item 15, the pay and other financial and social benefits of Bank personnel are determined by decisions made by the Council of Ministers after proposals are put forward by the General Manager, and confirmation by the Board of Directors and State Personnel Presidency. In addition, the Bank personnel were paid a bonus equivalent to one month's salary in January, April, July and October, in line with working days. However, the monthly average sum of the salary which is an average of all the payments done under the name of salary, social benefits, pay rises, amends, subventions and others (including the portion of the bonus corresponding to one month, excluding Board of Directors membership compensation) cannot exceed the upper limit determined by the Higher Planning Council.

SUMMARY OF BOARD OF DIRECTORS REPORT

2014 was a year that saw limited recovery in the global economy. While the positive signals sent by the US to the markets increased, the uncertainty in the global growth momentum continued as a result of the activities that were below the expectations in the Euro Zone and in the countries like Japan. As Fed's timing to start increasing interest rates and its decision to end its quantitative expansion policy caused re-pricing particularly in the emerging countries' markets, the increasing trend of the regional geopolitical risks and the dramatic slump in oil prices were the other developments that hit the headlines during the year.

Growing with an impressive pace by 4.3% in the first quarter of the year, Turkey ended the year, after the slowdown in the second and third quarters, with a growth rate of 2.9% due to the shrinking agricultural production as a result of the negative climate conditions. Thus, a controlled growth was recorded in the Turkish banking sector as a consequence of the impacts of the national/international developments on the Turkish economy.

With its 40 years of experience and specialized staff, our Bank has been one of the drives of the economic development in Turkey. Fulfilling its responsibility to add pace to the country since the day it was founded in 1975, our Bank kept close track of sector and economic developments also in 2014 we also provided uninterrupted support in the most required fields to the country's development with the solid steps it has taken to achieve sustainable and consistent growth.

In 2014, Development Bank of Turkey had a successful performance that was verified with its growth and profitability figures. In 2014, our Bank's total assets reached TL 3914.9 million growing by 10.1% compared to the same period of the previous year. Development Bank of Turkey' net profit reached TL 46.9 million increasing by 28.1% compared to the 2013 yearend. In 2014, Bank's return on equity reached 7.3% while its return on assets reached 1.2%.

While the Bank's loan volume reached TL 3.145 million increasing by 14% compared to the 2013 yearend, the ratio of the loans in the assets of Development Bank of Turkey reached 80.3% by the end of 2014 as a result of the loans growing with a higher rate compared to the assets. With its effective risk management policies and receivable collection strategies carried out during the year, the volume of the non-performing loans of the Bank decreased to TL 109 million while the relevant ratio decreased by 1.1 points and went down to 3.4% compared to the previous yearend.

Although the capital adequacy ratio of the Development Bank of Turkey decreased to 20.4% as a consequence of the increase in the Bank's loan volume, it is still much higher than the 16.3% average of the Turkish banking sector.

Decreasing by 3.9%, the value of the liquid assets of the Development Bank of Turkey was TL 633.9 million as of December 2014 as the ratio of the liquid assets in the total assets decreased from 18.6% to 16.2%. The main reason behind this decrease was the 67.4% decrease in the Bank's portfolio of "Available for Sale Securities" as a consequence of the volatility in the interest rates throughout the year. As a result of this policy, the ratio of the "Available for Sale Financial Assets" in the assets decreased from 6.2% to 1.8% as of December 2014.

Besides the financing it provides to Turkish economy in the required fields and the support it has been giving to the entrepreneurs, the Development Bank of Turkey will continue to offer its knowhow and experience in development through "consulting" and "technical assistance" services in and outside the country.

We would like to thank all our employees who have worked with devotion and contributed to our Bank's journey to success since the date it was founded; and would like to present the Development Bank of Turkey's Board of Directors' and Auditor's Reports together with the financial reports regarding 2014 for their review.

**The Development Bank of Turkey
Board of Directors**

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 the "Regulation on Banks' Internal Systems and the Internal Capital Adequacy Evaluation Process" that was issued by the Banking Regulation and Supervision Agency and published in Official Gazette issue no. 29057 dated 11 July 2014. 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.

The membership of the Board of Directors was reconstituted at the 2013 Ordinary General Assembly Meeting. Three of these members without executive duty – Prof. Dr. Ahmet KESİK, Zeki ÇİFTÇİ PhD and Şerif ÇELENK - were selected as members of the Audit Committee. Prof. Dr. Ahmet KESİK, Zeki ÇİFTÇİ Ph.D. and Şerif ÇELENK served with the respective titles of Audit Committee Chairman, Audit Committee Vice Chairman and Member of the Audit Committee during 2014.

In article 7 of the Regulations concerning Internal Systems of the Banks, and the Internal Capital Adequacy Evaluation Process titled The Authority and Responsibilities of the Audit Committee it is stated that "the Audit committee is responsible for reporting the operations which are executed by itself and the results thereof, the measures to be taken and other issues which are required to be implemented such as to ensure banking activities in safety to the Board of Directors, at least once every six months". In accordance with this regulation, the Board of Directors accepted the reports pertaining to second half of 2013 and the

first half of 2014. Note that the Internal Control Management is responsible for tracking the duties and processes included in the mentioned reports.

"Audit Committee's Working Procedures and Principles", "Internal Control Department Regulation", "Internal Control Principles", "Risk Monitoring Department Regulation" documents that were revised within the scope of the provisions of the Banking Regulation and Supervision Agency's "Regulation on Banks' Internal Systems and Internal Capital Adequacy Evaluation Process" – that entered into force with the Official Gazette n.29057 published on the 11 of July 2014 – were approved by the Board of Directors in 2014 and were submitted to the Banking Regulation and Supervision Agency.

The operations executed by the units connected to the Audit Committee were tracked, while reports and suggestions regarding them were assessed and the summary of these activities for the period of 2014 is presented below.

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 2014.

Main Operations Conducted by the Board of Inspection:

The Board of Inspection conducts audits in order to add value to performing and developing the activities of all Bank units in line with the Banking Law and other legal regulations and internal legislation, policies and targets. Risk oriented audits are made within the scope of the annual audit plan that covers the units, processes, information systems, support service companies, internal control and risk management.

The quarterly activity reports on the activities conducted by the Bank's Board of Inspection are submitted to the Audit Committee. After the approval of the reports by the Board of Directors, the reports are submitted to the BRSA.

In 2014, nine Inspection Reports, three Independent Audit and Rating Companies Evaluation Reports, Banking Processes and Information Systems Report (to be taken as basis for the Board of Directors report), Support Service Companies Audit Report, three Examination Reports, and one Investigation Report were issued by the Board of Inspection.

The Board of Inspection carries out tasks to achieve compliance with the legislation regarding the Prevention of Laundering of Proceeds of Crime and Financing of Terrorism.

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.

In the report prepared for "Development Bank of Turkey's Risk Analysis According to Specified Indicators and Risk Groups"; our Bank's risks are assessed under topics such as liquidity risk, FX risk, maturity risk, credit risk, interest rate risk. Furthermore, brief risk reports that are prepared within the framework of the Capital Adequacy Ratio Form, in particular, and the regulations of the Banking Regulation and Supervision Agency are included in the monthly report. 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.

The Capital Adequacy Ratio, calculated by the Risk Monitoring Department together with the Financial Affairs Department in the scope of legal reporting, has been prepared and reported to the BRSA within the framework of the Basel II approach since July 2012. The standard ratio of the Interest Rate Risk Arising from Banking Accounts is calculated and reported to the BRSA by the Risk Monitoring Department within the scope of legal reporting. Furthermore, as per the Banking Regulation and Supervision Agency's Regulation on Banks' Internal Systems and Internal Capital Adequacy Evaluation Process" – that entered into force with the Official Gazette n.29057 published on the 11 of July 2014; our Bank's "Türkiye Kalkınma Bankası A.Ş. Internal Capital Adequacy Evaluation Process (ISEDES) Report" for the 2013 period, was prepared and issued by the Risk Monitoring Department and was approved by the Board of Directors and submitted to the Banking Regulation and Supervision Agency in September.

Zeki Çiftçi Ph.D.
Vice Chairman of the
Audit Committee

Prof. Dr. Ahmet Kesik
Chairman of the
Audit Committee

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.

The Bank ensures that the existing and potential future impacts of the risks taken are measured as much as possible within the limits of the risk measurement and reporting techniques. Furthermore, it specifies in writing limits for the quantifiable risks arising from its activities within the framework of the 38 Article of the Banking Regulation and Supervision Agency’s “Regulation on Banks’ Internal Systems and Internal Capital Adequacy Evaluation Process”. It is made sure that quantifiable risks stay within these limits approved by the Board of Directors.

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 continues to do so in the future as well.

Credit Risk Management Policies

Credit risk is the probability of loss resulting from a client of the Bank being unable to fulfill their obligation, either partially or completely, as stated in the contract with the Bank. The Bank, in accordance with BRSA regulations and limitations, manages the credit risk with regard to the best options for credit volume, qualification and complexity.

The Bank calculates the value at the credit risk in accordance with the “Regulation on Measurement and Evaluation of Capital Adequacy of Banks” and Basel II criteria. The management of credit risk, such as to sustain a capital adequacy standard ratio above minimal level, is essential and determined by the regulations.

In relation to credit risk management, credit volume, qualification and complexity is measured, monitored and analyzed with stress test and scenario analyses; the process and the results are reported to the Audit Committee and the General Manager. The assessment of new products and services in terms of credit risk is a requirement.

The Bank defines measures and manages loan risk as well as all products and activities which bear credit risk.

The conforming of credit decision support systems with the Bank’s operational structure, size and complexity is constantly examined, developed and regulated by the Board of Directors.

Credit risk is monitored not only in terms of clients and firms but also with regard to the total credit portfolio and the composition thereof. Credit risk is monitored and managed in terms of sector, maturity, collateral, region, currency and type of credit. The Bank’s credit risk management policy requires diversification of the credit portfolio.

The financial data of the parties which have used credits, suspended credits or restructured credits from the Bank is tracked on a regular basis until maturity. Firms bearing relatively high levels of risk, or those for which a physical site visit is required, are examined by the Bank. As a result of the examinations and assessments, a monitoring report with developed suggestions is prepared. The Bank continues to undertake this policy on non-performing loans.

Market Risk Management Policy

The Bank is exposed to market risk as a result of its operations due to volatility in exchange rates, interest rates and share prices. The amount of exposure to market risk is calculated by the standard method and reported to the Banking Regulation and Supervision Agency as stated in the “Regulation on Banks’ Capital Adequacy Measurement and Evaluation”.

Exchange Rate Risk Management Policy

As a result of operations which involve the use of foreign currencies, the Bank is exposed to currency risk stemming from the Bank’s net foreign exchange position in its assets and liabilities.

The Bank’s exchange rate risk management policy is determined regarding financial situation of the Bank, economic developments and market trends and also profitability and efficiency in accordance with “Foreign Exchange Net Overall Position/Equity Standard Ratio” determined by the regulations. By protecting this basic target, the existing foreign currency holdings is placed with the most favorable interest rates and the opportunities in the conditions and time in forex markets; these are utilized with the purpose of both assets and liabilities management.

To ensure the required exchange rate risk management mentioned as set out above, hedging by forward contracts, futures and swaps is used under necessary conditions.

Management Policy of Interest Rate Risk Arising from Banking Accounts

Interest rate risk is the probability of loss arising from changes in interest rates and the Bank’s financial position. Interest rate risk arising from bank accounts includes reprising risk, yield curve risk, base risk and option risk. Interest rate risk is managed by the Asset and Liability Management Committee in the Bank.

The main aim in interest risk management is to minimize the maturity mismatch in Bank’s balance sheet in order to avoid the effects arising from volatility in interest rates. In this scope, interest sensitive assets are managed through portfolio optimization, duration, interest rate expectations, alternative yield and commensurable loss.

Compliance with the limits in interest risk management is a requirement accepted by the Board of Directors.

Liquidity Risk Management Policy

Liquidity risk represents the probability that the Bank’s cash flow requirements, either predictable or unpredictable, cannot be met adequately without affecting daily operations or the financial structure, and that the Bank records losses.

In addition, liquidity risk can be interpreted as the risk facing the Bank in the event that a position cannot be closed or balanced due to a lack of market debt or high volatility; as a result, it has a probability of recording losses.

The main policy regarding liquidity risk is to employ an active structure which fulfills all obligations under all circumstances. As a specialized bank, the Bank’s liquidity requirements are more observable when compared to other commercial banks, and this provides the Bank with regular cash flow.

The types of asset and liabilities, maturity structure, and interest rate all comply with the decisions of the Assets and Liabilities Management Committee; the Bank performs a policy regarding liquidity ratios and risk limits determined by the regulations.

RISK MANAGEMENT POLICIES

In order to manage liquidity risk, cash flows are forecasted by using predictable data with regard to the maturity structure of the Bank's assets and liabilities. It is essential to complete the placement of excess liquidity as an alternative yield or to meet liquidity requirement with minimum costs.

Besides, monthly proforma cash flows and balance sheet durations are monitored to anticipate probable risks for mid and long term liabilities.

Operational Risk Policy

Pursuant to BRSA regulations, the Bank manages its operational 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-aware 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. 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 the identified business processes in the Bank.

Counterparty Credit Risk Management Policy

Counterparty credit risk is the default risk of the counterpart in the transaction before the last obligatory payment. The Bank takes precautions against credit risk arising from the counterparties, such as over counter derivative transactions.

Concentration Risk Management Policy

Concentration risk includes the risks arising from concentration of credits in certain sectors or regions, concentration risk resulting from concentration of deposits and other financial resources, operational risk, operational concentration risk stemming from concentration of certain processes and technology systems operational loss, market concentration risks arising from the concentration risk of general market risk, stock market risk and exchange rate risk.

The Bank continues its operations by taking concentration risk into account. When the increase in concentration risk is examined, measures are taken to decrease it to an acceptable level.

Information Technologies Risk Policy

Any threats, disruptions, or faults that might occur in the IT processes included in all internal and external activities of the Bank, would inevitably lead to financial, managerial and reputational loss for the bank. Under the information technologies risk management policy; regarding the existing/potential risks that occur/ will occur in the Bank's practices that can be considered within the scope of the Information Technologies (system, software, data security, data processing, data storage); (i) risks are detected at the first stage; and (ii) solutions are found to eliminate these risks; and/or (iii) necessary measures are taken; and (iv) this process is systematically monitored.

As part of the Information Technologies risk management, necessary measures for the risks, and information on practicing these measures are evaluated with the annual risk assessment reports. Based on the information technologies risk evaluation reports; what actions are to be taken for the detected risks and whether these actions are promptly taken or not is evaluated, and the Board of Directors is informed by the Audit Board about the issue.

Capital Requirement Internal Evaluation and Capital Adequacy Policy

The main principle of the Capital Requirement Internal Evaluation and Capital Adequacy Policy of the Bank is to create strong, effective and perfect strategies and processes in order to continuously evaluate and maintain the types, components, and structure of the capital that is considered sufficient for the risks that occur/will occur.

As a principle, the Bank shall have a Capital Requirement Internal Evaluation Process suitable for its risk profiles according to the complexity and characteristics of its activities and shall set capital targets in conformity with its risk profile, activity environment and strategies.

The Internal capital Evaluation Process is designed based on the Bank's scale, and the complexity and characteristics of its activities while the internal capital evaluation results are reported to the Bank's Top Management. Capital Requirement Internal Evaluation Process is designed and carried out by the risk management unit, and is presented to the Board of Directors by the Audit Board.

The Bank's Top Management is responsible for integrating the Capital Planning and Management into the general risk management culture and approach. Bank's Top Management makes sure that capital planning and management policies and procedures are announced and practiced within the Bank and supported with sufficient powers and means.

In case any changes occur in the Bank's strategies, business plans, activity environment or in the other factors that may have significant impacts on the theories and methods used in Capital Requirement Internal Evaluation process, necessary corrections are made in the Capital Requirement Internal Evaluation process. As a principle, Bank's internal evaluation process shall at least cover the credit risk, market risk and operational risk used in capital requirement calculations and shall also cover all other important risks such as interest rate risk arising from banking book, concentration risk, liquidity risk, reputation risk and strategic risks.

ASSESSMENT OF FINANCIAL POSITION, PROFITABILITY AND DEBT SERVICING CAPABILITY

Financial data regarding the Bank's financial position as of 31 December 2014 is presented in the tables below in a comparative format with the respective financial data from 31 December 2013.

TL MILLION	December 2013	December 2014	Change (Value)	Change (%)
Total Assets	3,556.1	3,914.9	358.8	10.1
Total Assets (US\$ million)	1,703.4	1,693.1	-10.3	-0.6
Loans	2,758.7	3,145.0	386.3	14.0
Foreign Resources	2,952.0	3,272.3	320.3	10.9
Shareholders' Equity	604.1	642.6	38.5	6.4
Free Capital ^(*)	427.1	447.9	20.8	4.9
Total Income	167.3	188.3	21.0	12.5
Total Expenditures	120.1	129.1	9.0	7.5
Provision for Taxes	10.6	12.3	1.7	16.0
Profit/Loss	36.6	46.9	10.3	28.1
Standard Capital Adequacy Ratio (%)	21.4	20.4	-1.0	-4.7

(*) Free Capital=Shareholders' Equity - (Subsidiaries+Affiliated Companies+Fixed Assets+Non-Performing Loans (Net)+Deferred Tax Asset+Prepaid Expenses).

The total assets of the Development Bank of Turkey increased by 10.1% during 2014, from TL 3,556.1 million at the end of 2013 to TL 3,914.9 million at the end of 2014. Total lending, which amounted to TL 2,758.7 million at the end of 2013 increased by 14% to TL 3,145 million at the end of 2013. As the rate of growth in loans increased over the rate of growth in assets, the share of loans in total assets increased from 77.6% at the end of 2013 to 80.3% at the end of 2014.

With its loan placements financed mostly by foreign resources the value of the loans within our Bank's fund structure increased by 19.9% on an annual basis reaching to TL 3.164 million and its share in total liabilities increased to 80.8% with the impact of the rise in foreign exchange rates in this period. While the ratio of the equity in the liabilities decreased from 17% to 16.4%, "Debts to Money Markets" decreased from TL 221.8 million to TL 232 thousand, and thus the ratio of this balance sheet item in the structure of the liabilities became almost zero.

There was an increase in both total revenues and total expenditures in 2014. Total revenues increased by 12.5% (TL 21 million) to TL 188.3 million, while total expenditures climbed by 7.5% (TL 9 million) to TL 129.1 million. Our Bank's net profit also increased by 28.1% to TL 46.9 million.

The Bank's capital adequacy ratio fell from 21.4% at the end of 2013 to 20.4% by the end of 2014 because the increase in the Bank's credit risk exceeded the increase in its shareholders' equity due to its expanding loan volume.

Composition of Assets (%)	December 2013	December 2014
Cash Balances, Central Bank and Securities at Fair Value through Profit or Loss	0.1	0.0
Banks and Other Financial Institutions	8.2	7.1
Money Markets	4.1	7.2
Available for Sale Marketable Securities	6.2	1.9
Loans	77.6	80.3
Non-Performing Loans (net)	2.3	1.6
Securities Held to Maturity	0.8	0.5
Subsidiaries and Affiliates	0.5	0.6
Tangible Fixed Assets	1.8	1.8
Other Assets	0.7	0.6
Total	100.0	100.0

When our Bank's asset structure is examined in 2014, a decrease in the ratio of the liquid assets is seen despite the increase in the ratio of the loans. This situation is related to the increase that took place in our Bank's loan volume in line with its primary functions besides the changes that took place in the structure of the portfolio of securities as a result of the developments in the money markets.

TOTAL LOANS (TL MILLION)	DECEMBER 2013	DECEMBER 2014
Loans	2,758.7	3,145.0
Non-Performing Loans (Gross)	124.9	109.0
Loan Provisions (-)	44.4	48.0
Non-Performing Loans (Net)	80.5	61.0

ASSET QUALITY (%)	DECEMBER 2013	DECEMBER 2014
Loans/Total Assets	77.6	80.3
Non-Performing Loans (Net)/Total Assets	2.3	1.6
Non-Performing Loans (Net)/Total Loans	2.9	1.9
Loan Provisions/Non-Performing Loans	35.5	44.0
Non-Performing Loans (Gross)/Total Assets	3.5	2.8
Non-Performing Loans (Gross)/Total Loans (Gross)	4.5	3.4

As result of the debt collection during the year, Non-Performing Receivables (gross) decreased from TL 124.9 million (the figure recorded as of the 2013 year-end) to TL 109 million at 2014 year-end. As of December 2014, gross non-performing ratio was 3.4%, decreasing by 1.1 points compared to the previous year due to the decrease in the Non-performing Receivables (gross) and the increase in the loan volume.

ASSESSMENT OF
FINANCIAL POSITION,
PROFITABILITY AND
DEBT SERVICING
CAPABILITY

LIQUID ASSETS (TL MILLION)	DECEMBER 2013	DECEMBER 2014
Cash Balances and Central Bank	1.7	0.8
Securities at Fair Value through Profit or Loss	1.1	0.0
Banks and Other Financial Institutions	289.7	277.7
Money Markets	145.6	283.1
Available for Sale Marketable Securities	221.8	72.3
Total	659.9	633.9

Our Bank's liquid assets that were TL 659.9 million as of 2013 year-end, were recorded as TL 633.9 million decreasing by 3.9% as of December 2014 while the ratio of this item in total assets decreased from 18.6% to 16.2%. The main reason behind this decrease was the 67.4% decrease in the Bank's portfolio of "Available for Sale Securities" as a result of the volatility in the interest rates throughout the year. As a result of this policy, the ratio of the "Available for Sale Financial Assets" in the assets decreased from 6.2% to 1.8% as of December 2014.

COMPOSITION OF LIABILITIES (%)	DECEMBER 2013	DECEMBER 2014
Money Markets	6.2	0.0
Borrowings	74.2	80.8
Funds	0.7	0.4
Provisions	1.6	1.6
Other Liabilities	0.3	0.8
Shareholders' Equity	17.0	16.4
Profit/Loss for the Period	1.0	1.2
Total	100.0	100.0

Due to the fact that the increase in the credits obtained was more than the increase in the equity, the ratio of the equity in the liabilities decreased from 17% (the figure recorded in the previous year) to 16.4% in 2014. As a result of the 20% increase in the credits the Bank gets from abroad, the ratio of the credits taken in 2014 in the total liabilities reached 80.8% whereas this ratio in 2013 was 74.2%. On the other hand, within the framework of the 2014 liquidity policy, due to the Central Bank's decision taken on the 6th of January 2014 to limit the weekly organized repo auctions to the "required reserve ratio", the funds our Bank obtained by means of repo narrowed down a great deal, and thus the ratio of the "Money Markets" in the liabilities became almost zero.

