

2015 Annual Report



www.kalkinma.com.tr

INTRODUCTION

- 3 Corporate Profile
- 4 Mission, Vision, Core Values and Firsts of the Development Bank of Turkey
- 5 Strategic Plan of the Development Bank of Turkey for the 2015-2019 period
- 6 Financial Highlights, Capital and Shareholder Structure
- 8 The Development Bank of Turkey: From Past to Present
- 10 Chairman and General Manager's Message
- 15 The World and Turkish Economy in 2015
- 18 The Development Bank of Turkey in the Sector
- 21 Evaluation of Activities Carried Out in 2015 and Targets for 2016
- 28 Our Subsidiaries
- 30 Information Technology
- 31 Environmental Management Activities
- 32 Research and Development Activities
- 33 Consultancy and Technical Assistance Services
- 34 Promotional and Social Activities
- 35 Declaration of Compliance of the Annual Report
- 36 Independent Auditor's Report on the Management's Annual Report

CORPORATE GOVERNANCE

- 37 Board of Directors
- 40 Internal Systems Departments
- 41 Senior Management
- 42 Organizational Chart
- 43 Committees
- 46 Principles of the Bank's Personnel Policy
- 47 Corporate Governance Compliance Report
- 53 Amendments to the Articles of Association and Reasons
- 54 Summary of Board of Directors Report

RISK MANAGEMENT

- 55 Assessment of the Audit Committee Regarding the Operation of Internal Control, Internal Audit and Risk Management Systems and Its Activities during the Fiscal Year
- 57 Risk Management Policies
- 60 Assessment of Financial Position, Profitability and Debt Servicing Capability
- 63 Information on Transactions Between the Bank and Its Risk Groups
- 63 Support Services Providers
- 64 Credit Ratings
- 64 Financial Information and Key Ratios 2011-2015

FINANCIAL INFORMATION AND INDEPENDENT AUDITORS' REPORT

- 66 Independent Auditor's Report for the Period of 01 January - 31 December 2015
- 67 The Unconsolidated Financial Report as of 31 December 2015

INTERNATIONAL MEMBERSHIPS OF THE DEVELOPMENT BANK OF TURKEY





10 Chairman and General Manager's Message



8 The Development Bank of Turkey: From Past to Present



15 The World and Turkish Economy in 2015



3 Corporate Profile



18 The Development Bank of Turkey in the Sector



21 Evaluation of Activities Carried Out in 2015 and Targets for 2016



28 Our Subsidiaries

COMPANY INFORMATION:

DEVELOPMENT BANK OF TURKEY

HEAD OFFICE

NECATİBEY CADDESİ NO: 98 KIZILAY/ANKARA, TURKEY

PHONE: 90 312 231 84 00 FAX: 90 312 231 43 41

TRADE REGISTRY NO: 3234

INCLUSIVE

We work in collaboration with a network of major international funding agencies in the process of supporting potential investments and initiatives in the private sector financially; we offer the long-term resources we have obtained within the network of international relationships to a large section of the business world, through direct lending and Apex banking.



The Development Bank of Turkey undertakes strong and systematic contributions to Turkey's economic development and growth process.

The symbol of development and investment banking in our country

The Development Bank of Turkey has been providing strong and systematic contributions to Turkey's economic development and growth process since 1975. In the last 40 years the Bank has played a key role in implementing the investments of a wide range of companies from different sectors and has assumed strategic positions in the supply of long term resources which is the most basic requirement of sustainable economic development.

The Development Bank of Turkey continues its activities with its mission of increasing employment, income and levels of welfare. The Bank allocates funds to finance the fixed and working capital investments of different sectors including energy, energy efficiency, industry, tourism, finance and health.

The Development Bank of Turkey works in collaboration with a network of major international funding agencies in the process of supporting potential investments and initiatives in the private sector financially, offering long-term resources that have been obtained within the network of international relationships to a large section of the business world, through direct lending and Apex banking.

Another area where the Development Bank of Turkey demonstrates its added value is consultancy and technical assistance services. In this regard, the Bank supports institutions and enterprises operating in different fields with its specialists possessing knowledge on sectors as well as experience in national and international field while supporting the efforts of developing their own potential with concrete contributions. The Development Bank of Turkey goes beyond being a conventional lender; it is a service provider that shares technical knowledge and experience with its customers unconditionally throughout the investment period.

Respecting the environment in all of its activities

For the Development Bank of Turkey, which contributes to environmental sustainability efforts, protecting nature and showing respect to the environment is a key principle. The "Environmentally friendly" Development Bank of Turkey plays a role in the realization of investments in tourism, renewable energy and energy efficiency areas as well as the ecological investments in other sectors.

In this vein, the Bank, as a "responsible corporate citizen", contributes to initiatives that protect the environment and address climate change, which are essential elements of sustainable development, by collaborating with the international financing companies.

Total assets of more than TL 4.8 billion at the end of 2015

The total assets of the Development Bank of Turkey grew by 22% YoY during the year to reach TL 4,774 million at the end of 2015 (2014: TL 3,915 million). The Bank has TL 500 million of registered capital and paid-in capital of TL 160 million. The Bank's shareholders' equity amounted to TL 703 million at the end of 2015. The Undersecretariat of Treasury of the Republic of Turkey holds 99.08% of the paid-in capital of the Development Bank of Turkey. The remaining shares are traded on the Borsa Istanbul Second National Market under the "KLNMA" ticker.

In 2015, an application was submitted to the Undersecretariat of Treasury for the payment of TL 340 million which represents the unpaid portion of the Bank's capital.

Guided by Turkey's 2023 vision, the Development Bank of Turkey will continue to contribute and play an active role in the sustainable development process of the country in the future as it does today with its powerful resource structure, competent human resources and corporate governance approach.



Our Mission

In accordance with sustainable development priorities of our country, The Bank's mission is to meet the financing needs of entrepreneurs, to contribute to the widespread ownership of capital and structural transformation, to cooperate with national and international institutions and to provide consultancy support.

Our Vision

"Being Turkey's Development Bank"

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.

Our Firsts

The 41 year corporate history of the Development Bank of Turkey includes many "firsts" and "pioneering efforts" for the Turkish banking sector...

The Development Bank of Turkey was the first bank to

Offer financial as well as technical support, to the companies

Provide infrastructure technical support in the process developing tourism potential,

Execute incentive loans,

Carry out 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.

Strategic Plan of the Development Bank of Turkey for the 2015 to 2019 period

The Development Bank of Turkey, which has successfully executed its task of development banking over the 41 years since its establishment in line with the priorities of the development plans and programs, prepared a strategic plan for the period 2015-2019 as part of the country's 2023 vision.

The Strategic Plan of the Bank for the period of 2015-2019 has been adopted and put into practice by the Board of Directors' decision dated February 27, 2015.

In the strategic plan, an assessment of the situation was undertaken which addressed development banking, the history of the Development Bank of Turkey, relations with stakeholders, analysis of financial conditions and profitability, banking sector indicators and the level of evaluation and operational effectiveness.

Within the scope of the situation analysis, a SWOT matrix was formed according to the results of the survey which covered the Bank's employees, and a SWOT analysis was conducted with mid-level managers.

The Plan also highlights the Bank's mission, vision, core values, strategic goals, objectives and strategies (operations and methods).

Biannual performance reports are prepared within the framework of activities of planning, and a contribution to the Enterprise and Industrial Policy Program prepared within the scope of EU-Turkey Civil Society Dialogue-IV at the Central Finance and Contracts Unit, as a member of the Evaluation Committee is provided.

Strategic Objectives of the Development Bank of Turkey for the 2015 - 2019 Period

Objectives toward Production/Asset Growth

1

To meet the financing needs of real sector investments with medium and long-term resources, under the concept of efficiency and in parallel with Turkey's development plans.

2

To carry out an active participation policy and to integrate new financing tools with the available set of loan products.

3

To increase allocations to public - private cooperation and infrastructure investments.

4

To develop infrastructure for the activation of technical assistance and advisory services.

Objective to Strengthen the Resource Structure

5

To create a strong resource structure that supports sustainable asset growth.

Objective towards Processes

6

To create a corporate structure supported by information technology, providing operational efficiency and productivity in all areas.

The Development Bank of Turkey demonstrated a successful economic performance in the 2015 financial year, achieving a net profit of TL 62.7 million, up 33.7% from 2014.

The Development Bank of Turkey had total assets of around TL 5 billion at the end of 2015. The Bank's total assets grew by 22% YoY to TL 4,774.4 million by the end of 2015 (2014: TL 3,914.9 million). The Bank's loan volume grew by 24.4% to TL 3,912.9 million by the end of 2015 (2014: TL 3,145 million).

The loans/ total assets ratio which increased from 80.3% at the end of 2014 to 82% at the end of 2015, as the result of higher growth in loans than in assets. Long-term funds obtained from international financial institutions, which is the main cause of the 25% growth in loan volume, amounted to TL 3,960 million in 2015.

The Bank's net profit increased by 33.7% YoY to TL 62.7 million during 2015. The rate of return on assets rose from 1.2% in 2014 to 1.3% in 2015, while the return on equity rose from 7.3% to 8.9%. The Bank's Capital adequacy ratio stood at 17.8% during 2015.

Growth

The Development Bank of Turkey's total assets increased by 22% compared to the previous year reached to TL 4,774.4 million.

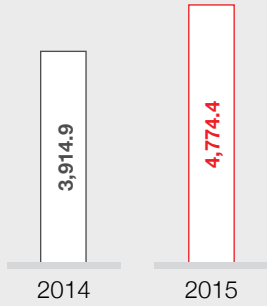
Financial Highlights (TL million)

| | December 2014 | December 2015 | Change (Value) | Change (%) |
|----------------------|---------------|---------------|----------------|------------|
| Total Assets | 3,914.9 | 4,774.4 | 859.5 | 22.0 |
| Loans | 3,145.0 | 3,912.9 | 767.9 | 24.4 |
| Foreign Resources | 3,272.3 | 4,071.1 | 798.8 | 24.4 |
| Shareholders' Equity | 642.6 | 703.3 | 60.7 | 9.4 |
| Total Income | 188.3 | 220.8 | 32.5 | 17.3 |
| Total Expenditures | 129.1 | 140.7 | 11.6 | 9.0 |
| Provision for Taxes | 12.3 | 17.4 | 5.1 | 41.5 |
| Profit/Loss | 46.9 | 62.7 | 15.8 | 33.7 |

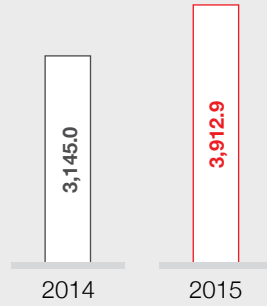
Basic Ratios (%)

| | December 2014 | December 2015 |
|-----------------------------------|---------------|---------------|
| Loans/Total Assets | 80.3 | 82.0 |
| Shareholders' Equity/Total Assets | 16.4 | 14.7 |
| Return on Assets | 1.2 | 1.3 |
| Return on Equity | 7.3 | 8.9 |
| Standard Capital Adequacy Ratio | 20.4 | 17.8 |

Total Assets (TL million)



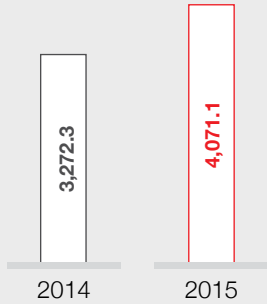
Loans (TL million)



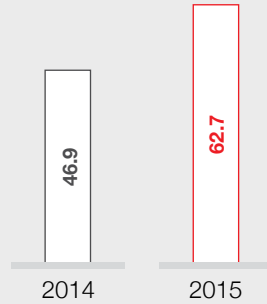
Above Average

The share of loans in assets stood at 82% as of the end of 2015, continuing to exceed sector and group averages.

Foreign Resources (TL million)



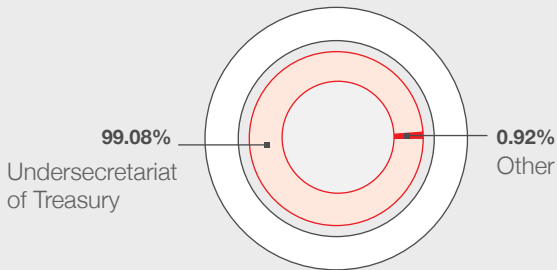
Profit/Loss (TL million)



New Resources

As a preferred partner in renewable energy and energy efficiency loans, the Development Bank of Turkey strengthened its position with new credit agreements.

Shareholding



Shareholding Structure of the Development Bank of Turkey (31 December 2015)

| Shareholders | Share (TL) | (%) |
|------------------------------|-----------------|--------|
| Undersecretariat of Treasury | 158,530,452.317 | 99.08 |
| Other ^(*) | 1,469,547.683 | 0.92 |
| Total | 160,000,000.00 | 100.00 |

^(*) Covers all real and legal persons, and since the majority of the stocks that belong to these partners are traded in Borsa İstanbul, the number of partners is not known.

1975

**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.

1988

**THE BANK WAS
RENAMED AS 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 as Türkiye Kalkınma Bankası A.Ş. on July 15, 1988 and was also authorized to finance sectors outside the industrial sector.

1989

**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 areas it serves.

1990

**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.

2013

**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.



2014

**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%.



1999

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.

2008

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.

2010

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%.

2012

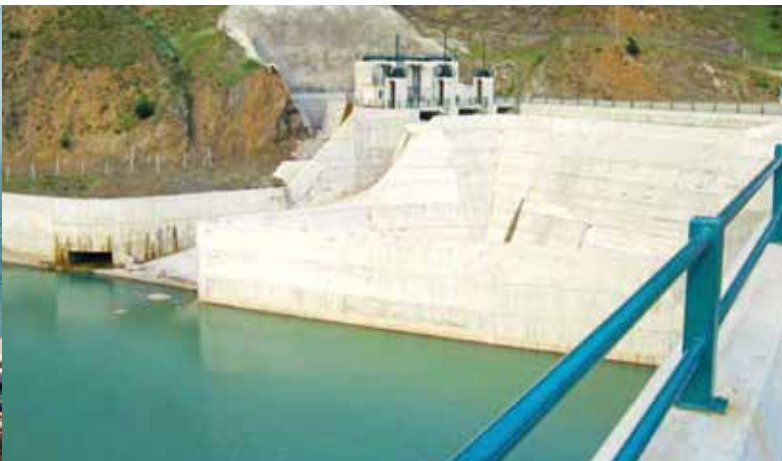
THE BANK CONTINUED SUSTAINABLE GROWTH.

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.

2015

THE BANK'S STRATEGIC PLAN FOR THE 2015 TO 2019 PERIOD WAS APPROVED.

The Strategic Plan of the Development Bank of Turkey for the 2015-2019 period, prepared in line with Turkey's 2023 vision, was adopted and put into practice following the Board of Directors' decision dated February 27, 2015. On the other hand, the 64th Government's program states that the Development Bank of Turkey shall be restructured in an approach to support more of the qualified projects that our economy needs.





Our Bank has successfully carried out the development banking mission under the priorities of our country's development plans and programs for 41 years, and also pioneered numerous firsts.

Ahmet BUÇUKOĞLU
Chairman and General Manager

Dear Stakeholders,

The world economy was marked by declines in commodity and energy prices, the Fed's interest rate policy and geopolitical risks in 2015.

While a lack of demand stunted growth in the world economy, the decrease in the growth rate of developing countries was another important development in this period.

The world economy grew by 3.4% in 2014 and is forecasted to grow by 3.1% in 2015. Developed countries are projected to grow by 1.9% in 2016, an increase of 0.1 percentage points, while the growth rate of developing countries is projected to decline by 0.6 percentage points to 4.0%. The US economy grew by 2.4% in 2015, accounting for the lion's share of the growth in developed economies; the Eurozone grew by 1.5%, mainly on the back of an increase in domestic demand.

The long awaited interest rate hike that had been speculated constantly for the last two years was finally realized in December 2015 when the Fed raised interest rates by 25 basis points in December. The level and trend of economic indicators, mainly the employment market in the United States, played a role in the Fed's decision. In the Eurozone, the European Central Bank continued to take the necessary measures to increase liquidity, including lowering policy interest rates to combat low inflation.

Another issue that shaped the economic agenda in 2015 was the slowdown in China's growth performance and its repercussions on the economies of developing countries in particular. Leaving behind an era of double-digit growth, China has announced a growth rate of 6.9% growth in 2015, its lowest rate in the last 15 years.

Triggered by the economic slowdown in China, there was a slump in the prices of all commodities, particularly oil, throughout 2015, which had a negative impact on the growth and budget balances of commodity-exporting countries. China is expected to switch

Economic Growth

Turkey's economy recorded a growth rate of 3.4% in the first nine months of 2015, and successfully demonstrated growth for 24 consecutive quarters after the global crisis.

from export-oriented growth to a growth model dominated by domestic consumption in the coming period while its economic performance is not expected to return to the levels seen in previous years.

Despite challenging external economic conditions and volatility in financial markets, Turkey's economy has notched up 24 quarters of continuous growth.

After having grown by 2.9% in 2014, Turkey's economy recorded 3.4% growth for the first nine months of 2015, successfully notching up a run of 24 quarters of growth in the wake of the global crisis. Turkey's economy is expected to grow by 4% in 2015.

Despite falling energy and commodity prices, inflation could not decline to its desired levels due to the fall of the TL and rising food prices. The consumer price index (CPI) increased by 8.2% in 2014 and 8.8% in 2015.

In contrast with the previous year, exports turned downward in 2015 due to a lack of demand in the global economy and geopolitical risks in neighboring countries, falling 8.7% to US\$ 144 billion. Imports also declined, marking a fall of 14.4% to US\$ 207 billion.

Real Sector

Our Bank continues to support the real sector with funding obtained from foreign financial institutions with the Treasury's guarantee.

The decline in energy prices, primarily oil, has provided a positive contribution to the current account balance. As such, the current account deficit narrowed by 26.1% compared to its 2014 level to stand at US\$ 32.2 billion in 2015. The Current Account Deficit / GDP ratio is predicted to be 4.4% in 2015 and 3.9% in 2016.

Dear stakeholders,

In this section, I would like to briefly share our thoughts about the Bank's performance in 2015, our strategies, and goals for the future.

Development Bank of Turkey realizes 22% growth in assets, higher than that of the banking sector.

The asset volume of the Development Bank of Turkey increased by 22% to TL 4,774 million in 2015, while our credit volume grew by 24.4% from TL 3,145 million at the end of 2014 to TL 3,913 million by the end of 2015. Loans accounted for 82% of assets at the end 2015, continuing to exceed sector and group averages.

The Bank's net profit increased by 33.7% YoY to TL 62.7 million in 2015. The rate of return on assets rose from 1.2% to 1.3%, while the return on equity rose from 7.3% to 8.9% during the same period.

Our Bank continues to support the real sector with funding obtained from foreign financial institutions with the Treasury's guarantee. Despite the difficult conditions in the global economy, investor interest in the Development Bank of Turkey continued, and the long-term resources we provided from foreign financial institutions amounted to TL 3,960 million by the end of 2015.

A credit portfolio distribution that reflects the applied credit policy.

When we look at the sectoral distribution of our Bank's credit portfolio, we find that the energy sector accounted for the largest share, at 56%, followed by the manufacturing industry (19.2%), tourism (14%), Apex-financial institutions (9.4%) and the health and education sector (1.4%).

The main point I would like to highlight in relation to the distribution of our credit portfolio is the priority the Bank places on energy investments. In this day and age where secure energy supply is crucial to economic development, the Development Bank of Turkey has, in accordance with government policy, adopted the energy sector as its primary target sector and concentrated on placements in this field. This conversion on our strategic priority has been performed successfully; the share of energy investments in loans - which stood at 2% at the end of 2005 - reached 56% by the end of 2015.

Our Bank has examined a total of 331 projects for renewable energy investments, which play a very important place in our country in reducing the dependence on foreign energy, with TL 5.1 billion allocated to 266 projects with approximately 2,000 MW of installed power. Among the projects where credit has been allocated, about TL 2.2 billion of funding support has been provided to 129 energy investments with approximately 1,100 MW of installed capacity.

We are generating value for our stakeholders with our practices in different areas of development banking.

Another financial instrument implemented by the Development Bank of Turkey is Apex activities, which provide a medium and long-term supply of resources to numerous investors, especially SMEs who are a major force in employment and production through intermediary banks. Our Bank has so far provided €150 million, US\$ 100 million and TL 60 million of financing to SMEs under the Apex method. These resources that we have provided made a contribution to employment and production through the creation of new jobs.

Beyond resource transfers through direct or indirect channels, the Development Bank of Turkey generates value with its subsidiaries and other services. Our Bank is a founding partner of the Istanbul Venture Capital Initiative (iVCi), a fund established under the leadership of the European Investment Fund with €160 million of capital. iVCi, possesses an umbrella fund status that provides support to selected venture capital companies. With the contribution of these sub-funds, about €716 million of venture capital investment in a total of 39 companies has been realized from different sectors in Turkey.

In the name of the development of enterprise in our country, we offer our development banking experience to domestic and neighboring countries in the form of technical assistance. We attach great importance to the services that we provide for development agencies and other government organizations, and we are determined to improve the value we provide to our stakeholders through this channel in the future.

Energy Investments

The transformation in accordance with the strategic priorities has been completed successfully; the share of energy investments in loans increased from 2% at the end of 2005 to 56% at the end of 2015.

Climate change, environmental protection and the Bank

We see climate change as the biggest threat facing humanity. We are in an effort to demonstrate our sensitivity in all of our activities within the scope of our country's strategy and target of reducing total greenhouse gas emissions. Between 2004 and 2015, loans extended to the renewable energy sector by the Development Bank of Turkey served to lower annual carbon emissions by 2.6 million tons, which is targeted to increase in the coming years.

Our Bank is the only public bank to hold the Environmental Management Systems (EMS) Certificate. We completed the fifth year of success in the ISO 14001 Environmental Management System which we had implemented in 2010.

The Development Bank of Turkey aims to be a carbon neutral bank while continuing to support investments focusing on sustainable development and economic growth in 2016.

ISO 14001 EMS

Our Bank is the only public bank to hold the Environmental Management Systems (EMS) Certificate. We completed our fifth year of success in the ISO 14001 Environmental Management System which we implemented in 2010.

Restructuring of the Development Bank of Turkey on the agenda as we look to the future with determination

After 41 years of successfully carrying out the development banking mission under the priorities of our country's development plans and programs, our Bank has also pioneered numerous firsts. The Development Bank of Turkey has undertaken difficult tasks in different phases of the development of Turkey as a loyal partner, offering high value-added products, services and solutions to our investors. We will continue to show the experience and competence we have built up over 41 years for the development of Turkey's economy in the future.

In the 64th Government Program's section on "Science, Industry, and Innovative Production", it is stated that more support will be extended to high-tech investments and that the investments in advanced technology category will be brought under the scope of priority investments. It is also foreseen that the Development Bank of Turkey will be restructured to support the qualified projects that our economy needs. In this context, in the future we aim to attach more weight to the financing of high-tech investments that our country needs in line with our goals we have set in our strategic plan and importance given to our Bank.

In the coming period, as a restructured development bank, the Development Bank of Turkey will continue to move forward with determination as a financial service provider which has reached a different scale in every aspect, while the development banking applications it has implemented are held as an example not only in our country but also in neighboring countries and the Bank has proven its indispensability in terms of the real economy.

Investments in Technology

According to the 64th Government Program, investments in advanced technology category will take precedence. Development Bank of Turkey will be restructured to support the qualified projects our economy needs.

The restructured Development Bank of Turkey will play a more active role in ensuring Turkey's economic development and sustainable growth in the coming period.

Development Bank of Turkey will continue to report successful business results with the dedicated contribution of our employees to our stakeholders.

I would like to extend my thanks to all of our business partners who work with us and our employees personally and on behalf of our Board of Directors.

Respectfully yours,



Ahmet BUÇUKOĞLU

Chairman and General Manager



ENLIGHTENING

We put forward our added value also with our consultancy and technical assistance services. With our specialists having national and international experience in the field and knowledge on sectors, we transfer our technical knowhow and experience to institutions and enterprises in various fields during their investment process and support their efforts to develop their own potential with concrete contributions.



Developments and Expectations in the World Economy

The year 2015 was marked by slower growth in the economies of emerging markets and developing countries, but with a slow recovery in the developed countries. The decline in commodity and energy prices was also a key theme of the year, while climate change, the Fed's interest rate policy and, in particular, the continuing and growing geopolitical risks in the Middle East were the most prominent issues in the world economy.

The world economy recorded 3.4% growth in 2014. The IMF report, which was revised in January 2016, projected that the world economy would grow by 3.1% in 2015 and by 3.4% in 2016. Developed countries, which grew by 1.8% in 2014, were expected to grow by 1.9% in 2015 and by 2.1% in 2016, according to the report. The economies of emerging markets and developing countries had grown by 4.6% in 2014; the report projected that their growth would recede to 4.0% in 2015 before recovering slightly to 4.3% in 2016.

Following the 2.4% growth in 2014, the US economy grew by 0.6% in the first quarter of 2015, and by 3.7% in the second quarter of the year. The US economy was projected to grow by 2.5% growth in 2015 and 2.6% in 2016.

An increase in domestic demand led to a slight increase in growth was seen in the Eurozone, particularly in Italy, Spain and Ireland where growth exceeded expectations, contributing to the recovery in this region. Eurozone growth is projected to come in at 1.5% in 2015 and 1.7% in 2016.

In the Japanese economy the growth rate was 0% in 2014, for reasons such as the decline in domestic demand due to increased tax rates (which had been implemented to meet the need for increasing public spending after the earthquake in 2011), the decrease in real estate investments and the inability to reach the desired level in exports. However, as an importer of energy, Japan benefited from the fall in energy and commodity prices during 2015, and with the other measures taken, Japan's economy was estimated to grow by 0.6% in 2015, and to reach 1.0% in 2016.

Although China, backed by high consumer spending and exports, achieved the highest growth rate in the world with 7.3% growth in 2014, its economic growth is expected to slow to 6.9% in 2015 due to the declining investments and imports compared to the previous year. Its growth rate is projected to be 6.3% in 2016.

The expansionary monetary policy continued in the US in 2015, the decision to increase the interest rates was deferred till the last month of the year but only in December 2015 an increase of 25 basis points was made in the policy interest rates. The Fed has declared that there may be further increases in the policy rate in 2016 depending on economic data. On the other hand, in

Oil Prices

The decline in oil prices has an adverse effect on the economies of oil producers, while it is regarded as an opportunity for oil importing countries.

the Eurozone, the European Central Bank continued to take the necessary measures to increase liquidity in order to combat low inflation, including cutting policy interest rates.

While world trade volume in goods and services had increased by 3.4% in 2014, the trade volume is expected to increase by 2.6% in 2015 and by 3.4% in 2016. In developed countries, imports rose by 3.4% in 2014, and are estimated to have increased by 4% in 2015 and expected to grow by 3.7% in 2016. In emerging market economies and developing countries, imports increased by 3.7% in 2014. Imports are expected to increase by 0.4% in 2015 and by 3.4% in 2016.

After edging down by 7.5% in 2014, oil prices are estimated to have plummeted by 47.1% in 2015 and are expected to decline by a further 17.6% in 2016. This situation affects the economies of oil-producing countries negatively, while it is considered as an opportunity for oil importing countries. Non-fuel commodity prices are also on a downward trend. After having declined by 4% in 2014, commodity prices are expected to decline by 17.4% in 2015, and by 9.5% in 2016.

Consumer prices in developed countries increased by 1.4% in 2014, while consumer prices in emerging market economies and developing countries increased by 5.1%. Consumer prices are estimated to have risen by 0.3% in 2015 with a projected rise of 1.1% in 2016; for developing countries, the corresponding rates would be 5.5% for 2015 and 5.6% for 2016.

The rate of unemployment in the US is estimated to have declined from 6.2% in 2014 to 5.3% in 2015, and expected to edge down further to 4.9% in 2016. The rate of unemployment in the Eurozone remains high, where unemployment is expected to have declined from 11.6% in 2014 to 11% in 2015, with a further slight decrease to 10.5% expected in 2016. The rate of unemployment is low in China and Japan, and it is not expected to change over the next two years in China, while in Japan it is expected to be around 3.5%.

Developments and Expectations in Turkish Economy

The Turkish economy grew by 2.9% during 2014 due to the high growth achieved in the first quarter of 2014; the growth rates were 5.1% for the first quarter, 2.4% for the second quarter, 1.8% for the third quarter and 2.7% for the final quarter of 2014. GDP increased by 2.5% in the first quarter of 2015 compared to the same quarter of the previous year. In the second quarter, GDP registered an increase of 3.8%, while the third quarter saw a higher than expected 4% growth. Thus, the Turkish economy grew by 3.4% between January and September 2015. As of the first nine months of 2015 growth rates were registered as 11.1% in the agricultural sector, 1.5% in manufacturing industry and 5% in services. According to the revised Medium Term Program (MTP) in January 2016, a 4% growth rate is targeted for 2015 and 4.5% in 2016.

Looking at the components of growth in terms of expenditure, growth was driven by private consumption and investment expenditures and public consumption expenditures. In the first nine months of 2015, private consumption expenditures increased by 4.5%, while public consumption increased by 5.9%. According to the Medium Term Program revised in January 2016, public consumption is projected to increase by 4.7%, while private consumption is estimated to have grown by 5.1% in 2015. For 2016 it is estimated that the public consumption growth rate will remain the same and be 4.7% while the private consumption growth rate will decrease to 3.9%. Fixed capital investment increased by 3.3% in the first nine months of 2015. In the revised Medium Term Program, fixed capital investments are projected to increase by 5.4% in 2015 and by 6.4% in 2016.

In spite of falling energy prices, the desired decline could not be achieved in inflation due to the depreciation of the TL and the increase in food prices. Consumer Price Index (CPI) that was 8.2% in 2014, was realized as 8.8% as of December 2015. In the revised Medium Term Program CPI is estimated to be 7.5% for 2016.

Exports were on a downward trend in 2015 due to the lack of demand in the global economy and geopolitical risks from neighboring countries. Exports decreased by 8.7% to US\$ 144 billion in 2015, while imports declined by 14.4% to US\$ 207 billion. Thus, the export-import coverage ratio stood at 65.1% in 2014 and 69.5% in 2015. This development in the foreign trade components led to a narrowing in the foreign trade deficit. In 2015, the foreign trade deficit decreased by 25.2% compared to the previous year to US\$ 63 billion. The Medium Term Program projects exports to be US\$ 155.5 billion and imports to be US\$ 210.7 billion in 2016.

Components of Growth

Looking at the components of growth in terms of expenditure, growth appears to have been driven by private consumption and investment spending, and by public consumption.

The advantage of lower energy prices, primarily of oil, has contributed positively to the current account balance. The current account deficit in the first nine months of 2015 had decreased by 19.8% compared to the same period of the previous year realized as US\$ 25.3 billion, and had decreased by 14.8% annually and reached to US\$ 40.3 billion. The current account deficit is estimated to be US\$ 31.7 billion for 2015 and US\$ 28.6 billion for 2016 while the current account deficit/GDP ratio is expected to be -4.4% for 2015 and -3.9% for 2016 in the Medium Term Program.

Looking from the aspect of financing the current account deficit it is observed that the foreign capital has inclined to invest in long term direct investments in the recent period. Foreign direct investment reached to US\$ 8.7 billion in the first nine months of 2015, an increase of 71% compared to the same period of the previous year, while net portfolio investments in this period experienced an outflow of US\$ 11.7 billion.

Considering the developments in real sector, both the Industrial Production Index and Capacity Utilization Rate demonstrated an increase compared to the same period of the previous year. The Manufacturing Industry Capacity Utilization Ratio declined to 72.4% in the first quarter of 2015, but started increasing from April and reached 75.8% by December 2015. The Industrial Production Index was realized as 132.9 in December 2015, marking an increase of 4.5% compared to the same period of the previous year. In this period, the Manufacturing Industry Production Index increased by 4.4%.

The tourism sector, which contributes positively to the current account balance, suffered a decline throughout 2015. Despite the 0.5% increase in the number of visitors compared to last year, tourism revenues decreased by 8.3% in 2015.

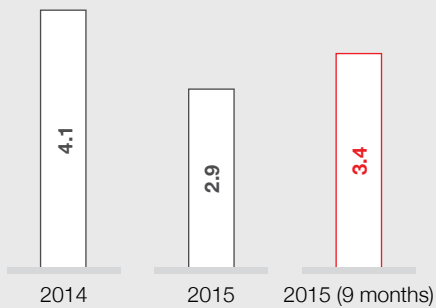
Although the Turkish economy grew beyond the expectations in 2015, unemployment remains a major problem for Turkey. The unemployment rate that was 10.4% at the end of 2014, had declined to 9.9% in May 2015 and realized as 10.5% in October 2015. Despite a respectable rate of growth in employment when compared to other countries, especially in the EU, the increase in the labor force participation rate prevented a fall in the rate of unemployment. The Medium Term Program projects a rate of unemployment of 10.2% in 2015 and 2016.

As a summary it could be said that the world economy couldn't recover from the global economic crisis effects as desired but entered to a slow recovery process. The risks that have adversely affected the world economy as well as Turkey's own economy could not be completely eliminated. Some of these risks could be listed as a lack of demand, especially in developed countries, slower growth in the Chinese economy when compared to previous years, lower energy and commodity prices, volatility in financial markets and continued uncertainty in the FX markets,

the unresolved problem of global unemployment, particularly in the European Union, climate change due to global warming, the ongoing and growing geopolitical developments in the Middle East. These uncertainties led international financial institutions to revise their growth expectations downward. Indeed, the IMF estimates that the world economy grew by 3.1% in 2015 - 0.4 of a percentage point lower than in the estimates it set out in the month of April.

