

**TÜRKİYE KALKINMA BANKASI A.Ş.**

INDEPENDENT AUDITOR'S  
REPORT, UNCONSOLIDATED  
FINANCIAL STATEMENTS  
AND NOTES FOR THE YEAR  
ENDED 31 DECEMBER 2015

CONVENIENCE TRANSLATION OF  
INDEPENDENT AUDITOR'S REPORT  
ORIGINALLY ISSUED IN TURKISH

DRT Bağımsız Denetim ve Serbest  
Muhasebeci Mali Müşavirlik A.Ş.  
10 February 2016

*This report includes two pages independent  
auditor's report and 101 pages financial  
statements and notes.*

**(CONVENIENCE TRANSLATION OF  
INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH)**

**TÜRKİYE KALKINMA BANKASI A.Ş.  
INDEPENDENT AUDITOR'S REPORT**

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

**Report on the Financial Statements**

We have audited the accompanying financial statements of Türkiye Kalkınma Bankası A.Ş. ("the Bank"), which comprise the balance sheet as at 31 December 2015, and the statement of income, statement of income and expense items accounted under shareholders' equity, statement of changes in shareholders' equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

*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.

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## *Opinion*

In our opinion, the 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**

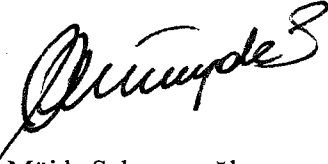
In accordance with paragraph four of the Article 402 of the Turkish Commercial Code No. 6102 ("TCC"), nothing has come to our attention that may cause us to believe that the Bank's set of accounts for the period 1 January-31 December 2015 does not comply with TCC and the provisions of the Bank's articles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

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**SECTION ONE**  
**GENERAL INFORMATION**

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

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

On 15 July 1988, its legal title was changed to Türkiye Kalkınma Bankası A.Ş. by being associated to the Prime Ministry in the context of the Decree Based on Law numbered 329 and in parallel with the developments in its service range. The Bank had become a development and investment bank that provides financing support to companies in tourism sector as well as trade sector by taking over T.C. Turizm Bankası A.Ş. with all of its assets and liabilities with the decision of Supreme Planning Council dated January 20, 1989 and numbered 89/T-2. Also with the Decree Based on Law numbered 401 dated February 12, 1990, some of the articles related to the Bank status were changed.

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

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

The capital ceiling of the Bank which is subject to registered capital system is TRY 500.000 Thousand. The issued capital considering the registered capital is TRY 160.000 Thousand (The Bank's capital consist of 16 Billion lots that one of each costs TRY 0,01), and the shareholders and their shares in the issued capital are shown below.

<b>Shareholders</b>	<b>Share Amount (Thousand TL)</b>	<b>Share (%)</b>	<b>Share Capital (Thousand TL)</b>	<b>Trading Capital (Thousand TL)</b>
Treasury	158.530	99,08	158.530	-
Other Shareholders	1.470	0,92	1.470	-
<b>Total</b>	<b>160.000</b>	<b>100,00</b>	<b>160.000</b>	<b>-</b>

**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:**

<b>Name Surname</b>	<b>Duty</b>	<b>Assignment Date</b>	<b>Education Level</b>	<b>Experience in Banking Sector(Years)</b>
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

**TÜRKİYE KALKINMA BANKASI A.Ş.****Notes to the Unconsolidated Financial Statements****For the Year Ended 31 December 2015**

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

**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 (cont'd):****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/Tech.Mon.-Ins.Comm.-Econ.and Social Res.-Credit Ins.	22.08.2003	Bachelor	33
Adnan YALÇINCI	AGM/Loan Follow-up and Coll.-Fiscal Aff.-Budgeting	14.10.2005	Master's Degree	26
Zekai İŞILDAR	AGM/ Loan Evaluation I-II, Support Services	30.01.2009	Bachelor	27
İrfan YAŞAR	AGM/Fin.Inst.-Business Product-Treasury	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	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.

**TÜRKİYE KALKINMA BANKASI A.Ş.**

**Notes to the Unconsolidated Financial Statements**

**For the Year Ended 31 December 2015**

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

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

**TÜRKİYE KALKINMA BANKASI A.Ş. UNCONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)**

ASSETS		Disc.	THOUSANDS OF TRY					
			AUDITED CURRENT PERIOD (31 12 2015)			AUDITED PRIOR PERIOD (31 12 2014)		
			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

**TÜRKİYE KALKINMA BANKASI A.Ş. UNCONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)**

LIABILITIES AND EQUITY		Disc.	THOUSANDS OF TRY					
			AUDITED			AUDITED		
			CURRENT PERIOD			PRIOR PERIOD		
			(31 12 2015)			(31 12 2014)		
			TRY	FC	Total	TRY	FC	Total
<b>I. DEPOSITS</b>	(1)		-	-	-	-	-	-
1.1 Deposits Held by the Risk Group of the Bank			-	-	-	-	-	-
1.2 Other			-	-	-	-	-	-
<b>II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING</b>	(2)		-	-	-	-	-	-
<b>III. BORROWING FUNDING LOANS</b>	(3)		-	3.959.768	3.959.768	-	3.164.074	3.164.074
<b>IV. MONEY MARKET BALANCES</b>			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
<b>V. MARKETABLE SECURITIES ISSUED (Net)</b>			-	-	-	-	-	-
5.1 Bills			-	-	-	-	-	-
5.2 Asset-backed Securities			-	-	-	-	-	-
5.3 Bonds			-	-	-	-	-	-
<b>VI. FUNDS</b>			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
<b>VII. SUNDRY CREDITORS</b>			3.458	5.222	8.680	14.222	2.441	16.663
<b>VIII. OTHER LIABILITIES</b>	(4)		5.348	2.104	7.452	8.524	887	9.411
<b>IX. FACTORING PAYABLES</b>			-	-	-	-	-	-
<b>X. FINANCE LEASE PAYABLES (Net)</b>	(5)		-	-	-	-	-	-
10.1 Finance Lease Payables			-	-	-	-	-	-
10.2 Operating Lease Payables			-	-	-	-	-	-
10.3 Other			-	-	-	-	-	-
10.4 Deferred Finance Lease Expenses ( - )			-	-	-	-	-	-
<b>XI. DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING</b>	(6)		-	-	-	-	-	-
11.1 Fair Value Risk Hedging			-	-	-	-	-	-
11.2 Cash Flow Risk Hedging			-	-	-	-	-	-
11.3 Net Abroad Investment Risk Hedging			-	-	-	-	-	-
<b>XII. PROVISIONS</b>	(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	-	-	-
<b>XIII. TAX LIABILITY</b>	(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			-	-	-	-	-	-
<b>XIV. LIABILITIES FOR ASSET HELD FOR SALE AND HELD FROM DISCONTINUED OPERATIONS</b>	(9)		-	-	-	-	-	-
14.1 Held for Sale Purpose			-	-	-	-	-	-
14.2 Held from Discontinued Operations			-	-	-	-	-	-
<b>XV. TIER - II CAPITAL</b>	(10)		-	-	-	-	-	-
<b>XVI. SHAREHOLDERS' EQUITY</b>	(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
<b>TOTAL LIABILITIES AND EQUITY</b>			<b>807.254</b>	<b>3.967.112</b>	<b>4.774.366</b>	<b>747.420</b>	<b>3.167.445</b>	<b>3.914.865</b>

**TÜRKİYE KALKINMA BANKASI A.Ş. UNCONSOLIDATED OFF BALANCE SHEET ACCOUNTS**

		THOUSANDS OF TRY					
		AUDITED CURRENT PERIOD (31 12 2015)			AUDITED PRIOR PERIOD (31 12 2014)		
	Disc.	TRY	FC	Total	TRY	FC	Total
<b>A. OFF BALANCE SHEET CONTINGENCIES AND COMMITMENTS (I+II+III)</b>		<b>231.469</b>	<b>1.673.727</b>	<b>1.905.196</b>	<b>117.895</b>	<b>1.365.731</b>	<b>1.483.626</b>
<b>I. GUARANTEES AND SURETYSHIPS</b>	(1), (3)	<b>38</b>	<b>86.660</b>	<b>86.660</b>	<b>40</b>	<b>9.105</b>	<b>9.145</b>
1.1. Letters of Guarantee		38	-	-	40	-	40
1.1.1. Guarantees Subject to Public Procurement Law		-	-	-	-	-	-
1.1.2. Guarantees Given for Foreign Trade Operations		-	-	-	-	-	-
1.1.3. Other Letters of Guarantee		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		-	-	-	-	-	-
<b>II. COMMITMENTS</b>	(1), (3)	<b>231.431</b>	<b>1.587.067</b>	<b>1.818.498</b>	<b>117.855</b>	<b>1.356.626</b>	<b>1.474.481</b>
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		-	-	-	-	-	-
<b>III. DERIVATIVE FINANCIAL INSTRUMENTS</b>	(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>B. CUSTODY AND PLEDGED ASSETS (IV+V+VI)</b>		<b>1.205.583</b>	<b>14.722.536</b>	<b>15.928.119</b>	<b>1.448.714</b>	<b>10.707.341</b>	<b>12.150.055</b>
<b>IV. CUSTODIES</b>		<b>3.015</b>	<b>633</b>	<b>3.648</b>	<b>1.020</b>	<b>306</b>	<b>1.326</b>
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		-	-	-	-	-	-
<b>V. PLEDGED ASSETS</b>		<b>1.201.005</b>	<b>14.721.712</b>	<b>15.922.717</b>	<b>1.444.574</b>	<b>10.705.684</b>	<b>12.150.258</b>
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
<b>VI. ACCEPTED BILL GUARANTEES AND SURETIES</b>		<b>1.563</b>	<b>191</b>	<b>1.754</b>	<b>3.120</b>	<b>1.351</b>	<b>4.471</b>
<b>TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)</b>		<b>1.437.052</b>	<b>16.396.263</b>	<b>17.833.315</b>	<b>1.566.609</b>	<b>12.073.072</b>	<b>13.639.681</b>