SOURCES OF PROFIT/LOSS (TL MILLION)	DECEMBER 2013	DECEMBER 2014
Interest Margin	111.4	122.9
FX Margin	-3.5	2.2
Fee and Commission Margin	4.7	8.1
Securities Trading Margin	0.5	0.0
Derivative Financial Transactions Margin	0.4	0.0
Other Income Margin	-66.3	-74.0
Profit before Taxes	47.2	59.2
Provision for Taxes (-)	10.6	12.3
Net Profit (Loss)	36.6	46.9

COMPOSITION OF REVENUES/ EXPENDITURES (%)	DECEMBER 2013	DECEMBER 2014
Income	100.0	100.0
Interest Income	86.8	83.6
Foreign Exchange Income	1.8	4.2
Commission Income	3.3	4.6
Gains from Securities Trading	0.3	0.0
Gains from Derivatives Trading	0.5	0.0
Other Income	7.3	7.6
Expenditures	100.0	100.0
Interest Expenditures	28.3	26.8
Foreign Exchange Expenditures	5.5	4.4
Commission Expenditures	0.6	0.4
Securities Trading Expenditures	0.0	0.0
Derivatives Trading Expenditures	0.3	0.0
Other Expenditures	65.3	68.4

COMPOSITION OF INTEREST INCOME/ EXPENDITURES (%)	DECEMBER 2013	DECEMBER 2014
Interest Income	100.0	100.0
From Loans	76.9	79.2
From Banks	3.9	3.4
From Money Market Operations	8.8	10.1
From Securities	10.4	7.3
Interest Expenditures	100.0	100.0
On Money Market Operations	22.7	0.6
On Borrowings	72.1	98.1
Other	5.2	1.3

An analysis of the Bank's sources of revenues and expenditures indicates that interest margin was the key source of profitability. Interest margin increased by 10.3% to TL 122.9 million in 2014. In 2014, the Bank's foreign exchange margin turned from negative to positive and amounted to TL 2.2 million, while its fee and commission income margin climbed by 70.8% to TL 8.1 million.

Interest income mainly arises from the Bank's improving loan supply activities and treasury transactions. Looking at the composition of interest income, there was an increase in the share of interest income generated from loans, while the share of interest income from banks, money market transactions and securities decreased. In terms of interest expenditures, on the other hand, the share of interest paid on money market transactions decreased from 22.7% to almost zero, while the share of interest paid on loans received increased to 98.1%.

The Bank's net profit for 2014 increased by 28.1% YoY to TL 46.9 million. The Bank's return on assets increased from 1% to 1.2% and the return on equity from 6.1% to 7.3% due to the rate of increase of the period net profit which was over the increase rate of total assets and shareholders' equity.

INFORMATION ON TRANSACTIONS BETWEEN THE BANK AND ITS RISK GROUPS

The Chairman of the Board of Directors, the Members of the Board of Directors, the General Manager and the Assistant General Managers of the Bank, are not shareholders in the Bank's capital. In case the Members of the Board of Directors make a request, the Bank extends credit to these persons pursuant to the Bank's "Personnel Loans Regulation", and under the terms and conditions applicable for Bank personnel. Apart from the credits extended under the Banking legislation, there is no record of any credits extended by means of third persons or any other money lent and any surety given to any of the Members of the Board of Directors or executives of the Bank.

SUPPORT SERVICES PROVIDERS

As per the "Regulation on Support Services That Will Be Purchased By Banks and Authorizing Support Service Companies"; as stipulated the Law Act no.5188, our Bank purchases private security and guidance services from the company called "Pusat ve Kuzey Rüzgarı Güvenlik Adi Ortaklığı", and server hosting services from Türk Telekom A.Ş.

CREDIT RATINGS

In accordance with the "Regulations on Annual Reports" and "Regulations on Rating Agencies' Authorization and Activities" issued by the Banking Regulation and Supervision Agency and published in issue 26333 of the Official Gazette dated 1 November 2006, the Bank was assessed by Fitch Ratings and credit ratings were issued on 24 October 2014. The credit ratings were updated on the Bank's website.

	2013	2014
FOREIGN CURRENCY COMMITMENTS		
Long-Term	BBB-	BBB-
Short-Term	F3	F3
Outlook	Stable	Stable
TURKISH LIRA COMMITMENTS		
Long-Term	BBB	BBB
Short-Term	F3	F3
Outlook	Stable	Stable
NATIONAL		
Long-Term	AAA (TUR)	AAA (TUR)
Outlook	Stable	Stable
Support Rating	2	2
Baseline Support Rating	BBB-	BBB-

FINANCIAL INFORMATION
AND KEY RATIOS 2010-2014

(TL MILLION)	2010	2011	2012	2013	2014
Total Assets	1,597.2	2,793.8	2,870.1	3,556.1	3,914.9
Liquid Assets	298.2	815.7	488.6	659.9	633.9
Total Loans	1,178.2	1,859.2	2,254.4	2,758.7	3,145.0
Non-performing Loans (net)	27.5	48.3	48.0	80.5	61.0
Total Foreign Resources	1,083.5	2,264.9	2,293.2	2,952.0	3,272.3
Paid-in Capital	160.0	160.0	160.0	160.0	160.0
Shareholders' Equity	513.7	528.9	576.9	604.1	642.6
Net Interest Income	62.8	91.5	113.6	111.4	122.9
Net Profit	21.1	23.8	43.6	36.6	46.9
%					
Total Loans/Total Assets	73.8	66.5	78.5	77.6	80.3
Non-Performing Loans (gross)/Total Loans (gross)	6.3	4.9	4.2	4.5	3.4
Total Foreign Resources/ Total Liabilities	67.8	81.1	79.9	83.0	83.6
Shareholders' Equity/Total Assets	32.2	18.9	20.1	17.0	16.4
Return on Assets (ROA)	1.3	0.9	1.5	1.0	1.2
Return on Equity (ROE)	4.1	4.5	7.6	6.1	7.3

CONVENIENCE TRANSLATION OF THE AUDIT REPORT AND
THE FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
TÜRKİYE KALKINMA BANKASI A.Ş.
INDEPENDENT AUDITOR'S REPORT

Deloitte.

DRT Bağımsız Denetim ve
Serbest Muhasebeci
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To the Board of Directors of
Türkiye Kalkınma Bankası A.Ş.
Ankara

We have audited the accompanying unconsolidated balance sheet of Türkiye Kalkınma Bankası A.Ş. as of 31 December 2014, 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:

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 1 November 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:

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 1 November 2006 and with Independent Auditing Standards which is a part of Turkish Auditing Standards promulgated by the Public Oversight Accounting and Auditing Standards Authority("PAO"). 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.

Opinion:

In our opinion, the accompanying unconsolidated financial statements present fairly, in all material respects, the financial position of Türkiye Kalkınma Bankası A.Ş. as of 31 December 2014 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.

Report on Other Liabilities Resulting from Legislation

In accordance with Article 402 paragraph 4 of the Turkish Commercial Code ("TCC") no 6102; no significant matter has come to our attention that causes us to believe that the Bank's set of accounts and financial statements prepared for the period 1 January-31 December 2014 does not comply with TCC and the provisions of the Bank's articles of association in relation to financial reporting.

In accordance with Article 402 paragraph 4 of the Turkish Commercial Code ("TCC"), The Board of Directors provided us all required information and documentation with respect to our audit.

Ankara, 13 February 2015

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.

TÜRKİYE KALKINMA BANKASI A.Ş.
THE UNCONSOLIDATED FINANCIAL REPORT AS OF 31 DECEMBER 2014

The Headquarters Address	Necatibey Cad. No: 98 P.K.06100 Bakanlıklar/ANKARA
Telephone and Facsimile	Tel: 0312 231 43 40 Fax: 0312 418 78 67
Website Address	http://www.kalkinma.com.tr
E-mail Address	muhassebe@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 BUÇUKOĞLU
Chairman of the Board of Directors
and General Manager

Prof.Dr. Ahmet KESİK
Chairman of Audit
Committee

Zeki ÇİFTÇİ
Chairman of Audit
Committee (By Proxy)

Şerif ÇELENK
Member of Audit
Committee

Bahattin SEKKİN
Assistant General Manager
Responsible for Financial Reporting

Aydın TOSUN
Head of Financial Affairs

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

Name Surname/Title : Özgür Özel/Finance Manager
Tel No : 0 312-417 92 00-2506
Fax No : 0 312-418 78 67

SECTION ONE
General Information

I-	Establishment Date of the Bank, Initial Articles of Association, History of the Bank Including the Changes of These Articles	94
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	94
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	94
IV-	Information About Persons And Institutions that Have Qualified Shares Attributable to the Bank	95
V-	Summary of Functions and Lines of Activities of the Bank	95
VI-	Information on Application Differences Between Consolidation Practices as per the Regulation on Preparation of Consolidated Financial Statements of Banks and the Turkish Accounting Standarts, and Entities Subject to Full or Proprtional Consolidation or Deducted From Equity or Not Subject to Any of These Three Methods	95
VII-	Current or Likely Actual or Legal Barriers to Immediate Transfer of Equity or Repayment of Debts between the Bank and Its Subsidiaries	95

SECTION TWO
Financial Statements

I-	Balance Sheet	96-97
II-	Statement of Off-Balance Sheet Accounts	98-99
III-	Statement of Income	100
IV-	Statement of Profit or Loss Accounted under Shareholders’ Equity	101
V-	Statement of Changes in Shareholders’ Equity	102-103
VI-	Statement of Cash Flow	104
VII-	Statement of Profit Distribution	105

SECTION THREE
Accounting Policies

I-	Explanations on Basis of Presentation	106
II-	Explanations on Utilization Strategy of Financial Instruments and Foreign Currency Transactions	106
III-	Explanations on Derivative Instruments	107
IV-	Explanations on Interest Income and Expenses	107
V-	Explanations on Fees and Commission Income and Expenses	107
VI-	Explanations on Financial Assets	108-109
VII-	Explanations on Impairment of Financial Assets	109-110
VIII-	Explanations on Offsetting of Financial Assets and Liabilities	110
IX-	Explanations on Sales and Repurchase Agreements and Lending of Securities	110
X-	Explanations on Assets Held For Sale and Discontinued Operations	110
XI-	Explanations on Goodwill and Other Intangible Assets	111
XII-	Explanations on Tangible Fixed Assets	111-112
XIII-	Explanations on Leasing Transactions	112
XIV-	Explanations on Provisions and Conditional Liabilities	112
XV-	Explanations on Employee Benefit Liabilities	113
XVI-	Explanations on Taxation	113-114
XVII-	Additional Explanations on Borrowings	114
XVIII-	Explanations on Shares Issued	114
XIX-	Explanations on Bill Guarantees and Acceptances	114
XX-	Explanations on Government Incentives	114
XXI-	Explanations on Segment Reporting	114-116
XXII-	Explanations on Other Matters	117

SECTION FOUR
Information on Financial Structure and Risk Management

I-	Explanations Related to Capital Adequacy Ratio	117-123
II-	Explanations Related to Credit Risk	123-132
III-	Explanations Related to Market Risk	132-133
IV-	Explanations Related to Operational Risk	134
V-	Explanations Related to Exchange Rate Risk	134-136
VI-	Explanations Related to Interest Rate Risk	136-140
VII-	Explanations Related to Equity Securities in Banking Book	140-141
VIII-	Explanations Related to Liquidity Risk	141-143
IX-	Explanations Related to Securitization Positions	143
X-	Explanations Related to Credit Risk Mitigation Techniques	144
XI-	Explanations Related to Risk Management Objectives and Policies	144-145
XII-	Explanations Related to the Presentation of Financial Assets and Liabilities at Fair Values	145-146
XIII-	Explanations Related to the Transactions Made on Behalf and Account of Others, Fiduciary Transactions	146

SECTION FIVE
Explanations and Notes Related to the Unconsolidated Financial Statements

I-	Explanations and Notes Related to Assets	147-163
II-	Explanations and Notes Related to Liabilities	163-167
III-	Explanations and Notes Related to Off-Balance Sheet Accounts	167-170
IV-	Explanations and Notes Related to Income Statement	170-174
V-	Explanations and Notes Related to Statement of Changes in Shareholders’ Equity	174
VI-	Explanations and Notes Related to Cash Flow Statement	175-176
VII-	Explanations Related to Risk Group of the Bank	176-178
VIII-	Explanations Related to Domestic, Foreign, Off-shore Branches and Representative Offices Abroad	178
IX-	Explanations Related to the Subsequent Events	178

SECTION SIX
Other Explanations

I-	Other Explanations on Operations of the Bank	179
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SECTION SEVEN
Independent Auditors’ Report

I-	Explanations on Independent Auditors’ Report	180
II-	Explanations and Notes Prepared by Independent Auditor	180

TÜRKİYE KALKINMA BANKASI A.Ş.
Notes to the Unconsolidated Financial Statements
for the Year Ended 31 December 2014

(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 Industry 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 industrial 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 TL)	Share (%)	Share Capital (Thousand TL)	Trading Capital (Thousand TL)
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:

Name Surname	Duty	Assignment Date	Education Level	Experience in Banking Sector(Years)
Ahmet BUÇUKOĞLU	Chairman of the Board	27.06.2014	Bachelor	31
Selim YEŞİLBAŞ	Member of the Board	29.04.2014	Master’s Degree	20
Hakan TOKAÇ	Member of the Board	01.05.2007	Master’s Degree	20
Mustafa Cüneyd DÜZYOL	Member of the Board	29.04.2014	Master’s Degree	26
Şerif ÇELENK	Member of the Board	02.03.2009	Bachelor	32
Zeki ÇİFTÇİ	Member of the Board	15.05.2012	Doctorate	27
Ahmet KESİK	Member of the Board	15.05.2012	Doctorate	27

TÜRKİYE KALKINMA BANKASI A.Ş.
Notes to the Unconsolidated Financial Statements
for the Year Ended 31 December 2014

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

General Manager, Assistant General Managers:

Name Surname	Duty ^(*)	Assignment Date	Education Level	Experience in Banking Sector(Years)
Ahmet BUÇUKOĞLU	General Manager/All areas	27.06.2014	Bachelor	31
Bahattin SEKKİN	Loan Follow up and Coll;Fiscal Aff.; Budget ;Intell;Econ.and Social Res. Tech.Mon.and Res.-	22.08.2003	Bachelor	32
Adnan YALÇINCI	Credit Marketing,Support Services; Istanbul Branch	14.10.2005	Master’s Degree	25
Zekai İŞILDAR	AGM/Loan Evaluation I-II, information Technologies	30.01.2009	Bachelor	27
İrfan YAŞAR	AGM/Fin.Inst.-Business Product-Treasury	16.12.2009	Master’s Degree	15

(*) Assistant General Manager, Metin PEHLİVAN, was resigned from The Bank on 29 December 2014.

Chairman of Inspection Committee:

Name Surname	Duty	Assignment Date	Education Level	Experience in Banking Sector(Years)
Fatih ŞAHİN	Chairman of Inspection Committee	21.02.2012	Bachelor	15

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 Under secretariat 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.

VI-Information on application differences between consolidation practices as per the Regulation on Preparation of Consolidated Financial Statements of Banks and the Turkish Accounting Standarts, and entities subject to full or proportional consolidation or deducted from equity or not subject to any of these three methods:

Since Kalkınma Yatırım Menkul Değerler A.Ş. which is the subsidiary of the Bank is in liquidation process, the Bank has lost control over its subsidiary in accordance with the related provisions of TAS and TFRS and net investment value of Kalkınma Yatırım Menkul Değerler A.Ş. in liquidation has been reclassified to financial assets available for sale. Therefore, no consolidated financial statements has been prepared.

VII-Current or likely actual or legal barriers to immediate transfer of equity or repayment of debts between the bank and its subsidiaries:

As explained above, Kalkınma Yatırım Menkul Değerler A.Ş. is in liquidation process, and transfer of equity is expected to be made at the end of the liquidation process.

SECTION TWO
UNCONSOLIDATED FINANCIAL STATEMENTS

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

TÜRKİYE KALKINMA BANKASI A.Ş.
Unconsolidated Balance Sheet
(Statement of Financial Position)

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

THOUSANDS OF TRY							
		AUDITED CURRENT PERIOD (31/12/2014)			AUDITED PRIOR PERIOD (31/12/2013)		
ASSETS	Disc.	TRY	FC	Total	TRY	FC	Total
I. CASH AND BALANCES WITH THE CENTRAL BANK							
FINANCIAL ASSETS AT FAIR VALUE THROUGH	(1)	755	-	755	1.706	-	1.706
II. PROFIT AND LOSS (Net)	(2)	1	-	1	1.068	-	1.068
2.1 Trading Financial Assets		1	-	1	1.068	-	1.068
2.1.1 Public Sector Debt Securities		1	-	1	1.068	-	1.068
2.1.2 Share Certificates		-	-	-	-	-	-
2.1.3 Financial Assets Held for Trading		-	-	-	-	-	-
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)	34.367	243.289	277.656	163.496	126.246	289.742
IV. MONEY MARKET PLACEMENTS		283.087	-	283.087	145.569	-	145.569
4.1 Interbank Money Market Placements		-	-	-	-	-	-
4.2 Istanbul Stock Exchange Money Market Placements		-	-	-	-	-	-
4.3 Receivables from Reverse Repurchase Agreements		283.087	-	283.087	145.569	-	145.569
V. FINANCIAL ASSETS AVAILABLE FOR SALE (Net)	(4)	45.791	26.564	72.355	219.500	2.347	221.847
5.1 Share Certificates		8.037	-	8.037	8.039	-	8.039
5.2 Public Sector Debt Securities		34.282	7.816	42.098	208.242	219	208.461
5.3 Other Marketable Securities		3.472	18.748	22.220	3.219	2.128	5.347
VI. LOANS	(5)	253.473	2.891.567	3.145.040	282.956	2.475.776	2.758.732
6.1 Loans		192.451	2.891.567	3.084.018	202.443	2.475.776	2.678.219
6.1.1 Loans Extended to Risk Group of the Bank		-	-	-	-	-	-
6.1.2 Public Sector Debt Securities		-	-	-	-	-	-
6.1.3 Other		192.451	2.891.567	3.084.018	202.443	2.475.776	2.678.219
6.2 Loans Under Follow-Up		109.033	-	109.033	124.907	-	124.907
6.3 Specific Provisions (-)		48.011	-	48.011	44.394	-	44.394
VII. FACTORING RECEIVABLES		-	-	-	-	-	-
VIII. HELD TO MATURITY INVESTMENTS (Net)	(6)	20.476	-	20.476	29.739	-	29.739
8.1 Public Sector Debt Securities		20.476	-	20.476	29.739	-	29.739
8.2 Other Marketable Securities		-	-	-	-	-	-
IX. INVESTMENTS IN ASSOCIATES (Net)	(7)	8.415	13.161	21.576	8.111	9.907	18.018
9.1 Accounted with Equity Method		-	-	-	-	-	-
9.2 Unconsolidated Associates		8.415	13.161	21.576	8.111	9.907	18.018
9.2.1 Financial Investments		-	13.161	13.161	-	9.907	9.907
9.2.2 Non-financial Investments		8.415	-	8.415	8.111	-	8.111
X. INVESTMENTS IN SUBSIDIARIES (Net)	(8)	-	-	-	-	-	-
10.1 Unconsolidated Financial Subsidiaries		-	-	-	-	-	-
10.2 Unconsolidated Non-financial Subsidiaries		-	-	-	-	-	-
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)	55	-	55	3	-	3
12.1 Finance Lease Receivables		-	-	-	-	-	-
12.2 Operating Lease Receivables		55	-	55	3	-	3
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)	68.513	-	68.513	64.696	-	64.696
XV. INTANGIBLE ASSETS (Net)	(13)	1.966	-	1.966	1.627	-	1.627
15.1 Goodwill		-	-	-	-	-	-
15.2 Other		1.966	-	1.966	1.627	-	1.627
XVI. INVESTMENT PROPERTIES (Net)	(14)	1.067	-	1.067	1.110	-	1.110
XVII. TAX ASSET	(15)	7.087	-	7.087	6.939	-	6.939
17.1 Current Tax Assets		-	-	-	-	-	-
17.2 Deferred Tax Assets		7.087	-	7.087	6.939	-	6.939
XVIII. ASSETS FOR ASSET HELD FOR SALE AND HELD FROM DISCONTINUED OPERATIONS	(16)	-	-	-	-	-	-
18.1 Held for Sale Purpose		-	-	-	-	-	-
18.2 Held from Discontinued Operations		-	-	-	-	-	-
XIX. OTHER ASSETS	(17)	13.385	1.846	15.231	13.288	1.973	15.261
TOTAL ASSETS		738.438	3.176.427	3.914.865	939.808	2.616.249	3.556.057

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

TÜRKİYE KALKINMA BANKASI A.Ş.
Unconsolidated Balance Sheet
(Statement of Financial Position)

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

THOUSANDS OF TRY							
		AUDITED CURRENT PERIOD (31/12/2014)			AUDITED PRIOR PERIOD (31/12/2013)		
LIABILITIES AND EQUITY	Disc.	TRY	FC	Total	TRY	FC	Total
I. DEPOSITS	(1)	-	-	-	-	-	-
1.1 Deposits Held by the Risk Group of the Bank		-	-	-	-	-	-
1.2 Other		-	-	-	-	-	-
II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	(2)	-	-	-	-	-	-
III. BORROWING FUNDING LOANS	(3)	-	3.164.074	3.164.074	-	2.639.545	2.639.545
IV. MONEY MARKET BALANCES		232	-	232	221.766	-	221.766
4.1 Interbank Money Market Takings		-	-	-	-	-	-
4.2 Istanbul Stock Exchange Takasbank Takings		-	-	-	-	-	-
4.3 Funds From Repurchase Agreements		232	-	232	221.766	-	221.766
V. MARKETABLE SECURITIES ISSUED (Net)		-	-	-	-	-	-
5.1 Bills		-	-	-	-	-	-
5.2 Asset-backed Securities		-	-	-	-	-	-
5.3 Bonds		-	-	-	-	-	-
VI. FUNDS		17.184	71	17.255	24.438	64	24.502
6.1 Borrower Funds		-	-	-	-	-	-
6.2 Other		17.184	71	17.255	24.438	64	24.502
VII. SUNDRY CREDITORS		14.222	2.441	16.663	3.162	583	3.745
VIII. OTHER LIABILITIES	(4)	8.524	887	9.411	4.185	542	4.727
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)	61.846	-	61.846	54.945	-	54.945
12.1 General Loan Provisions		32.873	-	32.873	27.491	-	27.491
12.2 Restructuring Provisions		-	-	-	-	-	-
12.3 Employee Benefits Provisions		28.973	-	28.973	27.454	-	27.454
12.4 Insurance Technical Reserves (Net)		-	-	-	-	-	-
12.5 Other Provisions		-	-	-	-	-	-
XIII. TAX LIABILITY	(8)	2.785	-	2.785	2.730	-	2.730
13.1 Current Tax Liability		2.785	-	2.785	2.730	-	2.730
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)	642.627	(28)	642.599	604.137	(40)	604.097
16.1 Paid-in Capital		160.000	-	160.000	160.000	-	160.000
16.2 Capital Reserves		210.554	(28)	210.526	210.217	(40)	210.177
16.2.1 Share Premium		1.491	-	1.491	1.491	-	1.491
16.2.2 Share Cancellation Profits		-	-	-	-	-	-
16.2.3 Marketable Securities Revaluation Fund		2.443	(28)	2.415	2.308	(40)	2.268
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 and Held From Discontinued Operations"		-	-	-	-	-	-
16.2.10 Other Capital Reserves		206.620	-	206.620	206.418	-	206.418
16.3 Profit Reserves		225.170	-	225.170	197.299	-	197.299
16.3.1 Legal Reserves		32.150	-	32.150	32.075	-	32.075
16.3.2 Statutory Reserves		-	-	-	-	-	-
16.3.3 Extraordinary Reserves		191.384	-	191.384	163.588	-	163.588
16.3.4 Other Profit Reserves		1.636	-	1.636	1.636	-	1.636
16.4 Profit/Loss		46.903	-	46.903	36.621	-	36.621
16.4.1 Prior Years Income/Loss		-	-	-	-	-	-
16.4.2 Period Profit/Loss		46.903	-	46.903	36.621	-	36.621
TOTAL LIABILITIES AND EQUITY		747.420	3.167.445	3.914.865	915.363	2.640.694	3.556.057

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

TÜRKİYE KALKINMA BANKASI A.Ş.