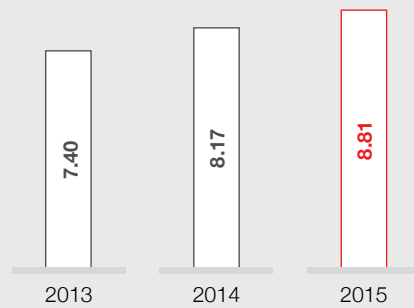


GDP Growth (constant prices-%)



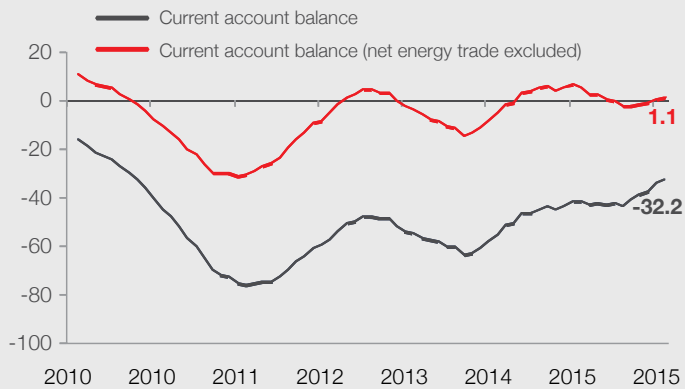
Source: TurkStat

Inflation (%)



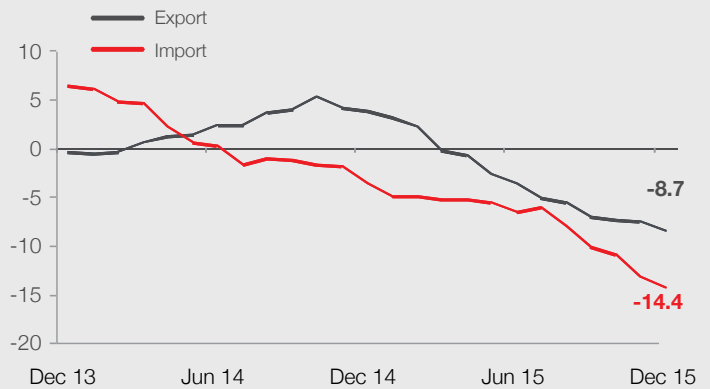
Source: TurkStat

Current Account Balance (12 months cumulative, US\$ billion)



Source: TurkStat

Foreign Trade (12 months cumulative, annual % change)



Source: TurkStat

The Turkish banking system reached to an asset volume of TL 2,357 billion (US\$ 811 billion), has grown by 18.2% compared to previous year in TL basis. The asset growth in the development and investment banks subgroup was higher than that of the overall banking sector, rising by 26.1% YoY in a continuation of the strong growth performance fueled by elevated demand for investment loans in the period following the global crisis. Even though the asset growth of the development and investment banks subgroup in 2014 lost momentum due to the contraction in domestic demand during the year, it picked up again in 2015. With 22% asset growth, the Development Bank of Turkey achieved an asset growth which was under the average of development and investment banks but higher than the level seen in the overall banking sector.

The share of liquid assets in the banking system's asset allocation increased rapidly in 2010 to reach 31%, due to the global crisis. As the effects of the crisis have eased off and as domestic demand has revived, the proportion of liquid assets has begun to decline due to the increase in loan volume, and had receded to 16.8% by the end of 2015. The share of loans in total assets in the banking system increased from 56.1% at the end of 2011 to 63% as of December 2015; in development and investment banks, this proportion increased from 55.2% at the end of 2011 to 69.2% at the end of 2015. The share of loans in total assets at the Development Bank of Turkey has continued to increase in the sector and the group average and was realized as 82.0% in December 2015.

The Development Bank of Turkey has increased its lending activities at a high rate in recent years, achieving funding mainly through foreign borrowing. In parallel with the rapid increase in external debt in its resource composition, the share of foreign resources in total liabilities had risen to 85.3% at the end of December 2015.

The banking sector realized a net profit of TL 26.1 billion in 2015, increasing by 5.7% compared to the previous year. The main reason for this increase was the change in the interest margin. As of 2015, the return on assets stood at 1.1% in the banking sector, but 1.7% for development and investment banks due to as their growth in assets exceeded their growth in profit. The Development Bank of Turkey saw its return on assets increase from 1.2% in 2014 to 1.3% due to the higher growth in profitability than the growth in assets. The Bank's net profit for 2015 increased by 33.7% compared to the previous year to reach TL 62.7 million. The increase in net profit can be attributed mainly to the 18.6% (TL 145.7 million) increase in the interest margin.

The Turkish economy continued its moderate rate of loan growth in 2015, with loan volumes increasing by 19.7%, slightly ahead of the 18.5% rate of loan growth in 2014. In the period ahead, the Fed's interest rate policy is expected to impact the banking sector depending on developments in the US economy. The valuation of the US\$ appears to be balanced by the sector, whereas increasing cost of foreign funds in the money markets may have limiting effects on the loans growth ratio.

Another important factor is likely to be the slowdown in the Chinese economy. The slowdown in demand affected the Chinese economy, and in turn the global economy, which has the effect of increasing credit risk in the banking sector. Despite the improvements in EU countries, the decline in trading volume with Turkey's neighboring countries, and recently with Russia, and the anticipation of a slowdown in the economies of oil-exporting countries such as Russia and Saudi Arabia are other factors that will ramp up the cost of funding and raise the risk of the loan portfolio.

The Share of Loans

The share of loans in total assets increased from 56.1% at the end of 2011 to 63% at the end of 2015 in the banking sector, while in development and the investment banks it increased from 55.2% at the end of 2011 to 69.2% at the end of 2015.



| | Development Bank of Turkey | | | | | Development and Investment Banks | | | | | Turkish Banking Industry | | | | |
|--|----------------------------|-------|-------|-------|-------|----------------------------------|--------|--------|--------|---------|--------------------------|-----------|-----------|-----------|-----------|
| | 2011 | 2012 | 2013 | 2014 | 2015 | 2011 | 2012 | 2013 | 2014 | 2015 | 2011 | 2012 | 2013 | 2014 | 2015 |
| Assets (%) | | | | | | | | | | | | | | | |
| Liquid Assets | 29.2 | 17.0 | 18.6 | 16.2 | 15.2 | 38.2 | 36.0 | 27.9 | 25.0 | 25.3 | 29.9 | 21.6 | 20.3 | 17.3 | 16.8 |
| Loans | 66.5 | 78.5 | 77.6 | 80.3 | 82.0 | 55.2 | 57.8 | 65.0 | 68.3 | 69.2 | 56.1 | 58.0 | 60.5 | 62.2 | 63.0 |
| Non-performing Loans/Loans | 2.6 | 2.1 | 2.9 | 1.9 | 1.6 | 0.3 | 0.2 | 0.3 | 0.3 | 0.2 | 0.6 | 0.7 | 0.7 | 0.8 | 0.8 |
| Other Assets | 4.3 | 4.5 | 3.8 | 3.5 | 2.8 | 6.6 | 6.2 | 7.1 | 6.7 | 7.6 | 14.0 | 20.4 | 19.2 | 20.5 | 20.2 |
| Liabilities (%) | | | | | | | | | | | | | | | |
| Foreign Resources | 81.1 | 79.9 | 83.0 | 83.6 | 85.3 | 62.9 | 67.7 | 73.0 | 74.9 | 78.0 | 88.1 | 86.7 | 88.8 | 88.4 | 88.9 |
| Deposits/FR | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 64.8 | 64.9 | 61.5 | 59.7 | 59.4 |
| Loans Received/FR | 72.4 | 91.6 | 89.4 | 96.7 | 97.3 | 48.5 | 41.6 | 39.7 | 25.2 | 40.7 | 15.6 | 14.6 | 16.5 | 14.7 | 17.2 |
| Other FR/FR | 27.6 | 8.4 | 10.6 | 3.3 | 2.7 | 51.5 | 58.4 | 60.3 | 74.6 | 59.3 | 19.6 | 20.5 | 22.0 | 25.5 | 23.3 |
| Shareholders' Equity | 18.9 | 20.1 | 17.0 | 16.4 | 14.7 | 37.1 | 32.3 | 27.0 | 33.5 | 22.0 | 11.9 | 13.3 | 12.6 | 13.2 | 11.1 |
| Net Profit for the Period (TL million) | 23.8 | 43.6 | 36.6 | 46.9 | 62.7 | 865 | 1,067 | 1,139 | 1,553 | 1,772 | 19,844 | 23,523 | 24,664 | 24,665 | 26,062 |
| Return on Assets (%) | 0.9 | 1.5 | 1.0 | 1.2 | 1.3 | 2.1 | 2.2 | 1.9 | 2.0 | 1.7 | 1.6 | 1.8 | 1.6 | 1.3 | 1.1 |
| FR Assets/FR Liabilities (%) | 95.0 | 95.3 | 99.1 | 100.3 | 100.7 | 84.7 | 87 | 88.7 | 89.0 | 91.0 | 83.8 | 85.1 | 82.4 | 82.5 | 84.3 |
| Asset Growth Rate (%) | 75.0 | 2.7 | 23.9 | 10.1 | 22.0 | 34.5 | 26.7 | 32.9 | 20.6 | 26.1 | 20.9 | 12.6 | 26.4 | 15.1 | 18.2 |
| Profit Margin (TL million) | 91.5 | 113.6 | 111.4 | 122.9 | 145.7 | 1,452 | 1,943 | 2,107 | 2,689 | 3,150 | 39,330 | 52,254 | 57,344 | 65,576 | 77,316 |
| FX Margin (TL million) | -1.7 | 3.4 | -3.5 | 2.2 | 2.6 | 218 | -59 | -198 | 60 | -631 | -1,788 | 3,958 | -7,174 | 5,552 | -2,676 |
| Total Assets (US\$ million) | 1,494 | 1,618 | 1,703 | 1,693 | 1,642 | 21,939 | 29,736 | 33,597 | 36,576 | 36,686 | 648,078 | 772,552 | 829,862 | 862,485 | 810,796 |
| Total Assets (TL million) | 2,794 | 2,870 | 3,556 | 3,915 | 4,774 | 41,636 | 52,758 | 70,137 | 84,570 | 106,686 | 1,217,695 | 1,370,690 | 1,732,419 | 1,994,238 | 2,357,472 |
| Share in the Banking System (%) | 0.23 | 0.21 | 0.21 | 0.20 | 0.20 | 3.4 | 3.8 | 4.0 | 4.2 | 4.5 | | | | | |
| Share in the Sub-Group of Dev. and Inv. Bank (%) | 6.7 | 5.4 | 5.1 | 4.9 | 4.5 | | | | | | | | | | |





INDISPENSABLE

As a responsible corporate citizen, we conduct the our business relations with international financial institutions with regard to initiatives aimed at environmental protection and tackling climate change and we maintain our identity as an indispensable service provider with our role in the process of implementing investments in tourism, renewable energy, and energy efficiency as well as environmental investments in other sectors.



With its deep-rooted structure, vast knowledge and a broad product portfolio with a range of services that meet customer needs, the Development Bank of Turkey succeeded in achieving its goals for 2015.

By the end of year 2015, asset size of the Development Bank of Turkey rose to TL 4,774 million by showing an increase of 22%.

Loan volume of the Bank which was TL 3,145 million at the end of the year 2014, increased to TL 3,913 million growing 24.4% by the end of the year 2015. As the rate of growth in loans increased over the rate of growth in assets, the share of loans in total assets increased from 80.3% at the end of 2014 to 82% at the end of 2015. Long-term funds the Bank obtained from foreign financial institutions which are the main cause of the increase in loan volume increased 25% reaching TL 3,960 million in 2015.

The Bank's net profit showed an increase of 33.7% compared to 2014, reaching TL 62.7 million. In the same period, return on assets of Development Bank of Turkey rose from 1.2% to 1.3%, while return on equity rose from 7.3% to 8.9%.

Playing an effective role in the development of the country's economy since 1975, the Development Bank of Turkey supporting Turkish investors both at home and abroad in all matters, has been working for the growth of investors with its products and projects.

The Bank offers unique and tailored solutions to Turkish investors and the business world, with its professional team and the know-how it has built over the years in areas such as:

- accessing international funding,
- project evaluation and project financing,
- grant programs,
- international technical cooperation.

Wholesale Banking (Apex)

Development Bank of Turkey, which places a key emphasis on the Apex Banking, continued its activities to develop this business-line in 2015.

As part of its wholesale banking activities, the Development Bank of Turkey provided financing to over 1,100 SMEs and generated additional employment opportunities to more than 6,500 people through intermediary banks and leasing companies.

Under the loan agreement signed in 2013 between the Council of Europe Development Bank (CEB) and the Development Bank of Turkey, the Bank obtained €80 million aimed to be used by SMEs operating in Turkey via financial leasing companies. By the end of 2015, €66.5 million of such funds (83% of the total) had been disbursed under loan agreements signed with the leasing companies in 2014. Along with the remaining €13.5 million of funds, the Development Bank of Turkey aims to continue its strong support to SMEs with new funds obtained from new sources.

The Development Bank of Turkey continues to meet the World Bank and the Council of Europe Development Bank for new projects for financing of SMEs within its scope of diversification of its resource structure.

| Name of Program | Amount |
|---|------------------|
| OSTİM İvedik-The Development Bank of Turkey | TL 20 million |
| SME Finance-Agence Française de Développement (AFD) | €20 million |
| Global SME II-IBRD-World Bank | US\$ 100 million |
| SUFI-Cluster Finance-The Council of Europe Development Bank (CEB) | €15 million |
| ERA-R&D Financing-The Council of Europe Development Bank (CEB) | €15 million |
| STEP Small Size Tourism Enterprises Programme- The Council of Europe Development Bank (CEB) | €20 million |
| STEP STEP Small Size Tourism Enterprises Programme -The Development Bank of Turkey | TL 40 million |
| LEASING APEX-The Council of Europe Development Bank (CEB)* | €80 million |

*The Program is ongoing and when completed, nearly 500 SMEs financed will create more than 800 additional jobs.

SELP II

The beneficiary of the SELP II funds is the Undersecretariat of Treasury. Due to the status of the fund, at the end of the project period it will be transferred to the Development Bank. The SELP II Project Steering Committee took the decision in this regard on May 12, 2014. In accordance with this decision, €55 million fund which had been provided as an EU grant and is managed by KfW under the SELP II program will be transferred to the Development Bank of Turkey in June 2017. The Fund will be used by the Bank directly or by the apex method in meeting the financing needs of SMEs.

Development Bank of Turkey to be a practitioner of the Regional Venture Capital Model

Within the scope of the activities to ensure sustainable economic development, the Development Bank of Turkey will take part in the commencement of the regional venture capital practice. Grants from the budget of the Ministry of Development in amounts to be determined by the High Planning Council will be transferred to the Bank.

Resource Development and Monitoring Activities

Within the scope of its relationships with international financial institutions, the Development Bank of Turkey has conducted studies for the development and provision of medium-and long-term resources.

World Bank (WB)

World Bank Additional Finance

An agreement was signed by and between the World Bank and the Development Bank of Turkey in 2009 under the guarantee of the Undersecretariat of Treasury for the financing of renewable energy and energy efficiency projects, together with an additional loan agreement of US\$ 135 million and €114.3 million. The Bank received resources amounting US\$ 7.4 million and €4.5 million and disbursed all of these resources to companies.

European Investment Bank (EIB)

EIB Development SME Investment Business Loans

A €150 million loan agreement was signed by and between the World Bank and the Development Bank of Turkey in 2013 under the guarantee of the Undersecretariat of Treasury for the financing of investments of SMEs. The EIB extended the expiry date of the loan agreement from June 15, 2015 to the end of 2016 in accordance with the consensus reached. A total of €48 million of such funds were disbursed in 2015.

EIB Renewable Energy and Environmental Investments Financing
In 2014, the Bank signed a loan agreement amounting to €100 million with the 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. As of end of 2015, within the framework of the contract, the Bank, the EIB and the Treasury amended the Agreement and signed an additional letter for the use of the grants. The loan obtained under the agreement, for the projects planned to be completed by August 31, 2016, will be provided by the EIB from the European Union budget.

EIB Sustainable Tourism and Energy Project Financing

The Development Bank of Turkey and EIB signed a €100 million loan agreement in 2013 under the guarantee of the Undersecretariat of Treasury for the financing of renovation and energy efficiency investments in the tourism sector. A total of €50 million had disbursed under the agreement as of the end of 2014. The loan expired in 2015 and the request for extension of time was submitted to the EIB for the remaining €40 million of the loan that has not yet been made available.

Islamic Development Bank (IDB)

IDB Renewable Energy and Energy Efficiency Investments Financing

The Development Bank of Turkey and the Undersecretariat of Treasury signed a loan agreement with respect to the use of resources, provided by the IDB, in the financing of renewable energy and energy investments in Turkey in 2013 and the agreement entered force in 2014. Under the agreement, US\$ 75 million of funds were disbursed in 2014 and US\$ 64.4 million had been allocated as of the end of 2015. 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.

Regional Venture Capital

Within the scope of the activities undertaken to ensure sustainable economic development, the Development Bank of Turkey will take part in the initiation of the regional venture capital practice.

Japan Bank for International Cooperation (JBIC)

JBIC I Renewable Energy and Energy Efficiency Investments Financing

The Development Bank of Turkey signed a US\$ 100 million loan agreement with the JBIC in 2013 to finance renewable energy and energy efficiency projects, which would be under the guarantee of the Undersecretariat of the Treasury. The agreement has been extended with the approval of JBIC until September 30, 2016. In 2015, US\$ 28.6 million of these funds had been extended to companies. Work continues towards disbursing the balance of US\$ 17.7 million.

JBIC II Energy and Energy Efficiency Investments Financing

Under the guarantee of the Undersecretariat of the Treasury, the Development Bank of Turkey signed a US\$ 150 million JBIC II loan agreement with the JBIC in 2015 and US\$ 1.4 million of these funds was extended to companies.

German Development Bank (KfW)

KfW Renewable Energy and Energy Efficiency Investments Financing

Under the €47.9 million loan agreement signed with the German Development Bank (KfW) in 2013, a €6.8 million portion of the loan was granted to companies in 2015 for the purpose of financing renewable energy and energy efficiency investments.

KfW Infrastructure Investments Financing

A loan agreement was signed between the Bank and the Undersecretariat of the Treasury in 2014 and provided for the financing of infrastructure investments, as part of municipal activities. Work towards the utilization of a €23 million portion of the loan continues.

As a preferred partner in the renewable energy and energy efficiency loans, the Development Bank of Turkey strengthened its position in 2015 with new credit agreements.

Development and Renewable Energy

The Development Bank of Turkey promotes the use of domestic and renewable energy resources, supports investments in these areas and increasingly contributes to projects.

Indigenous and renewable energy resources are extremely important for Turkey in helping the country meet its targets of ensuring security of energy supplies, reducing imports thus the alleviating the dependence on imports in use of energy, and contributing to a narrowing of the current account deficit.

Renewable energy, which is more environmentally friendly than fossil fuels, sustainable and obtained from domestic resources, is one of the issues that the Development Bank of Turkey attaches importance to. The Development Bank of Turkey, which is a bank that respects for nature and cares about the environment in line with Turkey's priorities, has been taking important steps in supporting renewable energy investments which cause a minimum of environmental damage.

At the end of 2015, a total of 331 projects had been evaluated and TL 5 billion in loans had been provided to 266 projects with

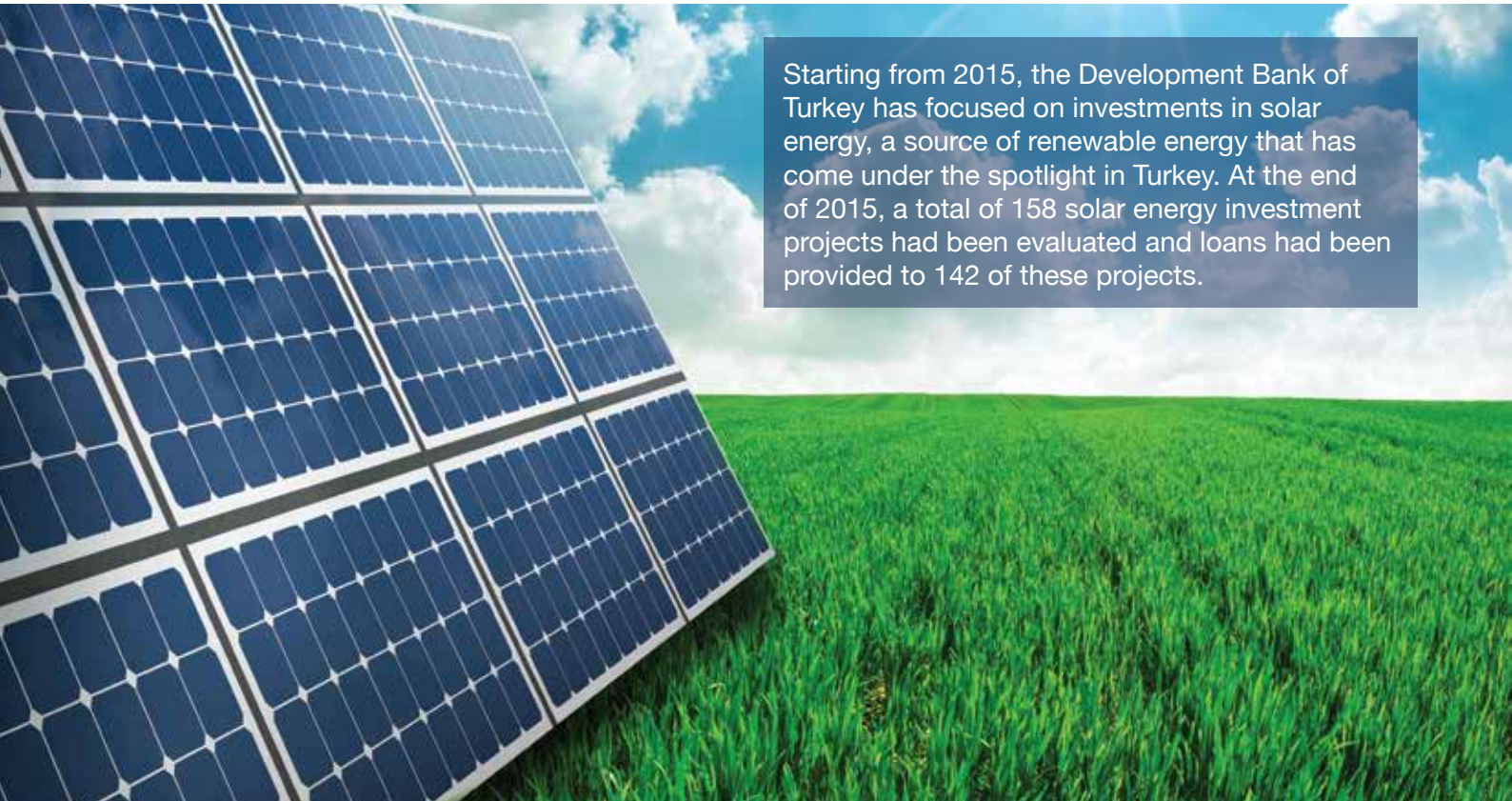
The Development Bank of Turkey Renewable Energy and Energy Efficiency Portfolio - 31 December 2015

| | |
|-------------------------------------|------------------|
| Total Amount of Allocated Loans | TL 5,064 Million |
| Total Amount of Contractual Loans | TL 2,942 Million |
| Total Amount of Loans Supplied to | TL 2,222 Million |
| Number of Projects Evaluated | 331 |
| Number of Projects Allocated and MW | 266 - 2,007 MW |
| Number of Projects Financed and MW | 129 - 1,117 MW |

Plants that Became Operational and their Total Installed Capacity: 84 - 858 MW

48 Hydroelectric Power Plants
2 Wind Power Plant
2 Geothermal Power Plants

3 Landfill
10 Energy Efficiency
19 Solar Energy Power Plants



Starting from 2015, the Development Bank of Turkey has focused on investments in solar energy, a source of renewable energy that has come under the spotlight in Turkey. At the end of 2015, a total of 158 solar energy investment projects had been evaluated and loans had been provided to 142 of these projects.

a total installed capacity of 2,007 MW. The Bank also provided TL 2.2 billion in funding support to 129 energy projects with a total installed capacity of 1,117 MW.

By the end of 2015, production activities had started in 84 energy investment projects with a total installed capacity of 858 MW, for which financial support was provided. The annual economic impact of these projects totals approximately 3,513 GWh, preventing the equivalent of 2,002,485 tons of CO₂ equivalent greenhouse gas emissions per year.

The increasing importance of solar energy...

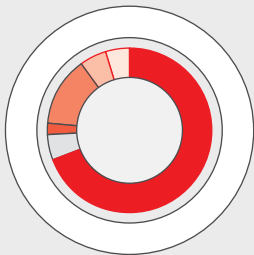
Starting from 2015, the Development Bank of Turkey has focused on investments in solar energy, one of the sources of renewable energy that Turkey is concentrated on.

As of end of 2015, a total of 158 solar energy investment projects were evaluated and credit lines worth of US\$ 151 million were allocated to 142 projects with a total investment value of US\$ 195 million and total installed capacity of 137 MW. The Bank provided approximately US\$ 40 million in funding support to 50 solar energy projects with a total installed capacity of 49 MW.

By the end of 2015, production activities had commenced in 19 solar energy plants for which financial support had been provided, with a total installed capacity of 18 MW. The annual economic impact of these plants is approximately 30 million kWh, and they are preventing 17,039 tons of CO₂ equivalent greenhouse gas emissions per year.

The installed capacity distribution of the renewable energy and energy efficiency projects for which credit was allocated by the Development Bank of Turkey (MW)

As of the end of 2015, a total of 331 projects had been evaluated and 266 projects with a total installed capacity of 2,007.46 MW had been provided with TL 5 billion of loans by the Development Bank of Turkey.



MW

| | | |
|---------|--|--------|
| 1,370.8 | ■ HPP | 68.30% |
| 100.0 | ■ GPP | 5.00% |
| 46.4 | ■ LANDFILL | 2.30% |
| 267.7 | ■ WPP | 13.30% |
| 104.1 | ■ SOLAR | 6.50% |
| 92.4 | ■ EE | 4.60% |

Relationships with Financial Institutions

The Development Bank of Turkey is in constant contact with international financial institutions through a range of different channels. The Bank continues to work in cooperation with international financial institutions to extend new resources and establish new relationships with additional financial institutions. A brief description of the work in question is provided below.

- An exchange of ideas and joint activities are being carried out with the Undersecretariat of Treasury on issues such as renewable energy, energy efficiency, financing of R & D projects, Apex Banking and the financing of SME investments.
- Work is being done to establish business relationships with correspondent banks, and to carry the relationships out in a systematic manner.
- In line with the financing needs of SMEs, studies and negotiations continue for the provision of €100 million of funding from the European Investment Bank. The relevant contract is expected to be signed in 2016.
- A US\$ 100 million loan agreement with the World Bank to provide the supply of funds for the financing of geothermal energy investments is expected to be signed in the 1st quarter of 2016.

Project Development Activities

The Development Bank of Turkey's project development activities are developed in line with Turkey's 2023 vision. The focus of the project development work carried out by the Bank will increasingly contribute to sustainable growth.

In 2015, the Development Bank of Turkey shared its views and suggestions on improving the investment climate and the development of SMEs under the "investment and infrastructure" title with "the G-20 Presidency of the Steering Committee" within the scope of activities of the International Economic Cooperation Platform Group of 20 countries (G-20), which Turkey was the term president of.

The Bank joined the following workshops under "The Transformation of Unproductive Electric Motors Used in Industry" program carried out by the Ministry of Science, Industry and Technology Directorate General for Productivity Coordination in 2015:

- The current situation in our country in the field of energy efficiency, legislation and strategy documents, support and incentives
- The 10th Development Plan-Action Plan For Industrial Energy Efficiency.

The Development Bank of Turkey also engages in studies related to profit share funding method and obtaining medium and long-term interest-free financing for the investment projects within the project development activities.

Treasury and Capital Market Transactions

Effective interest rate, currency and liquidity risk management

The Development Bank of Turkey closely monitored developments in both domestic and international money and capital markets in 2015. The Bank's Turkish Lira and foreign currency assets have been managed 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 TL securities, Eurobonds and, primarily, in bank placements (money market, BIST repo reverse repo market).

The Bank's total placements stood at TL 318.2 million in 2014 and reached TL 341.9 million by the end of 2015. On the other hand, the securities portfolio has roughly doubled in size. The securities portfolio increased from TL 54.8 million in 2014 to TL 110.1 million by the end of 2015. While the money market portfolio accounted for 84.5% of TL assets in 2014 with the securities portfolio comprising a 15.5% share, these shares changed to 75.6% for the money market portfolio and 24.4% for the securities portfolio in 2015. The share of the securities portfolio in TL assets increased due to the increase in bond yields in the bond market.

The share of TL assets in the Bank's total assets increased from 58.2% at the end of 2014 to 61.6% at the end of 2015.

Management of FX assets

The US\$ equivalent of the Development Bank of Turkey's FX assets was US\$ 114.5 million (€52.3 million and US\$ 50.9 million) in 2014, amounted to US\$ 98.8 million (€57.5 million and US\$ 36.0 million) in 2015. FX assets declined by 13.7% while FX assets denominated in TL increased by 4.1%. The main reason for this situation was the depreciation of approximately 25% in the value of the TL since the beginning of the year.

The volume of FX assets decreased in 2015 when compared to the previous year, reflecting an increase in loan disbursements. The weight of Eurobonds in FX assets increased in 2015 when compared to the previous year. The US\$ equivalent of the Bank's Eurobond portfolio stood at about US\$ 11.5 million in 2014; in 2015, this amount increased to approximately US\$ 22.9 million (US\$ 11.8 million and €10.2 million). The low return on FX deposits

on the interbank foreign exchange market was one of the reasons for the increase in the Eurobond portfolio. The remaining FX assets were put in overnight and monthly FX placements.

Management of Mutual Funds

In accordance with the Communiqué regarding investment funds published by the Capital Markets Board in 2013, the management of investment funds was required to be passed on to asset management companies by July 1, 2015.

The Board of Directors of the Development Bank of Turkey discussed the matter and concluded that given the asset size of the Bank's investment funds, the establishment of a portfolio management company was not an economical proposition and a decision was therefore taken to liquidate A- and B- type variable investment funds. In accordance with this decision, the variable A- and B- type investment funds were liquidated on May 18, 2015, providing approximately TL 3.5 million of cash inflow.

The Amounts and Distribution of Assets Managed by Development Bank of Turkey

The amounts and distribution of the assets managed by Development Bank of Turkey are presented in the table on the page 27. The total assets grew by 13.4% when compared to 2014 to reach TL 733.2 million. During the year, the minimum amount of assets under the management of the Development Bank of Turkey stood at TL 561.1 million and the maximum was TL 794.6 million. The 12-month average total assets of the Bank were TL 689.8 million while the sum of TL assets has not fallen below TL 361 million throughout the year.

A Proactive Approach

In 2015 the Development Bank of Turkey monitored developments in the domestic and international money and capital markets with a proactive approach. Interest rate, currency and liquidity risk management has been carried out effectively by taking into account risk and reward.

Total Assets (TL million)

| | 31 December 2014 | 31 December 2015 |
|-------------------------------|------------------|------------------|
| Money Market Placements in FX | 243.3 | 214.4 |
| FX Securities | 26.7 | 66.8 |
| Money Market Placements in TL | 318.2 | 341.9 |
| TL Securities | 54.8 | 110.1 |
| Investment Funds | 3.5 | - |
| Total | 646.5 | 733.2 |

Distribution of Total Assets (%)

| | 31 December 2014 | 31 December 2015 |
|--|------------------|------------------|
| Money Market Placements in FX/Total Assets | 37.6 | 29.3 |
| FX Securities/Total Assets | 4.2 | 9.1 |
| Money Market Placement in TL/Total Assets | 49.2 | 46.6 |
| TL Securities/Total Assets | 8.5 | 15.0 |
| Investment Funds Portfolio/Total Assets | 0.5 | - |
| Total | 100.0 | 100.0 |

The Development Bank of Turkey's Targets for 2016

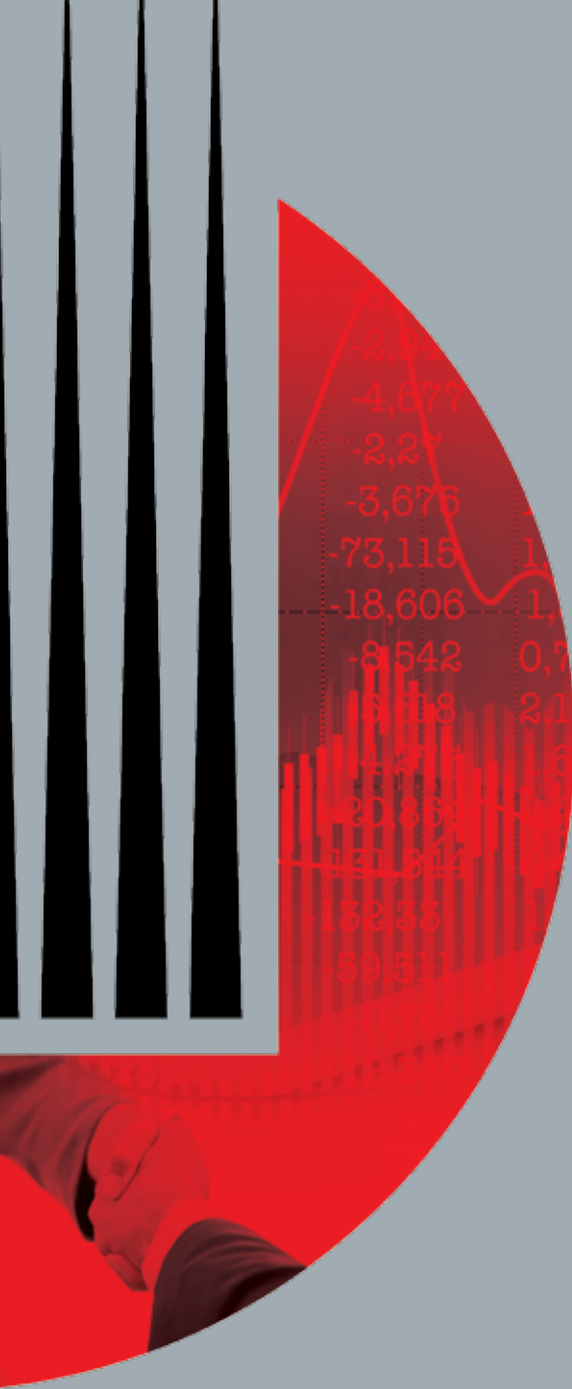
The Development Bank of Turkey will continue its business in 2016 within the Strategic Plan for the 2015-2019 period, prepared in a comprehensive analysis and preparatory process. In that context;

- Project Development Studies will continue intensively in the wholesale banking segment. In the context of project development activities, alternative programs to finance innovation and solar energy investments will be examined with the aim of meeting the investment needs of the real sector as well as clustering finance for SMEs.
- New credit agreements are planned to be commissioned in 2016. The Bank will continue its funding activities in accordance with the expectations of the market and the needs of the Turkish economy, and aims to provide US\$ 750 million of new loans giving priority to SME financing.
- Under the loan targets for 2016, discussions continue on the provision of US\$ 100 million in Geothermal Energy Development loans from the World Bank, an SME Apex loan from the CEDB for financial leasing companies and an SME financing loan from the EIB.

Development Bank of Turkey, in 2016, aims to raise its total assets to TL 6.6 billion with a 40% increase, and raise the size of the loans to TL 5.6 billion with a 43% increase.

RELIABLE

In the light of Turkey's 2023 vision, Development Bank of Turkey will continue to contribute and to play an active role in the country's sustainable development process in the future as it does today, with its powerful resource structure, competent human resources and its corporate governance approach.



The Development Bank of Turkey's participation approach supports sustainable growth.

The Development Bank of Turkey will carry on the mission of supporting development and sustainable growth in line with its development banking objectives and policies set out in the "Development Plans and 2016 Annual Program" by supporting investments in regional, sectoral and technological basis.