**TÜRKİYE KALKINMA BANKASI A.Ş. UNCONSOLIDATED STATEMENT OF INCOME**

INCOME AND EXPENSES	Disc.	THOUSANDS OF TRY	
		AUDITED	AUDITED
		CURRENT PERIOD (01/01/2015-31/12/2015)	PRIOR PERIOD (01/01/2014-31/12/2014)
<b>I. INTEREST INCOME</b>	<b>(1)</b>	<b>186.125</b>	<b>157.397</b>
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	-
<b>II. INTEREST EXPENSE</b>	<b>(2)</b>	<b>40.445</b>	<b>34.540</b>
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	<b>(12)</b>	82	464
<b>III. NET INTEREST INCOME (I - II)</b>		<b>145.680</b>	<b>122.857</b>
<b>IV. NET FEES AND COMMISSIONS INCOME</b>		<b>9.991</b>	<b>8.106</b>
4.1 Fees and commissions income		10.655	8.591
4.1.1 Non-cash loans		1.101	269
4.1.2 Other	<b>(12)</b>	9.554	8.322
4.2 Fees and commissions expenses		664	485
4.2.1 Non-cash loans		-	-
4.2.2 Other		664	485
<b>V. DIVIDEND INCOME</b>	<b>(3)</b>	<b>289</b>	<b>109</b>
<b>VI. NET TRADING PROFIT</b>	<b>(4)</b>	<b>5.400</b>	<b>2.188</b>
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
<b>VII. OTHER OPERATING INCOME</b>	<b>(5)</b>	<b>6.166</b>	<b>14.316</b>
<b>VIII. TOTAL OPERATING INCOME (III+IV+V+VI+VII)</b>		<b>167.526</b>	<b>147.576</b>
<b>IX. LOANS AND OTHER RECEIVABLES IMPAIRMENT LOSS PROVISIONS (-)</b>	<b>(6)</b>	<b>8.862</b>	<b>15.671</b>
<b>X. OTHER OPERATING EXPENSES(-)</b>	<b>(7)</b>	<b>78.583</b>	<b>72.726</b>
<b>XI. NET OPERATING INCOME/(LOSS) (VIII-IX-X)</b>		<b>80.081</b>	<b>59.179</b>
<b>XII. AMOUNT RECORDED IN EXCESS AS GAIN AFTER MERGER</b>		-	-
<b>XIII. PROFIT/LOSSES FROM EQUITY METHOD APPLIED SUBSIDIARIES</b>		-	-
<b>XIV. GAIN / (LOSS) ON NET MONETARY POSITION</b>		-	-
<b>XV. INCOME/(LOSS) BEFORE TAXES (XI+XII+XIII+XIV)</b>	<b>(8)</b>	<b>80.081</b>	<b>59.179</b>
<b>XVI. INCOME TAX PROVISION (±)</b>	<b>(9)</b>	<b>(17.341)</b>	<b>(12.276)</b>
16.1 Current tax provision		(17.647)	(12.512)
16.2 Deferred tax provision		306	236
<b>XVII. NET OPERATING INCOME AFTER TAX (XV±XVI)</b>	<b>(10)</b>	<b>62.740</b>	<b>46.903</b>
<b>XVIII. INCOME FROM DISCONTINUED OPERATIONS</b>		-	-
18.1 Property and equipment income held for sale		-	-
18.2 Sale profits from associates, subsidiaries and joint ventures (business partners)		-	-
18.3 Other income from terminated operations		-	-
<b>XIX. EXPENSES FROM DISCONTINUED OPERATIONS (-)</b>		-	-
19.1 Property and equipment expense held for sale		-	-
19.2 Sale losses from associates, subsidiaries and joint ventures (business partners)		-	-
19.3 Other expenses from discontinued operations		-	-
<b>XX. INCOME/EXPENSE BEFORE TAXES FROM DISCONTINUED OPERATIONS (XVIII-XIX)</b>	<b>(8)</b>	-	-
<b>XXI. PROVISION FOR TAXES ON INCOME FROM DISCONTINUED OPERATIONS (±)</b>	<b>(9)</b>	-	-
21.1 Current tax provision		-	-
21.2 Deferred tax provision		-	-
<b>XXII. NET PROFIT/LOSSES FROM DISCONTINUED OPERATIONS (XX±XXI)</b>		-	-
<b>XXIII. NET PROFIT/(LOSS) (XVII+XXII)</b>	<b>(10)</b>	<b>62.740</b>	<b>46.903</b>
Earnings per share		0.00392	0.00293

**TÜRKİYE KALKINMA BANKASI A.Ş. STATEMENT OF UNCONSOLIDATED PROFIT AND LOSS  
ACCOUNTED FOR UNDER EQUITY**

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

**TÜRKİYE KALKINDIRMA BANKASI A.Ş. UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

**AUDITED**

THOUSANDS OF TRY

CHANGES IN SHARE HOLDERS' EQUITY																
Disc.	Paid-in Capital	Effect of Issuance Adjustments on Paid-in Capital (*)	Share Premium	Share Certificate Cancellation Profit	Legal Reserves	Statutory Reserves	Extraordinary Reserves	Other Reserves (**)	Current Period Net Income/(Loss)	Prior Period Net Income/(Loss)	Valuation changes in marketable securities	Revaluation changes in top. and equip. and int. asset	Free shares from shareholders	Hedging funds	Value then in pro. and equip. held for sale purp./term. op.	Total Equity
PRIOR PERIOD (31/12/2014)																
I. Balance at end of prior period	160.000	206.418	1.491	-	33.075	-	163.588	1.636	-	36.621	2.508	-	-	-	-	604.097
II. Correction according to TAS 8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1 The effect of corrections of errors	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 The effect of changes in accounting policy	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. New Balance (I + II)	160.000	206.418	1.491	-	33.075	-	163.588	1.636	-	36.621	2.508	-	-	-	-	604.097
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. Increase of share certificates at end of period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII. Adjustment to paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVIII. Other	202	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIX. Net profit or losses	-	-	-	-	75	-	27.796	-	46.903	(36.621)	-	-	-	-	-	202
XX. Profit distribution	-	-	-	-	-	-	-	-	-	(8.750)	-	-	-	-	-	46.903
20.1 Dividends distributed	-	-	-	-	-	-	-	-	-	(8.750)	-	-	-	-	-	(8.750)
20.2 Transfers to legal reserves	-	-	-	-	75	-	27.796	-	-	(27.871)	-	-	-	-	-	-
20.3 Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing Balance (III+IV+V+...+XVIII+XIX+XX)	160.000	206.620	1.491	-	33.150	-	191.384	1.636	46.903	-	2.415	-	-	-	-	642.599
CURRENT PERIOD (31/12/2015)																
I. Balance at end of prior period	160.000	206.620	1.491	-	33.150	-	191.384	1.636	-	46.903	2.415	-	-	-	-	642.599
II. Correction according to TAS 8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1 The effect of corrections of errors	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 The effect of changes in accounting policy	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. New Balance (I + II)	160.000	206.620	1.491	-	33.150	-	191.384	1.636	-	46.903	2.415	-	-	-	-	642.599
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. Increase of share certificates at end of period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII. Adjustment to paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVIII. Other (*)	346	-	-	-	-	-	-	-	-	-	-	-	-	-	-	346
XIX. Net profit or losses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XX. Profit distribution	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20.1 Dividends distributed	-	-	-	-	-	-	-	237	62.740	(46.903)	-	-	-	-	-	62.740
20.2 Transfers to legal reserves	-	-	-	-	-	-	-	237	-	(46.903)	-	-	-	-	-	-
20.3 Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing Balance (III+IV+V+...+XVIII+XIX+XX)	160.000	206.966	1.491	-	33.150	-	238.050	1.873	62.740	-	(15)	-	-	-	-	703.255

TÜRKİYE KALKINMA BANKASI A.Ş. UNCONSOLIDATED STATEMENT OF CASH FLOWS	Disc.	THOUSANDS OF TRY	
		AUDITED	AUDITED
		CURRENT PERIOD	PRIOR PERIOD
		(01/01/2015-31/12/2015)	(01/01/2014-31/12/2014)
<b>A. CASH FLOWS FROM BANKING OPERATIONS</b>			
<b>1.1. Operating profit before changes in operating assets and liabilities (+)</b>	<b>(1)</b>	<b>73.195</b>	<b>42.511</b>
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 (+/-)	<b>(1)</b>	<b>(137.945)</b>	<b>(55.400)</b>
<b>1.2. Assets and Liabilities Subject to Banking Operations</b>	<b>(1)</b>	<b>(17.650)</b>	<b>(96.706)</b>
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 (+/-)	<b>(1)</b>	<b>(12.789)</b>	<b>(211.826)</b>
<b>I. Net cash provided from banking operations (+/-)</b>	<b>(1)</b>	<b>55.545</b>	<b>(54.195)</b>
<b>B. CASH FLOWS FROM INVESTMENT ACTIVITIES</b>			
<b>II. Net cash provided from investing activities (+/-)</b>		<b>(82.797)</b>	<b>168.801</b>
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)
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>III. Net cash provided from financing activities (+/-)</b>	<b>(1)</b>	<b>-</b>	<b>(8.750)</b>
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 (+)	<b>(1)</b>	-	-
3.4. Dividends paid (-)		-	(8.750)
3.5. Payments for finance leases (-)		-	-
3.6. Other (+/-)		-	-
<b>IV. Effect of change in foreign exchange rate on cash and cash equivalents (+/-)</b>	<b>(1)</b>	<b>25.890</b>	<b>18.603</b>
<b>V. Net increase / (decrease) in cash and cash equivalents (I+II+III+IV)</b>	<b>(1)</b>	<b>(1.362)</b>	<b>124.459</b>
<b>VI. Cash and cash equivalents at beginning of the period (+)</b>	<b>(2)</b>	<b>561.356</b>	<b>436.897</b>
<b>VII. Cash and cash equivalents at end of the period (V+VI)</b>	<b>(3)</b>	<b>559.994</b>	<b>561.356</b>