Unconsolidated Off Balance Sheet Accounts

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

THOUSANDS OF TRY							
		AUDITED			AUDITED		
		CURRENT PERIOD			PRIOR PERIOD		
		(31/12/2014)			(31/12/2013)		
	Disc.	TRY	FC	Total	TRY	FC	Total
A.	OFF BALANCE SHEET CONTINGENCIES AND COMMITMENTS (I+II+III)	117.895	1.365.731	1.483.626	130.157	898.435	1.028.592
I.	GUARANTEES AND SURETYSHIPS	(1), (3)	40	9.105	9.145	40	12.716
1.1.	Letters of Guarantee	40	-	40	40	-	40
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	40	-	40	40	-	40
1.2.	Bank Loans	-	-	-	-	-	-
1.2.1.	Import Acceptances	-	-	-	-	-	-
1.2.2.	Other Bank Acceptances	-	-	-	-	-	-
1.3.	Letters of Credit	-	9.105	9.105	-	12.716	12.716
1.3.1.	Documentary Letters of Credit	-	9.105	9.105	-	12.716	12.716
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)	117.855	1.356.626	1.474.481	130.117	885.719
2.1.	Irrevocable Commitments	-	12.226	12.226	-	15.353	15.353
2.1.1.	Forward Asset Purchase Commitments	-	-	-	-	-	-
2.1.2.	Forward Deposit Purchase and Sale Commitments	-	-	-	-	-	-
2.1.3.	Capital Commitments to Subsidiaries and Associates	-	12.226	12.226	-	15.353	15.353
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	117.855	1.344.400	1.462.255	130.117	870.366	1.000.483
2.2.1.	Revocable Loan Granting Commitments	117.855	1.344.400	1.462.255	130.117	870.366	1.000.483
2.2.2.	Other Revocable Commitments	-	-	-	-	-	-

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

TÜRKİYE KALKINMA BANKASI A.Ş.

Unconsolidated Off Balance Sheet Accounts

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

THOUSANDS OF TRY							
		AUDITED			AUDITED		
		CURRENT PERIOD			PRIOR PERIOD		
		(31/12/2014)			(31/12/2013)		
	Disc.	TRY	FC	Total	TRY	FC	Total
III.	DERIVATIVE FINANCIAL INSTRUMENTS	(2)	-	-	-	-	-
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	-	-	-	-	-	-
3.2.1	Forward Foreign Currency Buy/Sell Transactions	-	-	-	-	-	-
3.2.1.1	Forward Foreign Currency Transactions-Buy	-	-	-	-	-	-
3.2.1.2	Forward Foreign Currency Transactions-Sell	-	-	-	-	-	-
3.2.2	Currency and Interest Rate Swaps	-	-	-	-	-	-
3.2.2.1	Currency Swap-Buy	-	-	-	-	-	-
3.2.2.2	Currency Swap-Sell	-	-	-	-	-	-
3.2.2.3	Interest Rate Swap-Buy	-	-	-	-	-	-
3.2.2.4	Interest Rate Swap-Sell	-	-	-	-	-	-
3.2.3	Currency, Interest Rate and Marketable Securities Options	-	-	-	-	-	-
3.2.3.1	Currency Call Options	-	-	-	-	-	-
3.2.3.2	Currency Put Options	-	-	-	-	-	-
3.2.3.3	Interest Rate Call Options	-	-	-	-	-	-
3.2.3.4	Interest Rate Put Options	-	-	-	-	-	-
3.2.3.5	Marketable Securities Call Options	-	-	-	-	-	-
3.2.3.6	Marketable Securities Put Options	-	-	-	-	-	-
3.2.4	Currency Futures	-	-	-	-	-	-
3.2.4.1	Currency Futures-Buy	-	-	-	-	-	-
3.2.4.2	Currency Futures-Sell	-	-	-	-	-	-
3.2.5	Interest Rate Buy/Sell Futures	-	-	-	-	-	-
3.2.5.1	Interest Rate Futures-Buy	-	-	-	-	-	-
3.2.5.2	Interest Rate Futures-Sell	-	-	-	-	-	-
3.2.6	Other	-	-	-	-	-	-
B.	CUSTODY AND PLEDGED ASSETS (IV+V+VI)	1.448.714	10.707.341	12.156.055	1.568.190	9.765.065	11.333.255
IV.	CUSTODIES	1.020	306	1.326	1.340	372	1.712
4.1.	Assets Under Management	-	-	-	-	-	-
4.2.	Custody Marketable Securities	1.020	-	1.020	1.340	-	1.340
4.3.	Cheques in Collection Process	-	-	-	-	258	258
4.4.	Commercial Notes in Collection Process	-	-	-	-	-	-
4.5.	Other Assets in Collection Process	-	-	-	-	-	-
4.6.	Underwritten Securities	-	-	-	-	-	-
4.7.	Other Custodies	-	306	306	-	114	114
4.8.	Custodians	-	-	-	-	-	-
V.	PLEDGED ASSETS	1.444.574	10.705.684	12.150.258	1.565.250	9.763.314	11.328.564
5.1.	Marketable Securities	-	-	-	-	-	-
5.2.	Collateral Notes	128.254	2.149.812	2.278.066	164.731	2.076.909	2.241.640
5.3.	Commodity	-	-	-	-	-	-
5.4.	Warranty	-	-	-	-	-	-
5.5.	Land and Buildings	732.026	5.564.768	6.296.794	697.836	5.226.411	5.924.247
5.6.	Other Pledged Assets	188.259	2.128.474	2.316.733	177.568	1.634.596	1.812.164
5.7.	Pledges	396.035	862.630	1.258.665	525.115	825.398	1.350.513
VI.	ACCEPTED BILL GUARANTEES AND SURETIES	3.120	1.351	4.471	1.600	1.379	2.979
TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)		1.566.609	12.073.072	13.639.681	1.698.347	10.663.500	12.361.847

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

TÜRKİYE KALKINMA BANKASI 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	PRIOR PERIOD
		(01/01/2014-31/12/2014)	(01/01/2013-31/12/2013)
I. INTEREST INCOME	(1)	157.397	145.306
1.1 Interest on loans		124.666	111.808
1.2 Interest received from reserve deposits		-	-
1.3 Interest received from banks		5.327	5.623
1.4 Interest received from money market placements		15.884	12.787
1.5 Interest income on marketable securities		11.520	15.065
1.5.1 Financial assets held for trading		23	77
1.5.2 Financial assets at fair value through profit and loss		-	-
1.5.3 Financial assets available-for-sale		9.267	12.816
1.5.4 Investments held-to-maturity		2.230	2.172
1.6 Finance lease income		-	-
1.7 Other interest income		-	23
II. INTEREST EXPENSE	(2)	34.540	33.938
2.1 Interest on deposits		-	-
2.2 Interest on borrowings		33.866	24.472
2.3 Interest on money market borrowings		210	7.717
2.4 Interest on marketable securities issued		-	-
2.5 Other interest expense		464	1.749
III. NET INTEREST INCOME (I-II)	(12)	122.857	111.368
IV. NET FEES AND COMMISSIONS INCOME		8.106	4.746
4.1 Fees and commissions income		8.591	5.447
4.1.1 Non-cash loans		269	647
4.1.2 Other		8.322	4.800
4.2 Fees and commissions expenses	(12)	485	701
4.2.1 Non-cash loans		-	-
4.2.2 Other		485	701
V. DIVIDEND INCOME	(3)	109	185
VI. NET TRADING PROFIT	(4)	2.188	(2.625)
6.1 Profit/Loss from capital market operations		3	474
6.2 Profit/Loss from financial derivative transactions		-	438
6.3 Foreign exchange gains/losses		2.185	(3.537)
VII. OTHER OPERATING INCOME	(5)	14.316	12.039
VIII. TOTAL OPERATING INCOME (III+IV+V+VI+VII)		147.576	125.713
IX. LOANS AND OTHER RECEIVABLES IMPAIRMENT LOSS PROVISIONS (-)	(6)	15.671	9.296
X. OTHER OPERATING EXPENSES(-)	(7)	72.726	69.155
XI. NET OPERATING INCOME/(LOSS) (VIII-IX-X)		59.179	47.262
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)	59.179	47.262
XVI. INCOME TAX PROVISION (±)	(9)	(12.276)	(10.641)
16.1 Current tax provision		(12.512)	(10.565)
16.2 Deferred tax provision		236	(76)
XVII. NET OPERATING INCOME AFTER TAX (XV±XVI)	(10)	46.903	36.621
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		-	-
INCOME/EXPENSE BEFORE TAXES FROM DISCONTINUED OPERATIONS (XVIII-XIX)	(8)	-	-
XX. 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)		-	-
XXIII. NET PROFIT/(LOSS) (XVII+XXII)	(10)	46.903	36.621
Earnings per share		0,00293	0,00229

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

TÜRKİYE KALKINMA BANKASI A.Ş.
Statement of Unconsolidated Profit and
Loss Accounted for under Equity

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

THOUSANDS OF TRY		
STATEMENT OF PROFIT AND LOSS ACCOUNTED FOR UNDER EQUITY	AUDITED	
	CURRENT PERIOD	PRIOR PERIOD
	(01/01/2014-31/12/2014)	(01/01/2013-31/12/2013)
I. Additions to marketable securities revaluation differences from financial assets available for sale	184	(1.273)
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	253	430
IX. Deferred tax of valuation differences	(88)	169
X. Total Net Profit/Loss accounted under equity (I+II+...+IX)	349	(674)
XI. Profit/Loss	-	2
11.1. Change in fair value of marketable securities (Transfer to Profit/Loss)	-	2
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	-	-
XII. Total Profit/Loss accounted for the period (X±XI)	349	(672)

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

TÜRKİYE KALKINMA BANKASI A.Ş.
Unconsolidated Statement of Cash Flows

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

THOUSANDS OF TRY			
		AUDITED	AUDITED
		CURRENT PERIOD	PRIOR PERIOD
	Disc.	(01/01/2014-31/12/2014)	(01/01/2013-31/12/2013)
A. CASH FLOWS FROM BANKING OPERATIONS			
1.1. Operating profit before changes in operating assets and liabilities (+)	(1)	42.511	37.772
1.1.1.Interest received (+)		160.198	140.636
1.1.2.Interest paid (-)		(31.495)	(34.026)
1.1.3.Dividend received(+)		109	185
1.1.4.Fees and commissions received (+)		8.591	5.447
1.1.5.Other income (+)		6.691	1.027
1.1.6.Collections from previously written off loans (+)		20.534	10.773
1.1.7.Cash payments to personnel and service suppliers (-)		(53.077)	(51.184)
1.1.8.Taxes paid (-)		(13.640)	(14.193)
1.1.9.Other (+/-)	(1)	(55.400)	(20.893)
1.2. Assets and Liabilities Subject to Banking Operations	(1)	(96.706)	131.496
1.2.1.Net (increase) decrease in financial assets held for sale (+/-)		1.039	32
1.2.2.Net (increase) decrease in financial assets at fair value through profit or loss (+/-)		-	-
1.2.3.Net (increase) decrease in due from banks and other financial institutions (+/-)		-	-
1.2.4.Net (increase) decrease in loans (+/-)		(336.751)	(81.136)
1.2.5.Net (increase) decrease in other assets (+/-)		(21)	(394)
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 (+/-)		450.853	96.114
1.2.9.Net increase (decrease) in matured payables (+/-)		-	-
1.2.10.Net increase (decrease) in other liabilities (+/-)	(1)	(211.826)	116.880
I. Net cash provided from banking operations (+/-)	(1)	(54.195)	169.268
B. CASH FLOWS FROM INVESTMENT ACTIVITIES		-	-
II. Net cash provided from investing activities (+/-)		168.801	(132.411)
2.1.Cash paid for purchase of joint ventures, associates and subsidiaries (-)		(2.845)	(3.864)
2.2.Cash obtained from sale of entities joint ventures, associates and subsidiaries (+)		-	-
2.3.Fixed assets purchases (-)		(3.738)	(503)
2.4.Fixed assets sales(+)		10.525	372
2.5.Cash paid for purchase of financial assets available for sale (-)		(45.401)	(445.594)
2.6.Cash obtained from sale of financial assets available for sale (+)		202.299	318.473
2.7.Cash paid for purchase of investment securities (-)		(3)	(11.276)
2.8.Cash obtained from sale of investment securities (+)		9.068	11.375
2.9.Other (+/-)		(1.104)	(1.394)
C. CASH FLOWS FROM FINANCING ACTIVITIES		-	-
III. Net cash provided from financing activities (+/-)	(1)	(8.750)	(8.750)
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 (-)		(8.750)	(8.750)
3.5.Payments for finance leases (-)		-	-
3.6.Other (+/-)		-	-
IV.Effect of change in foreign exchange rate on cash and cash equivalents(+/-)	(1)	18.603	12.941
V. Net increase/(decrease) in cash and cash equivalents (I+II+III+IV)	(3)	124.459	41.048
VI. Cash and cash equivalents at beginning of the period (+)	(2)	436.897	395.849
VII. Cash and cash equivalents at end of the period (V+VI)	(3)	561.356	436.897

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

TÜRKİYE KALKINMA BANKASI A.Ş.
Profit Distribution Table

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

THOUSANDS OF TRY		
	AUDITED	AUDITED
	CURRENT PERIOD	PRIOR PERIOD
	(31/12/2014)	(31/12/2013)
I.DISTRIBUTION OF CURRENT YEAR PROFIT		
1.1.CURRENT YEAR PROFIT	59.179	47.262
1.2.TAXES AND DUTIES PAYABLE	12.276	10.641
1.2.1.Corporate tax (Income tax)	12.512	10.565
1.2.2.Income withholding tax	-	-
1.2.3.Other taxes and duties	(236)	76
A. NET PROFIT FOR THE YEAR (1.1-1.2)	46.903	36.621
1.3.ACCUMULATED LOSSES (-)	-	-
1.4.FIRST LEGAL RESERVES (-)	-	-
1.5.OTHER STATUTORY RESERVES (-)	-	-
B. NET PROFIT AVAILABLE FOR DISTRIBUTION [(A-(1.3+1.4+1.5)]	46.903	36.621
1.6.FIRST DIVIDEND TO SHAREHOLDERS (-)	-	8.000
1.6.1.To owners of ordinary shares	-	8.000
1.6.2.To owners of privileged shares	-	-
1.6.3.To owners of redeemed shares	-	-
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 privileged shares	-	-
1.9.3.To owners of redeemed shares	-	-
1.9.4.To profit sharing bonds	-	-
1.9.5.To holders of profit and loss sharing certificates	-	-
1.10.SECOND LEGAL RESERVES (-)	-	75
1.11.STATUTORY RESERVES (-)	-	-
1.12.EXTRAORDINARY RESERVES	-	27.796
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 privileged shares	-	-
2.3.3.To owners of redeemed shares	-	-
2.3.4.To profit sharing bonds	-	-
2.3.5.To holders of profit and loss sharing certificates	-	-
2.4.DIVIDENDS TO PERSONNEL (-)	-	-
2.5.DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
III. EARNINGS PER SHARE		
3.1.TO OWNERS OF ORDINARY SHARES	-	-
3.2.TO OWNERS OF ORDINARY SHARES (%)	-	-
3.3.TO OWNERS OF PRIVILAGED SHARES	-	-
3.4.TO OWNERS OF PRIVILAGED SHARES (%)	-	-
IV. DIVIDEND PER SHARE		
4.1.TO OWNERS OF ORDINARY SHARES	-	-
4.2.TO OWNERS OF ORDINARY SHARES (%)	-	-
4.3.TO OWNERS OF PRIVILAGED SHARES	-	-
4.4.TO OWNERS OF PRIVILAGED SHARES (%)	-	-

(^{*)} 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.

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

TÜRKİYE KALKINMA BANKASI A.Ş.
Notes to the Unconsolidated Financial Statements
for the Year Ended 31 December 2014

(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 Public Oversight Accounting and Auditing Standards Authority (POA) 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 2014 are presented comparatively with the audited balances as of 31 December 2013. 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, French Development Agency and Japan International Corporation Bank.

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.

TÜRKİYE KALKINMA BANKASI A.Ş.
Notes to the Unconsolidated Financial Statements
for the Year Ended 31 December 2014

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

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 programs prepared in this context.

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

During foreign currency transactions, procedures detailed below are applied.

a. Foreign currency monetary assets and liabilities are translated to Turkish Lira (TRY) with the buying exchange rates announced by the Bank at the end of period and foreign exchange differences are accounted as foreign exchange gain or loss.

b. There is no exchange rate differences capitalized as of balance sheet date.

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

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

III-Explanations on Derivative Instruments:

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

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 “Regulation on Procedures and Principles for Determination of Qualification of Loans and Other Receivables, and Allocation of Provisions” published in the Official Gazette dated 1 November 2006 and numbered 26333 and those amounts are not included in the income statement unless collected.

V-Explanations on Fees and Commission Income and Expenses:

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

TÜRKİYE KALKINMA BANKASI A.Ş.
Notes to the Unconsolidated Financial Statements
for the Year Ended 31 December 2014

(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 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 Differences”. Amounts accounted under equity are reflected to income statement when financial assets available-for-sale are sold.

TÜRKİYE KALKINMA BANKASI A.Ş.
Notes to the Unconsolidated Financial Statements
for the Year Ended 31 December 2014

(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 consists of investment and working capital loans, and fund originated loans.

The foreign currency indexed loans after being converted to TRY at their allocation date are followed at TRY accounts. 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 “Regulation on Procedures and Principles for Determination of Qualification of Loans and Other Receivables, and Allocation of Provisions” published in the Official Gazette dated 1 November 2006 and numbered 26333, and ultimately amended by the legislation published in Official Gazette dated 7 February 2014 and numbered 28906. 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.

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.

TÜRKİYE KALKINMA BANKASI A.Ş.
Notes to the Unconsolidated Financial Statements
for the Year Ended 31 December 2014

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

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 collectability of the loans arise, the related loans are classified in accordance with the “Regulation on Procedures and Principles for Determination of Qualification of Loans and Other Receivables, and Allocation of Provisions” published in the Official Gazette numbered 26333 and dated 1 November 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.

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 program 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. 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). The Bank has no assets classified as held for sale.

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.

TÜRKİYE KALKINMA BANKASI A.Ş.
Notes to the Unconsolidated Financial Statements
for the Year Ended 31 December 2014

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

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 obsolesce and maintenance costs incurred to obtain economic 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 1 January 2005 are carried at restated cost in the balance sheet before 31 December 2004 and its tangible fixed assets that are purchased subsequent to 1 January 2005 are valued at historical cost.

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

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

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.

According to “Prime Ministry Circular numbered 2012/15 on Transactions of Public Institutions and Organizations Regarding Their Immovables” publised in the Offical Gazette dated 16 June 2012 and numbered 28325, public institutions and organizations (excluding Municipalities and Special Provincial Directorates) and companies, more than 50% of whose capital is owned by state institutions and organizations, has to get the approval of the Prime Ministry for transactions like sale, lease, easement, exchange, assign, transfer of immovables in their own property or savings to public institutions and organizations, foundations, associations or their companies, real or legal persons. Therefore, all transactions of the Bank regarding its immovables and specified under the mentioned circular are subject to approval of the Prime Ministry. Other than the issue mentioned, 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.

TÜRKİYE KALKINMA BANKASI A.Ş.
Notes to the Unconsolidated Financial Statements
for the Year Ended 31 December 2014

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

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;

	Estimated Useful Life (Years)	Amortization Rate (%)
Building	50	2
Deposit safes	50	2
Vehicles	5	20
Other Tangible Assets	3-15	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 1 November 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 three 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. Real estate under operational leasing which is 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 1 November 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.

TÜRKİYE KALKINMA BANKASI A.Ş.
Notes to the Unconsolidated Financial Statements
for the Year Ended 31 December 2014

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

XV-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 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).

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 2014, 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% and a discount rate of 8,85%, resulting in a real discount rate of approximately 3,67% (31 December 2013: 3,18%). As the maximum liability is revised semiannually, the maximum amount of TRY 3.541,37 effective from 1 January 2015 has been taken into consideration in calculation of provision from employment termination benefits (1 January 2014: TRY 3.438,22).

Actuarial losses and gains are recoginzed in “Other Legal Reserves” under shareholders’ equity as per revised TAS 19.

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 31 December 2014 will be paid in 17 February 2015, 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.

TÜRKİYE KALKINMA BANKASI A.Ş.
Notes to the Unconsolidated Financial Statements
for the Year Ended 31 December 2014

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

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 Undersecreteriat 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 Bank are medium and long term loans from World Bank, European Investment Bank, Council of European Development Bank, Islamic Development Bank, French Development Agency and Japan International Corporation Bank 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 2014 and 2013.

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.

As of 31 December 2014, explanations on segment reporting in line with “Financial Statements to be Publicly Announced and the Accompanying Policies and Disclosures” are presented in following page.