In that context;

- The Bank's policy facilitates the participation in new enterprises that encourage an entrepreneurial spirit, contribute to employment and reduce regional disparities with a "social benefits and social costs" approach.
- The Bank also extends support to distressed companies through participation, and
- Establish and participate in pioneering model partnerships.

Once the purpose of the 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 sells its shares to entrepreneurs in the form of block sales.

Subsidiaries in which the Bank holds direct control are:

- Kalkınma Yatırım Menkul Değerler A.Ş. (KYMD A.Ş.)
- Arıcak Turizm ve Ticaret A.Ş.

As of the end of 2015, Arıcak A.Ş.'s credit account balance monitored as non-performing receivables stood at TL 1,429,213.28, and the company's total risk in the Bank together with default interest was recorded as TL 24,876,863.58.

Istanbul Venture Capital Initiative - iVCi

The Istanbul Venture Capital Initiative (iVCi), which has a total capital of €160 million, was established under the leadership of the European Investment Fund (EIF) in Luxembourg and subject to the legislation of Luxembourg. The partners in the initiative, in which the Development Bank of Turkey committed to provide investment in 2007, are the European Investment Fund (€50 million), the Technology Development Foundation of Turkey (€40 million), KOSGEB (€50 million), Development Bank of Turkey (€10 million), Garanti Bank (€5 million) and the National Bank of Greece (€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.

More than €1.7 billion of funds in the iVCi portfolio

The current investment period for the iVCi has ended. As of September 2015, in addition to a co-investment decision, the iVCi Investment Committee decided to invest in nine sub-funds amounting to a total of €163,155,301. One of the funds invested in was the G43 Anatolian Venture Capital Fund, an investment fund set up for Anatolia created with European Union sources (IPA-Pre-Accession Assistance) by transferring funds through the European Investment Fund.

The total volume of funds in the iVCi portfolio exceeded €1.7 billion by the end of the year. The portfolio comprised of 52 companies in various sectors, including 39 companies in Turkey. The investment activities of these funds, excluding one fund which is in the process of liquidation, are ongoing.



Domestic Subsidiaries of the Development Bank of Turkey

| Name of the Company | Capital of the Company (TL) | Total Participation of the Bank (TL) | Participation Rate (%) |
|--------------------------------------|-----------------------------|--------------------------------------|------------------------|
| Arıcak A.Ş. | 1,250,000 | 1,246,400 | 99.71 |
| T. H. Kalkınma Menkul Değerler A.Ş.* | 5,000,000 | 4,999,930 | 100.00 |
| Maksan | 1,525,200 | 474,956 | 31.14 |
| Takasbank | 600,000,000 | 2,179,154 | 0.36 |
| Türk Suudi Holding | 5,800,000 | 1,431,875 | 24.69 |
| Yozgat Otelcilik | 96,000 | 3,600 | 3.75 |
| Total | 613,671,200 | 10,335,915 | 1.68 |

* 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 (€) | Participation Rate (%) | Total Participation of the Bank (€) |
|--|------------------------|---------------------|------------------------|-------------------------------------|
| Istanbul Venture Capital Initiative-iVCi | Luxembourg | 106,480,000.00 | 6.25 | 6,655,000.00 |

The main objective of the Development Bank of Turkey is to improve workforce performance, productivity in all business processes and competitiveness.

In 2015, Development Bank of Turkey continued its improvement and development activities in its information technology infrastructure to ensure the continuity of banking operations.

One of the most important developments in 2015 was increasing the capacity of the data centers and the establishment of IT infrastructure, which will provide continuity of service. IT Continuity, Disaster Recovery, Infiltration and Load Tests have been performed which tested the strength of the continuity of the system, and positive results were obtained. IT risks were evaluated and followed up with action plans, and necessary improvements were carried out.

The Bank has launched a study on updating IT processes, determining the measures of performance and quality targets and moving them to a manageable platform. In 2015, the results of independent audit and safety tests were evaluated and identified, and the issues that were identified were resolved. These efforts will continue in the coming term in accordance with BRSA legislation

and regulations relating to ITIL and COBIT. A SOME team was formed within the Development Bank of Turkey and began its activities. The Bank has provided training for personnel to raise their awareness of information security and cyber security. The IT staff attended advanced safety training sessions.

The loan process software renovation project was initiated to ensure the renewal of the data conversion module of the banking software. The project is expected to be completed in 2016. The renewal of desktop computers and service buildings projects have started to provide the opportunity for network users to work outside the office.

The Development Bank of Turkey, which aims to be among the best in the industry with its use of the best and latest technologies, also aims to increase the performance of the workforce, process efficiency and competitiveness by placing importance on the issues of legal compliance, information security, business continuity and infrastructure development.



As the first and only state-owned bank to be awarded the Environmental Management System Certification, the Development Bank of Turkey has been working with all its employees to minimize the environmental impact of its activities.

The Development Bank of Turkey regards environmental awareness as one of the cornerstones of sustainable development, and pursues it in all of its activities. In this vein, the 5th year of the ISO 14001 Environmental Management System, which the Bank implemented, was completed successfully.

The Development Bank of Turkey is committed to reducing the environmental impact of its services and activities and use of natural resources, as well as increasing its positive environmental activities. The gains realized in 5 years of environmental management are as follows:

- Significant reductions in the use of natural resources such as natural gas, electricity, water and paper consumption arising from the activities carried out within the Bank.
- In accordance with Article 19 of the Act No. 4734, the Bank has started to use renewable electricity in a bid to provide cheap and cleanly sourced electricity.
- The Development Memorial Forest, in the district of Etimesgut, Ankara was set up with 4,000 trees.
- The Bank ensured that its personnel participated in training programs, fairs and congresses related to issues such as the environment, energy, energy efficiency and waste technologies.
- The Bank established an environmental management system for The Administrative Organization of the Grand National Assembly of Turkey and the Development Bank of Ethiopia, and provided advisory services.
- In line with Article 4.2 related to the Social Responsibility requirement in the TS EN-ISO 14001 Standard, the Bank

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

The Environmental Management Committee, which operates under the umbrella of the Bank, has ensured the continuity of Environmental Management System in 2015, performing the review and committee meetings as well as other daily work.

The Bank received a positive report as a result of the inspections performed and approved by the TSI in 2015 which decided to renew the document in question. In addition, internal audits were carried out within the Bank, in order to evaluate the performance of the system.

The Bank's 2016 Environmental Management Targets

In 2016, the Development Bank of Turkey will continue to carry out its duties to ensure more effective, more efficient, innovative and fair use of natural resources, while focusing on sustainable development activities. In this context, the Bank is committed to supporting all kinds of initiatives related to the environment, including climate change.

The loans granted to the energy sector by the Development Bank of Turkey between 2004 and 2015 paved the way for a reduction of more than 2.6 million tons in annual carbon emissions. This amount is expected to increase in the coming years.

Environmental Policy of Development Bank of Turkey

"Adopting the principle of reducing the negative environmental impacts of our services and activities and usage of resources and increasing the positive environmental activities, our Bank is committed to meeting legal environmental obligations, promoting environmental awareness, focusing on environment, continuous improvement transferring its environmental accumulation to the stakeholders."



A team of experts at the Development Bank of Turkey meets the needs of the Bank and its stakeholders with research and development activities performed within the Bank.

High Value Added Research and Development Activities

The Development Bank of Turkey conducts high value-added research and development activities with a customer oriented approach. The Bank 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 Bank generates added value by evaluating the economic and social contributions of these investments to Turkey's macroeconomic structure, and provides technical support to entrepreneurs.

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

The Bank's primary research and training activities in 2015 were clustered in the main categories as follows:

Regional Studies

Regional Studies are conducted for the purpose of formulating the development strategies of a specific geographic region, evaluating strategic sectors and analyzing any possible investment ideas, and to turn this investment idea within the framework of the right decisions (feasibility study results) into actual investment. In this context, the Bank prepared the following reports in 2015:

- The "Fashion and Design Centre feasibility study" report for the Uludağ Exporters' Association, and the Bursa Textile and Apparel, Technology, Education, Research, Consulting and Energy Efficiency Services company (BUTEKOM)
- The "Advanced Composite Materials Research and Center of Excellence Feasibility Study" report for Bursa Chamber of Commerce and Industry (BTSO).

Training Activities

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

In this context, the Bank conducted the following training activities in 2015;

- A total of seven "Feasibility Assessment Analysis (Economic Analysis and Valuation)" training programs, comprised of on-site training for the personnel of the Hakkari Governor's Office, the Serhat Development Agency (SERKA), the East Marmara Development Agency (MARKA), personnel of the Northeast Anatolia Development Agency (KUZKA), staff at the Malatya Municipality, staff of the Mersin Chamber of Commerce and Industry, as well as one training program held on Bank premises for personnel of various development agencies,
- "Interpretation of Basic Macroeconomic Indicators" training was provided for assistant specialists at the Ministry of Development,
- On-site "Regional Competitiveness Analysis, Sectoral Performance Evaluation, Determination of Regional Potential Investment Areas in Light of Intersector Interaction and Sector Structural Analysis" training was provided to personnel of the North Anatolian Development Agency (KUZKA).

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, in 2015, presentations on the Development in Basic Macroeconomic Indicators (revised every 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, were prepared.

Of these reports, which the examine competitive conditions in the sectors as well as the events that set the economic agenda in Turkey, reports not deemed confidential are disclosed to the public and posted on the Bank's website.

The Development Bank of Turkey shares its industry know-how and development experience with institutions and enterprises conducting business in different sectors.

In accordance with its mission of development banking, the Bank has continued its work in technical support together with its financial activities since its establishment. The Bank continues these activities within the framework of its annual objectives and long-term strategies.

Supporting our country's development efforts at sectoral, 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.

In line with the requests, the Development Bank of Turkey provides consultancy services in many areas;

- to help institutions and businesses develop projects for the future,
- to improve their efficiency and quality,
- to make the right investment decisions and
- to help them take the right steps in technical issues and in the regulation and planning stages.

The services provided by the Development Bank of Turkey that highlight the Bank's areas of expertise and where it aims to share information are Feasibility Assessment training programs, Applied Financial Statement Analysis, the Interpretation of the Basic Macroeconomic Indicators, Business Valuation, Project Process Management Applied Cost Accounting and Entrepreneurship and Venture Capital training. The Bank conducts studies such as regional and sectoral research and reporting, as well as feasibility studies.

The Development Bank of Turkey is one of the few organizations to work with all of 26 development agencies within the Ministry of Development at a central level. The Bank conducted 46 feasibility studies and 21 regional strategy reports in 2015, and provided 73 training seminars to 26 regional development agencies in Turkey, Governorates, Municipalities, Chambers of Commerce and Industry.

Abroad; the corporate and administrative collaboration with the TRNC Development Bank has continued since its inception. In 2015, as part of a technical cooperation program between the Bank and the TRNC Development Bank and in a continuation of the Technical Assistance Program given to the TRNC Development Bank in 2010, work on the structural and functional analysis of the TRNC Development Bank was initiated.

In addition, a technical cooperation agreement was signed between the Bank and the Qatar Development Bank in December 2015.

Work was conducted with the Association of Development Financing Institutions in Asia and the Pacific (ADFIAP) to plan technical cooperation activities with Member Development Financial Institutions. In this context, technical cooperation activities are planned to be carried out with the Somali Development Bank and the Development Banks of other member countries during 2016.

COMCEC Grant Program

Following the signing of the memorandum of understanding between the Ministry of Development and the Development Bank of Turkey, implementation of technical and financial support to be provided to the programs and projects to be executed within the scope of The Standing Committee for Economic and Commercial Cooperation of the Organization of the Islamic Cooperation (COMCEC) in 2015 was initiated. Within the framework of the implementation in question, 17 projects from various countries were submitted to the Bank.

In 2015, agreements were signed for 14 projects in various countries and a two-day project implementation training program was provided to a group of 30 personnel from the project executing agencies. Project funds transferred from the Ministry of Development to the Bank were distributed to relevant personnel in line with time sheets submitted by specialists and coordinators involved in the related projects. In addition, the unused amounts from the sums invested in REPO and GDS and at the end of the year were returned to the Ministry together with its gains.

The Development Bank of Turkey was represented at the 31st COMCEC Meeting as of end of 2015. A total of US\$ 701,500 was distributed for the 14 active projects under COMCEC, and a report on the progress of the project presented to the Ministry.

The secretariat duties of the COMCEC Grant Program are conducted by the Republic of Turkey Ministry of Development while the Development Bank of Turkey has worked as the implementing agency.

The Development Bank of Turkey undertook a number of promotions, social responsibility, culture, arts and sports activities in 2015.

Promotional Activities

The promotional activities carried out by the Development Bank of Turkey in 2015 are summarized below:

- The Bank participated in the CeBIT 2015 International Information Technologies Fair, held from March 15 to March 21 by HANNOVER MESSE A.G. in Hannover, Germany.

For the promotion of the Bank's lending resources;

- Meetings were conducted with the Metropolitan Municipality Mayors of Adana and Mersin, and the President of the Mersin Young Businessmen's Association.
- Meetings were conducted with the Metropolitan Municipality Mayors of Adana and Mersin, and the President of the Mersin Young Businessmen's Association for the promotion of the Bank's lending resources.
- Company visits were conducted in Adana, Antalya, Ankara, Balıkesir, Bursa, Denizli, Eskişehir, İstanbul, İzmir, Mersin, Muğla and Kahramanmaraş.

In addition the Bank attended the following gatherings;

- The 4th Çukurova Summit was held in Adana on January 19, 2015,
- The ICC International Environment Fair 2015 was held in İstanbul between May 6-8, 2015,
- The Workshop on Technological and Structural Transformation of the Steel Sector was held in Ankara between May 26-29, 2015,
- The Turkey Wind Energy Congress / TÜREK 2015 Fair was held in Ankara, on November 4-5, 2015
- The International Energy Congress and Exhibition / EIF 2015 was held in Ankara, on November 4-6, 2015,
- The International Resort Tourism Fair was held in Antalya, on November 2-29, 2015.

Social Responsibility Activities

Social responsibility activities carried out in the Bank in 2015:

- Employees of the Bank sent clothing items to the "Behice Eren Children and Youth Center" operating under Social Services and Child Protection Agency (SHÇEK).
- The Development Bank of Turkey provided school materials for the children of its cleaning, security and support services personnel.
- As in every year, in the month of Ramadan, a Ramadan Package and eid chocolates were offered to the employees of the Bank working in cleaning, security, and support services.

Sports, Culture and Arts

Sports, culture and arts activities carried out at the Bank in 2015:

- The Bank's Turkish Musical Choir, created with the participation of Bank employees and music lovers, performed at the Little Theatre on May 31, 2015. The Bank's senior management and 650 guests attended the concert.
- Four personnel from the Bank participated in the Athletics-Running category in the "13th Corporate Games" held from May 22 to 24, 2015.
- The Bank's Turkish Musical Choir started its activities for 2015-2016.
- In 2015, the 74th, 75th, and 76th issues of the Bank's e-Journal were published.
- The Bank enabled 3,743 people to take part in various cultural and artistic pursuits such as concerts, opera and theatre in 2015.

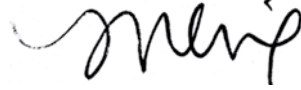
DECLARATION OF COMPLIANCE OF THE ANNUAL REPORT

The 2015 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



Zeki ÇİFTÇİ, Ph.D.

Deputy Chairman of the Audit Committee



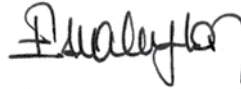
Hakan TOKAÇ

Member of the Audit Committee



Adnan YALÇINCI

Executive Vice President Responsible for Financial Reporting



Esra CEYLAN

Budget Manager



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

Report on the Audit of Management's Annual Report in accordance with Independent Auditing Standards

We have audited the annual report of Türkiye Kalkınma Bankası A.Ş. ("the Bank") for the period ended 31 December 2015.

Management's Responsibility for the Annual Report

The Bank Management is responsible for the preparation and fair presentation of the annual report which is consistent with the financial statements prepared in accordance with "the Banking Regulation and Supervision Agency ("BRSA") Accounting and Reporting Regulations" including the regulation on "The Procedures and Principles Regarding Banks' Accounting Practices and Maintaining Documents" published in the Official Gazette dated 1 November 2006 with No. 26333, and other regulations on accounting records of banks published by the Banking Regulation and Supervision Board and circulars and pronouncements published by the BRSA and Turkish Accounting Standards for the matters not legislated by the aforementioned regulations ("the financial statements") in accordance with the Article 514 of the Turkish Commercial Code No. 6102 ("TCC") and the regulation on "Preparing and Publishing the Annual Report by Banks" published in the Official Gazette dated 1 November 2006 and No. 26333, and for such internal control as management determines relevant to the preparation and fair presentation of such annual report.

Auditor's Responsibility

Our responsibility is to express an opinion on the Bank's annual report based on our audit conducted in accordance with the provisions of the Article 397 of the TCC and the regulation on "Independent Auditing of Banks" published in the Official Gazette dated 2 April 2015 with No. 29314. Our audit involves whether the financial information provided in the annual report are fairly presented and consistent with the financial statements, based on our audit report dated 10 February 2016.

We conducted our audit in accordance with Independent Auditing Standards, which is a part of Turkish Auditing Standards issued by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial information provided in the annual report are fairly presented and consistent with the financial statements and are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the historical financial information. The procedures selected depend on the auditor's judgment.

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 financial information provided in the Management's annual report, in all material respects, are fairly presented and consistent with the audited financial statements.

Other Legal and Regulatory Requirements

In accordance with paragraph three of the Article 402 of the TCC, nothing significant has come to our attention that may cause us to believe that the Bank may not continue its activities for the foreseeable future in accordance with Independent Auditing Standard 570 "Going Concern".

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

Müjde Şehsuvaroğlu
Partner

Ankara, 23 February 2016



Ahmet BUÇUKOĞLU
Chairman of the Board of Directors and General Manager



Mustafa Cüneyd DÜZYOL
Deputy Chairman of the Board of Directors



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



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



Prof. Dr. Ahmet KESİK
Independent Member of the Board of Directors, Chairman
of the Audit Committee and Member of the Compensation
Committee



Zeki ÇİFTÇİ, Ph.D.
Independent Member of the Board of Directors, Chairman
of the Corporate Governance Committee and Deputy
Chairman of the Audit Committee

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 June 27, 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. Between December 2, 2014 - September 22, 2015, Mr. DÜZYOL served as the Undersecretary of the T.R. Ministry of Development, and between September 22, 2015 - November 24, 2015 he served as the Minister of the T.R. Ministry of Development. He serves as the Undersecretary of the T.R. Ministry of Development since November 24, 2015. Serving as a Member and Deputy Chairman of the Board of Directors at the Bank between April 29, 2014 - September 22, 2015, he has been re-elected as Member of the Board of Directors in November 30, 2015, and currently serves as the Deputy Chairman of the Board of Directors at the Bank since December 24, 2015.

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. YEŞİLBAŞ began his career as a Treasury Assistant Specialist at the Undersecretariat of Treasury Public Finance General Directorate. Between 1995-2004, Mr. YEŞİLBAŞ 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 April 29, 2014 and the Deputy Chairman of the Board of Directors at the Bank as of the April 30, 2014.

Hakan TOKAÇ**Independent Member of the Board of Directors, Chairman of the Compensation Committee and Member of Audit 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 May 1, 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.

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 KESİK 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 Istanbul 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. KESİK 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. Between 2010-2013 Mr. KESİK acted as Board Member in European Council Pension Fund and he served as the Deputy General Manager of the Management Services Department at the Ministry of Development between 2012-2014. Mr. KESİK 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 Deputy Chairman of the Audit Committee**

Born in Çelikgörü-Çanakkale in 1961, Zeki ÇİFTÇİ 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. ÇİFTÇİ 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 Deputy Chairman of the Information Technologies Department in the Grand National Assembly between 2007 and 2012. He has been the member of Board of Directors of NCTR Development Bank since 2003. He has been working as an Assistant General Manager at the Turkish Radio and Television Corporation since 2012 and act as a Member of The Board of Directors since October 11, 2013 in the same Corporation. Mr. ÇİFTÇİ has been a Board member at the Bank since May 15, 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 2015:

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 resolutions 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 2015, the Board of Directors convened 24 times and passed 261 resolutions, 10 of which were interim resolutions.

Notes

* Having served as the Minister of the T.R. Ministry of Development between September 22, 2015 - November 24, 2015, Mustafa Cüneyd DÜZYOL resigned from his duties in the Bank as per the articles no: 82 and 112 of the T.R. Constitution. He has been reappointed as Member of the Board of Directors in November 30, 2015 with the decision of submitting the appointment for final approval of the next General Assembly, pursuant to the article no: 363 of the TCC. He has been reelected as the Deputy Chairman of the Board of Directors at the Board meeting which took place on December 24, 2015.

** Serving as a member of the Board of Directors since March 2, 2009, Şerif ÇELENK has passed away on October 25, 2015.

*** As required by Capital Markets Board Communiqué no: II-17.1 on Corporate Governance, the Bank's Audit Committee members Prof. Dr. Ahmet KESİK, Zeki ÇİFTÇİ, Ph.D. and Hakan TOKAÇ pass for as independent members of the Board of Directors.

Murat DOĞUŞLU

Head of Internal Audit (by proxy)

Born in İzmit in 1963, Murat DOĞUŞLU graduated from the Department of Economics at Gazi University in 1986. Beginning his professional career as an Assistant Auditor at Akbank A.Ş. in 1989, he has served as Auditor and Chief Auditor at the Bank since 1992 and appointed as Assistant Head of Internal Audit of the Bank at September 1, 2014. Mr. DOĞUŞLU has been Head of the Internal Audit by proxy at the Bank since December 24, 2015.

Ramazan KOYUNCUGİL

Manager of Internal Control

Born in Seydişehir, Konya in 1961, Mr. Ramazan KOYUNCUGİL 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. KOYUNCUGİL 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, 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 the Development Bank of Turkey 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. phd PEKKAYA, served as Manager of the Bank's Treasury unit in 2011-2013. She has been Risk Monitoring Manager since September 13, 2013.

*Fatih ŞAHİN was the Head of Internal Audit between February 21, 2012 and December 24, 2015.



1- 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 İstanbul Aksaray, Osmanbey and Beyazıt Branches; 2003-2006, Head of Region at İstanbul 1st Regional Directorate; and at Kocaeli Regional Directorate, 2006-2007, Branch Manager at İstanbul 3rd Regional Directorate; 2007-2012, Manager at İstanbul Zeytinburnu Branch; 2012-2014, Region Manager at İstanbul 2nd Regional Directorate. As of June 27, 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).

2- Bahattin SEKKİN

Executive Vice President

Born in Üçkuyu-Afyonkarahisar in 1956, Mr. Bahattin SEKKİN 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. SEKKİN 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. SEKKİN has been serving as an Executive Vice President at the Bank since August 22, 2003. Mr. SEKKİN is currently in charge of the Financial Institutions, Treasury, Business, Product and Planning, Loan Follow Up and Collections, Intelligence and Financial Analysis departments.

3- 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. 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 Credit Marketing, Financial Affairs, İstanbul Branch, Support Services and Budget departments.

4- Zekai İŞILDAR

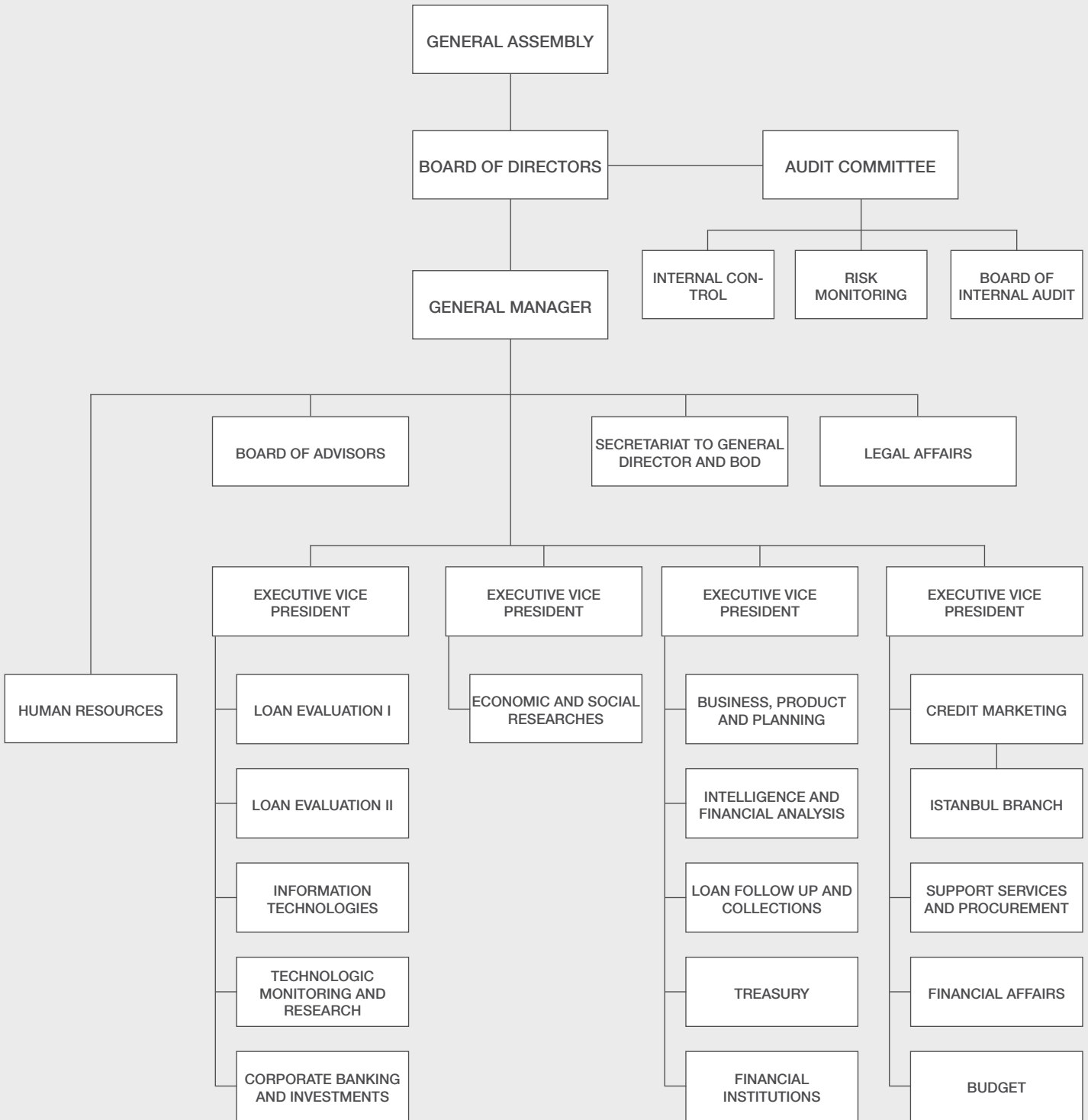
Executive Vice President

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 between 1991-1997, and as a Manager in 1997. He served as Specialist between 1997-1998, as a Senior Specialist between 1998-2003, and as a Manager between 2003-2007. Afterwards, he was appointed Acting Executive Vice President in 2007, and then Executive Vice President on January 30, 2009. Mr. İŞILDAR has also been serving as a Board Member between 2008-2009. He is currently in charge of the Loan Evaluation I, Loan Evaluation II, Information Technologies, Technologic Monitoring and Research and Corporate Banking departments.

5- 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. YAŞAR is currently in charge of Economic and Social Researches department.



Audit Committee

The Audit Committee was formed following the Bank's Board of Directors' resolution no: 227 dated October 31, 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 September 15, 2014.

The Audit Committee was formed in accordance with Board of Directors' resolution number 277 and dated October 31, 2006. Prof. Dr. Ahmet KESİK, Şerif ÇELENK and Zeki ÇİFTÇİ, Ph.D., who are members of Board of Directors, were selected as the Audit Committee members with resolution number 82 and dated April 30, 2014. Prof. Dr. Ahmet KESİK was selected as the Chairman of the Audit Committee and Zeki ÇİFTÇİ, Ph.D. was selected as the Deputy Chairman of the Audit Committee by the Audit Committee's meeting on May 22, 2014. Under Board of Directors resolution 216 dated November 12, 2015, Hakan TOKAÇ was elected to fill the vacancy in the Committee's memberships resulting from the passing away of Şerif ÇELENK on October 25, 2015.

The Board of Internal Audit, 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 15 times in 2015 and passed 72 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 | Chairman | Professor at Yıldırım Beyazıt University |
| Zeki ÇİFTÇİ, Ph.D. | Deputy Chairman | Turkish Radio and Television Corporation, Assistant General Manager |
| Hakan TOKAÇ | Member | Undersecretariat of Treasury Foreign Economic Relations Department, General Manager |

(*) Şerif ÇELENK served as a member of the Audit Committee from April 30, 2014 to October 25, 2015.

Corporate Governance Committee

The Corporate Governance Committee was formed with the Bank's Board of Directors' resolution no: 185 dated June 15, 2007 in accordance with the Regulation on the Bank's Corporate Governance Principles issued by the Banking Regulation and Supervision Agency (BRSA) and published in the Official Gazette issue 26333 dated November 1, 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 July 24, 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 December 29, 2011. The regulation was revised with the Board of Directors' Decision no: 214, dated November 25, 2014.

The function of the Committee is to work for 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 April 30, 2014; Zeki ÇİFTÇİ, Ph.D., who is an independent member of Board of Directors without executive duty, was selected as Corporate Governance Committee Chairman, and Selim YEŞİLBAŞ was selected as the Deputy President of Corporate Governance Committee. The Corporate Governance Committee met 2 times in 2015 and passed 2 decisions in 2015.

The Board of Directors has additionally decided that the duties of a Nominating Committee are to be carried out by the Bank's Corporate Governance Committee, as is allowed by the Capital Markets Board's "Communiqué Concerning the Determination and Application of Corporate Governance Principles".

Corporate Governance Committee is continuing to work for 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. | Chairman | Turkish Radio and Television Corporation, Assistant General Manager |
| Selim YEŞİLBAŞ | Deputy Chairman | General Manager at the Undersecretariat of Treasury General Directorate of Publicly Owned Institutions |
| Metin ÇINAR, Ph.D. | 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 December 29, 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 2015, the Committee met 29 times and passed 162 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 | Deputy Chairman | Executive Vice President |
| Bahattin SEKKİN | Member | Executive Vice President |
| Adnan YALÇINCI | Member | Executive Vice President |
| İrfan YAŞAR | Member | Executive Vice President |
| Related departments | Member | Legal Affairs Loan Evaluation I Director Loan Evaluation II Director Loan Follow Up and Collections Director Credit Marketing Director Intelligence and Financial Analysis Director |

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 September 8, 2008; the guidelines governing the operating procedures and principles of the committee were revised and were put in effect under the Assets and Liabilities Management Committee Bylaws by the Board of Directors resolution no: 283 dated December 29, 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 2015, the Committee met 28 times and passed 24 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 |
| Bahattin SEKKİN | Deputy Chairman | Executive Vice President |
| Zekai İŞILDAR | Member | Executive Vice President |
| Adnan YALÇINCI | Member | Executive Vice President |
| İrfan YAŞAR | Member | Executive Vice President |

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 June 30, 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 October 21, 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 2015, 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 |
| Adnan YALÇINCI | Member | Executive Vice President |
| İrfan YAŞAR | Member | Executive Vice President |
| Bahattin SEKKİN | Member | Executive Vice President |
| Asım DEMİR | Member | Head of Information Technology Department (by proxy) |

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 August 15, 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 six times in 2015.

Members of the Environmental Management Committee and Their Primary Functions

| Name | Title | Primary Function |
|---------------------|---|---|
| Ahmet BUÇUKOĞLU | Representative of the Management | General Manager |
| Bahattin SEKKİN | Assistant to the Representative of the Management | Executive Vice President |
| İbrahim SEVİN | Assistant to the Representative of the Management | Technologic Monitoring and Research Manager |
| Esra CEYLAN | Member | Budget Manager |
| Zeki AVŞAR | Member | Senior Specialist |
| Caner Emre AKÇAY | Member | Senior Specialist |
| Kurtay Kurtar ERBAŞ | Member | Senior Supervisor |

Compensation Committee

The BRSA's Regulation Amending the Regulation on Banks' Corporate Governance Principles published in the Official Gazette issue 27959 dated June 9, 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 December 8, 2011. Under Board of Directors resolution 215 dated November 22, 2015, Hakan TOKAÇ was elected as the Chairman and Prof. Dr. Ahmet KESİK as member in the Committee resulting from the passing away of Şerif ÇELENK on October 25, 2015.

The Committee held one meeting in 2015 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 |
|-----------------------|----------|---|
| Hakan TOKAÇ | Chairman | Undersecretariat of Treasury Foreign Economic Relations Department, General Manager |
| Prof. Dr. Ahmet KESİK | Member | Professor at Yıldırım Beyazıt University |

(*) Şerif ÇELENK served as a Chairman of the Compensation Committee between April 30, 2014 - October 25, 2015.

Business Continuity and Steering Emergency Cases Committee

By the Board of Directors' Resolution no: 167 dated August 31, 2015, Business Continuity and Steering Emergency Cases Committee was formed in order to maintain and update the plans and procedures regarding business continuity policies and take necessary measures and their implementation.

The Business Continuity and Steering Emergency Cases Committee undertake its operations in accordance with regulations concerning the Business Continuity Plan.

The Committee meets to carry out its duty and responsibilities at least twice a year. The Business Continuity and Steering Emergency Cases Committee held two meetings in 2015, and passed two resolutions.

Members of the Business Continuity and Steering Emergency Cases Committee and Their Primary Functions

| Name | Title | Primary Function |
|------------------------------|----------|--|
| Ahmet BUÇUKOĞLU | Chairman | General Manager |
| Zekai İŞILDAR | Member | Executive Vice President |
| Adnan YALÇINCI | Member | Executive Vice President |
| İrfan YAŞAR | Member | Executive Vice President |
| Bahattin SEKKİN | Member | Executive Vice President |
| Salih DEMİREL | Member | Head of Human Resources Department |
| Ziya ÇİFTÇİ | Member | Head of Support Services and Procurement Department |
| Asım DEMİR | Member | Head of Information Technology Department (by proxy) |
| Oktay KÜÇÜKKİREMİTÇİ, Ph. D. | Member | Head of Treasury |
| Osman KILIÇ | Member | Senior Legal Counselor |
| Semra PEKKAYA, Ph.D. | Member | Risk Monitoring Manager |

The principles of the Development Bank of Turkey'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 Bylaws, Board of Internal Audit 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 and the performance assessment of them 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 the Development Bank of Turkey had 620 personnel in different position groups in the first half of 2015, this number was 602 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 order 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 the Bank's website and in-house intranet site. Bank exams and their results are publicly announced via press publications and on the web, and the relevant persons are informed in writing.