TÜRKİYE KALKINMA BANKASI A.Ş. PROFIT DISTRIBUTION TABLE	THOUSANDS OF TRY	
	AUDITED	AUDITED
	CURRENT PERIOD (31/12/2015)	PRIOR PERIOD (31/12/2014)
<b>I.DISTRIBUTION OF CURRENT YEAR PROFIT</b>		
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)
<b>A. NET PROFIT FOR THE YEAR (1.1-1.2)</b>	<b>62.740</b>	<b>46.903</b>
1.3.ACCUMULATED LOSSES (-)	-	-
1.4.FIRST LEGAL RESERVES (-)	-	-
1.5.OTHER STATUTORY RESERVES (-)	-	-
<b>B. NET PROFIT AVAILABLE FOR DISTRIBUTION [(A)-(1.3+1.4+1.5)]</b>	<b>62.740</b>	<b>46.903</b>
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	-	-
<b>II. DISTRIBUTION OF RESERVES</b>		
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 (-)	-	-
<b>III. EARNINGS PER SHARE</b>		
3.1.TO OWNERS OF ORDINARY SHARES	-	-
3.2.TO OWNERS OF ORDINARY SHARES (%)	-	-
3.3.TO OWNERS OF PRIVILEGED SHARES	-	-
3.4.TO OWNERS OF PRIVILEGED SHARES (%)	-	-
<b>IV. DIVIDEND PER SHARE</b>		
4.1.TO OWNERS OF ORDINARY SHARES	-	-
4.2.TO OWNERS OF ORDINARY SHARES (%)	-	-
4.3.TO OWNERS OF PRIVILEGED SHARES	-	-
4.4.TO OWNERS OF PRIVILEGED SHARES (%)	-	-

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

### **SECTION THREE ACCOUNTING POLICIES**

#### **I- Explanations on Basis of Presentation:**

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

The unconsolidated financial statements and related disclosures are prepared in accordance with the Public Oversight Accounting and Auditing Standards Authority (POA) and Turkish Financial Reporting Standards (TFRS) effective by the Turkish Accounting Standards Board and related appendixes and interpretations concerning those standards, and “Regulation on the Procedures And Principles Regarding Banks’ Accounting Practices and Maintaining Documents” dated 1 November 2006 and numbered 26333 which is related to Banking Law numbered 5411 and other legislations, interpretations and circulars issued related to basis for accounting and financial reporting by Banking Regulation and Supervision Agency. The Bank keeps its records in Turkish Liras (TRY) in accordance with the Banking Law, Turkish Trade Law and Turkish Tax Legislations.

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

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

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

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

All of the financial statements as of 31 December 2014 are presented comparatively with the audited balances as of 31 December 2013. In order to give information about financial position and performance trends, unconsolidated financial statements of the Bank has been prepared comparatively with the prior period balances. In the aspect of having compliance with the presentation of current year unconsolidated financial statements, the comparative information can be reclassified and important differences are explained when necessary

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

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

The majority of the liabilities of the balance sheet of the Bank consist of funds obtained from domestic and international markets. The majority of funds obtained domestically consist of funds provided by international institutions such as World Bank and Council of European Development Bank via Turkish Treasury and budget originated funds and the rest consists of funds provided through short-term money market transactions within the framework of balance sheet management. The Bank acts as an intermediary for those funds provided by the Turkish Treasury to be utilized in various sectors. The funds obtained internationally consist of medium and long term loans borrowed from World Bank, and European Investment Bank and Council of European Development Bank, Islamic Development Bank, French Development Agency and Japan International Corporation Bank.

During the utilization of the funds obtained, the Bank pays attention for utilization of loans in line with borrowing conditions while taking assets-liability consistency into account, and tries to avoid maturity, exchange rate and liquidity risks. Exchange rate risk, interest rate risk and liquidity risk are measured and monitored on a regular basis, necessary measures were taken as a result of changes in the market data and balance sheet management is performed within the predetermined risk limits and legal limits.

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

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.

**TÜRKİYE KALKINMA BANKASI A.Ş.**

**Notes to the Unconsolidated Financial Statements**

**For the Year Ended 31 December 2015**

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

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

*Financial Assets at Fair Value through Profit and Loss:*

Financial assets held for trading are financial assets, which are either acquired for generating a profit from short-term fluctuations in price or dealer's margin, or are financial assets included in a portfolio with a pattern of short-term profit taking.

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

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

Financial assets at fair value through profit and loss are financial assets which are not acquired for trading, however, are classified as financial assets at fair value through profit and loss during the initial recognition. The Bank has no financial assets classified as Financial Assets at Fair Value through Profit and Loss.

*Financial Assets Available-for-Sale:*

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

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

**TÜRKİYE KALKINMA BANKASI A.Ş.**

**Notes to the Unconsolidated Financial Statements**

**For the Year Ended 31 December 2015**

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

**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 7 February 2014 and numbered 28906. For the cash loans classified as non-performing, specific provision is set for the remaining loan balance after deducting collateral amount, which is calculated by taking collaterals admission rates into account, and by using the rates specified in the communiqué. Specific provisions are reflected to “820 Provisions and Impairment Expenses – 82000 Specific Provisions Expenses” account. Provisions released in same year are recognized as a credit under the “Provision Expenses”, released portion of the previous period provisions are recognized under “Other Operating Income” account. Collections are accounted under “Non-performing Loans (including collections from Doubtful Receivables)” and “Interest on Uncollectible Loans and Other Receivables” accounts.

*Cash and Cash Equivalents:*

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

*Investments Held To Maturity:*

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

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

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

**VII- Explanations on Impairment of Financial Assets:**

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

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

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.



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**XII- Explanations on Tangible Fixed Assets (cont'd):**

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.

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**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 2014 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 Banks' liabilities on the date of transfer. The maturity dates and interest rates of these funds are determined by the public authority by Communiqué on Investment Incentive.

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

The Bank generally prefers providing loans in parallel to the borrowing terms like maturity date, interest rate, interest type and currency type to avoid maturity, exchange rate and liquidity risks. The Bank has issued no convertible bonds and debt instruments.

**XVIII- Explanations on Shares Issued:**

Transaction costs related to share issuance are recognized as expenses.

The Bank has not issued shares in 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

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**XXI- Explanations on Segment Reporting (cont'd):**

<b>Current Period – (31.12.2015)</b>	<b>Treasury</b>	<b>Investment Banking</b>	<b>Undistributed<sup>(1)</sup></b>	<b>Total Operations of the Bank</b>
<b>OPERATING INCOME/EXPENSE</b>				
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
<b>SEGMENT ASSETS <sup>(2)</sup></b>	<b>736.988</b>	<b>3.972.308</b>	<b>65.070</b>	<b>4.774.366</b>
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
<b>SEGMENT LIABILITIES <sup>(2)</sup></b>	<b>226</b>	<b>4.015.611</b>	<b>758.529</b>	<b>4.774.366</b>
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.

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**XXI- Explanations on Segment Reporting (cont'd):**

<b>Current Period – (31.12.2014)</b>	<b>Treasury</b>	<b>Investment Banking</b>	<b>Undistributed<sup>(1)</sup></b>	<b>Total Operations of the Bank</b>
<b>OPERATING INCOME/EXPENSE</b>				
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
<b>SEGMENT ASSETS <sup>(2)</sup></b>	<b>647.217</b>	<b>3.204.675</b>	<b>62.973</b>	<b>3.914.865</b>
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
<b>SEGMENT LIABILITIES <sup>(2)</sup></b>	<b>232</b>	<b>3.214.202</b>	<b>700.431</b>	<b>3.914.865</b>
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”) published in the Official Gazette dated 28 June 2012 and numbered 28337 and “Communiqué on Credit Risk Mitigation Techniques” published in the Official Gazette dated 5 September 2013 and numbered 28756.

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

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

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

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

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**I- Explanations related to capital adequacy ratio (cont'd):**

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	-	-

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



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**I- Explanations related to capital adequacy ratio (cont'd):**

Prior Period (31.12.2014)	Risk Ağırlıkları						
	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	-	-

(\*)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

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**I– Explanations related to capital adequacy ratio (cont'd):****Components of Shareholders' Equity Items:**

	<b>Current Period</b>	<b>Prior Period</b>
<b>Common Equity</b>		
Paid-in Capital following all debts in terms of claim in liquidation of the Bank's	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)	-	-
<b>Common Equity Before Deductions</b>	<b>703.939</b>	<b>643.375</b>
<b>Deductions from Common Equity</b>	<b>-</b>	<b>-</b>
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 4rd 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 (-)	-	-
Limiti 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
<b>Total Common Equity</b>	<b>692.975</b>	<b>641.341</b>
<b>ADDITIONAL TIER 1 CAPITAL</b>	<b>-</b>	<b>-</b>
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)	-	-

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plus related stock surplus (Issued or Obtained after 1.1.2014)		-
<b>Additional Tier 1 Capital Before Deductions</b>	-	-
<b>Deductions From Additional Tier 1 Capital</b>	-	-
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	-	-
<b>Total regulatory adjustments to Additional Tier 1 capital</b>	-	2.632
<b>Additional Tier 1 capital</b>	-	<b>2.632</b>
Regulatory adjustments to Common Equity	-	(2.632)
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
<b>Total Core Capital</b>	4.880	6.262
<b>REGULATORY ADJUSTMENTS TO TIER 2 CAPITAL</b>	<b>687.397</b>	<b>630.874</b>
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)	-	-
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 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
<b>Tier 2 capital before regulatory adjustments</b>	<b>41.238</b>	<b>32.873</b>
<b>Tier 2 capital: regulatory adjustments</b>	-	-
Direct or indirect investments made by the Bank to its supplementary 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 to be Defined by the regülör	-	-
Total regulatory adjustments to Tier 2 capital	-	-
<b>Tier 2 capital</b>	<b>41.238</b>	<b>32.873</b>

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<b>CAPITAL</b>	<b>728.635</b>	<b>663.747</b>
Loan granted to Customer against the Articles 50 and 51 of the Banking Law(-)	-	-
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years (-)	1.284	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 (-)	-	-
<b>SHARE HOLDERS' EQUITY</b>	<b>727.351</b>	<b>662.706</b>
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 (cont'd):**

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

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

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

**II- Explanations related to credit risk:**

The Bank is not subject to the general loan restrictions defined by the Article 54 of the Banking Law numbered 5411. However, in the Bank’s Loan Regulation, the loan limits are determined mostly in parallel with the limitations set out in the Law.