TÜRKİYE KALKINMA BANKASI A.Ş.
Notes to the Unconsolidated Financial Statements
for the Year Ended 31 December 2014

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

		Investment Banking	Undistributed ⁽¹⁾	Total Operations of the Bank
Current Period – (31.12.2014)	Treasury			
OPERATING INCOME/EXPENSE				
Interest income	32.731	124.666	-	157.397
Interest income on loans	-	124.666	-	124.666
Interest income on banks	5.327	-	-	5.327
Interest income on interbank money market placements	15.884	-	-	15.884
Interest income on marketable securities	11.520	-	-	11.520
Other interest income	-	-	-	-
Interest expense	(210)	(34.330)	-	(34.540)
Interest expense on borrowings	-	(33.866)	-	(33.866)
Interest on money market transactions	(210)	-	-	(210)
Other interest expense		(464)	-	(464)
Net fees and commissions income	(485)	8.194	397	8.106
Fees and commissions received	-	8.194	397	8.591
Fees and commissions paid	(485)	-	-	(485)
Dividend income	-	109	-	109
Trading profit/loss (net)	65	2.123	-	2.188
Profit/loss from capital market operations (net)	3	-	-	3
Profit/loss from derivative transactions (net)	-	-	-	-
Foreign exchange gains/losses (net)	62	2.123	-	2.185
Other operating income	86	12.792	1.438	14.316
Provisions for losses on loans and other receivables	-	(15.586)	(85)	(15.671)
Other operating expense	-	-	(72.726)	(72.726)
Profit before tax	32.187	97.968	(70.976)	59.179
Tax provision	-	-	(12.276)	(12.276)
Net profit for the period	32.187	97.968	(83.252)	46.903
SEGMENT ASSETS ⁽²⁾	647.217	3.204.675	62.973	3.914.865
Financial assets at fair value through profit and loss	1	-	-	1
Banks and money market placements	560.743	-	-	560.743
Available for sale financial assets	65.997	6.358	-	72.355
Loans and receivables	-	3.145.040	-	3.145.040
Investments held to maturity	20.476	-	-	20.476
Associates and subsidiaries	-	21.576	-	21.576
Tangible assets (net)	-	29.855	38.658	68.513
Intangible assets (net)	-	-	1.966	1.966
Investment property	-	-	1.067	1.067
Other assets	-	1.846	21.282	23.128
SEGMENT LIABILITIES ⁽²⁾	232	3.214.202	700.431	3.914.865
Derivative financial liabilities held for trading	-	-	-	-
Funds borrowed and funds		3.181.329	-	3.181.329
Money market balances	232	-	-	232
Provisions		32.873	28.973	61.846
Shareholders’ equity	-	-	642.599	642.599
Other liabilities	-	-	28.859	28.859

⁽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.

TÜRKİYE KALKINMA BANKASI A.Ş.
Notes to the Unconsolidated Financial Statements
for the Year Ended 31 December 2014

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

Current Period – (31.12.2013)	Treasury	Investment Banking	Undistributed(1)	Total Operations of the Bank
OPERATING INCOME/EXPENSE				
Interest income	33.475	111.808	23	145.306
Interest income on loans	-	111.808	-	111.808
Interest income on banks	5.623	-	-	5.623
Interest income on interbank money market placements	12.787	-	-	12.787
Interest income on marketable securities	15.065	-	-	15.065
Other interest income	-	-	23	23
Interest expense	(7.717)	(26.221)	-	(33.938)
Interest expense on borrowings	-	(24.472)	-	(24.472)
Interest on money market transactions	(7.717)	-	-	(7.717)
Other interest expense	-	(1.749)	-	(1.749)
Net fees and commissions income	(701)	5.234	213	4.746
Fees and commissions received	-	5.234	213	5.447
Fees and commissions paid	(701)	-	-	(701)
Dividend income	-	185	-	185
Trading profit/loss (net)	1.222	(3.847)	-	(2.625)
Profit/loss from capital market operations (net)	474	-	-	474
Profit/loss from derivative transactions (net)	438	-	-	438
Foreign exchange gains/losses (net)	310	(3.847)	-	(3.537)
Other operating income	92	11.113	834	12.039
Provisions for losses on loans and other receivables	-	(9.242)	(54)	(9.296)
Other operating expense	-	-	(69.155)	(69.155)
Profit before tax	26.371	89.030	(68.139)	47.262
Tax provision	-	-	(10.641)	(10.641)
Net profit for the period	26.371	89.030	(78.780)	36.621
SEGMENT ASSETS (2)				
Financial assets at fair value through profit and loss	1.068	-	-	1.068
Banks and money market placements	435.311	-	-	435.311
Available for sale financial assets	213.808	6.357	1.682	221.847
Loans and receivables	-	2.758.732	-	2.758.732
Investments held to maturity	29.739	-	-	29.739
Associates and subsidiaries	-	18.018	-	18.018
Tangible assets (net)	-	26.902	37.794	64.696
Intangible assets (net)	-	-	1.627	1.627
Investment property	-	-	1.110	1.110
Other assets	-	1.973	21.936	23.909
SEGMENT LIABILITIES (2)				
Derivative financial liabilities held for trading	-	-	-	-
Funds borrowed and funds	-	2.664.047	-	2.664.047
Money market balances	221.766	-	-	221.766
Provisions	-	27.491	27.454	54.945
Shareholders' equity	-	-	604.097	604.097
Other liabilities	-	-	11.202	11.202

(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.

TÜRKİYE KALKINMA BANKASI A.Ş.
Notes to the Unconsolidated Financial Statements
for the Year Ended 31 December 2014

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

XXII-Explanations on Other Matters:

The General Assembly Meeting of the Bank for the year 2013 was carried out on 25 April 2014. In accordance with the decision taken in the meeting, out of the net distributable profit amounting to TRY 36.621 Thousand, TRY 8.000 Thousand and TRY 750 Thousand are distributed as dividend to shareholders and personnel, respectively. TRY 75 Thousand is transferred to second degree legal reserves and TRY 27.796 Thousand is transferred to extraordinary reserves.

SECTION FOUR
INFORMATION ON FINANCIAL STRUCTURE

I - Explanations related to capital adequacy ratio:

The capital adequacy standard ratio of the Bank is % 20.40 (31 December 2013: % 21,38).

Beginning from 1 July 2012, capital adequacy ratio is calculated within the scope of the “Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks” (the “Regulation”) published in the Official Gazette dated 28 June 2012 and numbered 28337 and “Communiqué on Credit Risk Mitigation Techniques” published in the Official Gazette dated 5 September 2013 and numbered 28756.

In capital adequacy standard ratio calculation, based upon the data prepared from accounting records in compliance with the current legislation, the Standard Method is used to calculate capital adequacy for Credit Risk and Market Risk and Basic Indicator Approach is used annually for Operational Risk.

In calculation of value at credit risk, the Bank assesses credit items in related risk weights by considering risk categories, rating notes and other risk reducing factors under the framework of “Communiqué on Credit Risk Mitigation Techniques”.

The non-cash loans and commitments and the receivables from counterparties in such transactions are weighted after netting with specific provisions that are calculated based on the “Regulation on Procedures and Principles for Determination of Qualification of Loans and Other Receivables, and Allocation of Provisions” and classified under liabilities. The net amounts are then multiplied by the rates stated in the Article 5 of the Regulation, reduced as per the “Communiqué on Credit Risk Mitigation Techniques” and then included in the relevant risk classification defined in the article 6 and weighted as per Appendix-1 of the Regulation.

As per the article 5 of the Regulation, the “counterparty credit risk” is calculated for repurchase and reverse repurchase agreements.

TÜRKİYE KALKINMA BANKASI A.Ş.
Notes to the Unconsolidated Financial Statements
for the Year Ended 31 December 2014

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

Risk Weights							
Bank Only							
Current Period (31.12.2014)	0%	20%	50%	75%	100%	150%	200%
Value at Credit Risk	-	6.874	489.325	14.124	2.488.110	22.071	7.178
Risk Categories	28.178	34.368	978.650	18.832	2.488.110	14.714	3.589
Conditional and unconditional receivables from central governments or central banks	25.141	-	-	-	-	-	-
Conditional and unconditional receivables from regional or local governments	-	-	-	-	-	-	-
Conditional and unconditional receivables from administrative units and non-commercial enterprises	-	-	-	-	-	-	-
Conditional and unconditional receivables from multilateral development banks	-	-	-	-	-	-	-
Conditional and unconditional receivables from international organizations	-	-	-	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	-	34.368	452.429	-	327.280	-	-
Conditional and unconditional corporate receivables	-	-	-	-	1.997.712	-	-
Conditional and unconditional retail receivables	2.878	-	-	18.832	-	-	-
Conditional and unconditional receivables secured by real estate mortgages	-	-	526.221	-	8.886	-	-
Overdue receivables	-	-	-	-	61.025	-	-
Receivables defined in high risk category by BRSA	-	-	-	-	-	14.714	3.589
Securities collateralized by mortgages	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-
Short-term receivables from banks and brokerage houses and short-term corporate receivables	-	-	-	-	-	-	-
Investments similar to collective investment funds	-	-	-	-	-	-	-
Other receivables	159	-	-	-	93.207	-	-

⌚ There is no credit risk classified under 10% and %250 risk weights.

TÜRKİYE KALKINMA BANKASI A.Ş.
Notes to the Unconsolidated Financial Statements
for the Year Ended 31 December 2014

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

Risk Weights							
Bank Only							
Prior Period (31.12.2013)	0%	20%	50%	75%	100%	150%	200%
Value at Credit Risk	-	32.699	347.849	5.967	2.266.861	40.583	9.816
Risk Categories	53.492	163.494	695.697	7.956	2.266.861	27.055	4.908
Conditional and unconditional receivables from central governments or central banks	43.457	-	-	-	-	-	-
Conditional and unconditional receivables from regional or local governments	-	-	-	-	-	-	-
Conditional and unconditional receivables from administrative units and non-commercial enterprises	-	-	-	-	-	-	-
Conditional and unconditional receivables from multilateral development banks	-	-	-	-	-	-	-
Conditional and unconditional receivables from international organizations	-	-	-	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	-	163.494	182.306	-	437.519	-	-
Conditional and unconditional corporate receivables	-	-	-	-	1.475.574	-	-
Conditional and unconditional retail receivables	2.360	-	-	7.956	-	-	-
Conditional and unconditional receivables secured by real estate mortgages	619	-	513.391	-	200.661	-	-
Overdue receivables	-	-	-	-	54.063	26.450	-
Receivables defined in high risk category by BRSA	-	-	-	-	-	605	4.908
Securities collateralized by mortgages	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-
Short-term receivables from banks and brokerage houses and short-term corporate receivables	-	-	-	-	-	-	-
Investments similar to collective investment funds	-	-	-	-	-	-	-
Other receivables	7.056	-	-	-	99.044	-	-

⌚ There is no credit risk classified under 10% and %250 risk weights

TÜRKİYE KALKINMA BANKASI A.Ş.
Notes to the Unconsolidated Financial Statements
for the Year Ended 31 December 2014

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

Summary information related to capital adequacy ratio:

	Current Period	Prior Period
Capital Requirement for Credit Risk (Value at Credit Risk *0,08) (CRCR)	242.215	216.302
Capital Requirement for Market Risk (MRCR)	1.039	4.116
Capital Requirement for Operational Risk (ORCR)	16.585	14.398
Shareholders' Equity	662.706	627.414
Shareholders' Equity/(((CRCR+MRCR+ORCR)*12,5)*100	20,40	21,38
Core Capital/(((CRCR + MRCR + ORCR) *12,5) *100	19,42	-
Tier I Capital/(((CRCR + MRCR + ORCR) *12,5) *100	19,75	-

*) As of January 1, 2014 the Bank is calculating its equity according to “Communique on Banks’ Equity” published on September 5, 2013 in the Official Gazette no 28756 and calculated Capital Adequacy Standard Ratio accordingly.

Components of Shareholders’ Equity Items:

	Current Period
COMMON EQUITY TIER I CAPITAL	
Paid-in Capital following all debts in terms of claim in liquidation of the Bank	366.074
Share premium	1.491
Share cancellation profits	-
Profit reserves	225.170
Other comprehensive income according to Turkish Accounting Standards (TAS)	3.737
Profit	46.903
Net profit for the period	46.903
Retained earnings	-
Provision for possible losses	-
Bonus shares of subsidiaries, associates and jointly controlled entities (Joint Ventures)	-
Common Equity Before Deductions	643.375
Deductions from Common Equity	-
Current and prior periods’ losses not covered by reserves, and losses accounted under equity according to TAS (-)	35
Leasehold improvements on operational leases (-)	40
Goodwill and Other Intangible Assets and Related Deferred Taxes (-)	393
Net deferred tax assets/liabilities(-)	1.566
Shares obtained against Article 56, Paragraph 4 of the Banking Law (-)	-
Direct and indirect investments of the Bank on its own Tier I Capital (-)	-
Total of net long positions of the investments in equity items of unconsolidated banks and financial institutions where the bank does not own 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital (-)	-
The total of net long positions of the investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital (-)	-
Mortgage servicing rights exceeding the 10% threshold of Tier I Capital (-)	-
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability) (-)	-
Amount exceeding the 15% threshold of tier i capital as per the article 2, clause 2 of the regulation on measurement and assessment of capital adequacy ratios of banks (-)	-
The portion of net long position of the investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or more of the issued share capital not deducted from Tier I capital (-)	-
Excess amount arising from mortgage servicing rights (-)	-
Excess amount arising from deferred tax assets from temporary differences (-)	-
Other items to be defined by the Regulator (-)	-
Deductions from Tier I Capital in cases where there are no adequate additional Tier I or Tier II Capitals (-)	-
Total deductions from Common Equity Tier I Capital	2.034
Total Common Equity Tier I Capital	641.341
ADDITIONAL TIER I CAPITAL	
Preferred stocks not included in common equity Tier I Capital related and share premiums	-
Debt Instruments and the Related Issuance Premiums Defined by the Regulator (Issued or Obtained after 1.1.2014)	-
Debt Instruments and the Related Issuance Premiums Defined by the Regulator (Issued or Obtained before 1.1.2014)	-
Additional Tier I Capital Before Deductions	-
Deductions From Additional Tier I Capital	-
Direct and indirect investments of the Bank on its own additional Tier I Capital(-)	-
Total of net long positions of the investments in equity items of unconsolidated banks and financial institutions where the Bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I Capital (-)	-

TÜRKİYE KALKINMA BANKASI A.Ş.
Notes to the Unconsolidated Financial Statements
for the Year Ended 31 December 2014

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

The total of net long position of the direct or indirect investments in additional Tier I Capital and Tier II Capital of unconsolidated banks and financial institutions where the Bank owns 10% or more of the issued share capital exceeding the 10% threshold of Tier I Capital (-)	-
Other items determined by the Regulator (-)	-
Regulatory adjustments applied to Additional Tier I due to insufficient Tier 2 to cover deductions	-
Total regulatory adjustments to Additional Tier I Capital	2.632
Total Additional Tier I Capital	(2.632)
Deductions to Common Equity	7.835
Goodwill and other intangible assets and related deferred taxes not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	1.573
Net Deferred Tax Asset/Liability not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	6.262
Total Tier I Capital	630.874
REGULATORY ADJUSTMENTS TO TIER 2 CAPITAL	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained after 1.1.2014)	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained before 1.1.2014)	-
Pledged sources on behalf of the Bank for the use of committed share capital increase by shareholders	-
General Provision	32.873
Tier II Capital Before Deductions	32.873
Deductions from Tier II Capital	-
Direct or indirect investments made by the Bank to its supplementary capital (-)	-
Total of net long positions of the investments in equity items of unconsolidated banks and financial institutions where the Bank does not own 10% or less of the issued share capital exceeding the 10% threshold of above Tier I Capital (-)	-
The total of net long position of the direct or indirect nvestments in additional Tier I Capital and Tier II Capital of unconsolidated banks and financial institutions where the Bank owns 10% or more of the issued share capital exceeding the 10% threshold of Tier I Capital (-)	-
Other items to be defined by the Regulator	-
Total deductions from Tier II capital	-
Tier II Capital	32.873
CAPITAL	663.747
Loan granted to customer against the Articles 50 and 51 of the Banking Law(-)	-
Net book values of movables and immovables exceeding the limit defined in the Article 57, Clause 1 of the Banking Law and the assets acquired against overdue receivables and held for sale but retained more than five years (-)	1.041
Loans to banks, financial institutions (domestic/foreign) or qualified shareholders in the form of subordinated debts or debt instruments purchased from such parties and qualified as subordinated debts (-)	-
Deductions as per the Article 20, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-
Other items defined by the Regulator (-)	-
The portion of total of net long positions of the investments in equity items of unconsolidated banks and financial institutions where the Bank does not own 10% or less of the issued share capital exceeding the 10% threshold of above Tier I Capital not deducted from Tier I Capital, Additional Core Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-
The portion of total of net long positions of the investments in equity items of unconsolidated banks and financial institutions where the Bank owns more than 10% of the issued share capital exceeding the 10% threshold of above Tier I Capital not deducted from Tier I Capital, Additional Core Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-
The portion of total of net long positions of the investments in equity items of unconsolidated banks and financial institutions where the Bank owns more than 10% of the issued share capital exceeding the 10% Threshold of above Tier I Capital not deducted from Additional Core Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-
SHARE HOLDERS' EQUITY	662.706
Amounts below the thresholds for deduction	-
Remaining Total of Net Long Positions of the Investments in Own Fund Items of Unconsolidated Banks and Financial Institutions where the Bank owns 10% or less of the Issued Share Capital Tier I	-
Remaining total of net long positions of the investments in Tier I capital of Unconsolidated banks and Financial Institutions where the Bank owns more than 10% Or Less of the Tier I Capital	-
Remaining mortgage servicing rights	-
Net deferred tax assets arising from temporary differences	-

TÜRKİYE KALKINMA BANKASI A.Ş.
Notes to the Unconsolidated Financial Statements
for the Year Ended 31 December 2014

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

	Prior Period
CORE CAPITAL	
Paid in Capital	160.000
Nominal Capital	160.000
Capital Commitments (-)	-
Inflation Adjustments to Paid-in Capital	206.074
Share Premium	1.491
Share Cancellation Profits	-
Legal Reserves	197.299
Inflation Adjustments to Legal Reserves	
Profit	36.621
Net profit for the period	36.621
Retained Earnings	-
Provision for Possible Losses (up to 25% of Core Capital)	-
Income on Sale of Equity Shares and Real Estates	-
Primary Subordinated Debts	-
Loss (in excess of Reserves) (-)	-
Current Period's Losses	-
Prior Periods' Losses	-
Leasehold Improvements on Operational Leases (-)	58
Intangible Assets (-)	1.627
Deferred Tax Asset in Excess of 10% of Core Capital (-)	-
Limit excesses as per the 3rd Paragraph of the Article 56 of the Banking Law (-)	-
Total Core Capital	599.800
SUPPLEMENTARY CAPITAL	-
Generic Provisions	27.491
45% of Movable Assets Revaluation Fund	-
45% of Immovable Assets Revaluation Fund	-
Bonus Shares of Subsidiaries, Associates and Jointly Controlled Entities (Joint Ventures)	-
Primary Subordinated Debts excluding the Portion included in Core Capital	
Secondary Subordinated Debts	-
45% of Securities Value Increase Fund	1.021
Inflation Adjustments to Other Capital and Profit Reserves and Prior Periods' Profit/Loss	-
Total Supplementary Capital	28.512
CAPITAL	628.312
DEDUCTIONS FROM CAPITAL	898
Unconsolidated Investments in Entities (domestic/foreign) Operating in Banking and Financial Sectors at 10 % or more	-
Investments in Entities (domestic/foreign) Operating in Banking and Financial Sectors at less Than 10 % exceeding 10% or more of the Total Core and Supplementary Capitals	-
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	-
Loan granted to Customer against the Articles 50 and 51 of the Banking Law	-
Net Book Values of Immovables exceeding 50% of the Capital and of Assets Acquired Against Overdue Receivables and Held for Sale as per the Article 57 of the Banking Law But Retained more than Five Years	898
Securitization Positions to be Deducted from Equity	-
Others	-
TOTAL SHARE HOLDERS' EQUITY ^(*)	627.414

(*) In the previous year, in case of positive increase fund of securities value, the part of 45% and if there is negative all were included in the calculation.

TÜRKİYE KALKINMA BANKASI A.Ş.
Notes to the Unconsolidated Financial Statements
for the Year Ended 31 December 2014

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

Approaches for assessment of adequacy of internal capital requirements for current and future activities:

As indicated in “Risk Management Strategies, Policies and Application Principles” which is approved by the Board of Directors, the principals of the Bank’s internal assesment and the capital adequacy policy is to construct robust, effective and complete strategies and processes for the continuous assessment for the types, components and distribution of the capital which is necessary against current or potential risks that the Bank could be subject to, and maintenance of the current capital.

Accordingly, possible capital needs which might arise in the future are assessed by taking the account of the activities of the Bank in accordance with its own strategies and targets. This assessment includes the interest rate risk, liquidity risk, reputational risk, residual risk, concentration risk, strategy risk, and country and transfer risks arising from banking activities besides the market, credit and operational risks directly affecting its legal capital adequacy ratio.

II-Explanations related to credit risk:

The Bank is not subject to the general loan restrictions defined by the Article 54 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 Law.

All loan placements of the Bank are allocated in accordance with legal legislations and reports prepared by Intelligence and Financial Analysis Department and Loan Assessment Department and with approvals of Loan Investment Committee and Board of Directors. 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.

For loan allocations, sectors are defined in accordance with borrowing conditions. The Sectoral distribution of the loan customers is monitored and those distributions are taken into account during placement decisions and goals.

All loans allocated by the Bank are collateralized. Besides suretyships of real persons or companies, real estate and tangible assets mortgages, business company liens, foreign currency notes and other liquid assets, bank guarantee letters comprise loan collaterals.

There is no limitation on daily transactions. However, risk concentration on off-balance sheet is monitored.

The creditworthiness of debtors is monitored periodically in accordance with related legislation. In case of an increase in risk level of borrower, the Bank reviews credit limits and obtains additional guarantee letter if necessary.

Loan monitoring department actively takes part in the measuring, analyzing and monitoring processes in order to determine credit risk level, and reports periodically to Board of Directors, Board of Supervisors and top management.

In accordance with the policies determined in Turkish Accounting Standards (“TAS”);

Overdue Loans are the loans that overdue up to 90 days but not impaired. For such loans, “Generic Provisions” are allocated as per the Provisioning Regulation.

Impaired loans; are the loans that either overdue more than 90 days as of the reporting date or are treated as impaired due to their creditworthiness. For such loans, “Specific Provisions” are allocated as per the Provisioning Regulation.

Within asset-liability management framework, forward and other derivatives are executed by taking legal limits into consideration. Credit risks faced due to those transactions are managed with the other risks arises from market movements. When their percentage in the balance sheet is considered, credit risk beared by the Bank is low. If the credit risk from the derivative product is very high, then the credit risk reducing methods are performed. Currently, the Bank does not have any options.