Furthermore, the Human Resources applications include:

- Realizing studies to improve the efficiency and productivity of the Bank's operations,
- Pursuing and protecting employees' personal rights in accordance with the laws and new policies,
- Applying the use of Right of Petition Law no: 3071 and the Right to Information Act no: 4982,
- Assessing the individual job applications made to the Bank.

The Bank employed 635 personnel (35 of them with term contract) as of 2014 year-end, and 602 personnel (36 of them with term contract) as of the 2015 year-end. The Bank has one branch operating in Istanbul.

Training Activities

In 2015, while 1,366 Bank personnel benefited from "Internal Occupational Trainings", 87 Bank personnel benefited from "External Domestic Trainings".

Moreover, 14 "Project Preparation Training" programs were organized externally and 329 people benefited from them.

SECTION I - CORPORATE GOVERNANCE COMPLIANCE DECLARATION

The Development Bank of Turkey undertakes its operations in accordance with Law no: 4456 and other regulatory laws, and;

- complies with the obligatory principles of the Corporate Governance Principles issued by Capital Markets Board,
- pays maximum attention 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 30 72
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: Zekai İŞILDAR

A report was presented to the Board of Directors on January 11, 2016 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 information about the progresses related with the Bank's operations are regularly announced on the website. The information and explanations which can affect the shareholders rights have been presented on the website for the shareholders. 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 2014 was held under the custody of the Ministry representative on April 24, 2015 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: 8791 of April 1, 2015, and in the Dünya and Star newspapers, both dated: April 2, 2015. 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 158,530,720.96 were represented at the meeting.

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

- Approving the balance sheet and income statement;
- Acquaintance 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 acquaintance), 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 2014 Activities, are reserved;
- Proposal of the Board of Directors regarding profit distribution;
- Electing Şerif ÇELENK, Zeki ÇİFTÇİ, Ph.D. and Prof. Dr. Ahmet KESİK as Members of the Board of Directors 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 2015 within the framework of the Turkish Code Commerce no: 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>.

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.

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 (<http://www.kalkinma.com.tr/>).

3.2. Annual Report

Banks' annual reports include all information required by 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:

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

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

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 Internal Audit 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 620 personnel were employed in different positions in the first half of 2015; this number had declined to 602 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 the Bank's website and in-house intranet site.

Furthermore, efforts are undertaken aimed at:

- increasing the effectiveness and efficiency of the Bank's operations;
- pursuing and protecting employees' personal rights in accordance with the law and new policies;
- correctly responding 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;
- performing the assessment of personal job applications;
- informing the public regarding examinations prepared by the Bank through the press and the internet,
- providing a written declaration of the results of examinations through the Bank's 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 April 13, 2005. It became effective on this date and with the approval of the Head Office, dated April 22, 2005 and numbered 1165. In accordance with article 23 of the same regulation with the title "Adhering to Ethical Conduct Principles" the "Ethics Contract" contained in the appendix of the regulation was signed by all Bank employees and placed in their personal files. The Bank is a signatory to the Banking Ethics Principles that were declared by the Banks Association of Turkey on July 26, 2006.

Being the first public bank with Environmental Management System certification, Development Bank of Turkey 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 2015, 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.

The Development Bank of Turkey achieved the following social responsibility targets within the scope of the Environmental Management System:

- In all loan requests received by the Bank, especially for mid- and long-term financings to industrial, tourism and energy sectors, the submission of environmental documentation related to the investment is required.
- In energy, tourism and services sectors' projects, the environmental and natural impacts of the project are assessed, and an EIA (environmental impact assessment) report is requested when deemed necessary.
- During 2015, on the occasion of World Environment Day and World Day to Combat Desertification, the Bank's personnel were handed out pens produced with recycled material and filled with black larch seed. This allowed the employees to raise environmental awareness, as well as gave them the opportunity of planting the black larch seeds.

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 Communiqué on Corporate Governance.

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

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 2015 and made 261 decisions, 10 of which are interim decisions.

Board of Directors ^(*)

| Name-Surname | Title | Effective from | Positions 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 | 29 April 2014 | Undersecretary of Ministry of Development |
| | Deputy Chairman of the Board of Directors (Non-executive member) | 21 July 2014 | |
| Hakan TOKAÇ | Member of the Board of Directors | 1 May 2007 | Acting General Manager for Foreign Economic Relations in Undersecretariat of Treasury |
| | Chairman of the Compensation Committee | 12 November 2015 | |
| | Member of the Audit Committee (Non-executive independent member) | 12 November 2015 | |
| Selim YEŞİLBAŞ | Member of the Board of Directors | 29 April 2014 | General Manager of Publicly Owned Institutions Board in Undersecretariat of Treasury |
| | Deputy Chairman of Corporate Governance Committee (Non-executive member) | 30 April 2014 | |
| Prof. Dr. Ahmet KESİK | Member of the Board of Directors | 15 May 2012 | Associate Professor at Yıldırım Beyazıt University |
| | Chairman of the Audit Committee | 30 April 2014 | |
| | Member of the Compensation Committee (Non-executive independent member) | 22 May 2014 | |
| Zeki ÇİFTÇİ, Ph.D. | Member of the Board of Directors | 15 May 2012 | Turkish Radio and Television Corporation Board Member and Assistant General Manager |
| | Chairman of the Corporate Governance Committee | 30 April 2014 | |
| | Deputy Chairman of the Audit Committee (Non-executive independent member) | 22 May 2014 | Board Member at TRNC Development Bank |

^(*) CVs of Board of Directors are included in the Board of Directors section in the annual report.

Serving as a member of the Board of Directors since March 2, 2009, Şerif ÇELENK has passed away on October 25, 2015.

^(*) Having served as the Minister of the T.R. Ministry of Development between September 22, 2015 - November 24, 2015, Mustafa Cüneyd DÜZYOL resigned from his duties in the Bank as per the articles no: 82 and 112 of the T.R. Constitution. He has been reappointed as Member of the Board of Directors in November 30, 2015 with the decision of submitting the appointment for final approval of the next General Assembly, pursuant to the article no: 363 of the TCC. He has been reelected as the Deputy Chairman of the Board of Directors at the Board meeting which took place on December 24, 2015.

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 and the number of members on the Board.

Audit Committee

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

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 Zeki ÇİFTÇİ, Ph.D. was elected as the Deputy Chairman at the Board of Directors' meeting dated May 22, 2014, no: 7. Under Board of Directors resolution 216 dated November 12, 2015, Hakan TOKAÇ was elected to fill the vacancy in the Committee's memberships resulting from the passing away of Şerif ÇELENK on October 25, 2015.

The Audit Committee conducts its activities in accordance with the Audit Committee Operating Procedures and Principles that were approved by the Board of Directors' resolution no: 36 dated January 24, 2007. The secretarial tasks of the Committee are carried out by the Private Secretariat and Board of Directors' Office.

The Committee met 15 times and passed 72 decisions in 2015.

| | |
|-----------------|--|
| Chairman | Prof. Dr. Ahmet KESİK (Non-executive, Independent Board of Directors Member) |
| Deputy Chairman | Zeki ÇİFTÇİ, Ph.D. (Non-executive, Independent Board of Directors Member) |
| Member | Hakan TOKAÇ (Non-executive, Independent Board of Directors Member) |

Şerif ÇELENK served as a Member of the Audit Committee between April 30, 2014 - October 25, 2015.

Corporate Governance Committee

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

At the Board of Directors meeting of April 30, 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 Selim YEŞİLBAŞ, also a non-executive member of the Board of Directors, was elected as the Deputy Chairman of the Committee.

The secretarial tasks of the Corporate Governance Committee are performed by the Corporate Banking and Investments Department. The Corporate Governance Committee met two times and passed two decisions in 2015. 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) |
| Deputy Chairman | Selim YEŞİLBAŞ (Non-executive, Board of Directors Member) |
| Member | Metin ÇINAR, Ph.D. (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 Banks' Corporate Governance Principles published in the Official Gazette issue 27959 dated June 9, 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.

In this regard, Compensation Committee was formed among the non-executive members, with the Bank's Board of Directors' resolution no: 272 dated December 8, 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. The Committee's report no: 2015/01 related to the compensation system of the Bank was approved by Board of Directors' resolution no: 2015-24-06/260 dated December 28, 2015.

Under Board of Directors resolution 215 dated November 22, 2015, Hakan TOKAÇ was elected as the Chairman and Prof. Dr. Ahmet KESİK as member in the Compensation Committee resulting from the passing away of Şerif ÇELENK on October 25, 2015.

The Committee held one meeting in 2015 and made one decision to be submitted to the Board of Directors of the Bank.

| | |
|----------|--|
| Chairman | Hakan TOKAÇ (Non-executive, Independent Board of Directors Member) |
| Member | Prof. Dr. Ahmet KESİK (Non-executive, Independent 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 July 11, 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 activities 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 Internal Audit 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 Internal Audit, 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 Internal Audit.

The Board of Internal Audit continues its annual auditing activities in line with the internal audit plans confirmed by Board of Directors. The Board of Internal Audit 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 no: 29057, dated July 11, 2014; "Development Bank of Turkey Internal Capital Adequacy Assessment Process (ICAAP) Report" for 2014 period was prepared by the Risk Monitoring Department in March 2015, 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.

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: 32 and dated February 27, 2015 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.

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.

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.

AMENDMENTS TO THE ARTICLES OF ASSOCIATION AND REASONS

Within 2015, there were no amendments made to the Articles of Association of the Bank.

The events that most marked the year were the apparent slowdown in the developing countries' growth performance, slower-than-expected recovery in European and other developed countries, sharp declines in energy and commodity prices, climate change concerns, ongoing and worsening geopolitical risks in the Middle East, and US Federal Reserve Bank monetary policies and that bank's decision to raise interest rates for the first time in a decade. Having grown by 3.4% in 2014, the world economy was projected to grow by 3.1% and 3.4% in 2015 and 2016 respectively according to the IMF.

The Turkish economy continued to grow in 2015. First-quarter growth in 2015 was 2.5% higher than it was in the same quarter of the previous year. The QoQ change in the second quarter was 3.8% and in the third it surpassed expectation sat 4%. The Turkish economy thus grew by 3.4% overall in the first nine months of 2015. According to the January 2016 revision of the Medium-Term Program year-on growth rates of 4% and 4.5% are targeted for 2015 and 2016 respectively.

Development Bank of Turkey completed its 41st year in business as the author of new successes. Ever since it commenced operations in 1975, the Bank has supplied resources in support of Turkey's sustainable growth and development. In 2015 Development Bank of Turkey registered a 22% rate of year-on growth while its total assets reached TL 4,774.4 million, up from their TL 3,914.9 million level at end-2014. Such growth surpassed the averages achieved by the Turkish banking industry last year.

There was similar success in the Bank's lending activities. The Bank's total lending increased by 24.4% over its end-2014 level of TL 3,145 million and reached TL 3,912.9 million last year. It gives us pleasure to say that strong performance in credit growth exceeded the growth in the Bank's assets, with the result that the ratio of its total lendings to total assets went from 80.3% in December 2014 to 82.0% in December 2015. This likewise surpassed both sectoral and group averages.

The majority of Development Bank of Turkey's lending is financed by means of loans which the Bank receives from abroad. The total value of the medium- and long-term resources secured by the Bank in this way grew by 25.1% last year and reached TL 3,959.8 million.

Development Bank of Turkey's net profit increased by 33.7% over its previous-year TL 46.9 million level and amounted to TL 62.7 million in 2015. The Bank's return on equity in 2015 was 8.9% (2014: 7.3%) while its return on assets was 1.3% (2014: 1.2%).

As a result of the growth which it registered in its total lendings last year, there was an increase in the Bank's risk-weighted asset value. Because that increase exceeded the growth in equity, the Bank's 17.8% capital adequacy ratio as of December 2015 was below the December 2014 figure of 20.4%.

In 2015 Development Bank of Turkey formally applied to the Treasury Undersecretariat concerning the payment of TL 340 million, which amount corresponds to the unpaid portion of the Bank's capital.

In another important development last year, the 2015-2019 Strategic Plan that was prepared for the Bank in line with its 2023 Vision goals was approved by the Bank's Board of Directors.

In 2016 Development Bank of Turkey will once again continue to support the Turkish economy in every possible way and to provide not only financing for projects that require it but also its own knowledge and experience of development as advice and technical assistance to those who need it in Turkey and its neighborings.

We take this opportunity as the Board of Directors of Development Bank of Turkey to express our gratitude to our stakeholders for their support and confidence and for choosing to do business with us while also thanking our team whose dedicated efforts made our 2015 performance possible.

We hereby submit Development Bank of Turkey's Board of Directors and Statutory Auditors' reports and financial statements for 2015.

The Development Bank of Turkey Board of Directors

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 Assessment Process" that was issued by the Banking Regulation and Supervision Agency and published in Official Gazette issue no: 29057 dated July 11, 2014. The Board of Internal Audit 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 2014 Ordinary General Assembly Meeting. Three of these members without executive duty - Prof. Dr. Ahmet KESİK, Zeki ÇİFTÇİ Ph.D. and Şerif ÇELENK - were selected as members of the Audit Committee. Under Board of Directors resolution dated November 12, 2015, Hakan TOKAÇ was elected to fill the vacancy in the Committee's memberships resulting from the passing away of Şerif ÇELENK on October 25, 2015. Prof. Dr. Ahmet KESİK, Zeki ÇİFTÇİ, Ph.D. and Hakan TOKAÇ served with the respective titles of Audit Committee Chairman, Audit Committee Deputy Chairman and Member of the Audit Committee during 2015.

In article 7 of the Regulations concerning Internal Systems of the Banks, and the Internal Capital Adequacy Assessment 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 2014 and the first half of 2015. The Internal Control Management is responsible for monitoring the duties and processes included in the mentioned reports.

The operations executed by the units connected to the Audit Committee were monitored, while reports and suggestions regarding them were assessed and the summary of these activities for the period of 2015 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 Internal Audit on a monthly basis. The Department issued 12 Internal Control Activity Reports during January-December 2015.

Main Operations Conducted by the Board of Internal Audit

The Board of Internal Audit 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 Internal Audit 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 2015, ten Inspection Reports, four 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, Internal Capital Adequacy Assessment Process (ICAAP) Report, and one Examination Report were issued by the Board of Internal Audit.

The Board of Internal Audit 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 the 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 the actualizations of limits that are monitored on a weekly basis, and domestic and overseas macroeconomic developments to enable the following-up of macroeconomic risks.

The monthly “The Development Bank of Turkey’s Risk Analysis According to Specified Indicators and Risk Groups” report covers risk analyses assessed under topics such as liquidity risk, FX risk, maturity risk, credit risk, interest rate risk. The report also includes summaries of the reports that are prepared for and submitted to Banking Regulation and Supervision Agency, mainly as Capital Adequacy Ratio Form. Furthermore, the monthly prepared “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 Risk Monitoring 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 also calculated and reported to the BRSA by the Risk Monitoring Department within the scope of legal reporting.

As per the “Regulation on Banks’ Internal Systems and Internal Capital Adequacy Evaluation Process” that entered into force with the Official Gazette no: 29057, dated July 11, 2014, an annual “The Development Bank of Turkey Internal Capital Adequacy Assessment Process (ICAAP) Report” has been prepared. The 2014 report of the Bank, which was approved by the Board of Directors, was submitted to the Banking Regulation and Supervision Agency in March 2015.



Zeki ÇİFTÇİ, Ph.D.

Deputy Chairman of the
Audit Committee



Prof. Dr. Ahmet KESİK

Chairman of the Audit
Committee

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 Assessment 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 Assessment".

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.

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.

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.

Internal Assessment of Capital Requirement and Capital Adequacy Policy

The main principle of the Internal Assessment of Capital Requirement 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 an Internal Capital Adequacy Assessment 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 Adequacy Assessment 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. Internal Capital Adequacy Assessment 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 Internal Capital Adequacy Assessment Process, necessary corrections are made in the process. As a principle, Bank's internal assessment 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.

As mandated by the "Banks are required to establish and implement an internal capital adequacy assessment process (ICAAP) that is compatible with their risk profile and operational environment" rule of the Banking Regulation and Supervision Agency's "Regulation on banks' internal systems and internal capital adequacy assessment processes" published in issue 29057 of the official gazette on July 11, 2014, an ICAAP has been established and is now being implemented at the Bank. This process is discussed in detail in the ICAAP reports published for 2013 and 2014.

ASSESSMENT OF FINANCIAL STRENGTH, PROFITABILITY AND SOLVENCY MARGIN

Financial data regarding the Bank's financial position as of December 31, 2015 is presented in the tables below in a comparative format with the respective financial data from December 31, 2014.

| TL million | December 2014 | December 2015 | Change (Value) | Change (%) |
|-------------------------------------|---------------|---------------|----------------|------------|
| Total Assets | 3,914.9 | 4,774.4 | 859.5 | 22.0 |
| Total Assets (US\$ million) | 1,693.1 | 1,642.0 | -51.1 | -3.0 |
| Loans | 3,145.0 | 3,912.9 | 767.9 | 24.4 |
| Foreign Resources | 3,272.3 | 4,071.1 | 798.8 | 24.4 |
| Shareholders' Equity | 642.6 | 703.3 | 60.7 | 9.4 |
| Free Capital ⁽¹⁾ | 477.2 | 539.7 | 62.5 | 13.1 |
| Total Income | 188.3 | 220.8 | 32.5 | 17.3 |
| Total Expenditures | 129.1 | 140.7 | 11.6 | 9.0 |
| Provision for Taxes | 12.3 | 17.4 | 5.1 | 41.5 |
| Profit/Loss | 46.9 | 62.7 | 15.8 | 33.7 |
| Standard Capital Adequacy Ratio (%) | 20.4 | 17.8 | -2.6 | -12.7 |

⁽¹⁾ 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 22% during 2015, from TL 3,914.9 million at the end of 2014 to TL 4,774.4 million at the end of 2015. Total lending, which amounted to TL 3,145 million at the end of 2014 increased by 24.4% to TL 3,912.9 million at the end of 2015. As the rate of growth in loans increased over the rate of growth in assets, the share of loans in total assets increased from 80.3% at the end of 2014 to 82.0% at the end of 2015.

With its loan placements financed mostly by foreign resources the value of the loans within our Bank's fund structure increased by 25.1% on an annual basis reaching to TL 3,959.8 million and its share in total liabilities increased to 82.9% with the impact of the

rise in foreign exchange rates in this period. While the ratio of the equity in the liabilities decreased from 16.4% to 14.7%.

The annual rate of increase in total income exceeded the increase rate of total expenditures in 2015. Total income increased by 17.3% (TL 32.6 million) to TL 220.8 million, while total expenditures climbed by 9.6% (TL 11.6 million) to TL 140.7 million. Our Bank's net profit also increased by 33.7% to TL 62.7 million.

The Bank's capital adequacy ratio fell from 20.4% at the end of 2014 to 17.8% by the end of 2015 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 2014 | December 2015 |
|---|---------------|---------------|
| Cash Balances, Central Bank and Securities at Fair Value through Profit or Loss | 0.0 | 0.0 |
| Banks and Other Financial Institutions | 7.1 | 11.1 |
| Money Markets | 7.2 | 0.7 |
| Available for Sale Marketable Securities | 1.9 | 3.4 |
| Loans | 80.3 | 82.0 |
| Non-Performing Loans (net) | 1.6 | 1.3 |
| Securities Held to Maturity | 0.5 | 0.4 |
| Subsidiaries and Affiliates | 0.6 | 0.6 |
| Tangible Fixed Assets | 1.8 | 1.3 |
| Other Assets | 0.6 | 0.6 |
| Total | 100.0 | 100.0 |

When our Bank's asset structure is examined in 2015, 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 2014 | December 2015 |
|---------------------------------|----------------------|----------------------|
| Loans | 3,145.0 | 3,912.9 |
| Non-Performing Loans (Gross) | 109.0 | 107.5 |
| Loan Provisions (-) | 48.0 | 46.3 |
| Non-Performing Loans (Net) | 61.0 | 61.2 |

| Asset Quality (%) | December 2014 | December 2015 |
|--|----------------------|----------------------|
| Loans/Total Assets | 80.3 | 82.0 |
| Non-Performing Loans (Net)/Total Assets | 1.6 | 1.3 |
| Non-Performing Loans (Net)/Total Loans | 1.9 | 1.6 |
| Loan Provisions/Non-Performing Loans | 44.0 | 43.1 |
| Non-Performing Loans (Gross)/Total Assets | 2.8 | 2.3 |
| Non-Performing Loans (Gross)/Total Loans (Gross) | 3.4 | 2.7 |

Non-Performing Loans (gross) decreased from TL 109 million (the figure recorded as of the 2014 year-end) to TL 107.5 million at December 2015. Due to the increase in the loan volume, gross non-performing loans ratio fell from previous year's rate of 3.4% to 2.7% as of year-end 2015.

| Liquid Assets (TL million) | December 2014 | December 2015 |
|--|----------------------|----------------------|
| Cash Balances and Central Bank | 0.8 | 0.3 |
| Banks and Other Financial Institutions | 277.7 | 525.0 |
| Money Markets | 283.1 | 35.0 |
| Available for Sale Marketable Securities | 72.3 | 164.5 |
| Total | 633.9 | 724.8 |

Our Bank's liquid assets that were TL 633.9 million as of 2014 year-end, were recorded as TL 724.8 million as of December 2015, increasing by 14.3%. The ratio of this item in total assets decreased from 16.2% to 15.2% due to the fact that it remained below the growth rate in assets.

| Composition of Liabilities (%) | December 2014 | December 2015 |
|---------------------------------------|----------------------|----------------------|
| Money Markets | 0.0 | 0.0 |
| Borrowings | 80.8 | 82.9 |
| Funds | 0.4 | 0.3 |
| Provisions | 1.6 | 1.6 |
| Other Liabilities | 0.8 | 0.5 |
| Shareholders' Equity | 16.4 | 14.7 |
| Profit/Loss for the Period | 1.2 | 1.3 |
| 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 16.4% (the figure recorded in the previous year) to 14.7% in 2015. Because the 25.1% rate of year-on growth in the Bank's mainly international-sourced borrowings was higher than the corresponding 22% rise in its total assets, the ratio of loans received to total liabilities increased from 80.8% in December 2014 to 82.9% in December 2015.

| Sources of Profit/Loss (TL million) | December 2014 | December 2015 |
|--|----------------------|----------------------|
| Interest Margin | 122.9 | 145.7 |
| FX Margin | 2.2 | 2.6 |
| Fee and Commission Margin | 8.1 | 10.0 |
| Securities Trading Margin | 0.0 | 2.8 |
| Derivative Financial Transactions Margin | 0.0 | 0.0 |
| Other Income Margin | -74.0 | -81.0 |
| Profit before Taxes | 59.2 | 80.1 |
| Provision for Taxes (-) | 12.3 | 17.4 |
| Net Profit (Loss) | 46.9 | 62.7 |

| Composition of Revenues/ Expenditures (%) | December 2014 | December 2015 |
|--|------------------|------------------|
| Income | 100.0 | 100.0 |
| Interest Income | 83.6 | 84.3 |
| Foreign Exchange Income | 4.2 | 6.7 |
| Commission Income | 4.6 | 4.8 |
| Gains from Securities Trading | 0.0 | 1.3 |
| Gains from Derivatives Trading | 0.0 | 0.0 |
| Other Income | 7.6 | 2.9 |
| Expenditures | 100.0 | 100.0 |
| Interest Expenditures | 26.8 | 28.7 |
| Foreign Exchange Expenditures | 4.4 | 8.7 |
| Commission Expenditures | 0.4 | 0.5 |
| Securities Trading Expenditures | 0.0 | 0.0 |
| Derivatives Trading Expenditures | 0.0 | 0.0 |
| Other Expenditures | 68.4 | 62.1 |

| Composition of Interest Income/ Expenditures (%) | December 2014 | December 2015 |
|---|------------------|------------------|
| Interest Income | 100.0 | 100.0 |
| From Loans | 79.2 | 75.4 |
| From Banks | 3.4 | 5.9 |
| From Money Market Operations | 10.1 | 12.2 |
| From Securities | 7.3 | 5.7 |
| Other | 0.0 | 0.8 |
| Interest Expenditures | 100.0 | 100.0 |
| On Money Market Operations | 0.6 | 0.0 |
| On Borrowings | 98.1 | 99.8 |
| Other | 1.3 | 0.2 |

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 18.6% to TL 145.7 million in 2015. In 2015, the Bank's foreign exchange margin and securities trading margin rose to from TL 2.2 million TL 2.6 million and TL 2.8 million, respectively. The Bank's fee and commission income margin climbed by TL 1.9 million to TL 10 million and other income margin fell from TL -74 million to TL -81 million.

Interest income rose to TL 186.1 million with an increase of TL 28.7 million. The share of the Bank's interest income generated by its lendings fell from 79.2% to 75.4% while the shares of interest received from other banks and interest earned on money market transactions grew from 3.4% to 5.9% and from 10.1% to 12.2% respectively. Interest expenses increased by TL 5.9 million and reached TL 40.4 million. Reflecting the growth in the Bank's borrowings, the share of interest paid on loans received rose from 98.1% to 99.8%.

The Bank's net profit for 2015 increased by 33.7% compared to previous year and reached TL 62.7 million. Because the rate of increase in net profit for the period was higher than the rate of increase in total assets, the Bank's return on assets rose from 1.2% as of end-2014 to 1.3% as of end-2015. The 8.9% rise in return on equity, the highest in the last five years, is indicative of the combined effects of 9.4% and 33.7% increases in equity and profitability respectively.

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 companies called "Pusat ve Kuzey Rüzgarı Güvenlik Adi Ortaklığı" and Metin Özel Güvenlik Vip Koruma Hizmetleri Sanayi ve Tic. Ltd. Şti.; 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 November 1, 2006, the Bank was assessed in 2015 by Fitch Ratings and the confirmed credit ratings were issued on October 15, 2015. The credit ratings were updated on the Bank’s website.

| | 2014 | 2015 |
|-------------------------------------|----------|----------|
| 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 2011-2015

| (TL million) | 2011 | 2012 | 2013 | 2014 | 2015 |
|--|---------|---------|---------|---------|---------|
| Total Assets | 2,793.8 | 2,870.1 | 3,556.1 | 3,914.9 | 4,774.4 |
| Liquid Assets | 815.7 | 488.6 | 659.9 | 633.9 | 724.8 |
| Total Loans | 1,859.2 | 2,254.4 | 2,758.7 | 3,145.0 | 3,912.9 |
| Non-performing Loans (net) | 48.3 | 48.0 | 80.5 | 61.0 | 61.2 |
| Total Foreign Resources | 2,264.9 | 2,293.2 | 2,952.0 | 3,272.3 | 4,071.1 |
| Paid-in Capital | 160.0 | 160.0 | 160.0 | 160.0 | 160.0 |
| Shareholders’ Equity | 528.9 | 576.9 | 604.1 | 642.6 | 703.3 |
| Net Interest Income | 91.5 | 113.6 | 111.4 | 122.9 | 145.7 |
| Net Profit | 23.8 | 43.6 | 36.6 | 46.9 | 62.7 |
| % | | | | | |
| Total Loans/Total Assets | 66.5 | 78.5 | 77.6 | 80.3 | 82.0 |
| Non-Performing Loans (gross)/Total Loans (gross) | 4.9 | 4.2 | 4.5 | 3.4 | 2.7 |
| Total Foreign Resources/Total Liabilities | 81.1 | 79.9 | 83.0 | 83.6 | 85.3 |
| Shareholders’ Equity/Total Assets | 18.9 | 20.1 | 17.0 | 16.4 | 14.7 |
| Return on Assets (ROA) | 0.9 | 1.5 | 1.0 | 1.2 | 1.3 |
| Return on Equity (ROE) | 4.5 | 7.6 | 6.1 | 7.3 | 8.9 |

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

Report on the Financial Statements

We have audited the attached financial statements of Türkiye Kalkınma Bankası AŞ consisting of the unconsolidated Balance Sheet as of 31 st December 2015 and the unconsolidated income statement related with the same term, the profit and loss items that are accounted under shareholders equity, the shareholders equity changes statement, cash flow statements and footnotes and other explanatory notes summarising the significant accounting policies.

Management's Responsibility for the Financial Statements

The Bank Management is responsible for the preparation and fair presentation of the financial statements in accordance with "the Banking Regulation and Supervision Agency ("BRSA") Accounting and Reporting Regulations" including the regulation on "The Procedures and Principles Regarding Banks' Accounting Practices and Maintaining Documents" published in the Official Gazette dated 1 November 2006 with No. 26333, and other regulations on accounting records of banks published by the Banking Regulation and Supervision Board and circulars and pronouncements published by the BRSA and Turkish Accounting Standards for the matters not legislated by the aforementioned regulations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 "Independent Auditing of Banks" published in the Official Gazette dated 2 April 2015 with No. 29314 and Independent Auditing Standards which is a part of Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about 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 assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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 unconsolidated financial statements present fairly, in all material respects, the financial position of Türkiye Kalkınma Bankası A.Ş. as at 31 December 2015, and of its financial performance and its cash flows for the year then ended in accordance with the BRSA Accounting and Reporting Regulations.

Report on Other Legal and Regulatory Requirements

In accordance with paragraph four of the Article 402 of the Turkish Commercial Code No. 6102 ("TCC"), nothing has come to our attention that may cause us to believe that the Bank's set of accounts for the period 1 January-31 December 2015 does not comply with TCC and the provisions of the Bank's articles of association in relation to financial reporting.

In accordance with paragraph four of the Article 402 of TCC, the Board of Directors provided us all the required information and documentation with respect to our audit.

Additional paragraph for 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.

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



Müjde Şehsuvaroğlu
Partner

Ankara, 10 February 2016

The Headquarters Address Necatibey Cad. No: 98 P.K.06100 Bakanlıklar/ANKARA
Telephone and Facsimile Tel: 0312 231 84 00
Fax: 0312 231 43 40
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

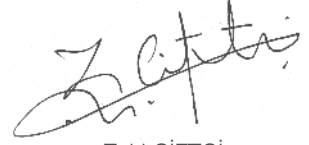
The unconsolidated financial statements and related disclosures and notes included in this report are prepared, unless otherwise stated, in **Thousand Turkish Liras**, in accordance with the Procedures and Principles Regarding Banks' Accounting Practices and Maintaining Documents, Turkish Financial Reporting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



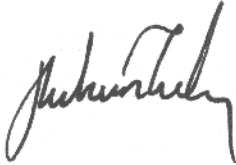
Ahmet BUÇUKOĞLU
Chairman of Board of Directors and
General Manager



Prof. Dr. Ahmet KESİK
Chairman of Audit
Committee



Zeki ÇİFTÇİ
Chairman of Audit
Committee (By Proxy)



Hakan TOKAÇ
Member of Audit
Committee



Adnan YALÇINCI
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

| | Page |
|---|------|
| SECTION ONE | |
| General Information | |
| I- Establishment Date of the Bank, Initial Articles of Association, History of the Bank Including the Changes of These Articles | 70 |
| 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 | 70 |
| 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 | 71 |
| IV- Information About Persons And Institutions that Have Qualified Shares Attributable to the Bank | 72 |
| V- Summary of Functions and Lines of Activities of the Bank | 72 |
| VI- Information on application differences between consolidation practices as per the Regulation on Preparation of Consolidated Financial Statements of Banks and the Turkish Accounting Standards, and entities subject to full or proportional consolidation or deducted from equity or not subject to any of these three methods | 72 |
| VII- Current or likely actual or legal barriers to immediate transfer of equity or repayment of debts between the bank and its subsidiaries | 72 |
| SECTION TWO | |
| Financial Statements | |
| I- Unconsolidated Balance Sheet | 74 |
| II- Unconsolidated Statement of Off-Balance Sheet Accounts | 76 |
| III- Unconsolidated Statement of Income | 77 |
| IV- Unconsolidated Statement of Changes in Shareholders' Equity | 78 |
| V- Unconsolidated Statement of Profit or Loss Accounted under Shareholders' Equity | 80 |
| VI- Unconsolidated Statement of Cash Flow | 81 |
| VII- Unconsolidated Statement of Profit Distribution | 82 |
| SECTION THREE | |
| Accounting Policies | |
| I- Explanations on Basis of Presentation | 83 |
| II- Explanations on Utilization Strategy of Financial Instruments and Foreign Currency Transactions | 84 |
| III- Explanations on Derivative Instruments | 84 |
| IV- Explanations on Interest Income and Expenses | 84 |
| V- Explanations on Fees and Commission Income and Expenses | 85 |
| VI- Explanations on Financial Assets | 85 |
| VII- Explanations on Impairment of Financial Assets | 87 |
| VIII- Explanations on Offsetting of Financial Assets and Liabilities | 87 |
| IX- Explanations On Sales And Repurchase Agreements And Lending Of Securities | 87 |
| X- Explanations on Assets Held For Sale and Discontinued Operations | 88 |
| XI- Explanations on Goodwill and Other Intangible Assets | 88 |
| XII- Explanations on Tangible Fixed Assets | 89 |
| XIII- Explanations on Leasing Transactions | 90 |
| XIV- Explanations on Provisions and Contingent Liabilities | 90 |
| XV- Explanations on Employee Benefit Liabilities | 90 |
| XVI- Explanations on Taxation | 91 |
| XVII- Additional Explanations on Borrowings | 91 |
| XVIII- Explanations on Shares Issued | 91 |
| XIX- Explanations on Bill Guarantees and Acceptances | 92 |
| XX- Explanations on Government Incentives | 92 |
| XXI- Explanations on Segment Reporting | 92 |
| XXII- Explanations on Other Matters | 93 |

SECTION FOUR**Information on Financial Structure and Risk Management**

| | | |
|--------|---|-----|
| I - | Explanations related to capital adequacy ratio | 94 |
| II- | Explanations related to credit risk | 98 |
| III- | Explanations related to market risk | 106 |
| IV- | Explanations related to operational risk | 107 |
| V- | Explanations related to currency risk | 108 |
| VI- | Explanations related to interest rate risk | 110 |
| VII- | Position risk of equity securities in banking book | 114 |
| VIII - | Liquidity Risk Management and Liquidity Coverage Ratio | 115 |
| IX- | Explanations related to securitization positions | 123 |
| X- | Explanations related to credit risk mitigation techniques | 123 |
| XI- | Risk management objectives and policies | 124 |
| XII- | Explanation related to presentation of financial assets and liabilities at fair value | 124 |
| XIII- | Explanations related to transactions made on behalf and account of others, fiduciary transactions | 125 |

SECTION FIVE**Explanations and Notes Related to the Unconsolidated Financial Statements**

| | | |
|-------|--|-----|
| I- | Explanations and Notes Related to Assets | 126 |
| II. | Explanations and Notes Related to Liabilities | 139 |
| III. | Explanations and Notes Related to Off-Balance Sheet Accounts | 142 |
| IV. | Explanations and Notes Related to Income Statement | 144 |
| V. | Explanations and Notes Related to Statement of Changes in Shareholders' Equity | 148 |
| VI. | Explanations and Notes Related to Cash Flow Statement | 148 |
| VII. | Explanations Related to Risk Group of the Bank | 149 |
| VIII. | Explanations Related to the Bank's Domestic, Foreign and Off-shore Branches and Representatives Abroad | 150 |
| IX. | Explanations related to the subsequent events | 150 |

SECTION SIX**Other Explanations**

| | | |
|----|--|-----|
| I. | Other explanations related to Operations of the Bank | 151 |
|----|--|-----|

SECTION SEVEN**Independent Auditors' Report**

| | | |
|-----|--|-----|
| I. | Explanations on Independent Auditor's Report | 152 |
| II. | Explanations and Notes Prepared by Independent Auditor | 152 |

SECTION ONE**GENERAL INFORMATION****I- Establishment Date of the Bank, Initial Articles of Association, History of the Bank Including the Changes of These Articles:**

The Bank was established on 27 November 1975 according to the Decree Based on Law numbered 13 as a related institution of the Ministry of Trade and Technology with the legal title of “Devlet Sanayi ve İşçi Yatırım Bankası A.Ş.”. Some adjustments were made on the status of the Bank with the Decree Based on Law numbered 165 dated November 14, 1983.