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

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

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

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

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

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

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

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

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**II- Explanations related to credit risk (cont'd):**

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.

**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.

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**II- Explanations related to credit risk (cont'd):**

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

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

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

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**II- Explanations related to credit risk (cont'd):**
**Profile of Significant Risks in Major Regions:**

	<b>Risk Categories (***)</b>							
	Conditional and unconditional receivables to central governments or central banks	Conditional and unconditional receivables to banks and brokerage houses	Conditional and unconditional corporate receivables	Conditional and unconditional retail receivables	Conditional and unconditional receivables secured by real estate property	Overdue receivables	Receivables defined in high risk category by BRSA	Others
<b>Current Period (31.12.2015)</b>								
Domestic	20.732	902.075	2.777.030	27.823	715.708	61.201	4.638	-
European Union (EU) Countries	-	821	-	-	-	-	16.879	-
OECD Countries (*)	-	35	-	-	-	-	-	-
Off-Shore Banking Regions	-	-	-	-	-	-	-	-
USA, Canada	-	-	-	-	-	-	-	-
Other Countries	-	-	-	-	-	-	-	-
Associates, Subsidiaries and Joint –Ventures	-	-	-	-	-	-	-	9.453
Unallocated Assets (**)	-	-	-	-	-	-	-	80.823
<b>Total</b>	<b>20.732</b>	<b>902.931</b>	<b>2.777.030</b>	<b>27.823</b>	<b>715.708</b>	<b>61.201</b>	<b>21.517</b>	<b>90.276</b>
<b>Prior Period (31.12.2014)</b>								
Domestic	21.139	620.535	2.175.754	26.053	543.734	61.025	5.142	-
European Union (EU) Countries	-	6.088	-	-	-	-	13.161	-
OECD Countries (*)	-	28	-	-	-	-	-	-
Off-Shore Banking Regions	-	-	-	-	-	-	-	-
USA, Canada	-	416	-	-	-	-	-	-
Other Countries	-	-	-	-	-	-	-	-
Associates, Subsidiaries and Joint –Ventures	-	-	-	-	-	-	-	8.415
Unallocated Assets (**)	-	-	-	-	-	-	-	80.823
<b>Total</b>	<b>21.139</b>	<b>627.067</b>	<b>2.175.754</b>	<b>26.053</b>	<b>543.734</b>	<b>61.025</b>	<b>18.303</b>	<b>90.276</b>

(\*) 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.



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**II- Explanations related to credit risk (cont'd):**

**Risk Profile by Sectors or Counterparties:**

Current Period (31 December 2015)	Conditional and unconditional receivables to governments or central banks	Conditional and unconditional receivables to banks and brokerage houses	Conditional and unconditional corporate receivables	Conditional and unconditional retail receivables	Conditional and unconditional receivables secured by real estate property	Overdue receivables	Receivables defined in high risk category by BRSA	Others	TRY	FC	TOTAL
<b>Agriculture</b>	-	-	-	-	2.705	-	-	-	-	2.705	2.705
Farming and Stockbreeding	-	-	-	-	-	-	-	-	-	-	-
Forestry	-	-	-	-	2.705	-	-	-	-	2.705	2.705
Fishery	-	-	-	-	-	-	-	-	-	-	-
<b>Manufacturing</b>	-	68.732	2.254.254	19.143	704.140	18.866	-	-	94.830	2.970.305	3.065.135
Mining and Quarrying	-	-	-	-	-	-	-	-	-	-	-
Production	-	68.732	627.407	8.770	81.855	18.866	-	-	56.229	749.400	805.629
Electricity, Gas, Water	-	-	1.626.847	10.373	622.285	-	-	-	38.601	2.220.905	2.259.506
<b>Construction</b>	-	-	-	-	-	507	-	-	507	-	507
<b>Services</b>	20.732	826.162	522.776	8.680	8.863	41.828	16.879	-	450.314	995.606	1.445.920
Wholesale and Retail Trade	-	-	-	-	-	-	-	-	-	-	-
Accommodation and Dining	-	6	483.845	7.215	8.863	35.211	-	-	103.142	431.998	535.140
Transportation and Telecommunication	-	-	-	-	-	-	-	-	-	-	-
Financial Institutions	20.732	826.156	-	-	-	-	16.879	-	330.444	533.323	863.767
Real Estate and Rental Services	-	-	-	-	-	-	-	-	-	-	-
Professional Services	-	-	-	-	-	-	-	-	-	-	-
Educational Services	-	-	-	-	-	-	-	-	-	-	-
Health and Social Services	-	-	38.931	1.465	-	6.617	-	-	16.728	30.285	47.013
Others	-	8.037	-	-	-	-	4.638	90.276	101.026	1.925	102.951
<b>Total</b>	<b>20.732</b>	<b>902.931</b>	<b>2.777.030</b>	<b>27.823</b>	<b>715.708</b>	<b>61.201</b>	<b>21.517</b>	<b>90.276</b>	<b>646.677</b>	<b>3.970.541</b>	<b>4.617.218</b>

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

**II- Explanations related to credit risk (cont'd):**

Current Period (31 December 2014)	Conditional and unconditional receivables to central banks	Conditional and unconditional receivables to banks and brokerage houses	Conditional and unconditional corporate receivables	Conditional and unconditional retail receivables	Conditional and unconditional receivables secured by real estate property	Overdue receivables	Receivables defined in high risk category by BRSA	Others	TRY	FC	TOTAL
<b>Agriculture</b>	-	-	-	-	<b>5.916</b>	-	-	-	<b>8</b>	<b>5.908</b>	<b>5.916</b>
Farming and Stockbreeding	-	-	-	-	-	-	-	-	-	-	-
Forestry	-	-	-	-	5.916	-	-	-	8	5.908	5.916
Fishery	-	-	-	-	-	-	-	-	-	-	-
<b>Manufacturing</b>	-	-	<b>1.788.223</b>	<b>16.838</b>	<b>524.633</b>	<b>18.850</b>	-	-	<b>99.304</b>	<b>2.249.240</b>	<b>2.348.544</b>
Mining and Quarrying	-	-	-	-	-	-	-	-	-	-	-
Production	-	-	439.230	8.877	97.762	18.850	-	-	47.189	517.530	564.719
Electricity, Gas, Water	-	-	1.348.993	7.961	426.871	-	-	-	52.115	1.731.710	1.783.825
<b>Construction</b>	-	-	-	-	-	<b>498</b>	-	-	<b>498</b>	-	<b>498</b>
<b>Services</b>	<b>21.139</b>	<b>627.067</b>	<b>387.531</b>	<b>6.613</b>	<b>13.185</b>	<b>41.677</b>	<b>13.161</b>	-	<b>204.044</b>	<b>906.329</b>	<b>1.110.373</b>
Wholesale and Retail Trade	-	-	-	-	-	-	-	-	-	-	-
Accommodation and Dining	-	-	360.681	6.613	13.185	35.079	-	-	122.204	293.354	415.558
Transportation and Telecommunication	-	-	-	-	-	-	-	-	-	-	-
Financial Institutions	21.139	627.067	-	-	-	-	13.161	-	66.129	595.238	661.367
Real Estate and Rental Services	-	-	-	-	-	-	-	-	-	-	-
Professional Services	-	-	-	-	-	-	-	-	-	-	-
Educational Services	-	-	-	-	-	-	-	-	-	-	-
Health and Social Services	-	-	26.850	-	-	6.598	-	-	15.711	17.737	33.448
Others	-	-	-	<b>2.602</b>	-	-	<b>5.142</b>	<b>93.366</b>	<b>96.662</b>	<b>4.448</b>	<b>101.110</b>
<b>Total</b>	<b>21.139</b>	<b>627.067</b>	<b>2.175.754</b>	<b>26.053</b>	<b>543.734</b>	<b>61.025</b>	<b>18.303</b>	<b>93.366</b>	<b>400.516</b>	<b>3.165.925</b>	<b>3.566.441</b>

**II- Explanations related to credit risk (cont'd):**

**Analysis of Maturity-Bearing Risks According to Remaining Maturities**

<b>Risk Categories</b> <b>31.12.2015</b>	<b>Term to Maturity</b>				
	<b>Up to 1 Month</b>	<b>1-3 Months</b>	<b>3-6 Months</b>	<b>6-12 Months</b>	<b>Over 1 Year</b>
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
<b>Total</b>	<b>618.340</b>	<b>70.962</b>	<b>127.084</b>	<b>300.682</b>	<b>3.313.888</b>

<b>Risk Categories</b> <b>31.12.2014</b>	<b>Term to Maturity</b>				
	<b>Up to 1 Month</b>	<b>1-3 Months</b>	<b>3-6 Months</b>	<b>6-12 Months</b>	<b>Over 1 Year</b>
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
<b>Total</b>	<b>283.920</b>	<b>110.206</b>	<b>122.043</b>	<b>243.036</b>	<b>2.615.627</b>

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**II- Explanations related to credit risk (cont'd):****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:**

<b>Risk Weights (31.12.2015)</b>	<b>0%</b>	<b>10%</b>	<b>20%</b>	<b>50%</b>	<b>75%</b>	<b>100%</b>	<b>150%</b>	<b>200%</b>	<b>Deductions from Equity</b>
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	-

<b>Risk Weights (31.12.2014)</b>	<b>0%</b>	<b>10%</b>	<b>20%</b>	<b>50%</b>	<b>75%</b>	<b>100%</b>	<b>150%</b>	<b>200%</b>	<b>Deductions from Equity</b>
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	-

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**II- Explanations related to credit risk (cont'd):****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.