The Bank allocates generic and specific provisions according to “Regulation on Procedures and Principles for Determination of Qualifications of Loans And Allocation of Provisions”. Indemnified non-cash loans are subject to the same risk weight with overdue loans.

TÜRKİYE KALKINMA BANKASI A.Ş.
Notes to the Unconsolidated Financial Statements
for the Year Ended 31 December 2014

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

Total amount of exposures without considering the effect of credit risk mitigation but after the offsetting process and average value of risks in related period which are decomposed by risk categories and types are presented below:

Risk categories	Current Period		Prior Period	
	Risk Amount ^(*)	Average Risk Amount	Risk Amount ^(*)	Average Risk Amount
Conditional and unconditional receivables to central governments or central banks	21.139	25.353	31.665	30.064
Conditional and unconditional receivables to banks and brokerage houses	627.067	521.895	632.532	466.292
Conditional and unconditional corporate receivables	2.175.754	1.888.551	1.625.045	1.590.484
Conditional and unconditional retail receivables	26.053	18.532	14.464	15.511
Conditional and unconditional receivables secured by real estate property	543.734	705.710	723.631	502.574
Overdue receivables	61.025	66.859	80.513	55.885
Receivables defined in high risk category by BRSA	18.303	7.367	5.513	5.994
Other Receivables	93.366	97.775	106.100	103.207

^(*) Includes risk amounts before the effect of credit risk mitigation but after the credit conversions.

Restructured loans whose amortization schedule has changed are followed in the accounts which are specified by related regulations and monitored in accordance with the Bank's credit risk policies. Accordingly, commercial activities of debtors are analyzed and repayments are monitored whether they are in line with the repayments schedules or not and necessary precautions are taken.

The Bank bears low credit risk due to its foreign banking transactions.

a) The Bank's top 100 and 200 cash loan customers compose 94,30% and 99,81% of the total cash loan portfolio, respectively (31 December 2013: %95,85 and %99,80).

b) The Bank's top 100 and 200 cash and non-cash loan customers compose 76,96% and 81,45% of the total on and off balance sheet assets, respectively (31 December 2013: %75,29 and %78,40).

c) The Bank's top 100 and 200 non-cash loan customers compose 100% of the total non-cash loans (31 December 2013: 100%).

The generic loan loss provision related with the credit risk beared by the Bank is TRY 32.873 (31 December 2013: TRY 27.491).

Specific provisions and interest accruals are excluded in the calculation of rates above.

TÜRKİYE KALKINMA BANKASI A.Ş.
Notes to the Unconsolidated Financial Statements
for the Year Ended 31 December 2014

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

Profile of Significant Risks in Major Regions:

	Risk Categories ^(***)							
	Conditional and unconditional receivables to central governments or central banks	Conditional and unconditional receivables to banks and brokerage houses	Conditional and unconditional corporate receivables	Conditional and unconditional retail receivables	Conditional and unconditional receivables secured by real estate property	Overdue receivables	Receivables defined in high risk category by BRSA	Others
Current Period (31.12.2014)								
Domestic	21.139	620.535	2.175.754	26.053	543.734	61.025	5.142	-
European Union (EU) Countries	-	6.088	-	-	-	-	13.161	-
OECD Countries ^(*)	-	28	-	-	-	-	-	-
Off-Shore Banking Regions	-	-	-	-	-	-	-	-
USA, Canada	-	416	-	-	-	-	-	-
Other Countries	-	-	-	-	-	-	-	-
Associates, Subsidiaries and Joint -Ventures	-	-	-	-	-	-	-	8.415
Unallocated Assets ^(**)	-	-	-	-	-	-	-	84.951
Total	21.139	627.067	2.175.754	26.053	543.734	61.025	18.303	93.366
Prior Period (31.12.2013)								
Domestic	31.665	630.859	1.609.692	14.464	723.631	80.513	5.513	-
European Union (EU) Countries	-	1.378	15.353	-	-	-	-	-
OECD Countries ^(*)	-	29	-	-	-	-	-	-
Off-Shore Banking Regions	-	-	-	-	-	-	-	-
USA, Canada	-	266	-	-	-	-	-	-
Other Countries	-	-	-	-	-	-	-	-
Associates, Subsidiaries and Joint -Ventures	-	-	-	-	-	-	-	18.018
Unallocated Assets ^(**)	-	-	-	-	-	-	-	88.082
Total	31.665	632.532	1.625.045	14.464	723.631	80.513	5.513	106.100

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

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

^(***) Includes risk amounts before the effect of credit risk mitigation but after the credit conversions.

TÜRKİYE KALKINMA BANKASI A.Ş.
Notes to the Unconsolidated Financial Statements
for the Year Ended 31 December 2014

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

Risk Profile by Sectors or Counterparties:

Current Period (31 December 2014)	Conditional and unconditional receivables to central governments or central banks	Conditional and unconditional receivables to banks and brokerage houses	Conditional and unconditional corporate receivables	Conditional and unconditional retail receivables
Agriculture	-	-	-	-
Farming and Stockbreeding	-	-	-	-
Forestry	-	-	-	-
Fishery	-	-	-	-
Industry	-	-	1.788.223	16.838
Mining and Quarrying	-	-	-	-
Manufacturing	-	-	439.230	8.877
Electricity, Gas, Water	-	-	1.348.993	7.961
Construction	-	-	-	-
Services	21.139	627.067	387.531	6.613
Wholesale and Retail Trade	-	-	-	-
Accommodation and Dining	-	-	360.681	6.613
Transportation and Telecommunication	-	-	-	-
Financial Institutions	21.139	627.067	-	-
Real Estate and Rental Services	-	-	-	-
Professional Services	-	-	-	-
Educational Services	-	-	-	-
Health and Social Services	-	-	26.850	-
Others	-	-	-	2.602
Total	21.139	627.067	2.175.754	26.053

(*) Includes risk amounts before the effect of credit risk mitigation but after the credit conversions.

TÜRKİYE KALKINMA BANKASI A.Ş.
Notes to the Unconsolidated Financial Statements
for the Year Ended 31 December 2014

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

Conditional and unconditional receivables secured by real estate property	Overdue receivables	Receivables defined in high risk category by BRSA	Others	TRY	FC	TOTAL
5.916	-	-	-	8	5.908	5.916
-	-	-	-	-	-	-
5.916	-	-	-	8	5.908	5.916
-	-	-	-	-	-	-
524.633	18.850	-	-	99.304	2.249.240	2.348.544
-	-	-	-	-	-	-
97.762	18.850	-	-	47.189	517.530	564.719
426.871	-	-	-	52.115	1.731.710	1.783.825
-	498	-	-	498	-	498
13.185	41.677	13.161	-	204.044	906.329	1.110.373
-	-	-	-	-	-	-
13.185	35.079	-	-	122.204	293.354	415.558
-	-	-	-	-	-	-
-	-	13.161	-	66.129	595.238	661.367
-	-	-	sa-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	6.598	-	-	15.711	17.737	33.448
-	-	5.142	93.366	96.662	4.448	101.110
543.734	61.025	18.303	93.366	400.516	3.165.925	3.566.441

TÜRKİYE KALKINMA BANKASI A.Ş.
Notes to the Unconsolidated Financial Statements
for the Year Ended 31 December 2014

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

Current Period (31 December 2013)	Conditional and unconditional receivables to central governments or central banks	Conditional and unconditional receivables to banks and brokerage houses	Conditional and unconditional corporate receivables	Conditional and unconditional retail receivables
Agriculture	-	-	-	-
Farming and Stockbreeding	-	-	-	-
Forestry	-	-	-	-
Fishery	-	-	-	-
Industry	-	-	1.367.311	9.232
Mining and Quarrying	-	-	-	-
Manufacturing	-	-	299.898	8.628
Electricity, Gas, Water	-	-	1.067.413	604
Construction	-	-	-	-
Services	31.665	632.532	257.732	5.191
Wholesale and Retail Trade	-	-	-	-
Accommodation and Dining	-	-	213.074	5.190
Transportation and Telecommunication	-	-	-	-
Financial Institutions	31.665	632.532	15.352	1
Real Estate and Rental Services	-	-	-	-
Professional Services	-	-	-	-
Educational Services	-	-	-	-
Health and Social Services	-	-	29.308	-
Others	-	-	-	41
Total	31.665	632.532	1.625.045	14.464

TÜRKİYE KALKINMA BANKASI A.Ş.
Notes to the Unconsolidated Financial Statements
for the Year Ended 31 December 2014

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

Conditional and unconditional receivables secured by real estate property	Overdue receivables	Receivables defined in high risk category by BRSA	Others	TRY	FC	TOTAL
9.220	-	-	-	-	9.220	9.220
-	-	-	-	-	-	-
9.220	-	-	-	-	9.220	9.220
-	-	-	-	-	-	-
685.915	19.387	-	4.358	458.495	1.627.708	2.086.203
-	-	-	-	-	-	-
93.170	19.387	-	4.358	32.845	392.596	425.441
592.745	-	-	-	425.650	1.235.112	1.660.762
-	897	-	-	897	-	897
28.496	60.229	-	13.660	322.335	707.170	1.029.505
-	-	-	3.746	3.746	-	3.746
17.902	53.660	-	7	74.568	215.265	289.833
-	-	-	-	-	-	-
-	-	-	9.907	226.679	462.778	689.457
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
10.594	6.569	-	-	17.342	29.127	46.471
-	-	5.513	88.082	93.636	-	93.636
723.631	80.513	5.513	106.100	875.365	2.344.098	3.219.463

TÜRKİYE KALKINMA BANKASI A.Ş.
Notes to the Unconsolidated Financial Statements
for the Year Ended 31 December 2014

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

Analysis of Maturity-Bearing Risks According to Remaining Maturities

Risk Categories 31.12.2014	Term to Maturity				
	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	Over 1 Year
Conditional and unconditional receivables to central governments or central banks	-	-	-	-	20.476
Conditional and unconditional receivables to banks and brokerage houses	209.524	58.643	12.335	24.669	298.502
Conditional and unconditional corporate receivables	58.865	40.770	86.617	173.257	1.816.245
Conditional and unconditional retail receivables	808	487	1.026	2.052	21.680
Conditional and unconditional receivables secured by real estate property	14.584	10.209	21.505	43.010	454.427
Receivables defined in high risk category by BRSA	138	96	561	49	4.297
Total	283.920	110.206	122.043	243.036	2.615.627

☞ Includes risk amounts before the effect of credit risk mitigation but after the credit conversions.

Risk Categories 31.12.2013	Term to Maturity				
	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	Over 1 Year
Conditional and unconditional receivables to central governments or central banks	905	-	-	9.035	20.094
Conditional and unconditional receivables to banks and brokerage houses	282.812	2.353	37.004	46.669	245.508
Conditional and unconditional corporate receivables	74.390	24.255	41.565	93.166	1.391.669
Conditional and unconditional retail receivables	860	760	792	2.420	9.630
Conditional and unconditional receivables secured by real estate property	60.059	12.046	17.554	40.139	593.833
Receivables defined in high risk category by BRSA	4	7	10	19	5.473
Total	419.030	39.421	96.925	191.448	2.266.207

Information on Risk Categories

For the determination of risk weights for risk classes defined in the article 6 of the “Regulation on Measurement and Assessment of Capital Adequacy of Banks”, all counter parties are treated as non-rated since no rating agency is authorized by the Bank.

TÜRKİYE KALKINMA BANKASI A.Ş.
Notes to the Unconsolidated Financial Statements
for the Year Ended 31 December 2014

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

Credit Risk by Risk Weights:

Risk Weights (31.12.2014)	0%	10%	20%	50%	75%	100%	150%	200%	Deductions from Equity
Before Credit Risk Mitigation	21.298	-	34.368	791.879	26.053	2.674.540	14.714	3.589	-
After Credit Risk Mitigation	28.178	-	34.368	978.650	18.832	2.488.110	14.714	3.589	-

Risk Weights (31.12.2013)	0%	10%	20%	50%	75%	100%	150%	200%	Deductions from Equity
Before Credit Risk Mitigation	38.721	-	163.494	547.112	14.464	2.423.709	27.055	4.908	-
After Credit Risk Mitigation	53.492	-	163.494	695.697	7.956	2.266.861	27.055	4.908	-

Information by Major Sectors or Type of Counterparties:

In accordance with the policies determined by Turkish Accounting Standards;

Overdue Loans; are the loans that overdue up to 90 days but not impaired. For such loans, “Generic Provisions” are allocated as per the Provisioning Regulation.

Impaired loans; are the loans that either overdue more than 90 days as of the reporting date or are treated as impaired due to their creditworthiness. For such loans, “Specific Provisions” are allocated as per the Provisioning Regulation.

Major Sectors (31.12.2014)	Credit Risks			
	Impaired Loans	Overdue Loans	Value Adjustments	Provisions
Agriculture	-	1.344	27	-
Farming and Stockbreeding	-	1.344	27	-
Forestry	-	-	-	-
Fishery	-	-	-	-
Industry	41.768	5.237	70	22.922
Mining and Quarrying	-	-	-	-
Manufacturing	41.768	291	3	22.922
Electricity, Gas and Water	-	4.946	67	-
Construction	1.831	-	-	1.333
Services	64.226	336	6	22.548
Wholesale and Retail Trade	-	-	-	-
Accommodation and Dining	55.427	336	6	20.348
Transportation and Telecommunication	-	-	-	-
Financial Institutions	-	-	-	-
Real Estate and Rental Services	-	-	-	-
Professional Services	-	-	-	-
Educational Services	-	-	-	-
Health and Social Services	8.800	-	-	2.200
Others	1.208	-	-	1.208
Total	109.033	6.917	103	48.011

TÜRKİYE KALKINMA BANKASI A.Ş.
Notes to the Unconsolidated Financial Statements
for the Year Ended 31 December 2014

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

Major Sectors (31.12.2013)	Credit Risks			
	Impaired Loans	Overdue Loans	Value Adjustments	Provisions
Agriculture	-	1.557	31	-
Farming and Stockbreeding	-	1.557	31	-
Forestry	-	-	-	-
Fishery	-	-	-	-
Industry	45.534	716	13	26.146
Mining and Quarrying	6.840	-	-	1.710
Manufacturing	38.695	716	13	24.436
Electricity, Gas and Water	-	-	-	-
Construction	1.809	-	-	912
Services	76.302	186	4	16.074
Wholesale and Retail Trade	-	-	-	-
Accommodation and Dining	67.472	186	4	13.812
Transportation and Telecommunication	72	-	-	72
Financial Institutions	-	-	-	-
Real Estate and Rental Services	-	-	-	-
Professional Services	-	-	-	-
Educational Services	-	-	-	-
Health and Social Services	8.758	-	-	2.190
Others	1.262	-	-	1.262
Total	124.907	2.459	48	44.394

Information on Movements in Value Adjustments and Provisions:

Current Period (31.12.2014)	Opening Balance	Provision for Period	Provision Reversals	Other Adjustments	Closing Balance
1. Specific Provisions	44.394	10.196	(6.579)	-	48.011
2. Generic Provisions	27.491	5.390	(8)	-	32.873

Prior Period (31.12.2013)	Opening Balance	Provision for Period	Provision Reversals	Other Adjustments	Closing Balance
1. Specific Provisions	49.201	4.078	(8.885)	-	44.394
2. Generic Provisions	23.008	5.164	(681)	-	27.491

III-Explanations related to market risk:

Market risk is calculated within the scope of the “Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks” published in the Official Gazette dated 28 June 2012 and numbered 28337 and legally reported.

Besides monthly calculation made as per standard method, market risk is calculated daily as per Value at Risk (“VaR”) method and reported to top management. Calculations are made using Historical Simulation method. In order to test the reliability of the VaR model, back tests are performed. Stress tests are also applied in order to reflect the effects of prospective severe market fluctuations in the market parameters on income statement.

In compliance with the “Regulation on Banks’ Internal Control and Risk Management Systems” published in the Official Gazette dated 28 June 2012 and numbered 28337, Board of Directors determine risk limits considering the major risks beared by the Bank and revise these limits based the market conditions and the strategies of the Bank.

The reports prepared for the monitoring of the risk limits are regularly submitted to the Board of Directors, Audit Committee and top management.

TÜRKİYE KALKINMA BANKASI A.Ş.
Notes to the Unconsolidated Financial Statements
for the Year Ended 31 December 2014

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

a) Information related to market risk:

		Current Period Amount
(I)	Capital Requirement to be Employed For General Market Risk-Standard Method	492
(II)	Capital Requirement to be Employed For Specific Risk-Standard Method	6
(III)	Capital Requirement to be Employed For Specific Risks of Securitization Positions- Standard Method	-
(IV)	Capital Requirement to be Employed For Currency Risk-Standard Method	425
(V)	Capital Requirement to be Employed For Commodity Risk-Standard Method	-
(VI)	Capital Requirement to be Employed For Settlement Risk-Standard Method	-
(VII)	Total Capital Requirement to be Employed For Market Risk Resulting From Options- Standard Method	-
(VIII)	Capital Requirement to be Employed For Counterparty Credit Risks-Standard Method	116
(IX)	Total Capital Requirement to be Employed For Market Risk in Banks Using Risk Measurement Model	-
(X)	Total Capital Requirement to be Employed For Market Risk (I+II+III+IV+V+VI+VIII)	1.039
(XI)	Value-At-Market Risk ((12,5 x IX) or (12,5 x X))	12.988

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

	Current Period (31.12.2014)			Prior Period (31.12.2013)		
	Average	Maximum	Minimum	Average	Maximum	Minimum
Interest Rate Risk	518	786	395	630	1.411	178
Common Stock Risk	-	-	-	-	-	-
Currency Risk	974	2.188	363	2.207	3.731	1.327
Commodity Risk	-	-	-	-	-	-
Settlement Risk	-	-	-	-	-	-
Option Risk	-	-	-	-	-	-
Counterparty Credit Risk	62	116	2	39	110	2
Total Value at Risk	1.554	3.090	760	2.876	5.252	1.507

Information on Counterparty Risk:

For derivative transactions and repurchase agreements, counterparty credit risks are calculated. In counterparty credit risk calculations, the fair value methodology is used according to the Appendix-2 of the “Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks”. In case of derivative transactions, the total of replacement costs and potential credit risks is considered as the risk amount. The replacement costs are calculated valuing the contracts at their fair values. The potential credit risks are calculated multiplying the contract amounts with the credit conversion factors set in the appendix of the regulation.

In the current period, the Bank has no counter party risk related to purchase/sale accounts.

TÜRKİYE KALKINMA BANKASI A.Ş.
Notes to the Unconsolidated Financial Statements
for the Year Ended 31 December 2014

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

IV-Explanations related to operational risk:

Value at operational risk is calculated as per standard method within the scope of the “Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks” published in the Official Gazette dated 28 June 2012 and numbered 28337 and legally reported. Two and a half times of average of fifteen percent of the Bank’s gross profit in recent three years is considered as value at operational risk.

The annual gross income, as presented in the statements of income, is composed of net interest income by adding net fees and commissions income, dividend income from shares except for the subsidiaries and associates, net trading income/(expense) and other operating income and after deducting realized gains/losses from the sale of securities held-to-maturity, extraordinary income, operating expenses due to support services and income derived from insurance claims at year-end.

Basic Indicator Method:

Current Period (31.12.2014)	31.12.2011	31.12.2012	31.12.2013 ^(*)	Total/No. Of Years of Positive Gross Income	Rate (%)	Total
Gross Income	95.720	121.752	114.221	110.564	15	16.585
Value at Operational Risk (Total*12,5)						207.308

^(*) Operational Risk Calculation of year of 2013 will be included to capital adequacy being in January 2014. Consequently, the operational risk of year of 2012 has been continued to use for the capital adequacy calculation for the year end of 2013.

Prior Period (31.12.2013)	31.12.2010	31.12.2011	31.12.2012	Total/No. Of Years of Positive Gross Income	Rate (%)	Total
Gross Income	70.498	95.720	121.752	95.990	15	14.398
Value at Operational Risk (Total*12,5)						179.981

V-Explanations related to currency risk:

Standard Method stated in the statutory reporting is used to measure the currency risk of 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 currency 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 exchange buying rates announced by the Bank on the financial statements date and the previous five working days are as follows:

Date	USD	EURO	100 JPY
31/12/2014	2,31220	2,81390	1,93940
30/12/2014	2,30750	2,81450	1,92850
29/12/2014	2,31280	2,82180	1,92510
26/12/2014	2,30580	2,82230	1,92020
25/12/2014	2,30530	2,82050	1,92140
24/12/2014	2,30550	2,81820	1,91900

The simple arithmetic average value of the foreign exchange buying rates of the Bank for the thirty days before the balance sheet date are; USD: 2,27712 TL, EURO: 2,81312 TL, 100 JPY: 1,91430 TL.

TÜRKİYE KALKINMA BANKASI A.Ş.
Notes to the Unconsolidated Financial Statements
for the Year Ended 31 December 2014

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

Information on the currency risk of the Bank:

	EURO	USD	Other FC ⁽¹⁾	Total
Current Period (31.12.2014)				
Assets				
Cash (cash in vault, effectives, money in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey	-	-	-	-
Banks	152.113	90.989	187	243.289
Financial assets at fair value through profit and loss	-	-	-	-
Money market placements	-	-	-	-
Financial assets available for sale	-	26.564	-	26.564
Loans	1.823.695	1.067.599	273	2.891.567
Subsidiaries, associates and jointly controlled entities (joint ventures)	13.161	-	-	13.161
Investments held to maturity	-	-	-	-
Derivative financial assets for hedging purposes	-	-	-	-
Tangible Assets	-	-	-	-
Intangible Assets	-	-	-	-
Other assets	645	1.201	-	1.846
Total assets	1.989.614	1.186.353	460	3.176.427
Liabilities				
Interbank deposits	-	-	-	-
Other deposits	-	-	-	-
Money market borrowings	-	-	-	-
Funds provided from other financial institutions	1.980.976	1.182.898	271	3.164.145
Marketable securities issued	-	-	-	-
Sundry creditors	352	2.089	-	2.441
Derivative financial liabilities for hedging purposes	-	-	-	-
Other liabilities	295	564	-	859
Total liabilities	1.981.623	1.185.551	271	3.167.445
Net balance sheet position	7.991	802	189	8.982
Net off-balance sheet position	-	-	-	-
Assets on derivative instruments	-	-	-	-
Liabilities on derivative instruments	-	-	-	-
Non-cash loans	4.575	4.530	-	9.105
Prior Period (31.12.2013)				
Total assets	1.735.391	878.733	2.125	2.616.249
Total liabilities	1.761.930	876.843	1.921	2.640.694
Net balance sheet position	(26.539)	1.890	204	(24.445)
Net off-balance sheet position	-	-	-	-
Assets on derivative instruments	-	-	-	-
Liabilities on derivative instruments	-	-	-	-
Non-cash loans	8.682	4.034	-	12.716

⁽¹⁾ Of the foreign currencies presented in the other FC column of assets, %59,38 is ID, %8,05 is GBP, %20,55 is CHF and %12,02 is JPY. Of the foreign currencies presented in the other FC column of liabilities is ID.