On 15 July 1988, its legal title was changed to Türkiye Kalkınma Bankası A.Ş. by being associated to the Prime Ministry in the context of the Decree Based on Law numbered 329 and in parallel with the developments in its service range. The Bank had become a development and investment bank that provides financing support to companies in tourism sector as well as 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 | 33 |
| Selim YEŞİLBAŞ | Member of the Board | 29.04.2014 | Master's Degree | 22 |
| Hakan TOKAÇ | Member of the Board | 01.05.2007 | Master's Degree | 22 |
| Mustafa Cüneyd DÜZYOL | Member of the Board | 30.11.2015 | Master's Degree | 28 |
| Zeki ÇİFTÇİ | Member of the Board | 15.05.2012 | Doctorate | 30 |
| Ahmet KESİK | Member of the Board | 15.05.2012 | Doctorate | 29 |

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 | 32 |
| Bahattin SEKKİN | AGM - Financial Inst., Treasury, Product Business Planning, Loan monitoring and collection, Inquiry | 22.08.2003 | Bachelor | 33 |
| Adnan YALÇINCI | AGM - Financial Affairs, Budget, Loan Marketing, Support Services, Istanbul Branch | 14.10.2005 | Master's Degree | 26 |
| Zekai İŞILDAR | AGM - Loan Evaluation I-II, Tech. Mon, IT, Corporate Banking | 30.01.2009 | Bachelor | 27 |
| İrfan YAŞAR | AGM - Economic and Social Research | 16.12.2009 | Master's Degree | 15 |

Chairman of Inspection Committee:

| Name Surname | Duty | Assignment Date | Education Level | Experience in Banking Sector (Years) |
|---------------|---|-----------------|-----------------|--------------------------------------|
| Murat DOĞUŞLU | Chairman of Inspection Committee (by proxy) | 28.12.2015 | Bachelor | 28 |

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 Standards, 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-** Unconsolidated Balance Sheet
- II-** Unconsolidated Statement of Off-Balance Sheet Accounts
- III-** Unconsolidated Statement of Income
- IV-** Unconsolidated Statement of Changes in Shareholders' Equity
- V-** Unconsolidated Statement of Profit or Loss Accounted under Shareholders' Equity
- VI-** Unconsolidated Statement of Cash Flow
- VII-** Unconsolidated 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 | | | | | | |
|--------------|--|------------------|----------------|-----------|-----------|--------------|-----------|-----------|
| | | Disc. | AUDITED | | | AUDITED | | |
| | | | CURRENT PERIOD | | | PRIOR PERIOD | | |
| | | | (31.12.2015) | | | (31.12.2014) | | |
| | ASSETS | | TRY | FC | Total | TRY | FC | Total |
| I. | CASH AND BALANCES WITH THE CENTRAL BANK | (1) | 272 | - | 272 | 755 | - | 755 |
| II. | FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (Net) | (2) | - | - | - | 1 | - | 1 |
| 2.1 | Trading Financial Assets | | - | - | - | 1 | - | 1 |
| 2.1.1 | Public Sector Debt Securities | | - | - | - | 1 | - | 1 |
| 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) | 307.331 | 217.684 | 525.015 | 34.367 | 243.289 | 277.656 |
| IV. | MONEY MARKET PLACEMENTS | | 35.010 | - | 35.010 | 283.087 | - | 283.087 |
| 4.1 | Interbank Money Market Placements | | - | - | - | - | - | - |
| 4.2 | Istanbul Stock Exchange Money Market Placements | | - | - | - | - | - | - |
| 4.3 | Receivables from Reverse Repurchase Agreements | | 35.010 | - | 35.010 | 283.087 | - | 283.087 |
| V. | FINANCIAL ASSETS AVAILABLE FOR SALE (Net) | (4) | 97.688 | 66.780 | 164.468 | 45.791 | 26.564 | 72.355 |
| 5.1 | Share Certificates | | 8.037 | - | 8.037 | 8.037 | - | 8.037 |
| 5.2 | Public Sector Debt Securities | | 89.651 | 9.196 | 98.847 | 34.282 | 7.816 | 42.098 |
| 5.3 | Other Marketable Securities | | - | 57.584 | 57.584 | 3.472 | 18.748 | 22.220 |
| VI. | LOANS | (5) | 222.186 | 3.690.723 | 3.912.909 | 253.473 | 2.891.567 | 3.145.040 |
| 6.1 | Loans | | 160.986 | 3.690.723 | 3.851.709 | 192.451 | 2.891.567 | 3.084.018 |
| 6.1.1 | Loans Extended to Risk Group of the Bank | | - | - | - | - | - | - |
| 6.1.2 | Public Sector Debt Securities | | - | - | - | - | - | - |
| 6.1.3 | Other | | 160.986 | 3.690.723 | 3.851.709 | 192.451 | 2.891.567 | 3.084.018 |
| 6.2 | Loans Under Follow-Up | | 107.471 | - | 107.471 | 109.033 | - | 109.033 |
| 6.3 | Specific Provisions (-) | | 46.271 | - | 46.271 | 48.011 | - | 48.011 |
| VII. | FACTORING RECEIVABLES | | - | - | - | - | - | - |
| VIII. | HELD TO MATURITY INVESTMENTS (Net) | (6) | 20.532 | - | 20.532 | 20.476 | - | 20.476 |
| 8.1 | Public Sector Debt Securities | | 20.532 | - | 20.532 | 20.476 | - | 20.476 |
| 8.2 | Other Marketable Securities | | - | - | - | - | - | - |
| IX. | INVESTMENTS IN ASSOCIATES (Net) | (7) | 9.453 | 16.879 | 26.332 | 8.415 | 13.161 | 21.576 |
| 9.1 | Accounted with Equity Method | | - | - | - | - | - | - |
| 9.2 | Unconsolidated Associates | | 9.453 | 16.879 | 26.332 | 8.415 | 13.161 | 21.576 |
| 9.2.1 | Financial Investments | | - | 16.879 | 16.879 | - | 13.161 | 13.161 |
| 9.2.2 | Non-financial Investments | | 9.453 | - | 9.453 | 8.415 | - | 8.415 |
| 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) | 57 | - | 57 | 55 | - | 55 |
| 12.1 | Finance Lease Receivables | | - | - | - | - | - | - |
| 12.2 | Operating Lease Receivables | | 57 | - | 57 | 55 | - | 55 |
| 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) | 61.494 | - | 61.494 | 68.513 | - | 68.513 |
| XV. | INTANGIBLE ASSETS (Net) | (13) | 1.163 | - | 1.163 | 1.966 | - | 1.966 |
| 15.1 | Goodwill | | - | - | - | - | - | - |
| 15.2 | Other | | 1.163 | - | 1.163 | 1.966 | - | 1.966 |
| XVI. | INVESTMENT PROPERTIES (Net) | (14) | 1.024 | - | 1.024 | 1.067 | - | 1.067 |
| XVII. | TAX ASSET | (15) | 7.914 | - | 7.914 | 7.087 | - | 7.087 |
| 17.1 | Current Tax Assets | | - | - | - | - | - | - |
| 17.2 | Deferred Tax Assets | | 7.914 | - | 7.914 | 7.087 | - | 7.087 |
| 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) | 16.251 | 1.925 | 18.176 | 13.385 | 1.846 | 15.231 |
| TOTAL ASSETS | | | 780.375 | 3.993.991 | 4.774.366 | 738.438 | 3.176.427 | 3.914.865 |

The accompanying explanations and notes form an integral part of these consolidated 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 | | | AUDITED | | | |
| | | CURRENT PERIOD | | | PRIOR PERIOD | | | |
| | | (31.12.2015) | | | (31.12.2014) | | | |
| | 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) | - | 3.959.768 | 3.959.768 | - | 3.164.074 | 3.164.074 |
| IV. | MONEY MARKET BALANCES | | 226 | - | 226 | 232 | - | 232 |
| 4.1 | Interbank Money Market Takings | | - | - | - | - | - | - |
| 4.2 | Istanbul Stock Exchange Takasbank Takings | | - | - | - | - | - | - |
| 4.3 | Funds From Repurchase Agreements | | 226 | - | 226 | 232 | - | 232 |
| V. | MARKETABLE SECURITIES ISSUED (Net) | | - | - | - | - | - | - |
| 5.1 | Bills | | - | - | - | - | - | - |
| 5.2 | Asset-backed Securities | | - | - | - | - | - | - |
| 5.3 | Bonds | | - | - | - | - | - | - |
| VI. | FUNDS | | 14.512 | 89 | 14.601 | 17.184 | 71 | 17.255 |
| 6.1 | Borrower Funds | | - | - | - | - | - | - |
| 6.2 | Other | | 14.512 | 89 | 14.601 | 17.184 | 71 | 17.255 |
| VII. | SUNDRY CREDITORS | | 3.458 | 5.222 | 8.680 | 14.222 | 2.441 | 16.663 |
| VIII. | OTHER LIABILITIES | (4) | 5.348 | 2.104 | 7.452 | 8.524 | 887 | 9.411 |
| 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) | 73.949 | - | 73.949 | 61.846 | - | 61.846 |
| 12.1 | General Loan Provisions | | 41.238 | - | 41.238 | 32.873 | - | 32.873 |
| 12.2 | Restructuring Provisions | | - | - | - | - | - | - |
| 12.3 | Employee Benefits Provisions | | 32.707 | - | 32.707 | 28.973 | - | 28.973 |
| 12.4 | Insurance Technical Reserves (Net) | | - | - | - | - | - | - |
| 12.5 | Other Provisions | | 4 | - | 4 | - | - | - |
| XIII. | TAX LIABILITY | (8) | 6.435 | - | 6.435 | 2.785 | - | 2.785 |
| 13.1 | Current Tax Liability | | 6.435 | - | 6.435 | 2.785 | - | 2.785 |
| 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) | 703.326 | (71) | 703.255 | 642.627 | (28) | 642.599 |
| 16.1 | Paid-in Capital | | 160.000 | - | 160.000 | 160.000 | - | 160.000 |
| 16.2 | Capital Reserves | | 208.513 | (71) | 208.442 | 210.554 | (28) | 210.526 |
| 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 | | 56 | (71) | (15) | 2.443 | (28) | 2.415 |
| 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 | | 206.966 | - | 206.966 | 206.620 | - | 206.620 |
| 16.3 | Profit Reserves | | 272.073 | - | 272.073 | 225.170 | - | 225.170 |
| 16.3.1 | Legal Reserves | | 32.150 | - | 32.150 | 32.150 | - | 32.150 |
| 16.3.2 | Statutory Reserves | | - | - | - | - | - | - |
| 16.3.3 | Extraordinary Reserves | | 238.050 | - | 238.050 | 191.384 | - | 191.384 |
| 16.3.4 | Other Profit Reserves | | 1.873 | - | 1.873 | 1.636 | - | 1.636 |
| 16.4 | Profit/Loss | | 62.740 | - | 62.740 | 46.903 | - | 46.903 |
| 16.4.1 | Prior Years Income/Loss | | - | - | - | - | - | - |
| 16.4.2 | Period Profit/Loss | | 62.740 | - | 62.740 | 46.903 | - | 46.903 |
| TOTAL LIABILITIES AND EQUITY | | | 807.254 | 3.967.112 | 4.774.366 | 747.420 | 3.167.445 | 3.914.865 |

The accompanying explanations and notes form an integral part of these consolidated 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 | | | |
| | | (31.12.2015) | | | (31.12.2014) | | | |
| A. OFF BALANCE SHEET CONTINGENCIES AND COMMITMENTS (I+II+III) | | Disc. | TRY | FC | Total | TRY | FC | Total |
| I. | GUARANTEES AND SURETYSHIPS | (1), (3) | 231.469 | 1.673.727 | 1.905.196 | 117.895 | 1.365.731 | 1.483.626 |
| 1.1. | Letters of Guarantee | | 38 | 86.660 | 86.660 | 40 | 9.105 | 9.145 |
| 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 | | 38 | - | 38 | 40 | - | 40 |
| 1.2. | Bank Loans | | - | - | - | - | - | - |
| 1.2.1. | Import Acceptances | | - | - | - | - | - | - |
| 1.2.2. | Other Bank Acceptances | | - | - | - | - | - | - |
| 1.3. | Letters of Credit | | - | 86.660 | 86.660 | - | 9.105 | 9.105 |
| 1.3.1. | Documentary Letters of Credit | | - | 86.660 | 86.660 | - | 9.105 | 9.105 |
| 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) | 231.431 | 1.587.067 | 1.818.498 | 117.855 | 1.356.626 | 1.474.481 |
| 2.1. | Irrevocable Commitments | | - | 12.215 | 12.215 | - | 12.226 | 12.226 |
| 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 | | - | 12.215 | 12.215 | - | 12.226 | 12.226 |
| 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 | | 231.431 | 1.574.852 | 1.806.283 | 117.855 | 1.344.400 | 1.462.255 |
| 2.2.1. | Revocable Loan Granting Commitments | | 231.431 | 1.574.852 | 1.806.283 | 117.855 | 1.344.400 | 1.462.255 |
| 2.2.2. | Other Revocable Commitments | | - | - | - | - | - | - |
| 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) | | | 1.205.583 | 14.722.536 | 15.928.119 | 1.448.714 | 10.707.341 | 12.156.055 |
| IV. | CUSTODIES | | 3.015 | 633 | 3.648 | 1.020 | 306 | 1.326 |
| 4.1. | Assets Under Management | | - | - | - | - | - | - |
| 4.2. | Custody Marketable Securities | | 3.015 | - | 3.015 | 1.020 | - | 1.020 |
| 4.3. | Cheques in Collection Process | | - | - | - | - | - | - |
| 4.4. | Commercial Notes in Collection Process | | - | - | - | - | - | - |
| 4.5. | Other Assets in Collection Process | | - | - | - | - | - | - |
| 4.6. | Underwritten Securities | | - | - | - | - | - | - |
| 4.7. | Other Custodies | | - | 633 | 633 | - | 306 | 306 |
| 4.8. | Custodians | | - | - | - | - | - | - |
| V. | PLEDGED ASSETS | | 1.201.005 | 14.721.712 | 15.922.717 | 1.444.574 | 10.705.684 | 12.150.258 |
| 5.1. | Marketable Securities | | - | - | - | - | - | - |
| 5.2. | Collateral Notes | | 87.935 | 2.371.201 | 2.459.136 | 128.254 | 2.149.812 | 2.278.066 |
| 5.3. | Commodity | | - | - | - | - | - | - |
| 5.4. | Warranty | | - | - | - | - | - | - |
| 5.5. | Land and Buildings | | 577.250 | 8.793.239 | 9.370.489 | 732.026 | 5.564.768 | 6.296.794 |
| 5.6. | Other Pledged Assets | | 162.369 | 2.668.626 | 2.830.995 | 188.259 | 2.128.474 | 2.316.733 |
| 5.7. | Pledges | | 373.451 | 888.646 | 1.262.097 | 396.035 | 862.630 | 1.258.665 |
| VI. | ACCEPTED BILL GUARANTEES AND SURETIES | | 1.563 | 191 | 1.754 | 3.120 | 1.351 | 4.471 |
| TOTAL OFF BALANCE SHEET ACCOUNTS (A+B) | | | 1.437.052 | 16.396.263 | 17.833.315 | 1.566.609 | 12.073.072 | 13.639.681 |

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

TÜRKİYE KALKINMA BANKASI A.Ş.
Unconsolidated Statement of Income

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

| | | THOUSANDS OF TRY | |
|--|-------------|-------------------------|-------------------------|
| | | AUDITED | AUDITED |
| | | CURRENT PERIOD | PRIOR PERIOD |
| INCOME AND EXPENSES | | (01/01/2015 31.12.2015) | (01/01/2014 31.12.2014) |
| | Disc. | | |
| I. INTEREST INCOME | (1) | 186.125 | 157.397 |
| 1.1 Interest on loans | | 140.246 | 124.666 |
| 1.2 Interest received from reserve deposits | | - | - |
| 1.3 Interest received from banks | | 11.023 | 5.327 |
| 1.4 Interest received from money market placements | | 22.754 | 15.884 |
| 1.5 Interest income on marketable securities | | 10.635 | 11.520 |
| 1.5.1 Financial assets held for trading | | - | 23 |
| 1.5.2 Financial assets at fair value through profit and loss | | - | - |
| 1.5.3 Financial assets available-for-sale | | 8.855 | 9.267 |
| 1.5.4 Investments held-to-maturity | | 1.780 | 2.230 |
| 1.6 Finance lease income | | - | - |
| 1.7 Other interest income | | 1.467 | - |
| II. INTEREST EXPENSE | (2) | 40.445 | 34.540 |
| 2.1 Interest on deposits | | - | - |
| 2.2 Interest on borrowings | | 40.341 | 33.866 |
| 2.3 Interest on money market borrowings | | 22 | 210 |
| 2.4 Interest on marketable securities issued | | - | - |
| 2.5 Other interest expense | (12) | 82 | 464 |
| III. NET INTEREST INCOME (I - II) | | 145.680 | 122.857 |
| IV. NET FEES AND COMMISSIONS INCOME | | 9.991 | 8.106 |
| 4.1 Fees and commissions income | | 10.655 | 8.591 |
| 4.1.1 Non-cash loans | | 1.101 | 269 |
| 4.1.2 Other | (12) | 9.554 | 8.322 |
| 4.2 Fees and commissions expenses | | 664 | 485 |
| 4.2.1 Non-cash loans | | - | - |
| 4.2.2 Other | | 664 | 485 |
| V. DIVIDEND INCOME | (3) | 289 | 109 |
| VI. NET TRADING PROFIT | (4) | 5.400 | 2.188 |
| 6.1 Profit/Loss from capital market operations | | 2.795 | 3 |
| 6.2 Profit/Loss from financial derivative transactions | | - | - |
| 6.3 Foreign exchange gains/losses | | 2.605 | 2.185 |
| VII. OTHER OPERATING INCOME | (5) | 6.166 | 14.316 |
| VIII. TOTAL OPERATING INCOME (III+IV+V+VI+VII) | | 167.526 | 147.576 |
| IX. LOANS AND OTHER RECEIVABLES IMPAIRMENT LOSS PROVISIONS (-) | (6) | 8.862 | 15.671 |
| X. OTHER OPERATING EXPENSES (-) | (7) | 78.583 | 72.726 |
| XI. NET OPERATING INCOME/(LOSS) (VIII-IX-X) | | 80.081 | 59.179 |
| 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) | 80.081 | 59.179 |
| XVI. INCOME TAX PROVISION (±) | (9) | (17.341) | (12.276) |
| 16.1 Current tax provision | | (17.647) | (12.512) |
| 16.2 Deferred tax provision | | 306 | 236 |
| XVII. NET OPERATING INCOME AFTER TAX (XV±XVI) | (10) | 62.740 | 46.903 |
| XVIII. INCOME FROM DISCONTINUED OPERATIONS | | - | - |
| 18.1 Property and equipment income held for sale | | - | - |
| 18.2 Sale profits from associates, subsidiaries and joint ventures (business partners) | | - | - |
| 18.3 Other income from terminated operations | | - | - |
| XIX. EXPENSES FROM DISCONTINUED OPERATIONS (-) | | - | - |
| 19.1 Property and equipment expense held for sale | | - | - |
| 19.2 Sale losses from associates, subsidiaries and joint ventures (business partners) | | - | - |
| 19.3 Other expenses from discontinued operations | | - | - |
| XX. INCOME/EXPENSE BEFORE TAXES FROM DISCONTINUED OPERATIONS (XVIII-XIX) | (8) | - | - |
| XXI. PROVISION FOR TAXES ON INCOME FROM DISCONTINUED OPERATIONS (±) | (9) | - | - |
| 21.1 Current tax provision | | - | - |
| 21.2 Deferred tax provision | | - | - |
| XXII. NET PROFIT/LOSSES FROM DISCONTINUED OPERATIONS (XX±XXI) | | - | - |
| XXIII. NET PROFIT/(LOSS) (XVII+XXII) | (10) | 62.740 | 46.903 |
| Earnings per share | | 0,00392 | 0,00293 |

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

TÜRKİYE KALKINMA BANKASI A.Ş.

Unconsolidated Statement of Changes in Shareholders' Equity

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

| AUDITED | | | | | | | |
|--|-------|-----------------|---|---------------|---------------------------------------|----------------|--------------------|
| THOUSANDS OF TRY | | | | | | | |
| CHANGES IN SHARE HOLDERS' EQUITY | Disc. | Paid-in Capital | Effect of Inflation Adjustments on Paid in Capital ^(*) | Share Premium | Share Certificate Cancellation Profit | Legal Reserves | Statutory Reserves |
| PRIOR PERIOD (31.12.2014) | | | | | | | |
| I. Balance at end of prior period | | 160.000 | 206.418 | 1.491 | - | 32.075 | - |
| II. Corrections according to TAS 8 | | - | - | - | - | - | - |
| 2.1. The effect of corrections of errors | | - | - | - | - | - | - |
| 2.2. The effects of changes in accounting policy | | - | - | - | - | - | - |
| III. New Balance (I + II) | | 160.000 | 206.418 | 1.491 | - | 32.075 | - |
| Changes within the period | | - | - | - | - | - | - |
| IV. Increase/Decrease generated by merger | | - | - | - | - | - | - |
| V. Valuation changes in marketable securities | | - | - | - | - | - | - |
| VI. Hedging Funds (Effective Portion) | | - | - | - | - | - | - |
| 6.1. Cash-flow hedge | | - | - | - | - | - | - |
| 6.2. Hedges for investment made in foreign countries | | - | - | - | - | - | - |
| VII. Revaluation changes of property and equipment | | - | - | - | - | - | - |
| VIII. Revaluation changes of intangible assets | | - | - | - | - | - | - |
| IX. Free shares from investment and associates, subsidiaries and joint ventures (business partners) | | - | - | - | - | - | - |
| X. Foreign exchange differences | | - | - | - | - | - | - |
| XI. Changes after disposal of securities | | - | - | - | - | - | - |
| XII. Changes after reclassification of securities | | - | - | - | - | - | - |
| XIII. Effect of changes in shareholders' equity of investments and associates to bank's shareholders equity | | - | - | - | - | - | - |
| XIV. Increase in capital | | - | - | - | - | - | - |
| 14.1. Cash | | - | - | - | - | - | - |
| 14.2. From internal resources | | - | - | - | - | - | - |
| XV. Issuance of share certificates at end of period | | - | - | - | - | - | - |
| XVI. Share cancellation profits | | - | - | - | - | - | - |
| XVII. Adjustment to paid-in capital | | - | - | - | - | - | - |
| XVIII. Other | | - | 202 | - | - | - | - |
| XIX. Net profit or losses | | - | - | - | - | - | - |
| XX. Profit distribution | | - | - | - | - | 75 | - |
| 20.1. Dividends distributed | | - | - | - | - | - | - |
| 20.2. Transfers to legal reserves | | - | - | - | - | 75 | - |
| 20.3. Other | | - | - | - | - | - | - |
| Closing Balance (III+IV+V +...+XVIII+XIX+XX) | | 160.000 | 206.620 | 1.491 | - | 32.150 | - |
| CURRENT PERIOD (31.12.2015) | | | | | | | |
| I. Balance at end of prior period | | 160.000 | 206.620 | 1.491 | - | 32.150 | - |
| Changes within the period | | - | - | - | - | - | - |
| IV. Increase/Decrease generated by merger | | - | - | - | - | - | - |
| V. Valuation changes in marketable securities | | - | - | - | - | - | - |
| VI. Hedging Funds (Effective Portion) | | - | - | - | - | - | - |
| 6.1. Cash-flow hedge | | - | - | - | - | - | - |
| 6.2. Hedges for investment made in foreign countries | | - | - | - | - | - | - |
| VII. Revaluation changes of property and equipment | | - | - | - | - | - | - |
| VIII. Revaluation changes of intangible assets | | - | - | - | - | - | - |
| IX. Free shares from investment and associates, subsidiaries and joint ventures (business partners) | | - | - | - | - | - | - |
| X. Foreign exchange differences | | - | - | - | - | - | - |
| XI. Changes after disposal of securities | | - | - | - | - | - | - |
| XII. Changes after reclassification of securities | | - | - | - | - | - | - |
| XIII. Effect of changes in shareholders' equity of investments and associates to bank's shareholders equity | | - | - | - | - | - | - |
| XIV. Increase in capital | | - | - | - | - | - | - |
| 14.1. Cash | | - | - | - | - | - | - |
| 14.2. From internal resources | | - | - | - | - | - | - |
| XV. Issuance of share certificates at end of period | | - | - | - | - | - | - |
| XVI. Share cancellation profits | | - | - | - | - | - | - |
| XVII. Adjustment to paid-in capital | | - | - | - | - | - | - |
| XVIII. Other ^(*) | | - | 346 | - | - | - | - |
| XIX. Net profit or losses | | - | - | - | - | - | - |
| XX. Profit distribution | | - | - | - | - | - | - |
| 20.1. Dividends distributed | | - | - | - | - | - | - |
| 20.2. Transfers to legal reserves | | - | - | - | - | - | - |
| 20.3. Other | | - | - | - | - | - | - |
| Closing Balance (III+IV+V +...+XVIII+XIX+XX) | | 160.000 | 206.966 | 1.491 | - | 32.150 | - |

^(*) Represents the actuarial gain/loss for the period. Related balance is included on "Other Capital Reserves". Actuarial gain/loss after deducting the deferred tax amounting to 892 is included to this balance.

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

[illegible]

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.)

| TÜRKİYE KALKINMA BANKASI A.Ş. | | |
|--|---|---|
| STATEMENT OF PROFIT AND LOSS ACCOUNTED FOR UNDER EQUITY | THOUSANDS OF TRY | |
| | AUDITED | |
| | CURRENT PERIOD (01/01/2015-31.12.2015) | PRIOR PERIOD (01/01/2014-31.12.2014) |
| I. Additions to marketable securities revaluation differences for available for sale financial assets | (3.038) | 184 |
| 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 | 433 | 253 |
| IX. Deferred tax of valuation differences | 521 | (88) |
| X. Total Net Profit/Loss accounted under equity (I+II+...+IX) | (2.084) | 349 |
| XI. Profit/Loss | 62.740 | 46.903 |
| 11.1. Change in fair value of marketable securities (Transfer to Profit/Loss) | - | - |
| 11.2. Reclassification and transfer of derivatives accounted for cash flow hedge purposes to Income Statement | - | - |
| 11.3. Transfer of hedge of net investments in foreign operations to Income Statement | - | - |
| 11.4. Other | 62.740 | 46.903 |
| XII. Total Profit/Loss accounted for the period (X±XI) | 60.656 | 47.252 |

The accompanying explanations and notes form an integral part of these consolidated 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. | | (01/01/2015-31.12.2015) | (01/01/2014-31.12.2014) |
| A. CASH FLOWS FROM BANKING OPERATIONS | | | |
| 1.1. Operating profit before changes in operating assets and liabilities (+) | (1) | 73.195 | 42.511 |
| 1.1.1. Interest received (+) | | 178.351 | 160.198 |
| 1.1.2. Interest paid (-) | | (38.841) | (31.495) |
| 1.1.3. Dividend received (+) | | 289 | 109 |
| 1.1.4. Fees and commissions received (+) | | 10.655 | 8.591 |
| 1.1.5. Other income (+) | | 2.027 | 6.691 |
| 1.1.6. Collections from previously written off loans (+) | | 129.200 | 20.534 |
| 1.1.7. Cash payments to personnel and service suppliers (-) | | (54.905) | (53.077) |
| 1.1.8. Taxes paid (-) | | (15.636) | (13.640) |
| 1.1.9. Other (+/-) | (1) | (137.945) | (55.400) |
| 1.2. Assets and Liabilities Subject to Banking Operations | (1) | (17.650) | (96.706) |
| 1.2.1. Net (increase) decrease in financial assets held for sale (+/-) | | 1 | 1.039 |
| 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 (+/-) | | (213.286) | (336.751) |
| 1.2.5. Net (increase) decrease in other assets (+/-) | | (2.955) | (21) |
| 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 (+/-) | | 211.379 | 450.853 |
| 1.2.9. Net increase (decrease) in matured payables (+/-) | | - | - |
| 1.2.10. Net increase (decrease) in other liabilities (+/-) | (1) | (12.789) | (211.826) |
| I. Net cash provided from banking operations (+/-) | (1) | 55.545 | (54.195) |
| B. CASH FLOWS FROM INVESTMENT ACTIVITIES | | | |
| II. Net cash provided from investing activities (+/-) | | (82.797) | 168.801 |
| 2.1. Cash paid for purchase of joint ventures, associates and subsidiaries (-) | | (3.160) | (2.845) |
| 2.2. Cash obtained from sale of entities joint ventures, associates and subsidiaries (+) | | - | - |
| 2.3. Fixed assets purchases (-) | | (1.800) | (3.738) |
| 2.4. Fixed assets sales (+) | | 5.001 | 10.525 |
| 2.5. Cash paid for purchase of financial assets available for sale (-) | | (127.085) | (45.401) |
| 2.6. Cash obtained from sale of financial assets available for sale (+) | | 44.399 | 202.299 |
| 2.7. Cash paid for purchase of investment securities (-) | | (8) | (3) |
| 2.8. Cash obtained from sale of investment securities (+) | | 40 | 9.068 |
| 2.9. Other (+/-) | | (184) | (1.104) |
| C. CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| III. Net cash provided from financing activities (+/-) | (1) | - | (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 (+) | (1) | - | - |
| 3.4. Dividends paid (-) | | - | (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) | 25.890 | 18.603 |
| V. Net increase/(decrease) in cash and cash equivalents (I+II+III+IV) | (1) | (1.362) | 124.459 |
| VI. Cash and cash equivalents at beginning of the period (+) | (2) | 561.356 | 436.897 |
| VII. Cash and cash equivalents at end of the period (V+VI) | (3) | 559.994 | 561.356 |

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

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 (31.12.2015) | PRIOR PERIOD (31.12.2014) |
| I. DISTRIBUTION OF CURRENT YEAR PROFIT | | |
| 1.1. CURRENT YEAR PROFIT | 80.081 | 59.179 |
| 1.2. TAXES AND DUTIES PAYABLE | 17.341 | 12.276 |
| 1.2.1. Corporate tax (Income tax) | 17.647 | 12.512 |
| 1.2.2. Income withholding tax | - | - |
| 1.2.3. Other taxes and duties | (306) | (236) |
| A. NET PROFIT FOR THE YEAR (1.1-1.2) | 62.740 | 46.903 |
| 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))] | 62.740 | 46.903 |
| 1.6. FIRST DIVIDEND TO SHAREHOLDERS (-) | - | - |
| 1.6.1. To owners of ordinary shares | - | - |
| 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 (-) | - | - |
| 1.11. STATUTORY RESERVES (-) | - | - |
| 1.12. EXTRAORDINARY RESERVES | - | 46.903 |
| 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 PRIVILEGED SHARES | - | - |
| 3.4. TO OWNERS OF PRIVILEGED SHARES (%) | - | - |
| IV. DIVIDEND PER SHARE | | |
| 4.1. TO OWNERS OF ORDINARY SHARES | - | - |
| 4.2. TO OWNERS OF ORDINARY SHARES (%) | - | - |
| 4.3. TO OWNERS OF PRIVILEGED SHARES | - | - |
| 4.4. TO OWNERS OF PRIVILEGED SHARES (%) | - | - |

⁽¹⁾ 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.

⁽²⁾ Profit distribution decisions are taken by the Bank's General Assembly. As of the release date of current period financial statements, the General Assembly meeting was not yet held.

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

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, German Development 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.

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.

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.

VI- Explanations on Financial Assets: (con't)*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.

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

Non-performing loans are classified in accordance with the "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 14 February 2015 and numbered 29267. 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.

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.

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. On Tangible Fixed Assets ; pledge, mortgages and other measures or given for the purchase of commitments or any restrictions on the rights for the use of these is not available.

According to "Prime Ministry Circular numbered 2012/15 on Transactions of Public Institutions and Organizations Regarding Their Immovables" published in the Official 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

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 |
| Banks | 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 four real estates under operational leasing agreement and two of these real estates are presented as investment property on balance sheet. Investment property, which is property, held to earn rentals and/or for capital appreciation is carried at cost less accumulated depreciation and any accumulated impairment losses.

The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day to day servicing of an investment property. Depreciation is provided on investment property on a straight line basis. The depreciation period for investment property is 50 years. 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.

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 2015, 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 10,05%, resulting in a real discount rate of approximately 4,81% (31 December 2014: 3,67%). Estimated amount of retirement pay not paid due to voluntary leaves is also taken into consideration as 13% for employees with 0-15 years of service and 0% for those with 16 or more years of service. As the maximum liability is revised semiannually, the maximum amount of TRY 4.092,53 effective from 1 January 2016 has been taken into consideration in calculation of provision from employment termination benefits (1 January 2015 TRY 3.541,37).

Actuarial losses and gains are recognized 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 2015 will be paid in 17 February 2016, to be offset against the final corporate tax liability for the current year.

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

In accordance with the Turkish Accounting Standard (TAS 12) "Income Tax", the bank calculates and recognizes deferred tax asset and liability for temporary differences between the carrying amounts of balances at financial statements and the corresponding tax bases used in the computation of taxable profit, using income liability method. According to tax legislation, differences on the date of acquisition of assets and liabilities that do not affect taxable profit or accounting profit are excluded from deferred tax calculation. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from the initial recognition of other assets and liabilities other than goodwill or business combination in a transaction that affects neither the taxable profit nor the accounting profit.

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

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

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

XVII- Additional Explanations on Borrowings:

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

The Bank continues its financial support that it provided and still providing by acquiring sources from domestic and international markets. The Bank acts as an intermediary for funds provided by Turkish Treasury to be utilized domestically. Disbursement from this source has been finalized and there has been no new source transfer from the Undersecretariat of Treasury. Funds are recorded to the Bank's liabilities on the date of transfer. The maturity dates and interest rates of these funds are determined by the public authority by Communiqué on Investment Incentive.