<b>Major Sectors (31.12.2015)</b>	<b>Credit Risks</b>			
	<b>Impaired Loans</b>	<b>Overdue Loans</b>	<b>Value Adjustments</b>	<b>Provisions</b>
<b>Agriculture</b>	-	1.722	34	-
Farming and Stockbreeding	-	1.722	34	-
Forestry	-	-	-	-
Fishery	-	-	-	-
<b>Manufacturing</b>	40.045	920	17	21.180
Mining and Quarrying	-	-	-	-
Production	40.045	26	-	21.180
Electricity, Gas and Water	-	894	17	-
<b>Construction</b>	1.840	-	-	1.333
<b>Services</b>	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
<b>Others</b>	1.202	-	-	1.202
<b>Total</b>	107.471	2.821	54	46.271

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**II- Explanations related to credit risk (cont'd):**

Major Sectors (31.12.2014)	Credit Risks			
	Impaired Loans	Overdue Loans	Value Adjustments	Provisions
<b>Agriculture</b>	-	1.344	27	-
Farming and Stockbreeding	-	1.344	27	-
Forestry	-	-	-	-
Fishery	-	-	-	-
<b>Manufacturing</b>	41.768	5.237	70	22.922
Mining and Quarrying	-	-	-	-
Production	41.768	291	3	22.922
Electricity, Gas and Water	-	4.946	67	
<b>Construction</b>	1.831	-	-	1.333
<b>Services</b>	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
<b>Others</b>	1.208	-	-	1.208
<b>Total</b>	109.033	6.917	103	48.011

**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

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**II- Explanations related to credit risk (cont'd):**

<b>Prior Period (31.12.2014)</b>	<b>Opening Balance</b>	<b>Provision for Period</b>	<b>Provision Reversals</b>	<b>Other Adjustments</b>	<b>Closing Balance</b>
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:**

		<b>Current Period 31.12.2015</b>
(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 (cont'd):**

**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
<b>Total Value at Risk</b>	<b>3.342</b>	<b>12.034</b>	<b>668</b>	<b>1.554</b>	<b>3.090</b>	<b>760</b>

**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.

**IV- Explanations related to operational risk(cont'd):**



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**Basic Indicator Method:**

	31.12.2012	31.12.2013	31.12.2014(*)	Total/ No. Of Years of Positive Gross Income	Rate (%)	Total
<b>Current Period (31.12.2015)</b>						
Gross Income	121.752	114.221	134.560	123.511	15	18.527
Value at Operational Risk (Total*12,5)						<b>231.588</b>

(\*)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.

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

**V- Explanations related to currency risk:**

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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:

<u>Date</u>	<u>USD</u>	<u>EURO</u>	<u>100 JPY</u>
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.

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**V- Explanations related to currency risk (cont'd):**
**Information on the currency risk of the Bank:**

	EURO	USD	Other FC <sup>(1)</sup>	Total
<b>Current Period (31.12.2015)</b>				
<b>Assets</b>				
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
<b>Total assets</b>	<b>2.426.195</b>	<b>1.567.563</b>	<b>233</b>	<b>3.993.991</b>
<b>Liabilities</b>				
Interbank deposits	-	-	-	-
Other deposits	-	-	-	-
Money market borrowings	-	-	-	-
Funds provided from other financial institutions	2.402.188	1.557.669	-	3.959.857
Marketable securities issued	-	-	-	-
Sundry creditors	2.573	2.649	-	5.222
Derivative financial liabilities for hedging purposes	-	-	-	-
Other liabilities	(122)	2.155	-	2.033
<b>Total liabilities</b>	<b>2.404.639</b>	<b>1.562.473</b>	<b>-</b>	<b>3.967.112</b>
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
<b>Prior Period (31.12.2014)</b>				
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.

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**V- Explanations related to currency risk (cont'd):****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 (*)		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 (*)		Effect on Capital	
	%	Current Period	Prior Period	%	Current Period
USD	10	(509)	(80)	50	13
EURO	10	(2.156)	(799)	14	-
Other	10	(23)	(19)	-	-

(\*) Indicates the values before tax.

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

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

**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.

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**VI- Explanations related to interest rate risk (cont'd):**

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

<b>Current Period (31.12.2015)</b>	<b>Up to 1 Month</b>	<b>1 – 3 Months</b>	<b>3 – 12 Months</b>	<b>1 – 5 Years</b>	<b>5 Years and Over</b>	<b>Non-Interest Bearing</b>	<b>Total</b>
<b>Assets</b>							
Cash (cash in vault, effectives, money in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey <sup>(1)</sup>	-	-	-	-	-	272	272
Banks <sup>(1)</sup>	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 <sup>(3)</sup>	41.244	16.550	39.395	58.476	766	8.037	164.468
Loans <sup>(2)</sup>	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 <sup>(4)</sup>	-	-	-	-	-	116.160	116.160
<b>Total Assets</b>	<b>2.034.708</b>	<b>651.828</b>	<b>1.341.784</b>	<b>106.514</b>	<b>443.994</b>	<b>195.538</b>	<b>4.774.366</b>
<b>Liabilities</b>							
Interbank deposits	-	-	-	-	-	-	-
Other deposits	-	-	-	-	-	-	-
Money market borrowings	226	-	-	-	-	-	226
Sundry creditors	-	-	-	-	-	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 <sup>(4)</sup>	-	-	-	-	-	791.091	791.091
<b>Total liabilities</b>	<b>1.071.272</b>	<b>817.832</b>	<b>2.048.625</b>	<b>18.030</b>	<b>18.836</b>	<b>799.771</b>	<b>4.774.366</b>
<b>Long position on balance sheet</b>	<b>963.436</b>	<b>-</b>	<b>-</b>	<b>88.484</b>	<b>425.158</b>	<b>-</b>	<b>1.477.078</b>
<b>Short position on balance sheet</b>	<b>-</b>	<b>(166.004)</b>	<b>(706.841)</b>	<b>-</b>	<b>-</b>	<b>(604.233)</b>	<b>(1.477.078)</b>
<b>Long position on off-balance sheet</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Short position on off-balance sheet</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total position</b>	<b>963.436</b>	<b>(166.004)</b>	<b>(706.841)</b>	<b>88.484</b>	<b>425.158</b>	<b>(604.233)</b>	<b>-</b>

(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.

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**VI- Explanations related to interest rate risk (cont'd):**

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

<b>Prior Period (31.12.2014)</b>	<b>Up to 1 Month</b>	<b>1 – 3 Months</b>	<b>3 – 12 Months</b>	<b>1 – 5 Years</b>	<b>5 Years and Over</b>	<b>Non-Interest Bearing</b>	<b>Total</b>
<b>Assets</b>							
Cash (cash in vault, effectives, money in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey <sup>(1)</sup>	-	-	-	-	-	755	755
Banks <sup>(1)</sup>	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 <sup>(3)</sup>	36.353	8.710	15.781	-	-	11.511	72.355
Loans <sup>(2)</sup>	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 <sup>(4)</sup>	-	-	-	-	-	115.495	115.495
<b>Total Assets</b>	<b>1.813.392</b>	<b>554.509</b>	<b>1.133.337</b>	<b>51.208</b>	<b>161.784</b>	<b>200.635</b>	<b>3.914.865</b>
<b>Liabilities</b>							
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 <sup>(4)</sup>	-	-	-	-	-	716.641	716.641
<b>Total liabilities</b>	<b>764.742</b>	<b>689.974</b>	<b>1.551.476</b>	<b>175.369</b>	<b>-</b>	<b>733.304</b>	<b>3.914.865</b>
<b>Long position on balance sheet</b>	<b>1.048.650</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>161.784</b>	<b>-</b>	<b>1.210.434</b>
<b>Short position on balance sheet</b>	<b>-</b>	<b>(135.465)</b>	<b>(418.139)</b>	<b>(124.161)</b>	<b>-</b>	<b>(532.669)</b>	<b>(1.210.434)</b>
<b>Long position on off-balance sheet</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Short position on off-balance sheet</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total position</b>	<b>1.048.650</b>	<b>(135.465)</b>	<b>(418.139)</b>	<b>(124.161)</b>	<b>161.784</b>	<b>(532.669)</b>	<b>-</b>

(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.

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**VI- Explanations related to interest rate risk (cont'd):****Average interest rates applied to monetary financial instruments (%):**

<b>Current Period (31.12.2015)</b>	<b>EURO</b>	<b>USD</b>	<b>JPY</b>	<b>TRY</b>
<b>Assets</b>				
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
<b>Liabilities</b>	-	-	-	-
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

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

<b>Prior Period (31.12.2014)</b>	<b>EURO</b>	<b>USD</b>	<b>JPY</b>	<b>TRY</b>
<b>Assets</b>				
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
<b>Liabilities</b>	-	-	-	-
Interbank deposits	-	-	-	-
Other deposits	-	-	-	-
Money market borrowings	-	-	-	4,90
Sundry creditors	-	-	-	-
Marketable securities issued	-	-	-	-
Funds provided from other financial institutions	0,87	1,24	-	6,92

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



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**VI- Explanations related to interest rate risk (cont'd):****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.