TÜRKİYE KALKINMA BANKASI A.Ş.
Notes to the Unconsolidated Financial Statements
for the Year Ended 31 December 2014

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

Currency Risk Sensitivity:

The following table presents the Bank’s currency sensitivity to a 10% change in the USD and EUR.

Current Period (31.12.2014)	Increase in Exchange Rates	Effect on Profit/Loss ^(*)		Effect on Capital	
	%	Current Period	Prior Period	Current Period	Prior Period
USD	10	80	189	(13)	-
EURO	10	799	(2.654)	-	-
Other	10	19	20	-	-

Current Period (31.12.2014)	Decrease in Exchange Rates	Effect on Profit/Loss ^(*)		Effect on Capital	
	%	Current Period	Prior Period	%	Current Period
USD	10	(80)	(189)	13	-
EURO	10	(799)	2.654	-	-
Other	10	(19)	(20)	-	-

(*)Indicates the values before tax.

Prior Period (31.12.2013)	Increase in Exchange Rates	Effect on Profit/Loss ^(*)		Effect on Capital	
	%	Current Period	Prior Period	Current Period	Prior Period
USD	10	189	71	(4)	-
EURO	10	(2.654)	(1.937)	-	-
Other	10	20	154	-	-

Prior Period (31.12.2013)	Decrease in Exchange Rates	Effect on Profit/Loss ^(*)		Effect on Capital	
	%	Current Period	Prior Period	%	Current Period
USD	10	(189)	(71)	4	-
EURO	10	2.654	1.937	-	-
Other	10	(20)	(154)	-	-

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 analysis is also made for the positions besides securities portfolio.

TÜRKİYE KALKINMA BANKASI A.Ş.
Notes to the Unconsolidated Financial Statements
for the Year Ended 31 December 2014

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

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.

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

Current Period (31.12.2014)	Up to 1 Month	1 - 3 Months	3 - 12 Months	1 - 5 Years	5 Years and Over	Non- Interest Bearing	Total
Assets							
Cash (cash in vault, effectives, money in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey ⁽¹⁾	-	-	-	-	-	755	755
Banks ⁽¹⁾	209.496	56.308	-	-	-	11.852	277.656
Financial assets at fair value through profit and loss	-	1	-	-	-	-	1
Money market placements	283.087	-	-	-	-	-	283.087
Financial assets available for sale ⁽³⁾	36.353	8.710	15.781			11.511	72.355
Loans ⁽²⁾	1.263.980	489.490	1.117.556	51.208	161.784	61.022	3.145.040
Investments held to maturity	20.476	-	-	-	-	-	20.476
Other assets ⁽⁴⁾	-	-	-	-	-	115.495	115.545
Total Assets	1.813.392	554.509	1.133.337	51.208	161.784	200.635	3.914.865

Liabilities							
Interbank deposits	-	-	-	-	-	-	-
Other deposits	-	-	-	-	-	-	-
Money market borrowings	232	-	-	-	-		232
Sundry creditors	-	-	-	-	-	16.663	16.663
Marketable securities issued	-	-	-	-	-	-	-
Funds provided from other financial institutions	764.510	689.974	1.551.476	175.369	-	-	3.181.329
Other liabilities ⁽⁴⁾	-	-	-	-	-	716.641	716.641
Total liabilities	764.742	689.974	1.551.476	175.369	-	733.304	3.914.865

Long position on balance sheet	1.048.600	-	-	-	161.784		1.210.384
Short position on balance sheet	-	(135.465)	(418.139)	(124.161)	-	(532.669)	(1.210.484)
Long position on off-balance sheet	-	-	-	-	-	-	-
Short position on off-balance sheet	-	-	-	-	-	-	-
Total position	1.048.600	(135.465)	(418.139)	(124.161)	161.784	(532.669)	-

⁽¹⁾ Balances without maturity are shown in the “Non-interest Bearing” column.
⁽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.

TÜRKİYE KALKINMA BANKASI A.Ş.
Notes to the Unconsolidated Financial Statements
for the Year Ended 31 December 2014

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

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

Prior Period (31.12.2013)	Up to 1 Month	1 – 3 Months	3 – 12 Months	1 – 5 Years	5 Years and Over	Non- Interest Bearing	Total
Assets							
Cash (cash in vault, effectives, money in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey ⁽¹⁾	-	-	-	-	-	1.706	1.706
Banks ⁽¹⁾	282.812	-	-	-	-	6.930	289.742
Financial assets at fair value through profit and loss	1.031	-	37	-	-	-	1.068
Money market placements	145.569	-	-	-	-	-	145.569
Financial assets available for sale ⁽³⁾	24.092	82.509	101.641	2.347	-	11.258	221.847
Loans ⁽²⁾	893.608	541.935	1.075.948	69.993	96.735	80.513	2.758.732
Investments held to maturity	29.739	-	-	-	-	-	29.739
Other assets ⁽⁴⁾	-	-	-	-	-	107.654	107.654
Total Assets	1.376.851	624.444	1.177.626	72.340	96.735	208.061	3.556.057
Liabilities							
Interbank deposits	-	-	-	-	-	-	-
Other deposits	-	-	-	-	-	-	-
Money market borrowings	221.766	-	-	-	-	-	221.766
Sundry creditors	-	-	-	-	-	3.745	3.745
Marketable securities issued	-	-	-	-	-	-	-
Funds provided from other financial institutions	698.731	659.463	1.261.203	31.197	13.453	-	2.664.047
Other liabilities ⁽⁴⁾	-	-	-	-	-	666.499	666.499
Total liabilities	920.497	659.463	1.261.203	31.197	13.453	670.244	3.556.057
Long position on balance sheet	456.354	-	-	41.143	83.282	-	580.779
Short position on balance sheet	-	(35.019)	(83.577)	-	-	(462.183)	(580.779)
Long position on off-balance sheet	-	-	-	-	-	-	-
Short position on off-balance sheet	-	-	-	-	-	-	-
Total position	456.354	(35.019)	(83.577)	41.143	83.282	(462.183)	-

⁽¹⁾ Balances without maturity are shown in the “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.

TÜRKİYE KALKINMA BANKASI A.Ş.
Notes to the Unconsolidated Financial Statements
for the Year Ended 31 December 2014

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

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

Current Period (31.12.2014)	EURO	USD	JPY	TRY
Assets				
Cash (cash in vault, effectives, money in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey	-	-	-	-
Banks	0,44	0,69	-	10,98
Financial assets at fair value through profit and loss	-	-	-	8,60
Money market placements	-	-	-	11,23
Financial assets available for sale	-	5,33	-	8,52
Loans	3,19	3,36	-	11,43
Investments held to maturity	-	-	-	8,84
Liabilities	-	-	-	-
Interbank deposits	-	-	-	-
Other deposits	-	-	-	-
Money market borrowings	-	-	-	4,90
Sundry creditors	-	-	-	-
Marketable securities issued	-	-	-	-
Funds provided from other financial institutions	0,87	1,24	-	6,92

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

Prior Period (31.12.2013)	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	1,10	1,50	-	7,75
Financial assets at fair value through profit and loss	-	-	-	10,95
Money market placements	-	-	-	7,28
Financial assets available for sale	-	5,33	-	8,50
Loans	3,31	3,25	-	10,44
Investments held to maturity	-	-	-	9,39
Liabilities				
Interbank deposits	-	-	-	-
Other deposits	-	-	-	-
Money market borrowings	-	-	-	4,50
Sundry creditors	-	-	-	-
Marketable securities issued	-	-	-	-
Funds provided from other financial institutions	0,94	0,85	-	6,91

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

TÜRKİYE KALKINMA BANKASI A.Ş.
Notes to the Unconsolidated Financial Statements
for the Year Ended 31 December 2014

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

Interest rate risk on banking book:

Bank calculates the interest rate risk on banking book according to “Regulation on Measurement and Evaluation of Interest Rate Risk on Banking Book as per Standard Shock Method” and reports to BRSA monthly.

Interest Rate Risk on Banking Book report includes Receivables from Central Bank, Money Market Placements, Receivables from Banks, Available for Sale Financial Assets (excluding government bonds), Receivables from Reverse-repo, Loans and Receivables, Investments Held to Maturity and Other Receivables in the asset side, and Payables to Central Bank, Money Market Borrowings, Payables to Banks, Repos, Issued Bonds; Borrowings, Subordinated Debt and Other Payables on the liabilities side.

Economic value differences due to the interest rate instabilities calculated according to “Regulation on Measurement and Evaluation of Interest Rate Risk on Banking Book as per Standard Shock Method” are presented below for each currency.

Current Period(31.12.2014)		Shocks Applied (+/-x basis points)	Gains/Losses	Gains/Equity - Losses/Equity
Type of Currency				
1	TRY	(+) 500	(7.012)	%(1,1)
2	TRY	(-) 400	6.194	%0,9
3	EURO	(+) 200	(1.566)	%(0,2)
4	EURO	(-) 200	1.757	%0,3
5	USD	(+) 200	2.987	%0,5
6	USD	(-) 200	(4.180)	%(0,6)
Total (of negative shocks)			3.771	%0,6
Total (of positive shocks)			(5.591)	%(0,8)

Prior Period(31.12.2013)		(+/-x basis points) Shocks Applied	Gains/Losses	Gains/Equity - Losses/Equity
Type of Currency				
1	TRY	(+) 500	(7.261)	%(1,16)
2	TRY	(-) 400	6.224	%0,99
3	EURO	(+) 200	2.256	%0,4
4	EURO	(-) 200	(2.183)	%(0,3)
5	USD	(+) 200	1.457	%0,2
6	USD	(-) 200	(2.265)	%(0,4)
Total (of negative shocks)			1.776	%0,28
Total (of positive shocks)			(3.548)	%(0,57)

VII- Position risk of equity securities in banking book:

Comparison			
Current Period (31.12.2014)			
Equity Securities (shares)	Carrying Value	Fair Value	Market Value
1 Available-for-Sale Financial Assets	8.037	-	-
Quoted securities	-	-	-
2 Associates	21.576	-	-
Quoted securities	-	-	-
3 Subsidiaries	-	-	-
Quoted securities	-	-	-

TÜRKİYE KALKINMA BANKASI A.Ş.
Notes to the Unconsolidated Financial Statements
for the Year Ended 31 December 2014

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

Comparison			
Prior Period (31.12.2013)			
Equity Securities (shares)	Carrying Value	Fair Value	Market Value
1 Available-for-Sale Financial Assets	8.039	-	-
Quoted securities	-	-	-
2 Associates	18.018	-	-
Quoted securities	-	-	-
3 Subsidiaries	-	-	-
Quoted securities	-	-	-

VIII-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 “Regulation 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. 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 2014 and 2013 are presented below in comparison with prior period.

		First Maturity Segment (Weekly)		Second Maturity Segment (Monthly)	
Current Period (31.12.2014)		FC	FC + TRY	FC	FC + TRY
Average (%)		2.586,36	1.975,12	1.163,04	1.420,69
Maximum (%)		6.961,00	3.884,36	2.932,08	2.828,34
Minimum (%)		243,14	523,50	346,50	591,77

		First Maturity Segment (Weekly)		Second Maturity Segment (Monthly)	
Prior Period (31.12.2013)		FC	FC + TRY	FC	FC + TRY
Average (%)		1.129,43	356,25	678,05	312,68
Maximum (%)		3.078,32	710,07	3.410,58	476,00
Minimum (%)		124,31	144,33	138,91	160,39

TÜRKİYE KALKINMA BANKASI A.Ş.
Notes to the Unconsolidated Financial Statements
for the Year Ended 31 December 2014

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

Maturity analysis of assets and liabilities according to remaining maturities:

	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Undistributed	Total
Current Period (31.12.2014)								
Assets								
Cash (cash in vault, effectives, money in transit, cheques purchased) and Balances with the Central Bank of the Republic of Turkey	755	-	-	-	-	-	-	755
Banks	11.852	209.496	56.308	-	-	-	-	277.656
Financial assets at fair value through profit and loss	-	-	1	-	-	-	-	1
Money market placements	-	283.087	-	-	-	-	-	283.087
Financial assets available-for-sale	11.511	-	3.586	11.120	46.138	-	-	72.355
Loans	-	73.684	53.898	362.836	1.577.535	1.016.065	61.022	3.145.040
Investments held to maturity	-	-	-	-	20.476	-	-	20.476
Other assets	-	-	-	-	-	-	115.495	115.495
Total assets	24.118	566.267	113.793	373.956	1.644.149	1.016.065	176.517	3.914.865
Liabilities								
Interbank deposits	-	-	-	-	-	-	-	-
Other deposits	-	-	-	-	-	-	-	-
Funds provided from other financial instruments	-	11.212	32.482	115.502	1.028.006	1.993.929	198	3.181.329
Money market borrowings	-	232	-	-	-	-	-	232
Marketable securities issued	-	-	-	-	-	-	-	-
Sundry creditors	16.663	-	-	-	-	-	-	16.663
Other liabilities ⁽³⁾	-	1.161	1.624	-	-	-	713.856	716.641
Total liabilities	16.663	12.605	34.106	115.502	1.028.006	1.993.929	714.054	3.914.865
Liquidity Gap	7.455	553.662	79.687	258.454	616.143	(977.864)	(537.537)	-
Prior Period (31.12.2013)								
Total Assets	19.894	566.857	119.709	387.120	1.356.547	917.763	188.167	3.556.057
Total Liabilities	3.745	229.473	41.594	80.688	761.713	1.774.892	663.952	3.556.057
Liquidity Gap	16.149	337.384	78.115	306.432	594.834	(857.129)	(475.785)	-

⁽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.

TÜRKİYE KALKINMA BANKASI A.Ş.
Notes to the Unconsolidated Financial Statements
for the Year Ended 31 December 2014

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

Explanations related to Securitisation Positions:

None.

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 (31.12.2014)	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	11.580	34.676	136.105	1.144.306	2.080.433	(225.771)	3.181.329
Money market borrowings	232	-	-	-	-	-	232
Total	11.812	34.676	136.105	1.144.306	2.080.433	(225.771)	3.181.561

Current Period (31.12.2013)	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	6.625	42.116	98.396	852.427	1.856.904	(192.421)	2.664.047
Money market borrowings	221.824	-	-	-	-	(58)	221.766
Total	228.449	42.116	98.396	852.427	1.856.904	(192.479)	2.885.813

The following table shows non-cash loans according to remaining maturities.

Current Period (31.12.2014)	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
Letter of Credit	-	1.479	-	4.531	3.095	-	9.105
Endorsement	-	-	-	-	-	-	-
Letter of Guarantee	40	-	-	-	-	-	40
Acceptances	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total	40	1.479	-	4.531	3.095	-	9.145

Prior Period (31.12.2013)	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
Letter of Credit	-	2.802	3.104	6.810	-	-	12.716
Endorsement	-	-	-	-	-	-	-
Letter of Guarantee	40	-	-	-	-	-	40
Acceptances	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total	40	2.802	3.104	6.810	-	-	12.756

As of 31 December 2014, the Bank has no derivative financial assets and liabilities.

IX-Explanations related to securitization positions:

None.

TÜRKİYE KALKINMA BANKASI A.Ş.
Notes to the Unconsolidated Financial Statements
for the Year Ended 31 December 2014

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

X-Explanations related to credit risk mitigation techniques:

Credit risk mitigation techniques:

The Bank does not apply any netting process on balance sheet and off balance sheet items. Assessment and management of collaterals is made according to “Communiqué on Credit Risk Mitigation Techniques”. Major risk mitigators that are used in credit mitigation process are financial collaterals (cash) and guarantees (Turkish Treasury and banks). Cash collaterals are revaluated as of reporting date and are taken into account for the credit risk mitigation. In case of presence of guarantee letter from other institutions for a loan customer, credit risk of the institutions who give guarantee are taken in to consideration in the credit risk mitigation process. Standard volatility adjustments are taken into account for the risk mitigation effect of collaterals regarding to portfolios in which comprehensive approach is used.

Collaterals by Risk Groups:

Risk Categories (31.12.2014)	Amount ^(*)	Financial Collateral	Other/Physical Collateral	Guaranties and Credit Derivatives
Conditional and unconditional corporate receivables	3.625.077	-	-	178.042
Conditional and unconditional retail receivables	55.764	2.878	-	4.343
Conditional and unconditional receivables secured by real estate mortgages	543.734	-	-	8.627
Total	4.224.575	2.878	-	191.012

(*) Includes risk amounts before the effect of credit risk mitigation but after the credit conversions.

Risk Categories (31.12.2013)	Amount ^(*)	Financial Collateral	Other/Physical Collateral	Guaranties and Credit Derivatives
Conditional and unconditional corporate receivables	2.604.781		-	149.471
Conditional and unconditional retail receivables	40.068	2.360	-	4.148
Conditional and unconditional receivables secured by real estate mortgages	725.132	618	-	8.961
Total	3.369.981	2.978	-	162.580

XI-Risk management objectives and policies:

Risk management activities of the Bank are performed under the responsibility of Board of Directors and in accordance with “Regulation on Banks’ Internal Systems” published in the Official Gazette numbered 28337 and dated 28 June 2012. Top management is responsible against Board of Directors for monitoring and management of risks. In addition, departments included in the Internal Systems, namely Internal Control Department, Risk Monitoring Department and Board of Inspection transact their responsibilities independently from the executive departments.

The general risk principles followed by the bank can be defined as including the following activities: specializing in activities in accordance with its mission, vision and its structure defined in its settlement law, taking definable, monitorable and/or manageable risks accordingly, avoiding risks other than the ones unavoidable due to the main activities. Within this scope, fundamental principle is taking risks which are defined and manageable. Additionally, current and future potential effects of the risks currently taken are measured to the extent possible by the risk measurement and reporting techniques and it is continued to be performed accordingly.

The Bank actively uses committees and risk budgeting in its decision and risk management processes. In the Bank, risk management is performed by Asset Liability Committee and Loan Investment Committee. Asset Liability Committee sets risk policies for liquid assets and foreign currency position of the Bank, whereas Loan Investment Committee sets the principals for credit risk.

TÜRKİYE KALKINMA BANKASI A.Ş.
Notes to the Unconsolidated Financial Statements
for the Year Ended 31 December 2014

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

Considering the best practices, the Bank executes measuring, monitoring activities, testing and scenario analysis confirming with the volume, character and complexity of transactions, within the legal regulations and limits of the authority, and provides reporting to top management.

XII-Explanation related to 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 (31.12.2014)	Prior Period (31.12.2013)	Current Period (31.12.2014)	Prior Period (31.12.2013)
Financial Assets	3.798.614	3.445.629	3.824.855	3.458.323
Money markets placements	283.087	145.569	283.087	145.569
Banks ^(**)	277.656	289.742	277.656	289.742
Financial assets available for sale	72.355	221.847	72.355	221.847
Held to Maturity Investment	20.476	29.739	20.348	29.754
Loans	3.145.040	2.758.732	3.171.409	2.771.411
Financial Liabilities	3.197.992	2.667.792	3.223.038	2.697.448
Interbank deposits	-	-	-	-
Other deposits	-	-	-	-
Funds provided from other financial institutions	3.181.329	2.664.047	3.206.375	2.693.703
Marketable securities issued	-	-	-	-
Sundry creditors	16.663	3.745	16.663	3.745

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

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

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

Information on fair value measurements recognized in the financial statements:

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

TÜRKİYE KALKINMA BANKASI A.Ş.
Notes to the Unconsolidated Financial Statements
for the Year Ended 31 December 2014

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

Current Period (31.12.2014)	Level 1	Level 2	Level 3
Financial assets at fair value through profit and loss	1	-	-
Debt securities	1	-	-
Share certificates	-	-	-
Derivative financial assets held for trading	-	-	-
Other	-	-	-
Financial assets available-for-sale ^(*)	64.318	-	-
Debt securities	60.846	-	-
Other	3.472	-	-
Investment in subsidiaries and associates ^(**)	-	-	-
Derivative financial liabilities	-	-	-

^(*) Since they are not traded in an active market, share certificates (TRY 8,037Thousand) 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 (31.12.2013)	Level 1	Level 2	Level 3
Financial assets at fair value through profit and loss	1.068	-	-
Debt securities	1.068	-	-
Share certificates	-	-	-
Derivative financial assets held for trading	-	-	-
Other	-	-	-
Financial assets available-for-sale ^(*)	213.808	-	-
Debt securities	210.589	-	-
Other	3.219	-	-
Investment in subsidiaries and associates ^(**)	-	-	-
Derivative financial liabilities	-	-	-

^(*) Since they are not traded in an active market, share certificates (TRY 8,039 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.

XIII-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.

TÜRKİYE KALKINMA BANKASI A.Ş.
Notes to the Unconsolidated Financial Statements
for the Year Ended 31 December 2014

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

SECTION FIVE
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 (31.12.2014)		Prior Period (31.12.2013)	
	TRY	FC	TRY	FC
Cash and foreign currency	92	-	75	-
Central Bank of the Republic of Turkey	663	-	1.631	-
Other	-	-	-	-
Total	755	-	1.706	-

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 (31.12.2014)		Prior Period (31.12.2013)	
	TRY	FC	TRY	FC
Unrestricted Demand Deposit	663	-	1.631	-
Unrestricted Time Deposit	-	-	-	-
Restricted Time Deposit	-	-	-	-
Total	663	-	1.631	-

2.a.1) Financial assets at fair value through profit and loss subject to repurchase agreements:

None.

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

	Current Period (31.12.2014)		Prior Period (31.12.2013)	
	TRY	FC	TRY	FC
Share certificates	-	-	-	-
Bonds, treasury bills and similar securities	-	-	1.030	-
Other	-	-	-	-
Total	-	-	1.030	-

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

None.

3.a) Information on banks:

	Current Period (31.12.2014)		Prior Period (31.12.2013)	
	TRY	FC	TRY	FC
Banks				
Domestic	34.367	236.757	163.496	124.573
Foreign	-	6.532	-	1.673
Foreign Head Office and Branches	-	-	-	-
Total	34.367	243.289	163.496	126.246

TÜRKİYE KALKINMA BANKASI A.Ş.
Notes to the Unconsolidated Financial Statements
for the Year Ended 31 December 2014

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

3.b) Information on foreign bank accounts:

	Unrestricted Amount		Restricted Amount	
	Current Period (31.12.2014)	Prior Period (31.12.2013)	Current Period (31.12.2014)	Prior Period (31.12.2013)
EU Countries	6.088	1.267	-	-
USA and Canada	416	377	-	-
OECD Countries ^(*)	28	29	-	-
Off-Shore Banking Regions	-	-	-	-
Other	-	-	-	-
Total	6.532	1.673	-	-

(*) OECD Countries other than European Union Countries, USA and Canada.