The present foreign funds of the Bank are medium and long term loans from World Bank, European Investment Bank, Council of European Development Bank, Islamic Development Bank, French Development Agency, German Development 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 2015 and 2014.

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 2015, explanations on segment reporting in line with “Financial Statements to be Publicly Announced and the Accompanying Policies and Disclosures” are shown below

| Current Period - (31.12.2015) | Treasury | Investment Banking | Undistributed ⁽¹⁾ | Total Operations of the Bank |
|--|-----------------|---------------------------|-------------------------------------|-------------------------------------|
| OPERATING INCOME/EXPENSE | | | | |
| Interest income | 44.412 | 140.246 | 1.467 | 186.125 |
| Interest income on loans | - | 140.246 | - | 140.246 |
| Interest income on banks | 11.023 | - | - | 11.023 |
| Interest income on interbank money market placements | 22.754 | - | - | 22.754 |
| Interest income on marketable securities | 10.635 | - | - | 10.635 |
| Other interest income | - | - | 1.467 | 1.467 |
| Interest expense | (22) | (40.423) | - | (40.445) |
| Interest expense on borrowings | - | (40.341) | - | (40.341) |
| Interest on money market transactions | (22) | - | - | (22) |
| Other interest expense | - | (82) | - | (82) |
| Net fees and commissions income | (664) | 10.363 | 292 | 9.991 |
| Fees and commissions received | - | 10.363 | 292 | 10.655 |
| Fees and commissions paid | (664) | - | - | (664) |
| Dividend income | - | 289 | - | 289 |
| Trading profit/loss (net) | 2.915 | 2.485 | - | 5.400 |
| Profit/loss from capital market operations (net) | 2.795 | - | - | 2.795 |
| Profit/loss from derivative transactions (net) | - | - | - | - |
| Foreign exchange gains/losses (net) | 120 | 2.485 | - | 2.605 |
| Other operating income | 34 | 5.077 | 1.055 | 6.166 |
| Provisions for losses on loans and other receivables | - | (8.860) | (2) | (8.862) |
| Other operating expense | - | - | (78.583) | (78.583) |
| Profit before tax | 46.675 | 109.177 | (75.771) | 80.081 |
| Tax provision | - | - | (17.341) | (17.341) |
| Net profit for the period | 46.675 | 109.177 | (93.112) | 62.740 |
| SEGMENT ASSETS ⁽²⁾ | 736.988 | 3.972.308 | 65.070 | 4.774.366 |
| Financial assets at fair value through profit and loss | - | - | - | - |
| Banks and money market placements | 560.025 | - | - | 560.025 |
| Available for sale financial assets | 156.431 | 6.357 | 1.680 | 164.468 |
| Loans and receivables | - | 3.912.909 | - | 3.912.909 |
| Investments held to maturity | 20.532 | - | - | 20.532 |
| Associates and subsidiaries | - | 26.332 | - | 26.332 |
| Tangible assets (net) | - | 24.785 | 36.709 | 61.494 |
| Intangible assets (net) | - | - | 1.163 | 1.163 |
| Investment property | - | - | 1.024 | 1.024 |
| Other assets | - | 1.925 | 24.494 | 26.419 |
| SEGMENT LIABILITIES ⁽²⁾ | 226 | 4.015.611 | 758.529 | 4.774.366 |
| Derivative financial liabilities held for trading | - | - | - | - |
| Funds borrowed and funds | - | 3.974.369 | - | 3.974.369 |
| Money market balances | 226 | - | - | 226 |
| Provisions | - | 41.242 | 32.707 | 73.949 |
| Shareholders' equity | - | - | 703.255 | 703.255 |
| Other liabilities | - | - | 22.567 | 22.567 |

⁽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.

XXI- Explanations on Segment Reporting: (con't)

| Prior period | | | | |
|--|----------------|--------------------|------------------------------|------------------------------|
| Current Period - (31.12.2014) | Treasury | Investment Banking | Undistributed ⁽¹⁾ | Total Operations of the Bank |
| 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 (31.12.2014) ⁽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 (31.12.2014) ⁽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.

XXII- Explanations on Other Matters:

The General Assembly meeting of the Bank for the year 2014 was carried out on 24 April 2015. In accordance with the decision taken in the meeting net distributable profit amounting to 46.667 Thousand TRY is transferred to the extraordinary reserves.

SECTION FOUR

INFORMATION ON FINANCIAL STRUCTURE

I - Explanations related to capital adequacy ratio:

The capital adequacy standard ratio of the Bank is 17,84%. (31 December 2014: 20.40%).

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”) and “Communique on Credit Risk Mitigation Techniques” published in the Official Gazette dated 28 June 2012 and numbered with the “Decree related with Bank’s shareholders’ equity” published in the official Gazette dated 5 September 2013 and numbered 28337.

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.

| Current Period (31.12.2015) | Risk Weights | | | | | | |
|--|---------------|----------------|------------------|---------------|------------------|---------------|--------------|
| | Bank Only | | | | | | |
| | 0% | 20% | 50% | 75% | 100% | 150% | 200% |
| Value at Credit Risk | - | 61.466 | 544.311 | 15.583 | 3.150.666 | 35.690 | 6.978 |
| Risk Categories | 22.538 | 307.332 | 1.088.622 | 20.777 | 3.150.666 | 23.793 | 3.489 |
| Conditional and unconditional receivables from central governments or central banks | 22.405 | - | - | - | - | - | - |
| 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 | - | 307.332 | 388.585 | - | 367.491 | - | - |
| Conditional and unconditional corporate receivables | - | - | - | - | 2.627.800 | - | - |
| Conditional and unconditional retail receivables | - | - | - | 20.777 | - | - | - |
| Conditional and unconditional receivables secured by real estate mortgages | - | - | 700.037 | - | 9.796 | - | - |
| Overdue receivables | - | - | - | - | 55.436 | 5.764 | - |
| Receivables defined in high risk category by BRSA | - | - | - | - | - | 18.028 | 3.489 |
| 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 | 133 | - | - | - | 90.143 | - | - |

⁽¹⁾ There is no credit risk classified under 10% and 250% risk weights.

I - Explanations related to capital adequacy ratio: (con't)

| Prior Period (31.12.2014) | Risk Weights | | | | | | |
|--|---------------|---------------|----------------|---------------|------------------|---------------|--------------|
| | Banka | | | | | | |
| | 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 | - | - |

(¹) There is no credit risk classified under 10% and 250% risk weights

Summary information related to capital adequacy ratio:

| | Current Period | Prior Period |
|---|----------------|--------------|
| Capital Requirement for Credit Risk (Value at Credit Risk *0,08) (CRCR) | 305.176 | 242.215 |
| Capital Requirement for Market Risk (MRCR) | 2.499 | 1.039 |
| Capital Requirement for Operational Risk (ORCR) | 18.527 | 16.585 |
| Shareholders' Equity | 727.351 | 662.706 |
| Shareholders' Equity/((CRCR + MRCR + ORCR) *12,5) *100 | 17,84 | 20,40 |
| Core Capital/((CRCR + MRCR + ORCR) *12,5) *100 | 16,86 | 19,42 |
| Tier 1 Capital/((CRCR + MRCR + ORCR) *12,5) *100 | 17,00 | 19,75 |

I - Explanations related to capital adequacy ratio: (con't)

Components of Shareholders' Equity Items:

| | Current Period | Prior Period |
|---|----------------|----------------|
| Common Equity | | |
| Paid-in Capital following all debts in terms of claim in case of the Bank's liquidation | 366.074 | 366.074 |
| Share Premium | 1.491 | 1.491 |
| Share Cancellation Profits | - | - |
| Legal Reserves | 272.073 | 225.170 |
| Gains recognized in equity as per Turkish Accounting Standards, | 1.561 | 3.737 |
| Profit | 62.740 | 46.903 |
| Net profit for the period | 62.740 | 46.903 |
| Retained Earnings | - | - |
| Provision for Possible Losses | - | - |
| Bonus Shares of Subsidiaries, Associates and Jointly Controlled Entities (Joint Ventures) | - | - |
| Common Equity Before Deductions | 703.939 | 643.375 |
| Deductions from Common Equity | - | - |
| Loss (in excess of Reserves) of Sum of the net profit for the period and prior Periods' Losses on Turkish Accounting Standards (-) | 465 | 35 |
| Leasehold Improvements on Operational Leases (-) | 29 | 40 |
| Goodwill or other intangible assets (-) and liabilities of deferred tax of these (-) | 465 | 393 |
| Net deferred tax assets/liabilities (-) | 3.253 | 1.566 |
| Limit excesses as per the 4 th Paragraph of the Article 56 of the Banking Law (-) | - | - |
| Investments in own common equity (-) | - | - |
| Total of Net Long Positions of the Investments in Equity Items of Consolidated Banks and Financial Institutions where the Bank does not own 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-) | - | - |
| Total of Net Long Positions of the Investments in Equity Items of Consolidated 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 (-) | - | - |
| Portion of mortgage servicing rights exceeding 10% of the common equity (-) | - | - |
| 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 Consolidated Banks and Financial Institutions where the Bank owns 10% or more of the Issued Share Capital not deducted from Tier I Capital (-) | - | - |
| Limit exceeding from Mortgage servicing rights (-) | - | - |
| Excess Amount arising from Deferred Tax Assets from Temporary Differences (-) | - | - |
| Other items to be defined by the regulator (-) | - | - |
| Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions (-) | 6.752 | - |
| Total Deductions From Common Equity | 4.212 | 2.034 |
| Total Common Equity | 692.975 | 641.341 |
| ADDITIONAL TIER 1 CAPITAL | - | - |
| Privileged stocks which are not included in common equity and share premiums | - | - |
| Directly issued qualifying Additional Tier 1 instruments (approved by the regulators) plus related stock surplus (Issued or Obtained after 1.1.2014) | - | - |
| Directly issued qualifying Additional Tier 1 instruments (approved by the regulators) plus related stock surplus (Issued or Obtained after 1.1.2014) | - | - |
| Additional Tier 1 Capital Before Deductions | - | - |
| Deductions From Additional Tier 1 Capital | - | - |
| Direct and Indirect Investments of the Bank on its own Additional Core Capital (-) | - | - |
| Total of Net Long Positions of the Investments in Equity Items of Consolidated Banks and Financial Institutions where the Bank does not own 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-) | - | - |
| Total of Net Long Positions of the Investments in Equity Items of Consolidated 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 (-) | - | - |
| Other items determined by the Board (-) | - | - |
| Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions | - | - |
| Total regulatory adjustments to Additional Tier 1 capital | - | 2.632 |

I - Explanations related to capital adequacy ratio: (con't)

| | Current Period | Prior Period |
|--|----------------|----------------|
| Total of the deductions made from additional tier capital | - | 2.632 |
| Total of Additional core capital | - | (2.632) |
| Deductions to be made from core capital | | |
| 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 (-) | 5.578 | 7.835 |
| 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 (-) | 698 | 1.573 |
| Total Core Capital | 4.880 | 6.262 |
| TIER 2 CAPITAL | 687.397 | 630.874 |
| The borrowing instruments found appropriate to be issued by the institution and their stock premiums (issued or obtained after 1.1.2014) - The borrowing instruments found appropriate to be issued by the institution and their stock premiums (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 | 41.238 | 32.873 |
| Tier 2 capital before regulatory adjustments | 41.238 | 32.873 |
| Direct or indirect investments made by the Bank to its supplementary capital (-) | - | - |
| Tier 2 Capital: regulatory adjustment | - | - |
| Total of Net Long Positions of the Investments in Equity Items of Consolidated Banks and Financial Institutions where the Bank does not own 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-) | - | - |
| Total of Net Long Positions of the Investments in Equity Items of Consolidated 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 (-) | - | - |
| Other items to be Defined by the board | - | - |
| Total regulatory adjustments to Tier 2 capital | - | - |
| Total deductions made from Tier 2 capital | 41.238 | 32.873 |
| CAPITAL | 728.635 | 663.747 |
| Loans granted contrary to 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 (-) | 1.284 | 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 Board (-) | - | - |
| The Portion of Total of Net Long Positions of the Investments in Equity Items of Consolidated 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 Consolidated 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 (-) | - | - |
| The Portion of Total of Net Long Positions of the Investments in Equity Items of Consolidated 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 | 727.351 | 662.706 |
| Amounts below the thresholds for deduction | - | - |
| Remaining Total of Net Long Positions of the Investments in Own Fund Items of Consolidated Banks and Financial Institutions where the Bank owns 10% or less of the Issued Share Capital | - | - |
| Remaining total of net long positions of the investments in Tier I capital of Consolidated 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 | - | - |

I - Explanations related to capital adequacy ratio: (con't)**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 assessment 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.

II- Explanations related to credit risk: (con't)

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 (31.12.2015) | | Prior Period (31.12.2014) | |
|---|--------------------------------|---------------------|------------------------------|---------------------|
| | Risk Amount ^(*) | Average Risk Amount | Risk Amount ^(*) | Average Risk Amount |
| Conditional and unconditional receivables to central governments or central banks | 20.732 | 20.773 | 21.139 | 25.353 |
| Conditional and unconditional receivables to banks and brokerage houses | 902.931 | 740.542 | 627.067 | 521.895 |
| Conditional and unconditional corporate receivables | 2.770.030 | 2.526.758 | 2.175.754 | 1.888.551 |
| Conditional and unconditional retail receivables | 27.823 | 26.749 | 26.053 | 18.532 |
| Conditional and unconditional receivables secured by real estate property | 715.708 | 650.028 | 543.734 | 705.710 |
| Overdue receivables | 61.201 | 87.656 | 61.025 | 66.859 |
| Receivables defined in high risk category by BRSA | 21.517 | 20.298 | 18.303 | 7.367 |
| Other Receivables | 90.276 | 92.925 | 93.366 | 97.775 |

^(*) 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.

- The Bank's top 100 and 200 cash loan customers compose 90,29% and 99,34% of the total cash loan portfolio, respectively (31 December 2014: 94,30% and 99,81%).
- The Bank's top 100 and 200 cash and non-cash loan customers compose 75,32% and 82,69% of the total on and off balance sheet assets, respectively (31 December 2014: 76,96% and 81,45%).
- The Bank's top 100 and 200 non-cash loan customers compose 100% of the total non-cash loans (31 December 2014: 100%).

The generic loan loss provision related with the credit risk beared by the Bank is TRY 41.238 (31 December 2014: TRY 32.873).

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

II- Explanations related to credit risk: (con't)

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 |
| Current Period (31.12.2015) | | | |
| Domestic | 20.732 | 902.075 | 2.777.030 |
| European Union (EU) Countries | - | 821 | - |
| OECD Countries ^(*) | - | 35 | - |
| Off-Shore Banking Regions | - | - | - |
| USA, Canada | - | - | - |
| Other Countries | - | - | - |
| Associates, Subsidiaries and Joint - Ventures | - | - | - |
| Unallocated Assets ^(**) | - | - | - |
| Total | 20.732 | 902.931 | 2.777.030 |
| Prior Period (31.12.2014) | | | |
| Domestic | 21.139 | 620.535 | 2.175.754 |
| European Union (EU) Countries | - | 6.088 | - |
| OECD Countries ^(*) | - | 28 | - |
| Off-Shore Banking Regions | - | - | - |
| USA, Canada | - | 416 | - |
| Other Countries | - | - | - |
| Associates, Subsidiaries and Joint - Ventures | - | - | - |
| Unallocated Assets ^(**) | - | - | - |
| Total | 21.139 | 627.067 | 2.175.754 |

^(*) 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.

| Risk Categories ^(***) | | | | | |
|--|---|---------------------|---|---------------|--------|
| 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 | |
| 27.823 | 715.708 | 61.201 | 4.638 | - | - |
| - | - | - | 16.879 | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | 9.453 |
| - | - | - | - | - | 80.823 |
| 27.823 | 715.708 | 61.201 | 21.517 | 90.276 | |
| 26.053 | 543.734 | 61.025 | 5.142 | - | - |
| - | - | - | 13.161 | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | 8.415 |
| - | - | - | - | - | 80.823 |
| 26.053 | 543.734 | 61.025 | 18.303 | 90.276 | |

II- Explanations related to credit risk: (con't)

Risk Profile by Sectors or Counterparties:

| Current Period (31 December 2015) | 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 |
| Agriculture | - | - | - | - |
| Farming and Stockbreeding | - | - | - | - |
| Forestry | - | - | - | - |
| Fishery | - | - | - | - |
| Industry | - | 68.732 | 2.254.254 | 19.143 |
| Mining and Quarrying | - | - | - | - |
| Manufacturing Industry | - | 68.732 | 627.407 | 8.770 |
| Electricity, Gas, Water | - | - | 1.626.847 | 10.373 |
| Construction | - | - | - | - |
| Services | 20.732 | 826.162 | 522.776 | 8.680 |
| Wholesale and Retail Trade | - | - | - | - |
| Accommodation and Dining | - | 6 | 483.845 | 7.215 |
| Transportation and Telecommunication | - | - | - | - |
| Financial Institutions | 20.732 | 826.156 | - | - |
| Real Estate and Rental Services | - | - | - | - |
| Professional Services | - | - | - | - |
| Educational Services | - | - | - | - |
| Health and Social Services | - | - | 38.931 | 1.465 |
| Others | - | 8.037 | - | - |
| Total | 20.732 | 902.931 | 2.777.030 | 27.823 |

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

| Current Period (31 December 2014) | 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 |
| Agriculture | - | - | - | - |
| Farming and Stockbreeding | - | - | - | - |
| Forestry | - | - | - | - |
| Fishery | - | - | - | - |
| Industry | - | - | 1.788.223 | 16.838 |
| Mining and Quarrying | - | - | - | - |
| Manufacturing Industry | - | - | 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 |

| Risk Categories ^(***) | | | | | | |
|---|---------------------|---|--------|---------|-----------|-----------|
| Conditional and unconditional receivables secured by real estate property | Overdue receivables | Receivables defined in high risk category by BRSA | Others | TRY | FC | TOTAL |
| 2.705 | - | - | - | - | 2.705 | 2.705 |
| - | - | - | - | - | - | - |
| 2.705 | - | - | - | - | 2.705 | 2.705 |
| - | - | - | - | - | - | - |
| 704.140 | 18.866 | - | - | 94.830 | 2.970.305 | 3.065.135 |
| - | - | - | - | - | - | - |
| 81.855 | 18.866 | - | - | 56.229 | 749.400 | 805.629 |
| 622.285 | - | - | - | 38.601 | 2.220.905 | 2.259.506 |
| - | 507 | - | - | 507 | - | 507 |
| 8.863 | 41.828 | 16.879 | - | 450.314 | 995.606 | 1.445.920 |
| - | - | - | - | - | - | - |
| 8.863 | 35.211 | - | - | 103.142 | 431.998 | 535.140 |
| - | - | - | - | - | - | - |
| - | - | 16.879 | - | 330.444 | 533.323 | 863.767 |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | 6.617 | - | - | 16.728 | 30.285 | 47.013 |
| - | - | 4.638 | 90.276 | 101.026 | 1.925 | 102.951 |
| 715.708 | 61.201 | 21.517 | 90.276 | 646.677 | 3.970.541 | 4.617.218 |

| Risk Categories ^(***) | | | | | | |
|---|---------------------|---|--------|---------|-----------|-----------|
| 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 |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | 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 |

II- Explanations related to credit risk: (con't)

Analysis of Maturity-Bearing Risks According to Remaining Maturities

| Risk Categories 31.12.2015 | 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 | - | - | - | - | 20.732 |
| Conditional and unconditional receivables to banks and brokerage houses | 515.146 | - | 2.353 | 28.711 | 338.814 |
| Conditional and unconditional corporate receivables | 81.244 | 55.954 | 96.450 | 221.586 | 2.321.796 |
| Conditional and unconditional retail receivables | 732 | 500 | 3.953 | 1.677 | 20.962 |
| Conditional and unconditional receivables secured by real estate property | 21.200 | 14.478 | 24.285 | 48.569 | 607.176 |
| Receivables defined in high risk category by BRSA | 18 | 30 | 43 | 139 | 4.408 |
| Total | 618.340 | 70.962 | 127.084 | 300.682 | 3.313.888 |

| 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 |

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.

Credit Risk by Risk Weights:

| Risk Weights (31.12.2015) | 0% | 10% | 20% | 50% | 75% | 100% | 150% | 200% | Deductions from Equity |
|-------------------------------|--------|-----|---------|-----------|--------|-----------|--------|-------|---------------------------|
| Before Credit Risk Mitigation | 20.865 | - | 307.332 | 928.144 | 27.823 | 3.305.771 | 23.793 | 3.489 | - |
| After Credit Risk Mitigation | 22.538 | - | 307.332 | 1.088.622 | 20.777 | 3.150.666 | 23.793 | 3.489 | - |

| 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 | - |

II- Explanations related to credit risk: (con't)

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 (31.12.2015) | Credit Risks | | Value Adjustments | Provisions |
|--------------------------------------|----------------|---------------|-------------------|---------------|
| | Impaired Loans | Overdue Loans | | |
| Agriculture | - | 1.722 | 34 | - |
| Farming and Stockbreeding | - | 1.722 | 34 | - |
| Forestry | - | - | - | - |
| Fishery | - | - | - | - |
| Industry | 40.045 | 920 | 17 | 21.180 |
| Mining and Quarrying | - | - | - | - |
| Manufacturing Industry | 40.045 | 26 | - | 21.180 |
| Electricity, Gas and Water | - | 894 | 17 | - |
| Construction | 1.840 | - | - | 1.333 |
| Services | 64.384 | 179 | 3 | 22.556 |
| Wholesale and Retail Trade | - | - | - | - |
| Accommodation and Dining | 55.561 | 179 | 3 | 20.350 |
| Transportation and Telecommunication | - | - | - | - |
| Financial Institutions | - | - | - | - |
| Real Estate and Rental Services | - | - | - | - |
| Professional Services | - | - | - | - |
| Educational Services | - | - | - | - |
| Health and Social Services | 8.823 | - | - | 2.206 |
| Others | 1.202 | - | - | 1.202 |
| Total | 107.471 | 2.821 | 54 | 46.271 |

| Major Sectors (31.12.2014) | Credit Risks | | Value Adjustments | Provisions |
|--------------------------------------|----------------|---------------|-------------------|---------------|
| | Impaired Loans | Overdue Loans | | |
| Agriculture | - | 1.344 | 27 | - |
| Farming and Stockbreeding | - | 1.344 | 27 | - |
| Forestry | - | - | - | - |
| Fishery | - | - | - | - |
| Industry | 41.768 | 5.237 | 70 | 22.922 |
| Mining and Quarrying | - | - | - | - |
| Manufacturing Industry | 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 |

II- Explanations related to credit risk: (con't)

Information on Movements in Value Adjustments and Provisions:

| Current Period (31.12.2015) | Opening Balance | Provision for Period | Provision Reversals | Other Adjustments | Closing Balance |
|--|----------------------------|---------------------------------|--------------------------------|------------------------------|----------------------------|
| 1. Specific Provisions | 48.011 | 495 | (2.235) | - | 46.271 |
| 2. Generic Provisions | 32.873 | 8.365 | - | - | 41.238 |
| Prior 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 |

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 6 September 2014 and numbered 29111 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 11 July 2014 and numbered 29057, 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.

a) Information related to market risk:

| | | Current Period 31.12.2015 |
|--------|--|----------------------------------|
| | | Total |
| (I) | Capital Requirement to be Employed For General Market Risk - Standard Method | 1.434 |
| (II) | Capital Requirement to be Employed For Specific Risk - Standard Method | 36 |
| (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 | 1.013 |
| (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 | 16 |
| (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) | 2.499 |
| (XI) | Value-At-Market Risk ((12,5 x IX) or (12,5 x X)) | 12.988 |

III- Explanations related to market risk: (con't)

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

| | Current Period (31.12.2015) | | | Prior Period (31.12.2014) | | |
|----------------------------|-----------------------------|---------------|------------|---------------------------|--------------|------------|
| | Average | Maximum | Minimum | Average | Maximum | Minimum |
| Interest Rate Risk | 1.377 | 1.909 | 585 | 518 | 786 | 395 |
| Common Stock Risk | - | - | - | - | - | - |
| Currency Risk | 1.897 | 10.004 | 67 | 974 | 2.188 | 363 |
| Commodity Risk | - | - | - | - | - | - |
| Settlement Risk | - | - | - | - | - | - |
| Option Risk | - | - | - | - | - | - |
| Counterparty Credit Risk | 68 | 121 | 16 | 62 | 116 | 2 |
| Total Value at Risk | 3.342 | 12.034 | 668 | 1.554 | 3.090 | 760 |

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.

IV- Explanations related to operational risk:

Amount subject to operational risk at the Bank, is calculated by using the basic indicator approach within the scope of 14th article of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks. The value, found by multiplying the 15% of the banks' year end gross income amounts for the last 3 years with 12,5, must be considered as the amount subject to 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 (31.12.2015) | 31.12.2012 | 31.12.2013 | 31.12.2014 ⁽¹⁾ | Total/No. Of Years of Positive Gross Income | Rate (%) | Total |
|---|------------|------------|---------------------------|--|----------|----------------|
| Gross Income | 121.752 | 114.221 | 134.560 | 123.511 | 15 | 18.527 |
| Value at Operational Risk (Total*12,5) | | | | | | 231.588 |

⁽¹⁾ Operational Risk Calculation of year of 2015 will be included to capital adequacy being in January 2016. Consequently, the operational risk of year of 2015 has been continued to use for the capital adequacy calculation for the year end of 2014.

| Prior 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 |

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 |
|------------|---------|---------|---------|
| 31.12.2015 | 2,90760 | 3,17680 | 2,41700 |
| 30/12/2015 | 2,89370 | 3,15760 | 2,40500 |
| 29/12/2015 | 2,89450 | 3,17440 | 2,40810 |
| 28/12/2015 | 2,90730 | 3,18490 | 2,41970 |
| 25/12/2015 | 2,90130 | 3,17430 | 2,41730 |
| 24/12/2015 | 2,90890 | 3,17830 | 2,41800 |

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: 2,89990 TL, EURO: 3,16023 TL, 100 JPY: 2,38890 TL.

V- Explanations related to currency risk: (con't)

Information on the currency risk of the Bank:

| | EURO | USD | Other FC ⁽¹⁾ | Total |
|--|------------------|------------------|-------------------------|------------------|
| Current Period | | | | |
| (31.12.2015) | | | | |
| Assets | | | | |
| Cash (cash in vault, effectives, money in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey | - | - | - | - |
| Banks | 150.115 | 67.336 | 233 | 217.684 |
| Financial assets at fair value through profit and loss | - | - | - | - |
| Money market placements | - | - | - | - |
| Financial assets available for sale | 32.352 | 34.428 | | 66.780 |
| Loans | 2.226.194 | 1.464.529 | | 3.690.723 |
| Subsidiaries, associates and jointly controlled entities (joint ventures) | 16.879 | - | - | 16.879 |
| Investments held to maturity | - | - | - | - |
| Derivative financial assets for hedging purposes | - | - | - | - |
| Tangible Assets | - | - | - | - |
| Intangible Assets | - | - | - | - |
| Other assets | 655 | 1.270 | | 1.925 |
| Total assets | 2.426.195 | 1.567.563 | 233 | 3.993.991 |
| Liabilities | | | | |
| Interbank deposits | - | - | - | - |
| Foreign currency deposits | - | - | - | - |
| Money market borrowings | - | - | - | - |
| Funds provided from other financial institutions | 2.402.188 | 1.557.669 | - | 3.959.857 |
| Marketable securities issued | - | - | - | - |
| Other debts | 2.573 | 2.649 | - | 5.222 |
| Derivative financial liabilities for hedging purposes | - | - | - | - |
| Other liabilities | (122) | 2.155 | - | 2.033 |
| Total liabilities | 2.404.639 | 1.562.473 | - | 3.967.112 |
| Net balance sheet position | 21.556 | 5.090 | 233 | 26.879 |
| Net off-balance sheet position | - | - | - | - |
| Assets on derivative instruments | - | - | - | - |
| Liabilities on derivative instruments | - | - | - | - |
| Non-cash loans | 84.160 | 2.500 | - | 86.660 |
| Prior Period | | | | |
| (31.12.2014) | | | | |
| Total assets | 1.989.614 | 1.186.353 | 460 | 3.176.427 |
| 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 |

⁽¹⁾ Of the foreign currencies presented in the other FC column of assets, 19% GBP, 51% CHF and 30% is JPY.

V- Explanations related to currency risk: (con't)

Currency Risk Sensitivity:

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

| Current Period (31.12.2015) | Increase in Exchange Rates % | Effect on Profit/Loss ⁽¹⁾ | | Effect on Capital | |
|--------------------------------|---------------------------------|--------------------------------------|--------------|-------------------|--------------|
| | | Current Period | Prior Period | Current Period | Prior Period |
| USD | 10 | 509 | 80 | (50) | (13) |
| EURO | 10 | 2.156 | 799 | (14) | - |
| Other | 10 | 23 | 19 | - | - |

| Current Period (31.12.2015) | Decrease in Exchange Rates % | Effect on Profit/Loss ⁽¹⁾ | | Effect on Capital | |
|--------------------------------|---------------------------------|--------------------------------------|--------------|-------------------|--------------|
| | | Current Period | Prior Period | Current Period | Prior Period |
| USD | 10 | (509) | (80) | 50 | 13 |
| EURO | 10 | (2.156) | (799) | 14 | - |
| Other | 10 | (23) | (19) | - | - |

⁽¹⁾ Indicates the values before tax.

| Prior Period (31.12.2014) | Increase in Exchange Rates % | Effect on Profit/Loss ⁽¹⁾ | | 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 | - | - |

| Prior Period (31.12.2014) | Decrease in Exchange Rates % | Effect on Profit/Loss ⁽¹⁾ | | 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) | - | - |

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.

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.

VI- Explanations related to interest rate risk: (con't)

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

| Current Period (31.12.2015) | 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⁾ | - | - | - | - | - | 272 | 272 |
| Banks ⁽¹⁾ | 515.146 | - | - | - | - | 9.869 | 525.015 |
| Financial assets at fair value through profit and loss | - | - | - | - | - | - | - |
| Money market placements | 35.010 | - | - | - | - | - | 35.010 |
| Financial assets available for sale ⁽³⁾ | 41.244 | 16.550 | 39.395 | 58.476 | 766 | 8.037 | 164.468 |
| Loans ⁽²⁾ | 1.422.776 | 635.278 | 1.302.389 | 48.038 | 443.228 | 61.200 | 3.912.909 |
| Investments held to maturity | 20.532 | - | - | - | - | - | 20.532 |
| Other assets ⁽⁴⁾ | - | - | - | - | - | 116.160 | 116.160 |
| Total Assets | 2.034.708 | 651.828 | 1.341.784 | 106.514 | 443.994 | 195.538 | 4.774.366 |
| Liabilities | | | | | | | |
| Interbank deposits | - | - | - | - | - | - | - |
| Foreign currency deposits | - | - | - | - | - | - | - |
| Money market borrowings | 226 | - | - | - | - | - | 226 |
| Other debts | - | - | - | - | - | 8.680 | 8.680 |
| Marketable securities issued | - | - | - | - | - | - | - |
| Funds provided from other financial institutions | 1.071.046 | 817.832 | 2.048.625 | 18.030 | 18.836 | - | 3.974.369 |
| Other liabilities ⁽⁴⁾ | - | - | - | - | - | 791.091 | 791.091 |
| Total liabilities | 1.071.272 | 817.832 | 2.048.625 | 18.030 | 18.836 | 799.771 | 4.774.366 |
| Long position on balance sheet | 963.436 | - | - | 88.484 | 425.158 | - | 1.477.078 |
| Short position on balance sheet | - | (166.004) | (706.841) | - | - | (604.233) | (1.477.078) |
| Long position on off-balance sheet | - | - | - | - | - | - | - |
| Short position on off-balance sheet | - | - | - | - | - | - | - |
| Total position | 963.436 | (166.004) | (706.841) | 88.484 | 425.158 | (604.233) | - |

⁽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.

VI- Explanations related to interest rate risk: (con't)

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

| Prior 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 | 115.495 |
| 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 | 1.048.650 | - | - | - | 161.784 | - | 1.210.434 |
| Short position on balance sheet | - | (135.465) | (418.139) | (124.161) | - | (532.669) | (1.210.434) |
| Long position on off-balance sheet | - | - | - | - | - | - | - |
| Short position on off-balance sheet | - | - | - | - | - | - | - |
| Total position | 1.048.650 | (135.465) | (418.139) | (124.161) | 161.784 | (532.669) | - |

⁽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.

VI- Explanations related to interest rate risk: (con't)

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

| Current Period (31.12.2015) | 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 | 0,19 | 0,56 | - | 11,06 |
| Financial assets at fair value through profit and loss | - | - | - | - |
| Money market placements | - | - | - | 10,75 |
| Financial assets available for sale | 3,50 | 5,30 | - | 9,43 |
| Loans | 3,01 | 3,71 | - | 11,58 |
| Investments held to maturity | - | - | - | 10,60 |
| Liabilities | - | - | - | - |
| Interbank deposits | - | - | - | - |
| Other deposits | - | - | - | - |
| Money market borrowings | - | - | - | 6,10 |
| Sundry creditors | - | - | - | - |
| Marketable securities issued | - | - | - | - |
| Funds provided from other financial institutions | 0,66 | 1,44 | - | 6,00 |

⁽¹⁾ Rates shown in the table are calculated by using the annual domestic interest rates.

| Prior 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 |

⁽¹⁾ Rates shown in the table are calculated by using the annual domestic interest rates.

VI- Explanations related to interest rate risk: (con't)

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 (31.12.2015) | | | |
|------------------------------------|--|---------------------|---|
| Type of Currency | Shocks Applied (+/- x basis points) | Gains/Losses | Gains/Equity - Losses/Equity |
| 1 TRY | (+) 500 | (6.692) | % (0,92) |
| 2 TRY | (-) 400 | 6.178 | % 0,85 |
| 3 EURO | (+) 200 | 5.120 | % 0,70 |
| 4 EURO | (-) 200 | (5.891) | % (0,81) |
| 5 USD | (+) 200 | 4.489 | % 0,62 |
| 6 USD | (-) 200 | (5.516) | % (0,76) |
| Total (of negative shocks) | | (5.229) | % (0,72) |
| Total (of positive shocks) | | 2.917 | % 0,40 |
| Prior Period (31.12.2014) | | | |
| Type of Currency | Shocks Applied (+/- x basis points) | Gains/Losses | Gains/Equity - Losses/Equity |
| 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) |

VII- Position risk of equity securities in banking book:

| Current Period (31.12.2015) | | Comparison | | |
|--|-----------------------------|-------------------|---------------------|--|
| Equity Securities (shares) | Carrying Value | Fair Value | Market Value | |
| 1 Available-for-Sale Financial Assets | 8.037 ^(*) | - | - | |
| Quoted securities | - | - | - | |
| 2 Associates | 26.332 | - | - | |
| Quoted securities | - | - | - | |
| 3 Subsidiaries | - | - | - | |
| Quoted securities | - | - | - | |
| Prior Period (31.12.2014) | | Comparison | | |
| 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 | - | - | - | |

^(*) Unquoted securities available for sale amounting TL 6.358 belongs to Tasfiye Halinde Kalkınma Yatırım Menkul Değerler A.Ş..