	<b>Current Period(31.12.2015)</b>	Shocks Applied (+/- x basis points)	Gains / Losses	Gains / Equity – Losses / Equity
	Type of Currency			
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)		<b>(5.229)</b>	<b>% (0,72)</b>
	Total (of positive shocks)		<b>2.917</b>	<b>% 0,40</b>

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

**VII- Position risk of equity securities in banking book:**

	<b>Current Period (31.12.2015) Equity Securities (shares)</b>	<b>Comparison</b>		
		<b>Carrying Value</b>	<b>Fair Value</b>	<b>Market Value</b>
<b>1</b>	<b>Available-for-Sale Financial Assets</b>	<b>8.037 (*)</b>	<b>-</b>	<b>-</b>
	Quoted securities	-	-	-
<b>2</b>	<b>Associates</b>	<b>26.332</b>	<b>-</b>	<b>-</b>
	Quoted securities	-	-	-
<b>3</b>	<b>Subsidiaries</b>	<b>-</b>	<b>-</b>	<b>-</b>
	Quoted securities	-	-	-

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

**VII- Position risk of equity securities in banking book(cont'd):**

	<b>Prior Period (31.12.2014) Equity Securities (shares)</b>	<b>Comparison</b>		
		<b>Carrying Value</b>	<b>Fair Value</b>	<b>Market Value</b>
<b>1</b>	<b>Available-for-Sale Financial Assets</b>	<b>8.037(*)</b>	<b>-</b>	<b>-</b>
	Quoted securities	-	-	-
<b>2</b>	<b>Associates</b>	<b>21.576</b>	<b>-</b>	<b>-</b>
	Quoted securities	-	-	-
<b>3</b>	<b>Subsidiaries</b>	<b>-</b>	<b>-</b>	<b>-</b>
	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: risk tolerance; 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 are explained in "Risk Management Strategies, Policies and Application Principles" that is updated by the decision of Bank's Board of Directors as follows:

Liquidity risk represents the possibility of loss due to shortfall of forecasted or not-forecasted cash flow needs without affecting daily operations or financial structure.

**VIII– Liquidity Risk Management and Liquidity Coverage Ratio (cont’d):**

**1-Explanations related to liquidity risk (cont’d):**

**Explanation on the governance of liquidity risk management, including: risk tolerance; structure and responsibilities for liquidity risk management; internal liquidity reporting; and communication of liquidity risk strategy, policies and practices across business lines and with the board of directors (cont’d):**

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 fulfilment 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.

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 analysing 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

## **VIII -Liquidity Risk Management and Liquidity Coverage Ratio (cont'd):**

### **1-Explanations related to liquidity risk (cont'd):**

**Explanation on the governance of liquidity risk management, including: risk tolerance; structure and responsibilities for liquidity risk management; internal liquidity reporting; and communication of liquidity risk strategy, policies and practices across business lines and with the board of directors (cont'd):**

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 committee that represents 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 favourably 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 (cont'd):**

**1-Explanations related to liquidity risk(cont'd):**

**Explanation on the governance of liquidity risk management, including: risk tolerance; structure and responsibilities for liquidity risk management; internal liquidity reporting; and communication of liquidity risk strategy, policies and practices across business lines and with the board of directors (cont'd):**

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 Riskness 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 Comitee 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 Comitee Development Bank, Islam Development Bank, French Development Agent, Japan International Cooperations Bank and German Development Bank as a medium or long term loans.

**VIII -Liquidity Risk Management and Liquidity Coverage Ratio (cont'd):**

**1-Explanations related to liquidity risk(cont'd):**

**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 seperately. 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 Comitee on a monthly basis. The actions requiered for the limits excess are also deccribed 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.

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 pesimistic 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 managable 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.

**VIII -Liquidity Risk Management and Liquidity Coverage Ratio (cont'd):**

**1-Explanations related to liquidity risk(cont'd):**

**Information on the use of stress test (cont'd):**

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.

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**VIII -Liquidity Risk Management and Liquidity Coverage Ratio (cont'd):****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



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**VIII -Liquidity Risk Management and Liquidity Coverage Ratio (cont'd):**
**2. Liquidity Coverage Ratio (cont'd)**

CURRENT PERIOD	Total Unweighted Value (Average)		Total Weighted Value (Average)	
	TL+FC	FC	TL+FC	FC
<b>HIGH-QUALITY LIQUID ASSETS</b>			151.099	37.790
Total high-quality liquid assets (HQLA)	-	-	151.099	37.790
<b>CASH OUTFLOWS</b>				
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	-	-	-	-
<b>TOTAL CASH OUTFLOWS</b>			<b>72.712</b>	<b>38.466</b>
<b>CASH INFLOWS</b>				
Secured receivables	-	-	-	-
Unsecured receivables	472.195	339.206	439.258	308.330
Other cash inflows	2.461	1.562	2.461	1.562
<b>TOTAL CASH INFLOWS</b>	<b>474.656</b>	<b>340.768</b>	<b>441.719</b>	<b>309.892</b>
			<b>Total Adjusted Value</b>	
<b>TOTAL HIGH QUALITY LIQUID ASSETS</b>			<b>151.099</b>	<b>10.879</b>
<b>TOTAL NET CASH OUTFLOWS</b>			<b>18.178</b>	<b>9.616</b>
<b>LIQUIDITY COVERAGE RATIO (%)</b>			<b>831,22</b>	<b>113,13</b>

**VIII– Liquidity Risk Management and Liquidity Coverage Ratio (cont'd):**

**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 or 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 swaps. Collateralizational operations are not included.

**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.

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**VIII– Liquidity Risk Management and Liquidity Coverage Ratio (cont'd):**
**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
<b>Current Period</b>								
<b>Assets</b>								
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	-	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
<b>Total Assets</b>	<b>18.178</b>	<b>675.268</b>	<b>86.984</b>	<b>424.308</b>	<b>2.169.823</b>	<b>1.222.445</b>	<b>177.360</b>	<b>4.774.366</b>
<b>Liabilities</b>								
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
<b>Total Liabilities</b>	<b>8.680</b>	<b>13.816</b>	<b>53.507</b>	<b>165.223</b>	<b>1.499.908</b>	<b>2.248.350</b>	<b>784.882</b>	<b>4.774.366</b>
<b>Liquidity Gap</b>	<b>9.498</b>	<b>661.452</b>	<b>33.477</b>	<b>259.085</b>	<b>669.915</b>	<b>(1.025.905)</b>	<b>(607.522)</b>	<b>-</b>
<b>Net Off-Balance Sheet Position</b>								
Derivative Financial Assets	-	-	-	-	-	-	-	-
Derivative Financial Liabilities	-	-	-	-	-	-	-	-
Non-Cash Loans	38	356	1.183	85.121	-	-	-	86.698
<b>Prior Period</b>								
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)	-
<b>Net Off-Balance Sheet Position</b>								
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

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**VIII– Liquidity Risk Management and Liquidity Coverage Ratio (cont'd):****Leverage ratio:**

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

	<b>Current Period (*)</b>
<b>On-balance sheet assets</b>	
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
<b>Derivative financial instruments and loan derivatives</b>	
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	-
<b>Securities financing transaction exposure</b>	
Risks from securities financing transaction exposure assets	-
Risks from brokerage activities related exposures	-
Total risks related with securities or commodity financing transactions	-
<b>Off-balance sheet items</b>	
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
<b>Capital and total risks</b>	
Tier 1 capital	682.745
Total risks	5.050.550
<b>Leverage ratio</b>	
Leverage ratio	13,52

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

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**VIII- Liquidity Risk Management and Liquidity Coverage Ratio (cont'd):**

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.

<b>Current Period (31.12.2015)</b>	<b>Up to 1 Month</b>	<b>1-3 Months</b>	<b>3-12 Months</b>	<b>1-5 Years</b>	<b>5 Years and Over</b>	<b>Adjustments</b>	<b>Total</b>
<b>Liabilities</b>							
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
<b>Total</b>	<b>19.625</b>	<b>54.505</b>	<b>193.475</b>	<b>1.633.746</b>	<b>2.356.343</b>	<b>(283.100)</b>	<b>3.974.595</b>

<b>Current Period (31.12.2014)</b>	<b>Up to 1 Month</b>	<b>1-3 Months</b>	<b>3-12 Months</b>	<b>1-5 Years</b>	<b>5 Years and Over</b>	<b>Adjustments</b>	<b>Total</b>
<b>Liabilities</b>							
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
<b>Total</b>	<b>11.812</b>	<b>34.676</b>	<b>136.105</b>	<b>1.144.306</b>	<b>2.080.433</b>	<b>(225.771)</b>	<b>3.181.561</b>

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

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

<b>Prior Period (31.12.2014)</b>	<b>Demand</b>	<b>Up to 1 Month</b>	<b>1-3 Months</b>	<b>3-12 Months</b>	<b>1-5 Years</b>	<b>5 Years and Over</b>	<b>Total</b>
Letter of Credit	-	1.479	-	4.531	3.095	-	9.105
Endorsement	-	-	-	-	-	-	-
Letter of Guarantee	40	-	-	-	-	-	40
Acceptances	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
<b>Total</b>	<b>40</b>	<b>1.479</b>	<b>-</b>	<b>4.531</b>	<b>3.095</b>	<b>-</b>	<b>9.145</b>

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

**IX- Explanations related to securitization positions:**

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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:**

<b>Risk Categories (31.12.2015)</b>	<b>Amount(*)</b>	<b>Financial Collateral</b>	<b>Other/Physical Collateral</b>	<b>Guaranties and Credit Derivatives</b>
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
<b>Total</b>	<b>5.382.389</b>	<b>-</b>	<b>-</b>	<b>162.151</b>

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

<b>Risk Categories(31.12.2014)</b>	<b>Amount(*)</b>	<b>Financial Collateral</b>	<b>Other/Physical Collateral</b>	<b>Guaranties and Credit Derivatives</b>
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
<b>Total</b>	<b>4.224.575</b>	<b>2.878</b>	<b>-</b>	<b>191.012</b>

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

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**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).