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

4.a.1) Financial assets available-for-sale subject to repurchase agreements:

	Current Period (31.12.2014)		Prior Period (31.12.2013)	
	TRY	FC	TRY	FC
Share certificates	-	-	-	-
Bonds, treasury bills and similar securities	259	-	163.237	-
Other	-	-	-	-
Total	259	-	163.237	-

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

	Current Period (31.12.2014)		Prior Period (31.12.2013)	
	TRY	FC	TRY	FC
Share certificates	-	-	-	-
Bonds, treasury bills and similar securities	16.252	-	33.517	-
Other	-	-	-	-
Total	16.252	-	33.517	-

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

	Current Period (31.12.2014)		Prior Period (31.12.2013)	
Debt Securities		64.491		213.815
Quoted on a stock exchange ^(*)		64.491		213.815
Unquoted		-		-
Share Certificates		10.847		22.761
Quoted on a stock Exchange		-		-
Unquoted		10.847		22.761
Provision for impairment (-)		(2.983)		(14.729)
Total		72.355		221.847

(*) Available-for-sale financial assets amounting to TRY 3.472 Thousand (31 December 2013: TRY 3.219 Thousand) which are classified as “Other securities” at balance sheet, consists of investment funds.

(**) The shares of Temsan Türkiye Elektromekanik Sanayi A.Ş. hold by the Bank, have been transfered to the Treasury on 18 September 2014. Regarding the transfer, the Bank removed the shares amounting to TRY 11.913 Thousand with a provision amounting to TRY 11.911 Thousand from its records.

TÜRKİYE KALKINMA BANKASI A.Ş.
Notes to the Unconsolidated Financial Statements
for the Year Ended 31 December 2014

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

5. Information on loans:

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

	Current Period (31.12.2014)		Prior Period (31.12.2013)	
	Cash	Non-Cash	Cash	Non-Cash
Direct loans granted to shareholders	-	-	-	-
Legal Entities	-	-	-	-
Individuals	-	-	-	-
Indirect loans granted to shareholders	-	-	-	-
Loans granted to employees	5.168	-	5.565	-
Total	5.168	-	5.565	-

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 (Total)	Loans and Receivables with Revised Contract Terms	Loans and Other Receivables (Total)	Loans and Receivables with Revised Contract Terms	Extension of Repayment Plan	Other
Cash Loans						
Non-specialized loans	2.564.577	-	36.596	138.957	4.531	17.686
Working capital loans	44.089	-	22.134	24.347	-	-
Export loans	-	-	-	-	-	-
Import loans	-	-	-	-	-	-
Loans given to financial sector	122.355	-	-	-	-	-
Consumer loans	5.168	-	-	-	-	-
Credit cards	-	-	-	-	-	-
Other	2.392.965	-	14.462	114.610	4.531	17.686
Specialized loans	352.002	-	306	28.482	-	12.570
Other receivables	-	-	-	-	-	-
Total	2.916.579	-	36.902	167.439	4.531	30.256

TÜRKİYE KALKINMA BANKASI A.Ş.
Notes to the Unconsolidated Financial Statements
for the Year Ended 31 December 2014

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

Number of Extensions		
	Standard Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring
1 or 2 times	-	4.531
3, 4 or 5 times	-	-
Over 5 times	-	-
Extention Periods	Standard Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring
Up to 6 months	-	-
6-12 months	-	-
1-2 years	-	-
2-5 years	-	4.531
Over 5 years	-	-

5.c) Loans according to their maturity structure:

	Standard Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring		
	Loans and Other Receivables	Loans and Receivables with Revised Contract Terms	Loans and Other Receivables	Loans and Receivables with Revised Contract Terms
Short term loans and other receivables	26.094	14.462	24.347	11.725
Non-specialized loans	19.509	14.462	24.347	6.921
Specialized loans	6.585	-	-	4.804
Other receivables	-	-	-	-
Medium and long term loans and other receivables	2.853.584	22.440	112.836	18.531
Non-specialized loans	2.508.472	22.134	96.923	10.765
Specialized loans	345.112	306	15.913	7.766
Other receivables	-	-	-	-

TÜRKİYE KALKINMA BANKASI A.Ş.
Notes to the Unconsolidated Financial Statements
for the Year Ended 31 December 2014

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

5.ç) Information on consumer loans, individual credit cards, and 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	-	5.168	5.168
Real estate loans	-	-	-
Vehicle loans	-	-	-
Consumer loans	-	5.168	5.168
Other	-	-	-
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-TL (Real Persons)	-	-	-
Overdraft Accounts-FC (Real Persons)	-	-	-
Total	-	5.168	5.168

TÜRKİYE KALKINMA BANKASI A.Ş.
Notes to the Unconsolidated Financial Statements
for the Year Ended 31 December 2014

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

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 (31.12.2014)	Prior Period (31.12.2013)
Public	10.588	20.000
Private	3.073.430	2.658.219
Total	3.084.018	2.678.219

5.f) Breakdown of domestic and international loans:

	Current Period (31.12.2014)	Prior Period (31.12.2013)
Domestic loans	3.084.018	2.678.219
International loans	-	-
Total	3.084.018	2.678.219

5.g) Loans granted to subsidiaries and associates:

TRY 1.370 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 specific provision has been provided.

5.ğ) Specific provisions provided against loans:

	Current Period (31.12.2014)	Prior Period (31.12.2013)
Loans and other receivables with limited collectability	-	1.392
Loans and other receivables with doubtful collectability	-	-
Uncollectible loans and receivables	48.011	43.002
Total	48.011	44.394

TÜRKİYE KALKINMA BANKASI A.Ş.
Notes to the Unconsolidated Financial Statements
for the Year Ended 31 December 2014

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

5h) 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 Collectability	IV. Group: Loans and Other Receivables With Doubtful Collectability	V. Group Uncollectible Loans and Other Receivables
Current Period (31.12.2014)	-	-	-
(Gross amounts before specific provisions)	-	-	-
Restructured loans and other receivables	-	-	-
Rescheduled loans and other receivables	-	-	-
Prior Period (31.12.2013)	9.172	-	-
(Gross amounts before specific provisions)	-	-	-
Restructured loans and other receivables	-	-	-
Rescheduled loans and other receivables	9.172	-	-

5.h.2) Information on the movement of non-performing receivables:

	III. Group Loans and Other Receivables With Limited Collectability	IV. Group Loans and Other Receivables With Doubtful Collectability	V. Group Uncollectible Loans and Other Receivables
Prior period end balance	27.842	-	97.065
Additions (+)	3.963	7	690
Transfer from other categories of non-performing loans (+)	-	2.063	18.105
Transfer to other categories of non-performing loans (-)	(18.098)	(2.070)	-
Collections (-)	(13.707)	-	(6.827)
Write-offs (-)	-	-	-
Corporate and commercial loans	-	-	-
Consumer loans	-	-	-
Credit cards	-	-	-
Other	-	-	-
Current period end balance	-	-	109.033
Specific provisions (-)	-	-	(48.011)
Net balance on balance sheet	-	-	61.022

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 Collectability 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.

TÜRKİYE KALKINMA BANKASI A.Ş.
Notes to the Unconsolidated Financial Statements
for the Year Ended 31 December 2014

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

5.h.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) (31.12.2014)	-	-	61.022
Loans to Real Persons and Legal Entities (Gross)	-	-	109.033
Specific Provisions (-)	-	-	(48.011)
Loans to Real Persons and Legal Entities (Net)	-	-	61.022
Banks (Gross)	-	-	-
Specific Provisions (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	-
Specific Provisions (-)	-	-	-
Other Loans and Receivables (Net)	-	-	-
Prior Period (Net) (31.12.2013)	26.450	-	54.063
Loans to Real Persons and Legal Entities (Gross)	27.842	-	97.065
Specific Provisions (-)	(1.392)	-	(43.002)
Loans to Real Persons and Legal Entities (Net)	26.450	-	54.063
Banks (Gross)	-	-	-
Specific Provisions (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	-
Specific Provisions (-)	-	-	-
Other Loans and Receivables (Net)	-	-	-

TÜRKİYE KALKINMA BANKASI A.Ş.
Notes to the Unconsolidated Financial Statements
for the Year Ended 31 December 2014

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

5.h.5) Aging analysis of post due but not impaired loans per classes of financial statements:

Current Period (31.12.2014)	0-30 Days	31-60 Days	61-90 Days	Total
Loans				
Corporate Loans	5.918	176	487	6.581
Consumer Loans	-	-	-	-
Specialized Loans	331	-	5	336
Total	6.249	176	492	6.917
Prior Period (31.12.2013)	0-30 Days	31-60 Days	61-90 Days	Total
Loans				
Corporate Loans	513	345	1.416	2.274
Consumer Loans	-	-	-	-
Specialized Loans	186	-	-	186
Total	699	345	1.416	2.460

Net Value of Collaterals of Loans Under Close Monitoring, Collateral Type and Risk Mapping

	Current Period (31.12.2014)		Prior Period (31.12.2013)	
Type of collateral	Net Value of Collateral	Loan Balance	Net Value of Collateral	Loan Balance
Real Estate Mortgages ^(*)	63.147	63.147	22.043	22.043
Vehicle Pledges	-	-	-	-
Cash Collateral (Cash, Marketable Securities, etc.)	104.292	104.292	48.832	48.832
Pledge on wages	-	-	-	-
Cheque/Notes	-	-	-	-
Other suretyship, commercial enterprise pledge, commercial papers etc.) etc.).	-	-	-	-
Non-collateralized	-	-	-	-
Total	167.439	167.439	70.875	70.875

^(*) Net values of collaterals are 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 Value of Collaterals of Non-performing Loans, Collateral Types and Risk Mapping

	Current Period (31.12.2014)		Prior Period (31.12.2013)	
Type of collateral	Net Value of Collateral	Loan Balance	Net Value of Collateral	Loan Balance
Real Estate Mortgages ^(*)	100.899	100.899	124.907	124.907
Cash collateral	-	-	-	-
Vehicle Pledges	-	-	-	-
Other (suretyship, commercial enterprise pledge, commercial papers etc.) ^(**)	-	-	103.019	-
Non-collateralized	-	8.134	-	-
Total	100.899	109.033	227.926	124.907

^(*) Net values of collaterals are 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.

^(**) As collateral, real estate mortgages has been obtained for loans.

TÜRKİYE KALKINMA BANKASI A.Ş.
Notes to the Unconsolidated Financial Statements
for the Year Ended 31 December 2014

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

5.i) Main principles of liquidating non-performing loans and other receivables:

In case collaterals complying with Article 9 of the “Regulation on Procedures and Principles for Determination of Qualification of Loans and Other Receivables, and Allocation of Provisions” are present, liquidation of receivables are realized by converting collaterals into cash immediately as a result of either administrative or legal procedures

In the case collaterals are not present; the Bank is engaged in intense intelligence in various periods to determine whether any property holdings are subsequently acquired in order to apply for legal procedures, even if there is evidence of insolvency for the debtor.

Before and after liquidation process; the Bank reviews financial information of the debtor companies. Then, in the case it is agreed that the companies show indications of operating on an ongoing basis and probably are going to have contributions to production; the Bank tries to make collections through rescheduling the payment terms.

5.i) Explanations on write-off policy:

Uncollectible loans or receivables are written-off with the decision of Board of Directors, after the date 100% provision is set considering the collaterals using the rates determined in the related communiqué, when they are deemed impossible to collect in accordance with a convincing document or a court order.

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 (31.12.2014)	Prior Period (31.12.2013)
Government bonds	-	20.375
Treasury bills	-	-
Other public sector debt securities	-	-
Total	-	20.375

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

	Current Period (31.12.2014)	Prior Period (31.12.2013)
Government bonds	16.895	9.227
Treasury bills	-	-
Other public sector debt securities	-	-
Total	16.895	9.227

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

	Current Period (31.12.2014)	Prior Period (31.12.2013)
Government bonds	20.476	29.739
Treasury bills	-	-
Other public sector debt securities	-	-
Total	20.476	29.739

TÜRKİYE KALKINMA BANKASI A.Ş.
Notes to the Unconsolidated Financial Statements
for the Year Ended 31 December 2014

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

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

	Current Period (31.12.2014)	Prior Period (31.12.2013)
Debt securities	20.476	29.739
Quoted on a stock Exchange	20.476	29.739
Unquoted	-	-
Provision for impairment(-)	-	-
Total	20.476	29.739

6.ç) Movement of held-to-maturity investments:

	Current Period (31.12.2014)	Prior Period (31.12.2013)
Balance at the beginning of the period	29.739	29.733
Foreign currency differences on monetary assets	-	-
Purchases during the year ^(*)	1.520	12.868
Disposals through sales and redemptions ^(*)	(10.783)	(12.862)
Provision for impairment (-)	-	-
Balance at the end of the period	20.476	29.739

(*) Purchases during the year includes interest accrual differences equal to TRY 1.517 Thousand (31 December 2013: TRY 1.593 Thousand) and disposals during the year includes interest accrual differences equal to TRY 1.715 Thousand (31 December 2013: TRY 1.487 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
3	Türk Suudi Holding A.Ş. ^(**)	İstanbul	10,00	24,69
4	Yozgat Otelcilik A.Ş.	Yozgat	20,00	3,75
5	İstanbul Risk Sermayesi Girişimi	Lüksemburg	11,11	6,25

(*) Teşebbüs Destekleme Ajansı Ltd. is inactive.
(**) The liquidation of Türk Suudi Holding A.Ş. is expected to be finalized in 2015.

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	22.272	13.720	2.432	35	-	707	1.029	-
2	-	-	-	-	-	-	-	-
3	16.934	16.745	-	660	-	1.506	1.820	-
4	232	228	151	-	-	32	0,4	-
5	173.366	173.036	-	1	-	11.089	8.238	-

(*) 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. and İstanbul Venture Capital Initiative are provided from the unaudited financial statements as of 30 September 2014. Capital commitment of İstanbul Venture Capital (“İVCI”) is EUR 160 Million and the Bank's capital commitment is EUR 10 Million. The Bank has made EUR 5.655.000 capital payment. Prior period information is provided from financial statements as of 30 September 2014.

TÜRKİYE KALKINMA BANKASI A.Ş.
Notes to the Unconsolidated Financial Statements
for the Year Ended 31 December 2014

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

7.c. Movement of associates:

	Current Period (31.12.2014)	Prior Period (31.12.2013)
Balance at the beginning of the period	18.018	13.204
Movements during the period	3.558	4.814
Additions	2.845	3.864
Bonus shares certificates	-	-
Shares in current year profit	-	-
Disposals	-	-
Revaluation increase	-	-
Provision for impairment (-)/Cancellation of provision	713	950
Balance at the end of the period	21.576	18.018
Capital commitments	-	-
Share percentage at the end of the period (%)	-	-

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

	Current Period (31.12.2014)	Prior Period (31.12.2013)
Banks	-	-
Insurance companies	-	-
Factoring companies	-	-
Leasing companies	-	-
Financing companies	-	-
Other financial associates	13.161	9.907

7.d. Associates quoted in the stock exchange:

None.

8. Information on subsidiaries:

8.a. Information on subsidiaries:

By the application of the company's Board of Directors and approval Capital Markets Board (CMB), the company's activities has been temporarily suspended beginning from 31 December 2009. In 2011, the licences of the company was been canceled. As of 20 March 2012,in the General Assembly of the company, liquidation has been decided on. Since the company is in liquidation process, the Bank has lost control over its subsidiary in accordance with the related provisions of TAS and TFRS and net investment value of Kalkınma Yatırım Menkul Değerler A.Ş. in liquidation has been reclassified to financial assets available for sale in the accompanying financial statements.

TÜRKİYE KALKINMA BANKASI A.Ş.
Notes to the Unconsolidated Financial Statements
for the Year Ended 31 December 2014

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

8.b. Movement of subsidiaries:

	Current Period (31.12.2014)	Prior Period (31.12.2013)
Balance at the beginning of the year	-	6.357
Movements during the year	-	-
Additions	-	-
Bonus shares certificates	-	-
Shares in current year profit	-	-
Disposals ^(*)	-	(6.357)
Revaluation increase	-	-
Provision for impairment	-	-
Balance at the end of the year	-	-
Capital commitments	-	-
Share percentage at the end of the year (%)	-	-

^(*) As mentioned in Note 8.a, net investment amount of Kalkınma Yatırım Menkul Değerler A.Ş. in liquidation is reclassified to financial assets available for sale.

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

None.

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. The receivables from operating leasing are TRY 55 Thousand (31 December 2013: TRY 3 thousand).

11. Information on derivative financial assets for hedging purposes:

None.

TÜRKİYE KALKINMA BANKASI A.Ş.
Notes to the Unconsolidated Financial Statements
for the Year Ended 31 December 2014

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

12. Information on tangible fixed assets:

	Real- Estates	Non-Current Assets to be Disposed	Vehicles	Other	Total
Current Period (31.12.2014)					
Cost					
Balance at the beginning of the period	121.170	27.878	130	5.648	154.826
Provision for impairment	(9.594)	(191)	-	-	(9.785)
Movements during the period	-	-	-	-	-
-Additions	358	9.751	-	3.380	13.489
-Disposals (-)	-	(5.908)	-	(174)	(6.082)
-Transfer from investment property	-	-	-	-	-
-Provision for impairment (-) ^(*)	-	(748)	-	-	(748)
-Reversal from provision for impairment (-)	-	188	-	-	188
Balance at the end of the period	111.934	30.970	130	8.854	151.888
Accumulated Depreciation					
Balance at the beginning of the period	74.656	785	76	4.828	80.345
Movements during the period	-	-	-	-	-
-Depreciation charge ^(*)	2.433	714	24	408	3.579
-Transfer from investment property	-	-	-	-	-
-Disposals (-)	-	(384)	-	(165)	(549)
-Provision for impairment (-)	-	-	-	-	-
Balance at the end of the period	77.089	1.115	100	5.071	83.375
Net book value at the end of the period	34.845	29.855	30	3.783	68.513

^(*) TRY 714 Thousand of depreciation charge of non-current assets to be disposed which is equal to TRY 238 Thousand was presented under other operating expenses.
^(**) TRY 748 Thousand of provision for lossesof non-current assets to be disposed which is equal to TRY 528 Thousand was presented under other operating expenses.

TÜRKİYE KALKINMA BANKASI A.Ş.
Notes to the Unconsolidated Financial Statements
for the Year Ended 31 December 2014

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

	Real- Estates	Non-Current Assets to be Disposed	Vehicles	Other	Total
Prior Period (31.12.2013)					
Cost					
Balance at the beginning of the period	121.158	14.706	93	5.262	141.219
Provision for impairment	(9.594)	(165)	-	-	(9.759)
Movements during the period					
-Additions	12	13.467	37	454	13.970
-Disposals (-)	-	(295)	-	(68)	(363)
-Transfer from investment property	-	-	-	-	-
-Provision for impairment (-)	-	(26)	-	-	(26)
-Reversal from provision for impairment (-)	-	-	-	-	-
Balance at the end of the period	111.576	27.687	130	5.648	145.041
Accumulated Depreciation					
Balance at the beginning of the period	72.232	541	56	4.530	77.359
Movements during the period					
-Depreciation charge ^(*)	2.424	270	20	359	3.073
-Transfer from investment property	-	-	-	-	-
-Disposals (-)	-	(26)	-	(61)	(87)
-Provision for impairment (-)	-	-	-	-	-
Balance at the end of the period	74.656	785	76	4.828	80.345
Net book value at the end of the period	36.920	26.902	54	820	64.696

^(*) TRY270 Thousand of depreciation charge of non-current assets to be disposed which is equal to TRY 9 Thousand was presented under other operating expenses.

13. Information on intangible assets:

	Current Period (31.12.2014)	Prior Period (31.12.2013)
Cost		
Balance at the beginning of the period	4.332	2.938
Movements during the period	-	-
-Additions	1.104	1.394
Balance at the end of the period	5.436	4.332
Accumulated Depreciation		
Balance at the beginning of the period	2.705	2.154
Movements during the period	-	-
-Depreciation charge	765	551
Balance at the end of the period	3.470	2.705
Net book value at the end of the period	1.966	1.627

TÜRKİYE KALKINMA BANKASI A.Ş.

Notes to the Unconsolidated Financial Statements

for the Year Ended 31 December 2014

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

14. Information on investment properties:

As of 31 December 2014, the Bank has investment properties held for rent whose net book value is TRY 1.067 Thousand(31 December 2013: 1.110 TL.). According to appraisal report prepared by an independent and CMB registered real-estate appraiser company and issued in January 2013 fair value of the investment properties is determined as TRY 5.109 Thousand. As of 31 December 2014, the Bank has rental income equal to TRY 432 Thousand. (31 December 2013: TRY 412Thousand).

	Current Period (31.12.2014)	Prior Period (31.12.2013)
Cost		
Balance at the beginning of the period	2.149	2.149
Provision for impairment	-	-
Movements during the period		
-Additions	-	-
-Disposals (-)	-	-
-Classified as tangible fixed assets (-)	-	-
-Provision for impairment (-)	-	-
-Reversal from provision for impairment (-)	-	-
Balance at the end of the period	2.149	2.149
Accumulated Depreciation		
Balance at the beginning of the period	1.039	996
Movements during the period		
-Accumulated depreciation classified as investmentproperty (-)	-	-
-Depreciation charge	43	43
-Accumulated depreciation classified as tangible fixed asset (-)	-	-
-Disposals	-	-
-Provision for impairment (-)	-	-
Balance at the end of the period	1.082	1.039
Net book value at the end of the period	1.067	1.110

15. Information on deferred tax assets:

As of 31 December 2014 the Bank has deferred tax asset amounting to TRY 7.087 Thousand (31 December 2013: TRY 6.939 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 31 December 2014. (31 December 2013: None).

	Current Period (31.12.2014)	Prior Period (31.12.2013)
Deferred tax asset/liability		
Provision for impairment of tangible fixed assets	-	-
Retirement pay provision	5.795	5.492
Provision for non-performing loans	1.362	1.367
Valuation of financial assets	(22)	7
Other	(48)	73
Total	7.087	6.939

TÜRKİYE KALKINMA BANKASI A.Ş.

Notes to the Unconsolidated Financial Statements

for the Year Ended 31 December 2014

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

Movement of deferred tax assets:

	Current Period (31.12.2014)	Prior Period (31.12.2013)
Net book value at the beginning of the period	6.939	6.846
Deferred tax income/loss (net)	236	(76)
Deferred tax classified under shareholders' equity	(88)	169
Total	7.087	6.939

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

None.