VIII - Liquidity Risk Management and Liquidity Coverage Ratio

1- 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.

Explanation on the governance of liquidity risk management, including: the bank's risk capacity, structure and responsibilities for liquidity risk management; internal liquidity risk reporting; and communication of liquidity risk strategy, policies and practices across business lines and with the board of directors.

Liquidity risk management aspects within the in "Risk Management Strategies, Policies and Application Principles" that is updated by the decision of Bank's Board of Directors are as follows:

Liquidity risk represents the possibility of loss because of the Bank's inability to cover or stabilise its position by the market prices due to lack of depth of the market or excessive fluctuations in the market.

Liquidity risk also represents the possibility of loss due to Bank's inability of meeting with market prices since the lack of debt and excessive fluctuations in the market.

The main policy of Liquidity Risk Management in the Bank is to provide quality asset structure in which any liabilities can be fulfilled. Being specialized bank makes the liquidity need more predictable compared to commercial banks and makes cash flows provided for our liabilities regular.

The type, maturity structure and compliance of interest rates with assets and liabilities in balance sheet, is assured within the framework of Asset Liability Management Committee's decisions. The Bank keeps liquidity ratios in legal legislation and risk limits and follows regularly.

In order to manage liquidity risk, proforma cash flows are set on the basis of predictable data by evaluating the maturities of asset and liability structure. For liquidity excess, proper placement of liquidity considering alternative gains and for liquidity need usage of most proper fund is essential.

Additionally, monthly proforma cash flows and balance sheet durations regarding the fulfillment level of medium and long term liabilities are traced in order to determine early factors that generate risk.

For determining the level of the liquidity risk that the Bank may meet, as the basis of measurement of risk and follow-up activities; the liquidity risk of the Bank is calculated using "Liquidity Analysis Forms" which are appropriate to formats set by BRSA. These forms are reported to BRSA on daily and monthly basis. On a monthly basis, Statement of Proforma Cash Flows that covers one year period is prepared and reported to BRSA.

Bank has well-designed mechanism on the basis of its operations. Committees and risk budgeting application are used actively for decision making mechanism and risk management process.

VIII - Liquidity Risk Management and Liquidity Coverage Ratio (con't)

Asset Liability Management Committee, Loan Investment Committee and Auditing Committee have active roles in decision making process. The Bank's executive action is proceeded by Asset Liability Management Committee which manages efficiently the Bank's financial statement's assets and liabilities by considering Bank's vision, mission, strategic purposes and targets with the framework of risk management politics and strategies that are determined by the Board of Directors, also current and possible macroeconomic developments such as interest rate, maturity, currency etc. and by providing coordination and communication with Bank's top management and departments. Asset Liability Management Committee, that managed by Bank's General Director and Deputy General Directors, determines short term strategies depending on Bank's long and middle term targets. Also, The Committee examines these targets by analyzing Bank's financial structure according to the adaption of business plan and targets foreseen in budgets and the performance in financial markets. In the committee meeting contributing related department managers decisions related to management of bank's assets and liabilities structure -especially management of cash-flow, liquidity and market risk (exchange rate and interest position)- in consideration of legal and bank risk restrictions and developments in macroeconomic and financial markets are taken.

Another active committee in Bank's risk management is Auditing Committee incorporated by board of directors and established according to the Banking Law Numbered 5411. The main purpose of The Committee is controlling the efficiency and competence of internal systems and operations of accounting and reporting systems under legal and other regulations in behalf of Board of Directors.

Applying risk budget is based upon short term strategies which are determined by Asset Liability Management Committee regarding vision and strategic targets of Bank's Strategic Plan and depending on every departments' targeted budgets and consolidations of these budgets. Therefore, the completion of risk budgets enables the Bank to set quantitative targets for basic operation area since the Bank has mechanisms depending mostly on agreement. When every department of Bank contributes to constitute risk budget mechanism, main policy which constitutes the base of budgeting is drawn by committees representing key management.

The Bank's liquidity management is managed by Treasury Department in coordination with related departments and the strategies constituted by Asset Liability Committee as part of "Risk Management Strategies, Policies and Application Principles" that is approved by Board of Directors. According to the policy of "liquidity risk management", the priority is holding liquidity in a level that expected cash inflow can meet with the need of expected cash outflow and unexpected cash out flows related with market shocks. For cash surplus, proper placement of liquidity considering alternative gains and for liquidity need usage of most proper costed fund is essential. To raise funds for the cash demanded periods; money market operations, collateralized borrowing transactions or repurchase agreements are under the authority Head of Treasury Department. In case of use of funding tools other than those, Department of Treasury and Financial Institutions Department coordinates borrowing operations.

In the Bank's liquidity risk management, limitations of the related regulations of BRSA, Bank's "Risk Management Strategies, Policies and Implementation Fundamentals" and internal risk limitations that are determined by general market conditions are fundamental. Consequently, active units within the liquidity risk management Department of Treasury being in the first place, act according to these limitations. First limitation on legal requirements set by BRSA is; as per the regulation on "Calculation of Liquidity Coverage Ratio", minimum limits of 100% and 80% are assigned on consolidated and nonconsolidated basis respectively for total and foreign currency limits. On the other hand, for those limitations, exemption is recognized for the investment and development banks until 2017.

As stated in the Bank risk policies, related with the liquidity risk, along with the legal limitations, internal limits are determined favorably with the way of self functioning, mission and risk demand. These limits, by considering early warning limits, are set above the legal limits, and revised with annual frequencies with the Board of Directors' decision.

Monitoring function in liquidity risk management, is monitored by legal and internal reporting prepared by Risk Monitoring Management and Department of Financial Affairs with regular frequency (daily, weekly, monthly, annual ISEDES). The Banks' liquidity forms, in the scope of legal regulations related to liquidity risk management, are prepared by Department of Financial Affairs and reported to BRSA. Liquidity risk is monitored by periodic reportings to Board of Directors and Asset Liability Committee and key management by Department of Risk Management.

VIII - Liquidity Risk Management and Liquidity Coverage Ratio (con't)

The Bank's internal reporting within the scope of liquidity risk management consists of daily, weekly and monthly reports that are prepared by Risk Monitoring Department. Daily reports prepared by risk monitoring department pursues daily financial statement and duration calculations and weekly report pursues liquidity limits. Weekly realized liquidity limits determined by Board of Directors is aggregated in monthly risk limits monitoring report. Those reports investigate legal risks and adaption of early warning limits. Also, to monitor liquidity risk in "TKB Riskiness Analysis According to Selected Indicators and Risk Groups" report prepared monthly includes;

- Proforma Cash Flow Chart,
- Proforma Currency Balance Sheet
- Duration of Balance Sheet items, - in detail-Marketable Securities (classified)
- Summary of liquidity forms sent to BRSA by Financial Affairs Department. Proforma cash flow chart projects statement and amount of future liquid assets in different scenarios for one year period.

Related report is presented to Board of Directors, Auditing Committee and key management on a monthly basis. Under the frame of these reports, Asset Liability Committee and Auditing Committee evaluate the liquidity position of the Bank, and results of liquidity measurement system are included into the process of making decision. Also, these reports prepared by Risk Monitoring Department are sent to Auditing Committee and key management.

Information on the centralization degree of liquidity management and funding strategy and the functioning between the Bank and Bank's subsidiaries:

There is no liquidity management between The Bank and its shareholders that requires centralization.

Information on the Bank's funding strategy including the policies on funding types and variety of maturities:

Bank's fund resources consisted of long term borrowings that are funded by domestic and foreign markets. The domestic resources are obtained from international organisations like World Bank and European Committee Development Bank with the mediation of Ministry of Treasury. Other domestic resources are budgetary funds and funds provided by current monetary market operations as part of balance management. The Bank operates as a mediator to provide funds, obtained from Ministry of Treasury, to different sectors. Foreign resources are provided from Word Bank, Europe Investment Bank, European Committee Development Bank, Islam Development Bank, French Development Agent, Japan International Cooperations Bank and German Development Bank medium or long term loans.

Information on liquidity management on the basis of currencies constituting a minimum of five percent of the Bank's total liabilities;

Under the Bank's liquidity management, Turkish Lira's and foreign currency proforma cash flows analysis are prepared and observed separately. Hedging operations that Bank position requires, are applied by the derivative products by Treasury Department.

Information on liquidity risk mitigation techniques:

To decrease liquidity risk and monitor liquidity situation; risk levels are set under the frame of risk need with the decision of Board of Directors. In this content, the legal limitations that are mentioned above are monitored daily and reported to the top management and presented to Audit Committee on a monthly basis. The actions required for the limits excess are also described in the limit procedures.

Information on the use of stress test:

The initial stress test scenario analysis for the Bank's liquidity risk is prepared by using monthly proforma cash flows. In the analysis;

The Bank's Proforma Statement of Cash Flows analysis, that is the most detailed scenario analysis in the Bank, is prepared as 7 different scenarios that presents range between 45 percent rate and 95 percent of "Loan collection ratio" and includes interest and exchange rate forecast. The analysis estimated possible cash inflows and outflows for one year period.

Proforma cash flow statement presents a realistic view because possible collections and payments of the Bank are included in the statement. To create expectation on the Bank's current liquids, Takasbank's monthly weighted average of O/N interest rate, for the securities; indicative interest rate and for the exchange rate increase; CPI 12-month expectancy figures of Central Bank of the Republic of Turkey's are used. Monthly prepared proforma cash flows enable the possibility of revising mentioned indicators frequently, which in turn gives a dynamic dimension to the analysis.

VIII - Liquidity Risk Management and Liquidity Coverage Ratio (con't)

In the proforma cash flow statement for monitoring cash balance, loan collections (that is the main operation of the Bank) in different scenarios and impact of most optimistic and pessimistic loan collection scenarios on proforma cash flow during periods are analyzed. Those analysis, provide a foresight on the proforma cash flow.

Another analysis performed by the Bank for the stress tests and scenario analyzes related with liquidity risk is “Gross Follow-up Ratio”.

Comparing the other items on the financial statement, the “gross follow-up ratio”, which has a critical impact on the Bank's asset quality and sensitive to the external developments, is less manageable by the Bank and considered for the scenario analysis. This analysis presents the impact of new provision on net income and equity when the current loan provision ratio is fixed and gross follow up ratio increased 200 points. This scenario is important because it presents the possibility of decrease in Bank's profitability and equity structure in case of a negative change on follow-up ratio.

Additionally, other analyses are interest and currency sensitivity analyses which are carried out on a daily basis under the stress test exercises.

Bank securities portfolio sensitivity is calculated primarily on the change in interest rates of security portfolio. Two different scenarios are presented for the collection of possible losses due to negative change in interest rates. In the first scenario, recoverability (based on risk-free interest rate of (Takasbank O/N)) date of loss that will incur after the derecognition of all portfolio due to interest rate increase is calculated. In the second scenario, duration date of the new portfolio that will be recognized after the interest rate increase is calculated.

Sensitivity to changes in exchange rate of foreign currency position of the Bank is calculated in 3 different scenarios to the often daily. In this stress test, possible gain/loss is calculated based on the impact of changes in exchange rates on FX assets and liabilities of the Bank's balance sheet.

Scenario analysis of the liquidity risks and stress tests under the ISEDES report is presented under “Liquidity Planning”. In this section, the Bank's liquidity position is assessed primarily through the proforma cash flow statement for the 3-year period. Additionally, with the “Non-Performing Loan Scenario”, that is framed under the 2. pillar, cash flow sensitivity due to possible cash inflow decrease is analysed.

Information on urgent and unexpected liquidity situation plans:

“Financial Emergency Plan” is framed under the “Bank's Emergency Action Plan” that is approved by Bank's Board of Directors.

Financial emergencies and unexpected situations has been described as financial crisis arising from the bank's internal dynamics, the liquidity recession caused by domestic or international financial turmoil, urgent and unexpected situations that may cause variances in targeted capital adequacy ratio, crisis in payment and settlement systems and other urgent and unexpected financial situations.

Financial Crisis Monitoring and Assessment Committee evaluates and resolves unexpected financial emergency situation in the Bank. Financial emergency and contingency are expected because of lack of liquidity, excessive volatility in exchange rates, the unexpected rise in interest rates, deterioration in asset quality as a result of the real sector crisis and systemic risks related with the global banking sector or Turkey's banking system. Liquidity shortfall, as one of financial emergency and unexpected situation, was defined as failure to fulfil its obligations due to lack of sufficient liquid resources of the Bank.

Assistant General Manager responsible for the Treasury Department is also responsible from Financial Crisis Monitoring and Assessment Committee in the normal period. For the periods of urgent and unexpected situations General Manager holds the chairman position of the committee. The Committee's secretarial activities are carried out by the Risk Monitoring Department. The committee reports are prepared for the decisions taken at the meeting and filed separately by Risk Monitoring Committee. The Risk Monitoring Department ensures fulfilment of the decisions taken by the Financial Crisis Monitoring and Assessment Committee and monitors them.

VIII - Liquidity Risk Management and Liquidity Coverage Ratio (con't)

2. Liquidity Coverage Ratio:

According to regulations which is published on 28948 numbered gazette on 21 March 2014 related to calculation of liquidity coverage ratio of banks, calculated liquidity coverage ratios are shown below. Including the reporting period for the last three months unconsolidated foreign currency and total liquidity coverage ratio and unconsolidated foreign currency and total liquidity coverage ratio's minimum and maximum levels are shown below by specified thereby weekly.

| Current Period (31.12.2015) | Liquidity Coverage Ratio (Weekly Unconsolidated Report) | | | |
|--------------------------------|---|------------|-------|------------|
| | FC | Date | FC | Date |
| Maximum (%) | 190 | 25.12.2015 | 1.077 | 09.10.2015 |
| Minimum (%) | 95 | 06.11.2015 | 559 | 11.12.2015 |

| Current Period | Total Unweighted Value (Average) | | Total Weighted Value (Average) | |
|--|-------------------------------------|----------------|-----------------------------------|----------------|
| | TL+FC | FC | TL+FC | FC |
| High-Quality Liquid Assets | | | 151.099 | 37.790 |
| Total High-Quality Liquid Assets (Hqla) | - | - | 151.099 | 37.790 |
| Cash Outflows | | | | |
| Retail And Small Business Customers Deposits | - | - | - | - |
| Stable Deposits | - | - | - | - |
| Less Stable Deposits | - | - | - | - |
| Unsecured Funding Other Than Retail And Small Business Customers Deposits | 48.699 | 27.391 | 48.699 | 27.391 |
| Operational Deposits | - | - | - | - |
| Non-Operational Deposits | - | - | - | - |
| Other Unsecured Funding | 48.699 | 27.391 | 48.699 | 27.391 |
| Secured Wholesale Funding | - | - | - | - |
| Other Cash Outflows | 107.986 | 106.906 | 12.155 | 11.075 |
| Liquidity Needs Related To Derivatives And Market Valuation Changes On Derivatives Transactions | 2.467 | 1.387 | 2.467 | 1.387 |
| Debts Related To Structured Financial Products | - | - | - | - |
| Commitment Related To Debts To Financial Markets And Other Off Balance Sheet Liabilities | 105.519 | 105.519 | 9.688 | 9.688 |
| Commitments That Are Unconditionally Revocable At Any Time By The Bank And Other Contractual Commitments | 237.150 | - | 11.858 | - |
| Other Irrevocable Or Conditionally Revocable Commitments | - | - | - | - |
| Total Cash Outflows | | | 72.712 | 38.466 |
| Cash Inflows | | | | |
| Secured Receivables | - | - | - | - |
| Unsecured Receivables | 472.195 | 339.206 | 439.258 | 308.330 |
| Other Cash Inflows | 2.461 | 1.562 | 2.461 | 1.562 |
| Total Cash Inflows | 474.656 | 340.768 | 441.719 | 309.892 |
| | | | Total Adjusted Value | |
| Total High Quality Liquid Assets | | | 151.099 | 10.879 |
| Total Net Cash Outflows | | | 18.178 | 9.616 |
| Liquidity Coverage Ratio (%) | | | 831,22 | 113,13 |

VIII - Liquidity Risk Management and Liquidity Coverage Ratio (con't)**3. Explanations Liquidity Coverage Ratio**

Significant factors that impact the result of liquidity coverage ratio and change of the items in time that are taken into account in calculation of this ratio

The significant factors that impact liquidity provision rate are net cash outcomes and high quality assets stock. Considered items in the calculation of the rate may be changed in time because of economic structure and decisions of the bank fund management.

The explanation about from which elements the High Quality Liquid Assets Consist

High quality liquid assets mostly consist of domestic Government bonds and Eurobonds.

Content of funds and their composition

The main fund source of the Banks is long term borrowings which are provided by the International Financial Organizations. The coverage of these sources in all funds is approximately 99 percent. Other 1 percent of The Bank's total fund is provided by the repo operations.

Cash outflows generating from derivative transactions and information about which transactions are subject to warrant completing

Banks derivative transactions are mainly forward transactions. There is no transaction that is subject to warrant completing.

Counterparty and product-based funding sources and concentration limits on collateral

The funds of the bank which operates as development bank are mainly international development banks and financial organizations. There is no concentration limit on counterparty or product.

Taking into account the legal and operational consolidated liquidity transfer inhibiting factors, the needed funds and the liquidity risk exposure based on Banks itself, the branches in foreign countries and consolidated partnerships

None.

The information regarding the other cash inflows and cash outflows items which are taken in the calculation of liquidity coverage ratio but not included in the disclosure template in the second paragraph and are thought to be related to the Bank's liquidity profile.

None.

VIII - Liquidity Risk Management and Liquidity Coverage Ratio (con't)

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 (31.12.2015) | | | | | | | | |
| Assets | | | | | | | | |
| Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances with the Central Bank of Turkey | 272 | - | - | - | - | - | - | 272 |
| Banks | 9.869 | 515.146 | - | - | - | - | - | 525.015 |
| Financial Assets at Fair Value through Profit/Loss | - | - | - | - | - | - | - | - |
| Interbank Money Market Placements | - | 35.010 | - | - | - | - | - | 35.010 |
| Financial Assets Available-for-Sale | 8.037 | 21.595 | 16.614 | 39.104 | 78.352 | 766 | - | 164.468 |
| Loans | - | 103.016 | 70.370 | 385.204 | 2.071.440 | 1.221.679 | 61.200 | 3.912.909 |
| Investments Held-to-Maturity | - | 501 | - | - | 20.031 | - | - | 20.532 |
| Other Assets | - | - | - | - | - | - | 116.160 | 116.160 |
| Total Assets | 18.178 | 675.268 | 86.984 | 424.308 | 2.169.823 | 1.222.445 | 177.360 | 4.774.366 |
| Liabilities | | | | | | | | |
| Bank Deposits | - | - | - | - | - | - | - | - |
| Other Deposits | - | - | - | - | - | - | - | - |
| Other Fundings | - | 12.328 | 48.334 | 165.223 | 1.499.908 | 2.248.350 | 226 | 3.974.369 |
| Interbank Money Market Takings | - | 226 | - | - | - | - | - | 226 |
| Securities Issued | - | - | - | - | - | - | - | - |
| Miscellaneous Payables | 8.680 | - | - | - | - | - | - | 8.680 |
| Other Liabilities | - | 1.262 | 5.173 | - | - | - | 784.656 | 791.091 |
| Total Liabilities | 8.680 | 13.816 | 53.507 | 165.223 | 1.499.908 | 2.248.350 | 784.882 | 4.774.366 |
| Liquidity Gap | 9.498 | 661.452 | 33.477 | 259.085 | 669.915 | (1.025.905) | (607.522) | - |
| Net Off-Balance Sheet Position | | | | | | | | |
| Derivative Financial Assets | - | - | - | - | - | - | - | - |
| Derivative Financial Liabilities | - | - | - | - | - | - | - | - |
| Non-Cash Loans | 38 | 356 | 1.183 | 85.121 | - | - | - | 86.698 |
| Prior Period (31.12.2014) | | | | | | | | |
| Total Assets | 24.118 | 566.267 | 113.793 | 373.956 | 1.644.149 | 1.016.065 | 176.517 | 3.914.865 |
| 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) | - |
| Net Off-Balance Sheet Position | | | | | | | | |
| Derivative Financial Assets | - | - | - | - | - | - | - | - |
| Derivative Financial Liabilities | - | - | - | - | - | - | - | - |
| Non-Cash Loans | 40 | 1.479 | - | 4.531 | 3.095 | - | - | 9.145 |

^(*) 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

VIII - Liquidity Risk Management and Liquidity Coverage Ratio (con't)

Leverage ratio:

In the current period common equity rate of increase is lower than total risk rate of increase.

| On-balance sheet assets | Current Period ^(*) |
|---|-------------------------------|
| Balance sheet assets (Excluding derivative financial instruments and credit derivatives, including collaterals) | 4.779.889 |
| (Assets amounts deducted in determining Tier 1 capital) | (1.291) |
| Total balance sheet exposures | 4.778.598 |
| Derivative financial instruments and loan derivatives | |
| Replacement cost of derivative financial instruments and loan derivatives | - |
| Potential loan risk of derivative financial instruments and loan derivatives | - |
| Total derivative financial instruments and loan derivatives exposure | - |
| Securities financing transaction exposure | |
| Risks from securities financing transaction exposure assets | - |
| Risks from brokerage activities related exposures | - |
| Total risks related with securities or commodity financing transactions | - |
| Off-balance sheet items | |
| Gross notional amounts of off-balance sheet items | 1.945.247 |
| (Adjustments for conversion to credit equivalent amounts) | (1.673.295) |
| Total risks of off-balance sheet items | 271.952 |
| Capital and total risks | |
| Tier 1 capital | 682.745 |
| Total risks | 5.050.550 |
| Leverage ratio | |
| Leverage ratio | 13,52 |

^(*) Three-month average of the amounts are taken in the table.

Information about 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 (31.12.2015) | 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 | 19.399 | 54.505 | 193.475 | 1.633.746 | 2.356.343 | (283.100) | 3.974.369 |
| Money market borrowings | 226 | - | - | - | - | - | 226 |
| Total | 19.625 | 54.505 | 193.475 | 1.633.746 | 2.356.343 | (283.100) | 3.974.595 |
| 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 |

VIII - Liquidity Risk Management and Liquidity Coverage Ratio (con't)

The following table shows non-cash loans according to remaining maturities.

| Current Period (31.12.2015) | Demand | Up to 1 Month | 1-3 Months | 3-12 Months | 1-5 Years | 5 Years and Over | Total |
|------------------------------------|---------------|----------------------|-------------------|--------------------|------------------|-------------------------|---------------|
| Letter of Credit | - | 356 | 1.183 | 85.121 | - | - | 86.660 |
| Endorsement | - | - | - | - | - | - | - |
| Letter of Guarantee | 38 | - | - | - | - | - | 38 |
| Acceptances | - | - | - | - | - | - | - |
| Other | - | - | - | - | - | - | - |
| Total | 38 | 356 | 1.183 | 85.121 | - | - | 86.698 |

| Prior 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 |

As of 31 December 2015, the Bank has no derivative financial assets and liabilities.

IX- Explanations related to securitization positions:

None.

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 (31.12.2015) | Amount ^(*) | Financial Collateral | Other/ Physical Collateral | Guaranties and Credit Derivatives |
|--|------------------------------|-----------------------------|-----------------------------------|--|
| Conditional and unconditional corporate receivables | 4.586.953 | - | - | 149.230 |
| Conditional and unconditional retail receivables | 79.728 | - | - | 7.046 |
| Conditional and unconditional receivables secured by real estate mortgages | 715.708 | - | - | 5.875 |
| Total | 5.382.389 | - | - | 162.151 |

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

| 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.

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 29057 and dated 22 July 2014. 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.

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 ⁽¹⁾ | | Fair Value | |
|--|--------------------------------|------------------------------|--------------------------------|------------------------------|
| | Current Period (31.12.2015) | Prior Period (31.12.2014) | Current Period (31.12.2015) | Prior Period (31.12.2014) |
| Financial Assets | 4.657.934 | 3.798.614 | 4.682.032 | 3.824.855 |
| Money markets placements | 35.010 | 283.087 | 35.010 | 283.087 |
| Banks ⁽²⁾ | 525.015 | 277.656 | 525.015 | 277.656 |
| Financial assets available for sale | 164.468 | 72.355 | 164.468 | 72.355 |
| Held to Maturity Investment | 20.532 | 20.476 | 20.345 | 20.348 |
| Loans | 3.912.909 | 3.145.040 | 3.937.194 | 3.171.409 |
| Financial Liabilities | 3.983.049 | 3.197.992 | 4.021.796 | 3.223.038 |
| Interbank deposits | - | - | - | - |
| Other deposits | - | - | - | - |
| Funds provided from other financial institutions | 3.974.369 | 3.181.329 | 4.013.116 | 3.206.375 |
| Marketable securities issued | - | - | - | - |
| Sundry creditors | 8.680 | 16.663 | 8.680 | 16.663 |

⁽¹⁾ 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.

XII- Explanation related to presentation of financial assets and liabilities at fair value (con't)

Information on fair value measurements recognized in the financial statements:

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

Current Period (31.12.2015)

| | Level 1 | Level 2 | Level 3 |
|---|----------------|---------|---------|
| Financial assets at fair value through profit and loss | - | - | - |
| Debt securities | - | - | - |
| Share certificates | - | - | - |
| Derivative financial assets held for trading | - | - | - |
| Other | - | - | - |
| Financial assets available-for-sale* | 156.431 | - | - |
| Debt securities | 156.431 | - | - |
| Other | - | - | - |
| Investment in subsidiaries and associates ** | - | - | - |
| Derivative financial liabilities | - | - | - |

(*) Since they are not traded in an active market, share certificates (TRY 8,037 Thousand) under financial assets available-for-sale are shown in the financial statements with their acquisition costs, therefore not included in the table.

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

Prior Period (31.12.2014)

| | 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 8.039 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.

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 (31.12.2015) | | Prior Period (31.12.2014) | |
|--|-----------------------------|----------|---------------------------|----------|
| | TRY | FC | TRY | FC |
| Cash and foreign currency | 72 | - | 92 | - |
| Central Bank of the Republic of Turkey | 200 | - | 663 | - |
| Other | - | - | - | - |
| Total | 272 | - | 755 | - |

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 (31.12.2015) | | Prior Period (31.12.2014) | |
|-----------------------------|-----------------------------|----------|---------------------------|----------|
| | TRY | FC | TRY | FC |
| Unrestricted Demand Deposit | 200 | - | 663 | - |
| Unrestricted Time Deposit | - | - | - | - |
| Restricted Time Deposit | - | - | - | - |
| Total | 200 | - | 663 | - |

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:

None.

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

None.

3.a) Information on banks:

| | Current Period (31.12.2015) | | Prior Period (31.12.2014) | |
|----------------------------------|-----------------------------|----------------|---------------------------|----------------|
| | TRY | FC | TRY | FC |
| Banks | | | | |
| Domestic | 307.331 | 215.623 | 34.367 | 236.757 |
| Foreign | - | 2.061 | - | 6.532 |
| Foreign Head Office and Branches | - | - | - | - |
| Total | 307.331 | 217.684 | 34.367 | 243.289 |

I- Explanations and Notes Related to Assets: (con't)

3.b) Information on foreign bank accounts:

| | Unrestricted Amount | | Restricted Amount | |
|-------------------------------|--------------------------------|------------------------------|--------------------------------|------------------------------|
| | Current Period (31.12.2015) | Prior Period (31.12.2014) | Current Period (31.12.2015) | Prior Period (31.12.2014) |
| EU Countries | 924 | 6.088 | - | - |
| USA and Canada | 1.102 | 416 | - | - |
| OECD Countries ⁽¹⁾ | 35 | 28 | - | - |
| Off-Shore Banking Regions | - | - | - | - |
| Other | - | - | - | - |
| Total | 2.061 | 6.532 | - | - |

⁽¹⁾ 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 (31.12.2015) | | Prior Period (31.12.2014) | |
|--|-----------------------------|----------|---------------------------|----------|
| | TRY | FC | TRY | FC |
| Share certificates | - | - | - | - |
| Bonds, treasury bills and similar securities | 249 | - | 259 | - |
| Other | - | - | - | - |
| Total | 249 | - | 259 | - |

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

| | Current Period (31.12.2015) | | Prior Period (31.12.2014) | |
|--|-----------------------------|----------|---------------------------|----------|
| | TRY | FC | TRY | FC |
| Share certificates | - | - | - | - |
| Bonds, treasury bills and similar securities | 16.211 | - | 16.252 | - |
| Other | - | - | - | - |
| Total | 16.211 | - | 16.252 | - |

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

| | Current Period (31.12.2015) | Prior Period (31.12.2014) |
|------------------------------|-----------------------------|---------------------------|
| Debt Securities | 156.437 | 64.491 |
| Quoted on a stock exchange | 156.437 | 64.491 |
| Unquoted | - | - |
| Share Certificates | 10.847 | 10.847 |
| Quoted on a stock Exchange | - | - |
| Unquoted | 10.847 | 10.847 |
| Provision for impairment (-) | (2.816) | (2.983) |
| Total | 164.468 | 72.355 |

5. Information on loans:

5.a) Information on all types of loans and advances given to shareholders and employees of the Bank:

| | Current Period (31.12.2015) | | Prior Period (31.12.2014) | |
|--|-----------------------------|----------|---------------------------|----------|
| | Cash | Non-Cash | Cash | Non-Cash |
| Direct loans granted to shareholders | - | - | - | - |
| Legal Entities | - | - | - | - |
| Individuals | - | - | - | - |
| Indirect loans granted to shareholders | - | - | - | - |
| Loans granted to employees | 4.638 | - | 5.168 | - |
| Total | 4.638 | - | 5.168 | - |

I- Explanations and Notes Related to Assets: (con't)

5.b) Information on the first and second group loans and other receivables including restructured or rescheduled loans:

| Cash Loans | Standard Loans and Other Receivables | | | Loans and Other Receivables Under Close Monitoring | | |
|---------------------------------|--------------------------------------|---|-------|--|---|--------|
| | Loans and Other Receivables (Total) | Loans and Receivables with Revised Contract Terms | | Loans and Other Receivables (Total) | Loans and Receivables with Revised Contract Terms | |
| | | Extension of Repayment Plan | | | Extension of Repayment Plan | |
| | | | Other | | | Other |
| Non-specialized loans | 3,267,263 | - | 5,878 | 162,682 | - | 21,250 |
| Working capital loans | 20,330 | - | 1,467 | 65 | - | 49 |
| Export loans | - | - | - | - | - | - |
| Import loans | - | - | - | - | - | - |
| Loans given to financial sector | 232,955 | - | - | - | - | - |
| Consumer loans | 4,638 | - | - | - | - | - |
| Credit cards | - | - | - | - | - | - |
| Other | 3,009,340 | - | 4,411 | 162,617 | - | 21,201 |
| Specialized loans | 385,335 | - | 163 | 36,429 | - | 20,561 |
| Other receivables | - | - | - | - | - | - |
| Total | 3,652,598 | - | 6,041 | 199,111 | - | 41,811 |

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 | 76.649 | 1.548 | 1.379 | 1.379 |
| Non-specialized loans | 72.767 | 1.548 | 1.379 | 1.379 |
| Specialized loans | 3.882 | - | - | - |
| Other receivables | - | - | - | - |
| Medium and long term loans and other receivables | 3.575.949 | 4.493 | 197.732 | 40.432 |
| Non-specialized loans | 3.194.496 | 4.330 | 161.302 | 19.870 |
| Specialized loans | 381.453 | 163 | 36.430 | 20.562 |
| Other receivables | - | - | - | - |

I- Explanations and Notes Related to Assets: (con't)

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 | - | 4.638 | 4.638 |
| Real estate loans | - | - | - |
| Vehicle loans | - | - | - |
| Consumer loans | - | 4.638 | 4.638 |
| 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 | - | 4.638 | 4.638 |

I- Explanations and Notes Related to Assets: (con't)

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 (31.12.2015) | Prior Period (31.12.2014) |
|--------------|--|--------------------------------------|
| Public | 2.353 | 10.588 |
| Private | 3.849.356 | 3.073.430 |
| Total | 3.851.709 | 3.084.018 |

5.f) Breakdown of domestic and international loans:

| | Current Period (31.12.2015) | Prior Period (31.12.2014) |
|---------------------|--|--------------------------------------|
| 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 1.426 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 (31.12.2015) | Prior Period (31.12.2014) |
|--|--|--------------------------------------|
| Loans and other receivables with limited collectability | 304 | - |
| Loans and other receivables with doubtful collectability | - | - |
| Uncollectible loans and receivables | 45.967 | 48.011 |
| Total | 46.271 | 48.011 |

5.h) Information on non-performing loans (net):

5.h.1) Information on loans and other receivables restructured or rescheduled from non-performing loans:

| | III. Group: Loans and Other Receivables With Limited Collectability | IV. Group: Loans and Other Receivables With Doubtful Collectability | V. Group Uncollectible Loans and Other Receivables |
|--|--|--|---|
| Current Period (31.12.2015) | 4.343 | - | - |
| (Gross amounts before specific provisions) | - | - | - |
| Restructured loans and other receivables | - | - | - |
| Rescheduled loans and other receivables | 4.343 | - | - |
| Prior Period (31.12.2014) | - | - | - |
| (Gross amounts before specific provisions) | - | - | - |
| Restructured loans and other receivables | - | - | - |
| Rescheduled loans and other receivables | - | - | - |

I- Explanations and Notes Related to Assets: (con't)

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 | - | - | 109.033 |
| Additions (+) | 127.153 | - | 485 |
| Transfer from other categories of non-performing loans (+) | - | - | - |
| Transfer to other categories of non-performing loans (-) | - | - | - |
| Collections (-) | (121.085) | - | (8.115) |
| Write-offs (-) | - | - | - |
| Corporate and commercial loans | - | - | - |
| Consumer loans | - | - | - |
| Credit cards | - | - | - |
| Other | - | - | - |
| Current period end balance | 6.068 | - | 101.403 |
| Specific provisions (-) | (304) | - | (45.967) |
| Net balance on balance sheet | 5.764 | - | 55.436 |

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.