**XII- Explanation related to presentation of financial assets and liabilities at fair value (cont'd):**

	Book Value (*)		Fair Value	
	Current Period (31.12.2015)	Prior Period (31.12.2014)	Current Period (31.12.2015)	Prior Period (31.12.2014)
<b>Finansal Varlıklar</b>	<b>4.657.934</b>	<b>3.798.614</b>	<b>4.682.032</b>	<b>3.824.855</b>
Money markets placements	35.010	283.087	35.010	283.087
Banks (**)	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
<b>Financial Liabilities</b>	<b>3.983.049</b>	<b>3.197.992</b>	<b>4.021.796</b>	<b>3.223.038</b>
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

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

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

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

**Information on fair value measurements recognized in the financial statements:**

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



**XII- Explanations related to presentation of financial assets and liabilities at fair value (cont'd):**

<b>Current Period (31.12.2015)</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<b>Financial assets at fair value through profit and loss</b>	-	-	-
Debt securities	-	-	-
Share certificates	-	-	-
Derivative financial assets held for trading	-	-	-
Other	-	-	-
<b>Financial assets available-for-sale*</b>	<b>156.431</b>	-	-
Debt securities	156.431	-	-
Other	-	-	-
<b>Investment in subsidiaries and associates **</b>	-	-	-
<b>Derivative financial liabilities</b>	-	-	-

(\*) 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.

<b>Prior Period (31.12.2013)</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<b>Financial assets at fair value through profit and loss</b>	<b>1</b>	-	-
Debt securities	1	-	-
Share certificates	-	-	-
Derivative financial assets held for trading	-	-	-
Other	-	-	-
<b>Financial assets available-for-sale*</b>	<b>64.318</b>	-	-
Debt securities	60.846	-	-
Other	3.472	-	-
<b>Investment in subsidiaries and associates **</b>	-	-	-
<b>Derivative financial liabilities</b>	-	-	-

(\*) 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.

**I- Explanations and Notes Related to Assets (cont'd):**

**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	-	-	-	-
<b>Total</b>	<b>307.331</b>	<b>217.684</b>	<b>34.367</b>	<b>243.289</b>

**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 (*)	35	28	-	-
Off-Shore Banking Regions	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>2.061</b>	<b>6.532</b>	<b>-</b>	<b>-</b>

(\*) 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	-	-	-	-
<b>Total</b>	<b>249</b>	<b>-</b>	<b>259</b>	<b>-</b>

**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	-	-	-	-
<b>Total</b>	<b>16.211</b>	<b>-</b>	<b>16.252</b>	<b>-</b>

**I- Explanations and Notes Related to Assets (cont'd):**

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

	<b>Current Period (31.12.2015)</b>	<b>Prior Period (31.12.2014)</b>
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)
<b>Total</b>	<b>164.468</b>	<b>72.355</b>

**5. Information on loans:**

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

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

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**I. Explanations and Notes Related to Assets (cont'd):****5. Information on loans (cont'd):****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	Other		Extension of Repayment Plan	Other
Non-specialized loans	3.267.263	-	5.878	162.682	-	21.250
Discount notes	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	-	-	-	-	-	-
<b>Total</b>	<b>3.652.598</b>	<b>-</b>	<b>6.041</b>	<b>199.111</b>	<b>-</b>	<b>41.811</b>

**I- Explanations and Notes Related to Assets (cont'd):**

**5. Information on loans (cont'd):**

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

	<b>Standard Loans and Other Receivables</b>		<b>Loans and Other Receivables Under Close Monitoring</b>	
	<b>Loans and Other Receivables</b>	<b>Loans and Receivables with Revised Contract Terms</b>	<b>Loans and Other Receivables</b>	<b>Loans and Receivables with Revised Contract Terms</b>
<b>Short term loans and other receivables</b>	<b>76.649</b>	<b>1.548</b>	<b>1.379</b>	<b>1.379</b>
Non-specialized loans	72.767	1.548	1.379	1.379
Specialized loans	3.882	-	-	-
Other receivables	-	-	-	-
<b>Medium and long term loans and other receivables</b>	<b>3.575.949</b>	<b>4.493</b>	<b>197.732</b>	<b>40.432</b>
Non-specialized loans	3.194.496	4.330	161.302	19.870
Specialized loans	381.453	163	36.430	20.562
Other receivables	-	-	-	-

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**I- Explanations and Notes Related to Assets (cont'd):**

**5. Information on loans (cont'd):**

**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)	-	-	-
<b>Total</b>	-	<b>4.638</b>	<b>4.638</b>

**I- Explanations and Notes Related to Assets (cont'd):**

**5. Information on loans (cont'd):**

**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:**

	<b>Current Period (31.12.2015)</b>	<b>Prior Period (31.12.2014)</b>
Public	2.353	10.588
Private	3.849.356	3.073.430
<b>Total</b>	<b>3.851.709</b>	<b>3.084.018</b>

**5f) Breakdown of domestic and international loans:**

	<b>Current Period (31.12.2015)</b>	<b>Prior Period (31.12.2014)</b>
Domestic loans	3.084.018	2.678.219
International loans	-	-
<b>Total</b>	<b>3.084.018</b>	<b>2.678.219</b>

**5g) 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.

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

	<b>Current Period (31.12.2015)</b>	<b>Prior Period (31.12.2014)</b>
Loans and other receivables with limited collectability	304	-
Loans and other receivables with doubtful collectability	-	-
Uncollectible loans and receivables	45.967	48.011
<b>Total</b>	<b>46.271</b>	<b>48.011</b>



**I- Explanations and Notes Related to Assets (cont'd):****5. Information on loans (cont'd):****5h) Information on non-performing loans (net):****5.h.1) Information on loans and other receivables restructured or rescheduled from non-performing loans:**

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

**5.h.2) Information on the movement of non-performing receivables:**

	III. Group	IV. Group	V. Group
	Loans and Other Receivables With Limited Collectability	Loans and Other Receivables With Doubtful Collectability	Uncollectible Loans and Other Receivables
<b>Prior period end balance</b>	<b>-</b>	<b>-</b>	<b>109.033</b>
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	-	-	-
<b>Current period end balance</b>	<b>6.068</b>	<b>-</b>	<b>101.403</b>
Specific provisions (-)	(304)	-	(45.967)
<b>Net balance on balance sheet</b>	<b>5.764</b>	<b>-</b>	<b>55.436</b>

**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.

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**I- Explanations and Notes Related to Assets (cont'd):****5. Information on loans (cont'd):****5.h.4) Information regarding gross and net amounts of non-performing loans with respect to user groups:**

	<b>III. Group</b>	<b>IV. Group</b>	<b>V. Group</b>
	<b>Loans and Other Receivables With Limited Collectability</b>	<b>Loans and Other Receivables With Doubtful Collectability</b>	<b>Uncollectible Loans and Other Receivables</b>
<b>Current Period (Net) (31.12.2015)</b>	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)	-	-	-
<b>Prior Period (Net) (31.12.2014)</b>	-	-	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)	-	-	-

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

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

<b>Prior Period (31.12.2014)</b>	<b>0-30 Days</b>	<b>31-60 Days</b>	<b>61-90 Days</b>	<b>Total</b>
<b>Loans</b>				
Corporate Loans	5.918	176	487	6.581
Consumer Loans	-	-	-	-
Specialized Loans	331	-	5	336
<b>Total</b>	<b>6.249</b>	<b>176</b>	<b>492</b>	<b>6.917</b>

**I- Explanations and notes related to assets (cont'd):****5. Information on loans (cont'd):****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.) etc.).	-	-	-	-
Non-collateralized	-	-	-	-
<b>Total</b>	<b>199.111</b>	<b>199.111</b>	<b>167.439</b>	<b>167.439</b>

(\*) 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	-	-
<b>Total</b>	<b>-</b>	<b>6.689</b>	<b>-</b>	<b>8.134</b>
	<b>100.549</b>	<b>107.471</b>	<b>100.899</b>	<b>109.033</b>

(\*) 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.

**5.1) 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 (cont'd):**

**5. Information on loans (cont'd):**

**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:**

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

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

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

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

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

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**I- Explanations and notes related to assets (cont'd):****6. Information on held-to-maturity investments:****6.ç) Movement of held-to-maturity investments:**

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

(\*) 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).

**7. Information on associates (net):****7.a. Information on associates:**

	<b>Description</b>	<b>Address (City/ Country)</b>	<b>The Bank's share percentage-if different voting percentage (%)</b>	<b>The Bank's risk group share percentage (%)</b>
1	Maksan A.Ş.	Malatya	20,00	31,14
2	Türk Suudi Holding A.Ş. (*)	İstanbul	10,00	24,69
3	Yozgat Otelcilik A.Ş.	Yozgat	20,00	3,75
4	İstanbul Risk Sermayesi Girişimi	Lüksemburg	11,11	6,25

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

**7.b. Financial statement information of associates as sorted in (7.a) :**

	<b>Total Assets</b>	<b>Shareholders' Equity</b>	<b>Total Fixed Asset</b>	<b>Interest Income</b>	<b>Income From Marketable Securities</b>	<b>Current Period Profit/ Loss</b>	<b>Prior Period Profit/ Loss</b>	<b>Fair Value (*)</b>
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	-

(\*) 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 ("IVCP") 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.

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**I. Explanations and notes related to assets (cont'd):****7. Information on associates (net):****7.c. Movement of associates:**

	<b>Current Period (31.12.2015)</b>	<b>Prior Period (31.12.2014)</b>
Balance at the beginning of the period	21.576	18.018
Movements during the period	4.756	3.558
Additions (*)	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:**

	<b>Current Period (31.12.2015)</b>	<b>Prior Period (31.12.2014)</b>
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.