17. Information on other assets:

	Current Period (31.12.2014)	Prior Period (31.12.2013)
Inventory	67	43
Prepaid expenses	4.171	4.073
Temporary account debtor	10.456	10.491
Sundry receivables	106	17
Receivables from asset sales on credit terms	420	630
Accrual of fund management fee	8	7
Payables from state institutions and organizations	3	-
Total	15.231	15.261

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:

None.

3. Information on funds borrowed:

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

	Current Period (31.12.2014)		Prior Period (31.12.2013)	
	TRY	FC	TRY	FC
From Central Bank of the Republic of Turkey	-	-	-	-
From domestic banks and institutions	-	278.709	-	135.321
From foreign banks, institutions and funds	-	2.885.365	-	2.504.224
Total	-	3.164.074	-	2.639.545

TÜRKİYE KALKINMA BANKASI A.Ş.
Notes to the Unconsolidated Financial Statements
for the Year Ended 31 December 2014

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

3.b) Maturity structure of funds borrowed:

	Current Period (31.12.2014)		Prior Period (31.12.2013)	
	TRY	FC	TRY	FC
Short-term	-	-	-	14.614
Medium and long-term	-	3.164.074	-	2.624.931
Total	-	3.164.074	-	2.639.545

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, French Development Agency and Japan International Corporation Bank. Domestic loans are from Eximbank, Arab Turkish Bank and Turkish Treasury

3.c.1) Explanations on funds:

Material part of the domestic funds amounting to TRY 17.255 Thousand (31 December 2013: TRY 24.502 Thousand) is from Turkish Treasury. Loans disbursed to investor companies in Cyprus from funds obtained from Turkish Treasury amount to TRY 3.960 Thousand (31 December 2013: TRY 12.075 Thousand) and the risk of these loans does not belong to the Bank.

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

All of repurchase agreements amounting to TRY 232 Thousand belong to other agency and institute and real person (31 December 2013: 221.766 Thousand of TRY 221.452 Thousand belong to Central Bank of Turkey and TRY 314 Thousand belong to other institutions and organizations and real persons)

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.

TÜRKİYE KALKINMA BANKASI A.Ş.
Notes to the Unconsolidated Financial Statements
for the Year Ended 31 December 2014

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

7. Explanations on Provisions:

7.a) Information on Generic Provisions:

	Current Period (31.12.2014)	Prior Period (31.12.2013)
General Provisions	32.873	27.491
Allocated for Group-I loans and receivables (Total)	28.846	25.711
Additional provision for loans and receivables with extended maturities	-	-
Allocated for Group-II loans and receivables (Total)	3.453	1.463
Additional provision for loans and receivables with extended maturities	191	71
Allocated for non-cash loans	18	26
Other	556	291

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.

7.ç) Other provisions:

i) The Bank has not allocated provision for potential risks.

ii) 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 2014, the Bank allocates provision for employee benefits equal to TRY 28.581 Thousand (31 December 2013: TRY 27.236 Thousand) and for unused vacation equal to TRY 392 Thousand (31 December 2013: TRY 218).

	Current Period (31.12.2014)	Prior Period (31.12.2013)
Liabilities at the beginning of period	27.236	24.193
Service cost for the period	1.925	4.089
Interest cost for the period	866	537
Actuarial profit/loss	(253)	(430)
Payments in the period	(1.193)	(1.153)
Liabilities at the end of period	28.581	27.236

8. Explanations on tax liabilities:

8.a) Information on current tax liability:

8.a.1) Information on tax provision:

	Current Period (31.12.2014)		Prior Period (31.12.2013)	
	TRY	FC	TRY	FC
Corporation tax and deferred tax				
Corporate tax payable	1.624	-	1.286	-
Deferred tax payable	-	-	-	-
Total	1.624	-	1.286	-

TÜRKİYE KALKINMA BANKASI A.Ş.
Notes to the Unconsolidated Financial Statements
for the Year Ended 31 December 2014

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

8.a.2) Information on taxes payable:

	Current Period (31.12.2014)	Prior Period (31.12.2013)
Corporate tax payable	1.624	1.286
Taxation on income on marketable securities	1	124
Property tax	1	1
Banking insurance transaction tax (BITT)	160	151
Foreign exchange transaction tax	-	-
Value added tax payable	76	165
Other	722	798
Total	2.584	2.525

8.a.3) Information on premiums:

	Current Period (31.12.2014)	Prior Period (31.12.2013)
Social security premiums-Employee	75	77
Social security premiums-Employer	110	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	5
Unemployment insurance-Employer	11	11
Other	-	-
Total	201	205

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 (31.12.2014)	Prior Period (31.12.2013)
Common Stock	160.000	160.000
Preferred Stock	-	-

TÜRKİYE KALKINMA BANKASI A.Ş.
Notes to the Unconsolidated Financial Statements
for the Year Ended 31 December 2014

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

11.b) Paid-in capital amount, explanation whether the registered share capital system is applicable for the Bank, if so amount of registered capital ceiling:

Capital System	Paid-in capital	Ceiling
Registered capital	160.000	500.000

11.c) Information on share capital increases and their sources; other information on increased capital shares in current period:

There is no share capital increases in the current period.

11.ç) Information on additions from capital reserves to capital in the current period:

There is no increase from capital reserves.

11.d) Capital commitments in the last fiscal year and that continue until the end of the following interim period, general purpose of these commitments and projected resources required to meet these commitments:

The Bank has no capital commitments.

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 (31.12.2014)		Prior Period (31.12.2013)	
	TRY	FC	TRY	FC
From associates, subsidiaries and jointly controlled entities (joint ventures)	-	-	-	-
Valuation difference	2.443	(28)	2.308	(40)
Foreign exchange difference	-	-	-	-
Total	2.443	(28)	2.308	(40)

12. Information on minority interests:

None.

III. Explanations and Notes Related to Off-Balance Sheet Accounts

1. Information on off-balance sheet liabilities:

1.a) Nature and amount of irrevocable loan commitments:

	Current Period (31.12.2014)	Prior Period (31.12.2013)
Share capital commitments to associates and subsidiaries	12.226	15.353
Total	12.226	15.353

TÜRKİYE KALKINMA BANKASI A.Ş.
Notes to the Unconsolidated Financial Statements
for the Year Ended 31 December 2014

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

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 9.105 Thousand. (31 December 2013: TRY 12.716 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 40 Thousand (31 December 2013: TRY 40 Thousand.). TRY 1 Thousand (31 December 2013: 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 (31.12.2014)	Prior Period (31.12.2013)
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	9.145	12.756
Total	9.145	12.756

TÜRKİYE KALKINMA BANKASI A.Ş.
Notes to the Unconsolidated Financial Statements
for the Year Ended 31 December 2014

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

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

	Current Period (31.12.2014)				Prior Period (31.12.2013)			
	TRY	(%)	FC	(%)	TRY	(%)	FC	(%)
Agriculture	2	5,00	-	-	2	5,00	-	-
Farming and raising livestock	2	5,00	-	-	2	5,00	-	-
Forestry	-	-	-	-	-	-	-	-
Fishery	-	-	-	-	-	-	-	-
Industry	3	7,50	9.105	100,00	3	7,50	12.716	100,00
Mining and quarry	-	-	-	-	-	-	-	-
Manufacturing	3	-	-	-	3	-	56	-
Electricity, gas and water	-	-	9.105	100,00	-	-	12.660	-
Construction	1	2,50	-	-	1	2,50	-	-
Service	34	85,00	-	-	34	85,00	-	-
Wholesale and retail trade	-	-	-	-	-	-	-	-
Hotel and food services	-	-	-	-	-	-	-	-
Transportation and communication	-	-	-	-	-	-	-	-
Financial institutions	34	85,00	-	-	34	85,00	-	-
Real estate and leasing	-	-	-	-	-	-	-	-
Services	-	-	-	-	-	-	-	-
Self-employment services	-	-	-	-	-	-	-	-
Educational services	-	-	-	-	-	-	-	-
Health and social services	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total	40	100,00	9.105	100,00	40	100,00	12.716	100,00

1.c.3) Non-cash loans classified in Group I and II:

	Current Period (31.12.2014)		Prior Period (31.12.2013)	
	I. Group	I. Group	I. Group	I. Group
Non-cash loans	TRY	FC	TRY	FC
Guarantee letters	40	-	37	-
Letter of credits	-	9.105	-	12.716

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”.As of balance sheet date, Bank doesn’t have any derivative transactions in its’ financials.

3. Information on contingent liabilities and assets:

İstanbul 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 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.

TÜRKİYE KALKINMA BANKASI A.Ş.
Notes to the Unconsolidated Financial Statements
for the Year Ended 31 December 2014

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

The Bank made payment of share capital amounting to EUR 5.655.000 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, EUR 437.500 on 10 November 2011, EUR 500.000 on 15 February 2012, EUR 500.050 on 25 May 2012, EUR 250.000 on 10 August 2012, EUR 500.000 on 19 September 2012, EUR 500.000 on 18 January 2013, EUR 500.000 on 27 June 2013 and EUR 500.000 13 December 2013, 1 August 2014 500.000 EURO, 29 August 2014 500.000 EURO.

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 related to interest income on loans:

	Current Period (31.12.2014)		Prior Period (31.12.2013)	
	TRY	FC	TRY	FC
Interest on Loans ^(*)	31.344	93.322	36.256	75.552
Short term loans	1.621	4.477	171	5.319
Medium and long term loans	23.368	88.845	22.698	70.233
Interest on non-performing loans	6.355	-	13.387	-
Premiums from resource utilization support Fund	-	-	-	-

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

1.b) Information related to interest income on banks:

	Current Period (31.12.2014)		Prior Period (31.12.2013)	
	TRY	FC	TRY	FC
From Centrel Bank of the Republic of Turkey	-	-	-	-
From domestic banks	4.274	1.053	5.066	557
From foreign banks	-	-	-	-
From foreign head offices and branches	-	-	-	-
Total	4.274	1.053	5.066	557

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

	Current Period (31.12.2014)		Prior Period (31.12.2013)	
	TRY	FC	TRY	FC
From financial assets held-for-trading	23	-	77	-
From financial assets at fair value through profit and loss	-	-	-	-
From financial assets available-for-sale	8.565	702	12.780	36
From investments held-to-maturity	2.230	-	2.172	-
Total	10.818	702	15.029	36

1.ç) Information related to interest income from subsidiaries and associates:

None.

TÜRKİYE KALKINMA BANKASI A.Ş.
Notes to the Unconsolidated Financial Statements
for the Year Ended 31 December 2014

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

1.d) Information on interest income from money market transactions:

	Current Period (31.12.2014)		Prior Period (31.12.2013)	
	TRY	FC	TRY	FC
Reverse repurchase agreements	15.884	-	12.787	-

2.a) Information related to interest expense on borrowings:

	Current Period (31.12.2014)		Prior Period (31.12.2013)	
	TRY	FC	TRY	FC
Banks ^(*)	-	2.689	-	1.258
Central Bank of the Republic of Turkey	-	-	-	-
Domestic Banks	-	26	-	130
Foreign Banks	-	2.663	-	1.128
Foreign Head Office and Branches	-	-	-	-
Other Institutions	845	30.332	498	22.716
Total	845	33.021	498	23.974

(*) Includes fees and commissions related to borrowings.

2.b) Information related to interest expenses to subsidiaries and associates:

None.

2.c) Information related to interest on securities issued:

The Bank has no securities issued.

2.ç) Information related to interest on money market transactions:

	Current Period (31.12.2014)		Prior Period (31.12.2013)	
	TRY	FC	TRY	FC
Repurchase agreements	210	-	7.717	-

3. Information related to dividend income:

	Current Period (31.12.2014)	Prior Period (31.12.2013)
From financial assets held-for-trading	-	-
From financial assets at fair value through profit and loss	-	-
From financial assets available-for-sale	-	-
Other	109	185
Total	109	185

TÜRKİYE KALKINMA BANKASI A.Ş.
Notes to the Unconsolidated Financial Statements
for the Year Ended 31 December 2014

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

4. Information related to trading profit/loss:

	Current Period (31.12.2014)	Prior Period (31.12.2013)
Profit	7.832	4.343
Profit from the capital market operations	6	484
Profit on derivative financial instruments	-	774
Foreign exchange gains	7.826	3.085
Loss (-)	(5.644)	(6.968)
Loss from the capital market operations	(3)	(10)
Loss on derivative financial instruments	-	(336)
Foreign exchange losses	(5.641)	(6.622)

5. Information related to other operating income:

	Current Period (31.12.2014)	Prior Period (31.12.2013)
Income from sale of assets ^(*)	5.010	97
Reversals from prior years' provisions	7.781	10.143
Other	1.525	1.799
Total	14.316	12.039

(*) Due to sales of held for sale assets, in 2014 the Bank gained profit amounting to TRY 3,832 Thousand from hotel sales, TRY1.062 Thousand from land sales and 116 Thousand from housing.

In general, other operating income consists of collections and/or cancellations of specific provisions recognized as expense in prior periods.

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

	Current Period (31.12.2014)	Prior Period (31.12.2013)
Specific provisions on loans and other receivables	10.196	4.078
Group-III loans and receivables	-	1.508
Group-IV loans and receivables	-	16
Group-V loans and receivables	10.196	2.554
General loan provision expenses	5.390	5.164
Provision expenses for possible losses	-	-
Marketable securities impairment expenses	-	-
Financial assets at fair value through profit and loss	-	-
Financial assets available-for-sale	-	-
Impairment losses from associates, subsidiaries, jointly controlled entities (joint ventures) and investments held-to-maturity	85	54
Associates	85	54
Subsidiaries	-	-
Jointly controlled entities (joint ventures)	-	-
Investments held-to-maturity	-	-
Other	-	-
Total	15.671	9.296

TÜRKİYE KALKINMA BANKASI A.Ş.
Notes to the Unconsolidated Financial Statements
for the Year Ended 31 December 2014

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

7. Information related to other operating expenses:

	Current Period (31.12.2014)	Prior Period (31.12.2013)
Personnel expenses	51.671	49.687
Provision for employee termination benefits	2.791	4.626
Provision expense for bank social aid fund deficits	-	-
Fixed assets impairment expense	-	-
Depreciation expenses of fixed assets	2.908	2.846
Intangible assets impairment expense	-	-
Goodwill impairment expense	-	-
Amortization expenses of intangible assets	765	551
Impairment expense for equity shares subject to the equity method accounting	-	-
Impairment expense of assets that will be disposed	220	26
Amortization expenses of assets that will be disposed	476	261
Impairment expense for non-current assets held for sale and discontinued operations	-	-
Other operating expenses	9.585	8.887
Operational leasing expenses	86	81
Maintenance expenses	564	629
Advertisement expenses	55	264
Other expenses ^(*)	8.880	7.913
Loss on sale of assets	3	1
Other	4.307	2.270
Total	72.726	69.155

(*) Other expenses consist of cleaning expenses equal to TRY 2,390 Thousand (31 December 2013: TRY 1,989 Thousand), heating, lighting and water expenses equal to TRY 798 Thousand (31 December 2013: TRY 779 Thousand), rent expenses equal to TRY 86 Thousand (31 December 2013: TRY 0 Thousand), security expenses equal to TRY 969 Thousand (31 December 2013: TRY 741 Thousand), kindergarten expenses equal to TRY 393 Thousand (31 December 2013: TRY 347 Thousand), communication expenses equal to TRY 1,401 Thousand (31 December 2013: TRY 1,285 Thousand), computer usage expenses equal to TRY 386 Thousand (31 December 2013: TRY 232 Thousand), vehicle expenses equal to TRY 548 Thousand (31 December 2013: TRY 232 Thousand), other expenses equal to TRY 1,909 Thousand (31 December 2013: TRY 2,051 Thousand).

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

As of 31 December 2014, the Bank's income before tax from the continuing operations is TRY 59,179 Thousand (31 December 2013: TRY 47,262 Thousand) and the Bank has no discontinued operations.

9. Information related to tax provisions for continuing and discontinued operations:

As of 31 December 2014, the Bank's income tax provision from continuing operations amounting to TRY (12,276) Thousand, (31 December 2013: TRY (10,641) Thousand) consists of TRY (12,512) Thousand of current tax charge (31 December 2013: TRY (10,565) Thousand), TRY 236 Thousand of deferred tax charge (31 December 2013: TRY (76) Thousand deferred tax income).

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

The Bank has earned net profit equal to TRY 46,903 Thousand from continuing operations between 1 January 2014 and 31 December 2014. (Between 1 January 2013-31 December 2013: 36,621 Bin TL).

TÜRKİYE KALKINMA BANKASI A.Ş.
Notes to the Unconsolidated Financial Statements
for the Year Ended 31 December 2014

(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 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:

As of 31 December 2014, “Other Fees and Commission Received” amounts to TRY 8.322 Thousand; (31 December 2013 4.800 Bin TL). and TRY 5.906 Thousand of this amount consists of project service income (31 December 2013: 3.785 Bin TL)

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 2013: TRY 160.000 Thousand). As of the balance sheet date, the balance of legal reserves is TRY 32.150 Thousand (31 December 2013: TRY 32.075 Thousand), the balance of extraordinary reserves is TRY 191.384 Thousand (31 December 2013: TRY 163.588 Thousand) and the balance of other legal reserves is TRY 1.636 Thousand.

The diffence of Securities Valuation, amounting TRY 2.415 Thousand is resulted from securities available for sale revaluation reserve.

The balances of TRY 546 Thousand in other reserves totally consist of actuarial loss/gain after deferred tax balances.

TÜRKİYE KALKINMA BANKASI A.Ş.
Notes to the Unconsolidated Financial Statements
for the Year Ended 31 December 2014

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

VI. Explanations and Notes Related to Cash Flow Statement:

1. Explanations related to “other” items and “effect of change in foreign currency rates on cash and cash equivalents” in statement of cash flows:

The Bank’s net cash outflow arising from banking operations is equal to TRY (54.195) Thousand (31 December 2013: TRY 169.268 Thousand net cash inflow). TRY (96.706) Thousand (31 December 2013: TRY 131.496 Thousand net cash inflow) of this amount is resulted from the change in operating assets and liabilities, and TRY 42.511 Thousand (31 December 2013: TRY 37.772 Thousand) from operating profit. Net increase/decrease in other payables under the changes in operating assets and liabilities is resulted from changes in funds received, funds provided through repurchase agreements, sundry payables, other foreign funds and taxes, duties, and premiums payables and amounts to TRY (211.826) Thousand (31 December 2013: TRY 116.880 Thousand). The “others” item under operating income composes of fees and commissions paid, trading gains/losses and other operating expenses excluding employee costs, and amounts to TRY (55.400) Thousand (31 December 2013: TRY (20.893) Thousand).

In 2014, net cash outflow from financing activities is TRY (8.750), resulted from dividend payment (31 December 2013:TRY (8.750) Thousand)).

The effect of change in foreign currency rate on cash and cash equivalents is calculated by converting original currencies of cash and cash equivalents into TRY using rates for both beginning and end of the period. The effect for the current period is calculated as TRY 18.603 Thousand (31 December 2013: TRY 12.941 Thousand).

2. Cash and cash equivalents at the beginning of the period:

	Current Period (31.12.2013)	Prior Period (31.12.2012)
Cash	8.636	6.964
Cash in TRY and foreign currency	75	138
Demand deposits at banks	8.561	6.826
Cash equivalents	428.261	388.885
Interbank money market placements	145.515	134.670
Time deposits at banks	282.746	254.215
Total cash and cash equivalents	436.897	395.849

The total amount arising from prior period transactions equals to total amount of current period cash and cash equivalents.

TÜRKİYE KALKINMA BANKASI A.Ş.
Notes to the Unconsolidated Financial Statements
for the Year Ended 31 December 2014

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

3. Cash and cash equivalents at the end of the period:

	Current Period (31.12.2014)	Prior Period (31.12.2013)
Cash	12.608	8.636
Cash in TRY and foreign currency	92	75
Demand deposits at banks and Central Bank of the Republic of Turkey	12.516	8.561
Cash equivalents	548.748	428.261
Interbank money market	283.000	145.515
Time deposits at banks	265.748	282.746
Total cash and cash equivalents	561.356	436.897

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.

TÜRKİYE KALKINMA BANKASI A.Ş.
Notes to the Unconsolidated Financial Statements
for the Year Ended 31 December 2014

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

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	254	-	-	-	-	-
Closing Balance	344	-	-	-	-	-
Interest and Commissions Income	-	-	-	-	-	-

(*) TRY 1.370 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..

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	197	-	-	-	-	-
Closing Balance	254	-	-	-	-	-
Interest and Commissions Income	-	-	-	-	-	-

(*) TRY 1.280 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.

TÜRKİYE KALKINMA BANKASI A.Ş.
Notes to the Unconsolidated Financial Statements
for the Year Ended 31 December 2014

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

c) Information on forward transactions, option contracts and similar other transactions between the Bank and its risk groups:

None.

d) 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 (31.12.2014)	Prior Period (31.12.2013)
Salary	1.005	900
Dividend and fringe benefits	140	144
Total	1.145	1.044

(*) Total number of employees is 635 and 14 of them are employed at İstanbul Branch.

VIII. Explanations Related to the Bank’s Domestic, Foreign and Off-shore Branches and Representatives Abroad:

	Number	Number of Employeea		
Domestic branches (*)	1	14		
			Country	
Foreign rep-offices	-	-		
			Total Assets	Capital
Foreign branches	-	-	-	-
Off-shore branches	-	-	-	-

(*) Total number of employees is 654 and 14 of them are employed at İstanbul Branch.

IX Explanations related to the subsequent events:

None.

TÜRKİYE KALKINMA BANKASI A.Ş.
Notes to the Unconsolidated Financial Statements
for the Year Ended 31 December 2014

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

SECTION SIX
OTHER EXPLANATIONS

I. Other explanations related to 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 2014 and 31 December 2013 are presented below:

	31.12.2014	31.12.2013	31.12.2012
Foreign Currency Commitments			
Long Term	BBB-	BBB-	BBB-
Short Term	F3	F3	F3
Outlook	Stable		
Stable	Stable	Stable	
Turkish Lira Commitments			
Long Term	BBB	BBB	BBB
Short Term	F3	F3	F3
Outlook	Stable	Stable	Stable
National			
Long Term	AAA(TUR)	AAA(TUR)	AAA(TUR)
Outlook	Stable	Stable	Stable
Individual Rating	2	2	2
Support Points	BBB-	BBB-	BBB-

TÜRKİYE KALKINMA BANKASI A.Ş.
Notes to the Unconsolidated Financial Statements
for the Year Ended 31 December 2014

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

SECTION SEVEN
INDEPENDENT AUDITOR’S REPORT

I. Explanations on Independent Auditor’s Report:

The unconsolidated financial statements as of 31 December 2014 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 13 February 2015 is presented preceding the unconsolidated financial statements.

II. Explanations and Notes Prepared by Independent Auditor:

None.



TÜRKİYE KALKINMA BANKASI A.Ş.

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