5.h.4) Information regarding gross and net amounts of non-performing loans with respect to user groups:

| | III. Group Loans and Other Receivables With Limited Collectability | IV. Group Loans and Other Receivables With Doubtful Collectability | V. Group Uncollectible Loans and Other Receivables |
|--|--|--|---|
| Current Period (Net) (31.12.2015) | 5.764 | - | 55.436 |
| Loans to Real Persons and Legal Entities (Gross) | 6.068 | - | 101.403 |
| Specific Provisions (-) | 304 | - | 45.967 |
| Loans to Real Persons and Legal Entities (Net) | 5.764 | - | 55.436 |
| Banks (Gross) | - | - | - |
| Specific Provisions (-) | - | - | - |
| Banks (Net) | - | - | - |
| Other Loans and Receivables (Gross) | - | - | - |
| Specific Provisions (-) | - | - | - |
| Other Loans and Receivables (Net) | - | - | - |
| Prior 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) | - | - | - |

I- Explanations and Notes Related to Assets: (con't)

5.h.5) Aging analysis of post due but not impaired loans per classes of financial statements:

| Current Period (31.12.2015) | 0-30 Days | 31-60 Days | 61-90 Days | Total |
|------------------------------------|------------------|-------------------|-------------------|--------------|
| Loans | | | | |
| Corporate Loans | 1.596 | 218 | 829 | 2.643 |
| Consumer Loans | - | - | - | - |
| Specialized Loans | 101 | - | 77 | 178 |
| Total | 1.697 | 218 | 906 | 2.821 |
| Prior 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 |

Net Value of Collaterals of Loans Under Close Monitoring, Collateral Type and Risk Mapping

| Type of collateral | Current Period (31.12.2015) | | Prior Period (31.12.2014) | |
|---|------------------------------------|---------------------|----------------------------------|---------------------|
| | Net Value of Collateral | Loan Balance | Net Value of Collateral | Loan Balance |
| Real Estate Mortgages ^(*) | 65.913 | 65.913 | 63.147 | 63.147 |
| Vehicle Pledges | - | - | - | - |
| Cash Collateral (Cash, Marketable Securities, etc.) | 133.198 | 133.198 | 104.292 | 104.292 |
| Pledge on wages | - | - | - | - |
| Cheque/Notes | - | - | - | - |
| Other suretyship, commercial enterprise pledge, commercial papers etc.) | - | - | - | - |
| Non-collateralized | - | - | - | - |
| Total | 199.111 | 199.111 | 167.439 | 167.439 |

^(*) 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

| Type of collateral | Current Period (31.12.2015) | | Prior Period (31.12.2014) | |
|--|------------------------------------|---------------------|----------------------------------|---------------------|
| | Net Value of Collateral | Loan Balance | Net Value of Collateral | Loan Balance |
| Real Estate Mortgages ^(*) | 100.526 | 100.526 | 100.899 | 100.899 |
| Cash collateral | - | - | - | - |
| Vehicle Pledges | - | - | - | - |
| Other (suretyship, commercial enterprise pledge, commercial papers etc.) ^(**) | 23 | 256 | - | - |
| | - | 6.689 | - | 8.134 |
| Total | 100.549 | 107.471 | 100.899 | 109.033 |

^(*) 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.

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.

I- Explanations and Notes Related to Assets: (con't)

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:

None.

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

| | Current Period (31.12.2015) | Prior Period (31.12.2014) |
|-------------------------------------|--------------------------------|------------------------------|
| Government bonds | 16.940 | 16.895 |
| Treasury bills | - | - |
| Other public sector debt securities | - | - |
| Total | 16.940 | 16.895 |

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

| | Current Period (31.12.2015) | Prior Period (31.12.2014) |
|-------------------------------------|--------------------------------|------------------------------|
| Government bonds | 20.532 | 20.476 |
| Treasury bills | - | - |
| Other public sector debt securities | - | - |
| Total | 20.532 | 20.476 |

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

| | Current Period (31.12.2015) | Prior Period (31.12.2014) |
|------------------------------|--------------------------------|------------------------------|
| Debt securities | 20.532 | 20.476 |
| Quoted on a stock Exchange | 20.532 | 20.476 |
| Unquoted | - | - |
| Provision for impairment (-) | - | - |
| Total | 20.532 | 20.476 |

6.ç) Movement of held-to-maturity investments:

| | Current Period (31.12.2015) | Prior Period (31.12.2014) |
|--|--------------------------------|------------------------------|
| Balance at the beginning of the period | 20.476 | 29.739 |
| Foreign currency differences on monetary assets | - | - |
| Purchases during the year ⁽¹⁾ | 1.218 | 1.520 |
| Disposals through sales and redemptions ⁽¹⁾ | (1.162) | (10.783) |
| Provision for impairment (-) | - | - |
| Balance at the end of the period | 20.532 | 20.476 |

⁽¹⁾ Purchases during the year includes interest accrual differences equal to TRY 1.210 Thousand (31 December 2014: TRY 1.517 Thousand) and disposals during the year includes interest accrual differences equal to TRY 1.122 Thousand (31 December 2014: TRY 1.715 Thousand).

I- Explanations and Notes Related to Assets: (con't)

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 Türk Suudi Holding A.Ş. ⁽¹⁾ | İstanbul | 10,00 | 24,69 |
| 3 Yozgat Otelcilik A.Ş. | Yozgat | 20,00 | 3,75 |
| 4 İstanbul Risk Sermayesi Girişimi | Luxembourg | 11,11 | 6,25 |

⁽¹⁾ Türk Suudi Holding A.Ş. is the process of liquidation

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⁾ |
|---|-----------------|-------------------------|----------------------|--------------------|--|----------------------------------|-----------------------------|------------------------------|
| 1 | 23.736 | 14.206 | 3.885 | 3 | - | 1.166 | 707 | - |
| 2 | 21.189 | 20.345 | - | 543 | - | 3.369 | 1.506 | - |
| 3 | 176 | 175 | 151 | - | - | (23) | 32 | - |
| 4 | 283.552 | 283.096 | 268.914 | 25 | - | (1.094) | 13.494 | - |

⁽¹⁾ 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 2015. Capital commitment of İstanbul Venture Capital ("IVCI") is EUR 160 Million and the Bank's capital commitment is EUR 10 Million. The Bank has made EUR 6.655.000 capital payment. Prior period information is provided from financial statements as of 30 September 2015.

7. Information on associates (net):

7.c. Movement of associates:

| | Current Period (31.12.2015) | Prior Period (31.12.2014) |
|--|--------------------------------|------------------------------|
| Balance at the beginning of the period | 21.576 | 18.018 |
| Movements during the period | 4.756 | 3.558 |
| Additions ⁽¹⁾ | 3.160 | 2.845 |
| Bonus shares certificates | - | - |
| Shares in current year profit | - | - |
| Disposals | - | - |
| Revaluation increase | - | - |
| Provision for impairment (-)/Cancellation of provision | 1.596 | 713 |
| Balance at the end of the period | 26.332 | 21.576 |
| Capital commitments | - | - |
| Share percentage at the end of the period (%) | - | - |

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

| | Current Period (31.12.2015) | Prior Period (31.12.2014) |
|----------------------------|--------------------------------|------------------------------|
| Banks | - | - |
| Insurance companies | - | - |
| Factoring companies | - | - |
| Leasing companies | - | - |
| Financing companies | - | - |
| Other financial associates | 16.879 | 13.161 |

7.d. Associates quoted in the stock exchange:

None.

I- Explanations and Notes Related to Assets: (con't)

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.

8.b. Movement of subsidiaries:

None.

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 57 Thousand (31 December 2014: TRY 55 Thousand).

11. Information on derivative financial assets for hedging purposes:

None.

12. Information on tangible fixed assets:

| | | Non-Current Assets to be Disposed | Vehicles | Other | Total |
|--|----------------|---|------------|--------------|----------------|
| Current Period (31.12.2015) | Real-Estates | | | | |
| Cost | | | | | |
| Balance at the beginning of the period | 121.528 | 31.721 | 130 | 8.854 | 162.233 |
| Provision for impairment | (9.594) | (751) | - | - | (10.345) |
| Movements during the period | | | | | |
| - Additions | 19 | - | - | 1.781 | 1.800 |
| - Disposals (-) | - | (4.422) | - | (956) | (5.378) |
| - Transfer from investment property | - | - | - | - | - |
| - Provision for impairment (-) | - | (219) | - | - | (219) |
| - Reversal from provision for impairment (-) | - | 3 | - | - | 3 |
| Balance at the end of the period | 111.953 | 26.332 | 130 | 9.679 | 148.094 |
| Accumulated Depreciation | | | | | |
| Balance at the beginning of the period | 77.089 | 1.115 | 100 | 5.071 | 83.375 |
| Movements during the period | | | | | |
| - Depreciation charge ⁽¹⁾ | 2.442 | 643 | 9 | 1.300 | 4.394 |
| - Transfer from investment property | - | - | - | - | - |
| - Disposals (-) | - | (212) | - | (957) | (1.169) |
| - Provision for impairment (-) | - | - | - | - | - |
| Balance at the end of the period | 79.531 | 1.546 | 109 | 5.414 | 86.600 |
| Net book value at the end of the period | 32.422 | 24.786 | 21 | 4.265 | 61.494 |

⁽¹⁾ TRY 714 Thousand of depreciation charge of non-current assets to be disposed which is equal to TRY 61 Thousand was presented under other operating expenses.

I- Explanations and Notes Related to Assets: (con't)

| Prior Period (31.12.2014) | Real-Estates | Non-Current Assets to be Disposed | Vehicles | Other | Total |
|--|----------------|-----------------------------------|------------|--------------|----------------|
| 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 | 74.656 | 785 | 76 | 4.828 | 80.345 |
| Balance at the beginning of the period | - | - | - | - | - |
| Movements during the period | 2.433 | 714 | 24 | 408 | 3.579 |
| - Depreciation charge ^(*) | - | - | - | - | - |
| - Transfer from investment property | - | (384) | - | (165) | (549) |
| - Disposals (-) | - | - | - | - | - |
| - Provision for impairment (-) | 77.089 | 1.115 | 100 | 5.071 | 83.375 |
| Balance at the end of the period | 34.845 | 29.855 | 30 | 3.783 | 68.513 |
| Net book value at the end of the period | 121.170 | 27.878 | 130 | 5.648 | 154.826 |

^(*) 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 losses of non-current assets to be disposed which is equal to TRY 528 Thousand was presented under other operating expenses.

13. Information on intangible assets:

| | Current Period (31.12.2015) | Prior Period (31.12.2014) |
|--|-----------------------------|---------------------------|
| Cost | | |
| Balance at the beginning of the period | 5.436 | 4.332 |
| Movements during the period | - | - |
| - Additions | 185 | 1.104 |
| - Disposals | (1.663) | - |
| Balance at the end of the period | 3.958 | 5.436 |
| Accumulated Depreciation | | |
| Balance at the beginning of the period | 3.470 | 2.705 |
| Movements during the period | - | - |
| - Depreciation charge | 987 | 765 |
| - Disposals | (1.662) | - |
| Balance at the end of the period | 2.795 | 3.470 |
| Net book value at the end of the period | 1.163 | 1.966 |

I- Explanations and Notes Related to Assets: (con't)

14. Information on investment properties:

As of 31 December 2015, the Bank has investment properties held for rent whose net book value is TRY 1.024 Thousand (31 December 2014: 1.067 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 2015, the Bank has rental income equal to TRY 335 Thousand. (31 December 2014: TRY 432 Thousand).

| | Current Period (31.12.2015) | Prior Period (31.12.2014) |
|---|--|--------------------------------------|
| 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 | 1.082 | 1.039 |
| Movements during the period | | |
| - Accumulated depreciation classified as investment property (-) | - | - |
| - Depreciation charge | 43 | 43 |
| - Accumulated depreciation classified as tangible fixed asset (-) | - | - |
| - Disposals | - | - |
| - Provision for impairment (-) | - | - |
| Balance at the end of the period | 1.125 | 1.082 |
| Net book value at the end of the period | 1.024 | 1.067 |

I- Explanations and Notes Related to Assets: (con't)

15. Information on deferred tax assets:

As of 31 December 2015 the Bank has deferred tax asset amounting to TRY 7.914 Thousand (31 December 2014: TRY 7.087 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 2015. (31 December 2014: None).

| | Current Period (31.12.2015) | Prior Period (31.12.2014) |
|---|--|--------------------------------------|
| Deferred tax asset/liability | | |
| Provision for impairment of tangible fixed assets | - | - |
| Retirement pay provision | 6.541 | 5.795 |
| Provision for non-performing loans | 1.362 | 1.362 |
| Valuation of financial assets | (31) | (22) |
| Other | 42 | (48) |
| Total | 7.914 | 7.087 |

Movement of deferred tax assets:

| | Current Period (31.12.2015) | Prior Period (31.12.2014) |
|--|--|--------------------------------------|
| Net book value at the beginning of the period | 7.087 | 6.939 |
| Deferred tax income/loss (net) | 306 | 236 |
| Deferred tax classified under shareholders' equity | 521 | (88) |
| Total | 7.914 | 7.087 |

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

None.

17. Information on other assets:

| | Current Period (31.12.2015) | Prior Period (31.12.2014) |
|--|--|--------------------------------------|
| Inventory | 62 | 67 |
| Prepaid expenses | 4.471 | 4.171 |
| Temporary account debtor | 13.365 | 10.456 |
| Sundry receivables | 278 | 106 |
| Receivables from asset sales on credit terms | - | 420 |
| Accrual of fund management fee | - | 8 |
| Payables from state institutions and organizations | - | 3 |
| Total | 18.176 | 15.231 |

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 (31.12.2015) | | Prior Period (31.12.2014) | |
|---|-----------------------------|------------------|---------------------------|------------------|
| | TRY | FC | TRY | FC |
| From Central Bank of the Republic of Turkey | - | - | - | - |
| From domestic banks and institutions | - | 324.617 | - | 278.709 |
| From foreign banks, institutions and funds | - | 3.635.151 | - | 2.885.365 |
| Total | - | 3.959.768 | - | 3.164.074 |

3.b) Maturity structure of funds borrowed:

| | Current Period (31.12.2015) | | Prior Period (31.12.2014) | |
|----------------------|-----------------------------|------------------|---------------------------|------------------|
| | TRY | FC | TRY | FC |
| Short-term | - | - | - | - |
| Medium and long-term | - | 3.959.768 | - | 3.164.074 |
| Total | - | 3.959.768 | - | 3.164.074 |

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 14.601 Thousand (31 December 2014: TRY 17.255 Thousand) is from Turkish Treasury. Loans disbursed to investor companies in Cyprus from funds obtained from Turkish Treasury amount to TRY 290 Thousand (31 December 2014: TRY 3.960 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 226 Thousand belong to other agency and institute and real person (31 December 2014: TRY 232 Thousand)

4. If other liabilities exceed 10% of the balance sheet total, name and amount of sub-accounts constituting at least 20% of grand total:

Other liabilities do not exceed 10% of the balance sheet total.

5. Explanations on financial lease payables (net):

The Bank has no financial lease payables.

II. Explanations and Notes Related to Liabilities: (con't)

6. Information on derivative financial liabilities for hedging purposes:

The Bank has no derivative financial liabilities for hedging purposes.

7. Explanations on Provisions:

7.a) Information on Generic Provisions:

| | Current Period (31.12.2015) | Prior Period (31.12.2014) |
|---|--------------------------------|------------------------------|
| General Provisions ^(*) | 41.238 | 32.873 |
| Allocated for Group - I loans and receivables (Total) | 36.194 | 28.846 |
| Additional provision for loans and receivables with extended maturities | - | - |
| Allocated for Group - II loans and receivables (Total) | 3.940 | 3.453 |
| Additional provision for loans and receivables with extended maturities | - | 191 |
| Allocated for non-cash loans | 174 | 18 |
| Other | 930 | 556 |

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 2015, the Bank allocates provision for employee benefits equal to TRY 32.472 Thousand (31 December 2014: TRY 28.581 Thousand) and for unused vacation equal to TRY 235 Thousand (31 December 2014: TRY 392 Thousand).

| | Current Period (31.12.2015) | Prior Period (31.12.2014) |
|--|--------------------------------|------------------------------|
| Liabilities at the beginning of period | 28.581 | 27.236 |
| Service cost for the period | 5.919 | 1.925 |
| Interest cost for the period | 1.049 | 866 |
| Actuarial profit/loss | (433) | (253) |
| Payments in the period | (2.286) | (1.193) |
| Liabilities at the end of period | 32.472 | 28.581 |

8. Explanations on tax liabilities:

8.a) Information on current tax liability:

8.a.1) Information on tax provision:

| | Current Period (31.12.2015) | | Prior Period (31.12.2014) | |
|----------------------------------|--------------------------------|----------|------------------------------|----------|
| | TRY | FC | TRY | FC |
| Corporation tax and deferred tax | | | | |
| Corporate tax payable | 5.173 | - | 1.624 | - |
| Deferred tax payable | - | - | - | - |
| Total | 5.173 | - | 1.624 | - |

II. Explanations and Notes Related to Liabilities: (con't)

8.a.2) Information on taxes payable:

| | Current Period (31.12.2015) | Prior Period (31.12.2014) |
|---|--------------------------------|------------------------------|
| Corporate tax payable | 5.173 | 1.624 |
| Taxation on income on marketable securities | 1 | 1 |
| Property tax | 2 | 1 |
| Banking insurance transaction tax (BITT) | 119 | 160 |
| Foreign exchange transaction tax | - | - |
| Value added tax payable | 64 | 76 |
| Other | 891 | 722 |
| Total | 6.250 | 2.584 |

8.a.3) Information on premiums:

| | Current Period (31.12.2015) | Prior Period (31.12.2014) |
|---|--------------------------------|------------------------------|
| Social security premiums- Employee | 69 | 75 |
| Social security premiums- Employer | 101 | 110 |
| 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 | 10 | 11 |
| Other | - | - |
| Total | 185 | 201 |

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 (31.12.2015) | Prior Period (31.12.2014) |
|-----------------|--------------------------------|------------------------------|
| Common Stock | 160.000 | 160.000 |
| Preferred Stock | - | - |

11.b) Paid-in capital amount, explanation whether the registered share capital system is applicable for the Bank, if so amount of registered capital ceiling:

| Capital System | Paid-in capital | Ceiling |
|--------------------|-----------------|---------|
| Registered capital | 160.000 | 500.000 |

II. Explanations and Notes Related to Liabilities: (con't)

- 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.g) 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 (31.12.2015) | | Prior Period (31.12.2014) | |
|--|-----------------------------|-------------|---------------------------|-------------|
| | TRY | FC | TRY | FC |
| From associates, subsidiaries and jointly controlled entities (joint ventures) | - | - | - | - |
| Valuation difference | 56 | (71) | 2.443 | (28) |
| Foreign exchange difference | - | - | - | - |
| Total | 56 | (71) | 2.443 | (28) |

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 (31.12.2015) | Prior Period (31.12.2014) |
|--|--------------------------------|------------------------------|
| Share capital commitments to associates and subsidiaries | 12.215 | 12.226 |
| Total | 12.215 | 12.226 |

- 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 86.660 Thousand. (31 December 2014: TRY 9.105 Thousand). The Bank has no guarantee and bank acceptances.

III. Explanations and Notes Related to Off-Balance Sheet Accounts (con't)

1.b.2) Definite guarantees, tentative guarantees, suretyships and similar transactions:

Total amount of the Bank's TRY letter of guarantees is TRY 38 Thousand (31 December 2014: TRY 40 Thousand.). TRY 4 Thousand (31 December 2014: 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 (31.12.2015) | Prior Period (31.12.2014) |
|--|--------------------------------|------------------------------|
| 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 | 86.698 | 9.145 |
| Total | 86.698 | 9.145 |

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

| | Current Period (31.12.2015) | | | | Prior Period (31.12.2014) | | | |
|----------------------------------|-----------------------------|---------------|---------------|---------------|---------------------------|---------------|--------------|---------------|
| | TRY | (%) | FC | (%) | TRY | (%) | FC | (%) |
| Agriculture | 2 | 5,26 | - | - | 2 | 5,00 | - | - |
| Farming and raising livestock | 2 | 5,26 | - | - | 2 | 5,00 | - | - |
| Forestry | - | - | - | - | - | - | - | - |
| Fishery | - | - | - | - | - | - | - | - |
| Industry | 2 | 5,26 | 86.660 | 100,00 | 3 | 7,50 | 9.105 | 100,00 |
| Mining and quarry | - | - | - | - | - | - | - | - |
| Manufacturing | 2 | 5,26 | 1.454 | 1,68 | 3 | - | - | - |
| Electricity, gas and water | - | - | 85.206 | 98,32 | - | - | 9.105 | 100,00 |
| Construction | - | - | - | - | 1 | 2,50 | - | - |
| Service | 34 | 89,47 | - | - | 34 | 85,00 | - | - |
| Wholesale and retail trade | - | - | - | - | - | - | - | - |
| Hotel and food services | - | - | - | - | - | - | - | - |
| Transportation and communication | - | - | - | - | - | - | - | - |
| Financial institutions | 34 | 89,47 | - | - | 34 | 85,00 | - | - |
| Real estate and leasing services | - | - | - | - | - | - | - | - |
| Self-employment services | - | - | - | - | - | - | - | - |
| Educational services | - | - | - | - | - | - | - | - |
| Health and social services | - | - | - | - | - | - | - | - |
| Other | - | - | - | - | - | - | - | - |
| Total | 38 | 100,00 | 86.660 | 100,00 | 40 | 100,00 | 9.105 | 100,00 |

1.c.3) Non-cash loans classified in Group I and II:

| | Current Period (31.12.2015) | | Prior Period (31.12.2014) | |
|-------------------|-----------------------------|--------|---------------------------|-------|
| | I. Group | | I. Group | |
| Non-cash loans | TRY | FC | TRY | FC |
| Guarantee letters | 38 | - | 40 | - |
| Letter of credits | - | 86.660 | - | 9.105 |

III. Explanations and Notes Related to Off-Balance Sheet Accounts (con't)

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.

The Bank made payment of share capital amounting to EUR 6.655.000 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 500.000 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 on 13 December 2013, 500.000 EURO on 1 August 2014, 500.000 EURO on 29 August 2014, 500.000 EURO on 4 May 2015, 500.000 EURO on 16 October 2015.

The Bank has committed 10 million Euro and as of the balance sheet date an amount of 6.655.000 Euro has been paid and 3.345.000 Euro remains still unpaid.

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 (31.12.2015) | | Prior Period (31.12.2014) | |
|--|-----------------------------|----------------|---------------------------|---------------|
| | TRY | FC | TRY | FC |
| Interest on Loans ⁽¹⁾ | 25.455 | 114.791 | 31.344 | 93.322 |
| Short term loans | 1.497 | 3.236 | 1.621 | 4.477 |
| Medium and long term loans | 18.268 | 111.555 | 23.368 | 88.845 |
| Interest on non-performing loans | 5.690 | - | 6.355 | - |
| Premiums from resource utilization support Fund | 25.455 | 114.791 | 31.344 | 93.322 |

⁽¹⁾ Includes fees and commissions obtained from cash loans.

1.b) Information related to interest income on banks:

| | Current Period (31.12.2015) | | Prior Period (31.12.2014) | |
|---|-----------------------------|------------|---------------------------|--------------|
| | TRY | FC | TRY | FC |
| From Central Bank of the Republic of Turkey | - | - | - | - |
| From domestic banks | 10.296 | 727 | 4.274 | 1.053 |
| From foreign banks | - | - | - | - |
| From foreign head offices and branches | - | - | - | - |
| Total | 10.296 | 727 | 4.274 | 1.053 |

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

| | Current Period (31.12.2015) | | Prior Period (31.12.2014) | |
|---|-----------------------------|--------------|---------------------------|------------|
| | TRY | FC | TRY | FC |
| From financial assets held-for-trading | - | - | 23 | - |
| From financial assets at fair value through profit and loss | - | - | - | - |
| From financial assets available-for-sale | 6.879 | 1.976 | 8.565 | 702 |
| From investments held-to-maturity | 1.780 | - | 2.230 | - |
| Total | 8.659 | 1.976 | 10.818 | 702 |

IV. Explanations and Notes Related to Income Statement: (con't)

1.ç) Information related to interest income from subsidiaries and associates:

None.

1.d) Information on interest income from money market transactions:

| | Current Period (31.12.2015) | | Prior Period (31.12.2014) | |
|-------------------------------|-----------------------------|----|---------------------------|----|
| | TRY | FC | TRY | FC |
| Reverse repurchase agreements | 22.754 | - | 15.884 | - |

2.a) Information related to interest expense on borrowings:

| | Current Period (31.12.2015) | | Prior Period (31.12.2014) | |
|--|-----------------------------|---------------|---------------------------|---------------|
| | TRY | FC | TRY | FC |
| Banks ^(*) | - | 1.496 | - | 2.689 |
| Central Bank of the Republic of Turkey | - | - | - | - |
| Domestic Banks | - | 10 | - | 26 |
| Foreign Banks | - | 1.486 | - | 2.663 |
| Foreign Head Office and Branches | - | - | - | - |
| Other Institutions | 1.023 | 37.822 | 845 | 30.332 |
| Total | 1.023 | 39.318 | 845 | 33.021 |

^(*) 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 (31.12.2015) | | Prior Period (31.12.2014) | |
|-----------------------|-----------------------------|----|---------------------------|----|
| | TRY | FC | TRY | FC |
| Repurchase agreements | 22 | - | 210 | - |

3. Information related to dividend income:

| | Current Period (31.12.2015) | Prior Period (31.12.2014) |
|---|--------------------------------|------------------------------|
| From financial assets held-for-trading | - | - |
| From financial assets at fair value through profit and loss | - | - |
| From financial assets available-for-sale | 218 | - |
| Other | 71 | 109 |
| Total | 289 | 109 |

IV. Explanations and Notes Related to Income Statement: (con't)

4. Information related to trading profit/loss:

| | Current Period (31.12.2015) | Prior Period (31.12.2014) |
|--|--|--------------------------------------|
| Profit | 17.575 | 7.832 |
| Profit from the capital market operations | 2.797 | 6 |
| Profit on derivative financial instruments | - | - |
| Foreign exchange gains | 14.778 | 7.826 |
| Loss (-) | (12.175) | (5.644) |
| Loss from the capital market operations | (2) | (3) |
| Loss on derivative financial instruments | - | - |
| Foreign exchange losses | (12.173) | (5.641) |

5. Information related to other operating income:

| | Current Period (31.12.2015) | Prior Period (31.12.2014) |
|--|--|--------------------------------------|
| Income from sale of assets | 796 | 5.510 |
| Reversals from prior years' provisions | 4.281 | 7.781 |
| Other | 1.089 | 1.525 |
| Total | 6.166 | 14.316 |

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 (31.12.2015) | Prior Period (31.12.2014) |
|--|--|--------------------------------------|
| Specific provisions on loans and other receivables | 495 | 10.196 |
| Group- III loans and receivables | 303 | - |
| Group- IV loans and receivables | - | - |
| Group-V loans and receivables | 192 | 10.196 |
| General loan provision expenses | 8.365 | 5.390 |
| 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 | 2 | 85 |
| Associates | 2 | 85 |
| Subsidiaries | - | - |
| Jointly controlled entities (joint ventures) | - | - |
| Investments held-to-maturity | - | - |
| Other | - | - |
| Total | 8.862 | 15.671 |

IV. Explanations and Notes Related to Income Statement: (con't)

7. Information related to other operating expenses:

| | Current Period (31.12.2015) | Prior Period (31.12.2014) |
|---|--------------------------------|------------------------------|
| Personnel expenses | 52.593 | 51.671 |
| Provision for employee termination benefits | 6.610 | 2.791 |
| Provision expense for bank social aid fund deficits | - | - |
| Fixed assets impairment expense | - | - |
| Depreciation expenses of fixed assets | 3.793 | 2.908 |
| Intangible assets impairment expense | - | - |
| Goodwill impairment expense | - | - |
| Amortization expenses of intangible assets | 987 | 765 |
| Impairment expense for equity shares subject to the equity method accounting | - | - |
| Impairment expense of assets that will be disposed | 219 | 220 |
| Amortization expenses of assets that will be disposed | 583 | 476 |
| Impairment expense for non-current assets held for sale and discontinued operations | - | - |
| Other operating expenses | 10.391 | 9.585 |
| Operational leasing expenses | 92 | 86 |
| Maintenance expenses | 294 | 564 |
| Advertisement expenses | 39 | 55 |
| Other expenses ^(*) | 9.966 | 8.880 |
| Loss on sale of assets | 5 | 3 |
| Other | 3.402 | 4.307 |
| Total | 78.583 | 72.726 |

^(*) Other expenses consist of cleaning expenses equal to TRY 2.560 Thousand (31 December 2014: TRY 2.390 Thousand), heating, lighting and water expenses equal to TRY 871 Thousand (31 December 2014: TRY 798 Thousand), rent expenses equal to TRY 93 Thousand (31 December 2014: TRY 86 Thousand), security expenses equal to TRY 1.007 Thousand (31 December 2014: TRY 969 Thousand), kindergarten expenses equal to TRY 430 Thousand (31 December 2014: TRY 393 Thousand), communication expenses equal to TRY 1.484 Thousand (31 December 2014: TRY 1.401 Thousand), computer usage expenses equal to TRY 502 Thousand (31 December 2014: TRY 386 Thousand), vehicle expenses equal to TRY 589 Thousand (31 December 2014: TRY 548 Thousand), other expenses equal to TRY 2.430 Thousand (31 December 2014: TRY 1.909 Thousand).

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

As of 31 December 2015, the Bank's income before tax from the continuing operations is TRY 80.081 Thousand (31 December 2014: TRY 59.179 Thousand) and the Bank has no discontinued operations.

9. Information related to tax provisions for continuing and discontinued operations:

As of 31 December 2015, the Bank's income tax provision from continuing operations amounting to TRY (17.341) Thousand, (31 December 2014: TRY (12.276) Thousand) consists of TRY (17.647) Thousand of current tax charge (31 December 2014: TRY (12.512) Thousand), TRY 306 Thousand of deferred tax charge (31 December 2014: TRY 236 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 62.740 Thousand from continuing operations between 1 January 2014 and 31 December 2015. (Between 1 January 2014-31 December 2014: TRY 46.903 Thousand).

IV. Explanations and Notes Related to Income Statement: (con't)

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 2015, "Other Fees and Commission Received" amounts to TRY 9.554 Thousand; (31 December 2014: TRY 8.322 Thousand) and TRY 7.985 Thousand of this amount consists of project service income (31 December 2014: TRY 5.906 Thousand)

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 2014: TRY 160.000 Thousand). As of the balance sheet date, the balance of legal reserves is TRY 32.150 Thousand (31 December 2014: TRY 32.150 Thousand), the balance of extraordinary reserves is TRY 238.050 Thousand (31 December 2014: TRY 191.384 Thousand) and the balance of other legal reserves is TRY 1.873 Thousand (31 December 2014: TRY 1.636 Thousand).

The difference of Securities Valuation, amounting TRY (15) Thousand is resulted from securities available for sale revaluation reserve.

The balances of TRY 892 Thousand in other reserves totally consist of actuarial loss/gain after deferred tax balances.

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 inflow arising from banking operations is equal to TRY 55.545 Thousand (31 December 2014: TRY (54.195) Thousand). TRY (17.650) Thousand (31 December 2014: TRY (96.706) Thousand) of this amount is generated from the change in operating assets and liabilities, and TRY 73.195 Thousand (31 December 2014: TRY 42.511 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 (12.789) Thousand (31 December 2014: TRY (211.826) 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 (137.945) Thousand (31 December 2014: TRY (55.400) Thousand).

In 2015, there is not any net cash outflow from financing activities (31 December 2014: 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 25.890 Thousand (31 December 2014: TRY 18.603 Thousand).

VI. Explanations and Notes Related to Cash Flow Statement: (con't)

2. Cash and cash equivalents at the beginning 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 | 12.516 | 8.561 |
| Cash equivalents | 548.748 | 428.261 |
| Interbank money market placements | 283.000 | 145.515 |
| Time deposits at banks | 265.748 | 282.746 |
| Total cash and cash equivalents | 561.356 | 436.897 |

The total amount arising from prior period transactions equals to total amount of current period cash and cash equivalents.

3. Cash and cash equivalents at the end of the period:

| | Current Period (31.12.2015) | Prior Period (31.12.2014) |
|---|-----------------------------|---------------------------|
| Cash | 10.141 | 12.608 |
| Cash in TRY and foreign currency | 71 | 92 |
| Demand deposits at banks and Central Bank of the Republic of Turkey | 10.070 | 12.516 |
| Cash equivalents | 549.853 | 548.748 |
| Interbank money market | 35.000 | 283.000 |
| Time deposits at banks | 514.853 | 265.748 |
| Total cash and cash equivalents | 559.994 | 561.356 |

VII. Explanations Related to Risk Group of the Bank:

Predicted limitations determined in the Banking Law are maintained through internal regulations in the Bank which has no transactions related to deposit acceptance. For the transactions with risk groups, normal customer relationships and market conditions are taken into account. The Bank adopts policies that restrict the balance of transactions with risk groups in total assets and liabilities. Practices are carried out in accordance with this policy.

a) Current Period:

| Risk Group | Subsidiaries, Associates and Jointly Controlled Entities (Joint Ventures) | | Direct or Indirect Shareholders of the Bank | | Other Real and Legal Persons in the Risk Group | |
|---------------------------------|---|----------|---|----------|--|----------|
| | Cash | Non-Cash | Cash | Non-Cash | Cash | Non-Cash |
| Loans and other receivables | - | - | - | - | - | - |
| Beginning Balance | 344 | - | - | - | - | - |
| Closing Balance | 403 | - | - | - | - | - |
| Interest and Commissions Income | - | - | - | - | - | - |

⁽¹⁾ TRY 1.429 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 | 254 | - | - | - | - | - |
| Closing Balance | 344 | - | - | - | - | - |
| Interest and Commissions Income | - | - | - | - | - | - |

⁽¹⁾ 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.

VII. Explanations Related to Risk Group of the Bank: (con't)

- 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 (31.12.2015) | Prior Period (31.12.2014) |
|------------------------------|-----------------------------|---------------------------|
| Salary | 1.004 | 1.005 |
| Dividend and fringe benefits | 143 | 140 |
| Total | 1.147 | 1.145 |

⁽¹⁾ Total number of employees is 604 and 13 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 Employees | | | |
|----------------------------------|--------|---------------------|---------|--------------|---------|
| Domestic branches ⁽¹⁾ | 1 | 13 | | | |
| Foreign rep-offices | - | - | Country | | |
| | | | | Total Assets | Capital |
| Foreign branches | - | - | | - | - |
| Off-shore branches | - | - | | - | - |

⁽¹⁾ Total number of employees is 602 and 13 of them are employed at İstanbul Branch.

IX. Explanations related to the subsequent events:

None.

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 Ratings and summary of the results as of 31 December 2015 and 31 December 2014 are presented below:

| | 31.12.2015 | 31.12.2014 |
|------------------------------|------------|------------|
| 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 |
| Individual Rating | 2 | 2 |
| Support Points | BBB- | BBB- |

SECTION SEVEN**INDEPENDENT AUDITOR'S REPORT****I. Explanations on Independent Auditor's Report:**

The unconsolidated financial statements as of 31 December 2015 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 10 February 2016 is presented preceding the unconsolidated financial statements.

II. Explanations and Notes Prepared by Independent Auditor:

None.



Kalkınma
Development Bank of Turkey

www.kalkinma.com.tr