**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.

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**I- Explanations and notes related to assets (cont'd):**

**8. Information on subsidiaries (cont'):**

**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.

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**I. Explanations and notes related to assets (cont'd):**

**12. Information on tangible fixed assets:**

<b>Current Period ( 31.12.2015)</b>	<b>Real-Estates</b>	<b>Non-Current Assets to be Disposed</b>	<b>Vehicles</b>	<b>Other</b>	<b>Total</b>
<b>Cost</b>					
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	<b>111.953</b>	<b>26.332</b>	<b>130</b>	<b>9.679</b>	<b>148.094</b>
<b>Accumulated Depreciation</b>					
Balance at the beginning of the period	77.089	1.115	100	5.071	83.375
Movements during the period					
-Depreciation charge (*)	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	<b>79.531</b>	<b>1.546</b>	<b>109</b>	<b>5.414</b>	<b>86.600</b>
<b>Net book value at the end of the period</b>	<b>32.422</b>	<b>24.786</b>	<b>21</b>	<b>4.265</b>	<b>61.494</b>

(\*) 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.

<b>Prior Period (31.12.2014)</b>	<b>Real-Estates</b>	<b>Non-Current Assets to be Disposed</b>	<b>Vehicles</b>	<b>Other</b>	<b>Total</b>
<b>Cost</b>					
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	<b>111.934</b>	<b>30.970</b>	<b>130</b>	<b>8.854</b>	<b>151.888</b>
<b>Accumulated Depreciation</b>					
Balance at the beginning of the period	74.656	785	76	4.828	80.345
Movements during the period	2.433	714	24	408	3.579
-Depreciation charge (*)	-	-	-	-	-
-Transfer from investment property	-	(384)	-	(165)	(549)
-Disposals (-)	-	-	-	-	-
-Provision for impairment (-)	<b>77.089</b>	<b>1.115</b>	<b>100</b>	<b>5.071</b>	<b>83.375</b>
Balance at the end of the period	<b>34.845</b>	<b>29.855</b>	<b>30</b>	<b>3.783</b>	<b>68.513</b>
<b>Net book value at the end of the period</b>	<b>121.170</b>	<b>27.878</b>	<b>130</b>	<b>5.648</b>	<b>154.826</b>

(\*) 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.



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**I. Explanations and notes related to assets (cont'd):****13. Information on intangible assets:**

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

**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).

	<b>Current Period (31.12.2015)</b>	<b>Prior Period (31.12.2014)</b>
<b>Cost</b>		
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 (-)	-	-
<b>Balance at the end of the period</b>	<b>2.149</b>	<b>2.149</b>
<b>Accumulated Depreciation</b>		
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(-)	-	-
<b>Balance at the end of the period</b>	<b>1.125</b>	<b>1.082</b>
<b>Net book value at the end of the period</b>	<b>1.024</b>	<b>1.067</b>

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**I. Explanations and notes related to assets (cont'd):****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).

	<b>Current Period (31.12.2015)</b>	<b>Prior Period (31.12.2014)</b>
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)
<b>Total</b>	<b>7.914</b>	<b>7.087</b>

Movement of deferred tax assets:

	<b>Current Period (31.12.2015)</b>	<b>Prior Period (31.12.2014)</b>
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)
<b>Total</b>	<b>7.914</b>	<b>7.087</b>

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

None.

**17. Information on other assets:**

	<b>Current Period (31.12.2015)</b>	<b>Prior Period (31.12.2014)</b>
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
<b>Total</b>	<b>18.176</b>	<b>15.231</b>

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**II. Explanations and Notes Related to Liabilities:****1. Information on maturity structure of deposits:**

The Bank is not authorized to accept deposits.

**2. Information on derivative financial liabilities held-for-trading:****2.a) Negative differences related to derivative financial liabilities held-for-trading:**

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
<b>Total</b>	<b>-</b>	<b>3.959.768</b>	<b>-</b>	<b>3.164.074</b>

**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
<b>Total</b>	<b>-</b>	<b>3.959.768</b>	<b>-</b>	<b>3.164.074</b>

**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.

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**II. Explanations and Notes Related to Liabilities (cont'd):****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.

**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:**

	<b>Current Period (31.12.2015)</b>	<b>Prior Period (31.12.2014)</b>
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.

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**II. Explanations and Notes Related to Liabilities (cont'd):****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).

	<b>Current Period (31.12.2015)</b>	<b>Prior Period (31.12.2014)</b>
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:**

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

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

	<b>Current Period (31.12.2015)</b>	<b>Prior Period (31.12.2014)</b>
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
<b>Total</b>	<b>6.250</b>	<b>2.584</b>

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**II. Explanations and Notes Related to Liabilities(cont'd):****8.a.3) Information on premiums:**

	<b>Current Period (31.12.2015)</b>	<b>Prior Period (31.12.2014)</b>
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	-	-
<b>Total</b>	<b>185</b>	<b>201</b>

**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:**

	<b>Current Period (31.12.2015)</b>	<b>Prior Period (31.12.2014)</b>
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:**

<b>Capital System</b>	<b>Paid-in capital</b>	<b>Ceiling</b>
Registered capital	160.000	500.000

**11.c) Information on share capital increases and their sources; other information on increased capital shares in current period:**

There is no share capital increases in the current period.

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

There is no increase from capital reserves.

**II. Explanations and Notes Related to Liabilities(cont'd):****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.

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**III. Explanations and Notes Related to Off-Balance Sheet Accounts (cont'd):****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.

**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
<b>Total</b>	<b>86.698</b>	<b>9.145</b>

**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	-	-	-	-	-	-	-	-
<b>Total</b>	<b>38</b>	<b>100,00</b>	<b>86.660</b>	<b>100,00</b>	<b>40</b>	<b>100,00</b>	<b>9.105</b>	<b>100,00</b>



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**III. Explanations and Notes Related to Off-Balance Sheet Accounts (cont'd):****1.c.3) Non-cash loans classified in Group I and II:**

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

**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:**

Istanbul Venture Capital Initiative (IVCI - A Luxemburg Investment Company Fund) is founded as a stock company having variable capital and subject to laws of Luxemburg. The Bank has committed to buy "Group A" shares equal to nominal value of EUR 10 million and to pay this amount at the date determined by Fund according to its investment plan. The Fund's initial capital commitment was EUR 150 Million and its capital was increased to EUR 160 Million with new participants in March 2009. The Bank's participation was approved by Board of Directors of IVCI on 13 November 2007 and share purchase agreement was signed at the same date.

The Bank made payment of share capital amounting to EUR 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.

With reference to the above description , The Bank has committed 10 million EURO of that amount had been paid to 6.655.000 EURO, 3.345.000 EURO part of the balance sheet date has not paid yet.

**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.

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**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 (*)	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	-
<b>Premiums from resource utilization support Fund</b>	<b>25.455</b>	<b>114.791</b>	<b>31.344</b>	<b>93.322</b>

(\*) 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	-	-	-	-
<b>Total</b>	<b>10.296</b>	<b>727</b>	<b>4.274</b>	<b>1.053</b>

**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	-
<b>Total</b>	<b>8.659</b>	<b>1.976</b>	<b>10.818</b>	<b>702</b>

**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	-

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**IV. Explanations and Notes Related to Income Statement (cont'd):****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
<b>Total</b>	<b>1.023</b>	<b>39.318</b>	<b>845</b>	<b>33.021</b>

(\*) 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
<b>Total</b>	<b>289</b>	<b>109</b>

**4. Information related to trading profit/loss:**

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

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**IV. Explanations and Notes Related to Income Statement (cont'd):****5. Information related to other operating income:**

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

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:**

	<b>Current Period (31.12.2015)</b>	<b>Prior Period (31.12.2014)</b>
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	-	-
<b>Total</b>	<b>8.862</b>	<b>15.671</b>

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**IV. Explanations and Notes Related to Income Statement (cont'd):****7. Information related to other operating expenses:**

	<b>Current Period (31.12.2015)</b>	<b>Prior Period (31.12.2014)</b>
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
<b>Total</b>	<b>78.583</b>	<b>72.726</b>

(\*) 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).

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**IV. Explanations and Notes Related to Income Statement (cont'd):**

**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 diffence 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).

**2. Cash and cash equivalents at the beginning of the period:**

	<b>Current Period (31.12.2015)</b>	<b>Prior Period (31.12.2014)</b>
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
<b>Total cash and cash equivalents</b>	<b>561.356</b>	<b>436.897</b>

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:**

	<b>Current Period (31.12.2015)</b>	<b>Prior Period (31.12.2014)</b>
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
<b>Total cash and cash equivalents</b>	<b>559.994</b>	<b>561.356</b>

**TÜRKİYE KALKINMA BANKASI A.Ş.****Notes to the Unconsolidated Financial Statements****For the Year Ended 31 December 2015**

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

**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	-	-	-	-	-	-

(\*) 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	-	-	-	-	-	-

(\*) 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.

**c) Information on forward transactions, option contracts and similar other transactions between the Bank and its risk groups:**

None.



**TÜRKİYE KALKINMA BANKASI A.Ş.****Notes to the Unconsolidated Financial Statements****For the Year Ended 31 December 2015**

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

**VII. Explanations Related to Risk Group of the Bank (cont'd):****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.

	<b>Current Period (31.12.2015)</b>	<b>Prior Period (31.12.2014)</b>
Salary	1.004	1.005
Dividend and fringe benefits	143	140
<b>Total</b>	<b>1.147</b>	<b>1.145</b>

(\*) 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 Employeea			
Domestic branches (*)	1	13			
			Country		
Foreign rep- offices	-	-			
				Total Assets	Capital
Foreign branches	-	-		-	-
Off-shore branches	-	-		-	-

(\*) 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 IBCA and summary of the results as of 31 December 2015 and 31 December 2014 are presented below:

	31.12.2015	31.12.2014
<b>Foreign Currency Commitments</b>		
Long Term	BBB-	BBB-
Short Term	F3	F3
Outlook	Stable	Stable
<b>Turkish Lira Commitments</b>		
Long Term	BBB	BBB
Short Term	F3	F3
Outlook	Stable	Stable
<b>National</b>		
Long Term	AAA(TUR)	AAA(TUR)
Outlook	Stable	Stable
<b>Individual Rating</b>	2	2
<b>Support Points</b>	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.