

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
AND ITS FINANCIAL SUBSIDIARIES**

**INDEPENDENT AUDITORS' REPORT,
CONSOLIDATED FINANCIAL
STATEMENTS AND NOTES
FOR THE YEAR ENDED
31 DECEMBER 2006**

*Translated into English from the
Original Turkish Report*

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

TÜRKİYE SINAİ KALKINMA BANKASI A.Ş. AND ITS FINANCIAL SUBSIDIARIES

**INDEPENDENT AUDITORS' REPORT
FOR THE YEAR 1 JANUARY – 31 DECEMBER 2006**

We have been appointed to audit the accompanying consolidated balance sheet of Türkiye Sınai Kalkınma Bankası A.Ş. ("the Bank") and its subsidiaries (together "the Group") as at 31 December 2006, and the related consolidated statements of income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements:

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

Auditor's Responsibility:

Our responsibility is to express an opinion on these financial statements based on our audit. We planned and performed our audit to obtain reasonable assurance whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the consideration of the effectiveness of internal control and appropriateness of accounting policies applied relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditor's Opinion:

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2006 and the results of its operations and its cash flows for the year then ended in accordance with the prevailing accounting principles and standards set out as per the Articles 37 and 38 of the Banking Act No: 5411 and other regulations and pronouncements in respect of accounting and financial reporting made by BRSA.

Without qualifying our opinion we would like to draw your attention to the following:

Since the Bank was a subsidiary of a bank, it did not have to prepare consolidated financial statements in accordance with the prevailing legislation previously. As of 31 December 2006, the Bank is a first time adaptor of the consolidated financial statements in accordance with Clause 3 in Article 5 of the Communiqué regarding the preparation of consolidated financial statements of banks issued by BRSA on 8 November 2006. Based on the statement “Requirement for preparing comparative consolidated financial statements is not applicable before 31 December 2007” in the 1st Provisional Article of the related Communiqué applicable for subsidiary banks of a local bank, the accompanying consolidated financial statements are not comparatively presented.

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**

Istanbul, 21 March 2007

Hasan Kılıç
Partner

**THE CONSOLIDATED FINANCIAL REPORT OF TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
FOR THE YEAR ENDED 31 DECEMBER 2006**

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The consolidated financial report designed by the Banking Regulation and Supervision Agency in line with Communiqué on Financial Statements to be Publicly Announced and the Accompanying Policies and Disclosures consists of the sections listed below:

- GENERAL INFORMATION ABOUT THE PARENT BANK
- CONSOLIDATED FINANCIAL STATEMENTS OF THE PARENT BANK
- EXPLANATIONS ON THE CORRESPONDING ACCOUNTING POLICIES APPLIED IN THE RELATED PERIOD
- INFORMATION ON FINANCIAL STRUCTURE OF THE GROUP WHICH IS UNDER CONSOLIDATION
- EXPLANATORY DISCLOSURES AND FOOTNOTES ON CONSOLIDATED FINANCIAL STATEMENTS
- OTHER EXPLANATIONS AND FOOTNOTES
- INDEPENDENT AUDITORS' REPORT

The subsidiaries, associates and joint ventures, financial statements of which are consolidated within the framework of the reporting package are as follows:

Subsidiaries	Associates
Yatırım Finansman Menkul Değerler A.Ş.	İş Finansal Kiralama A.Ş.
TSKB Gayrimenkul Yatırım Ortaklığı A.Ş.	İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.
TSKB Yatırım Ortaklığı A.Ş.	İş Factoring Finansman Hizmetleri A.Ş.
Yatırım Finansman Yatırım Ortaklığı A.Ş.	

The consolidated financial statements and the explanatory footnotes and disclosures, unless otherwise indicated, are prepared in thousands of New Turkish Lira, have been independently audited and presented below in accordance with the Communiqué on Banks' Accounting Practice and Maintaining Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards, related communiqués and the Bank's records.

21 March 2007

		Assistant General Manager Responsible for Financial Reporting	Group Manager for Financial Control
President of Board of Directors	General Manager	Ömer Eryılmaz	Mustafa Göktaş
İsmet Cahit Kocaömer	Halil Eroğlu		
	Member of Audit Committee	Member of Audit Committee	
	Adnan Bali	Murat Bilgiç	

Information related to responsible personnel for the questions can be raised about financial statements:
Name-Surname/Title: Mustafa Göktaş/ Group Manager for Financial Control

Telephone Number: (212) 334 51 92
Fax Number: (212) 243 29 75

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS FINANCIAL SUBSIDIARIES
FINANCIAL STATEMENTS FOR THE PERIOD BETWEEN 1 DECEMBER - 31 DECEMBER 2006

INDEX

Page

SECTION ONE

General Information

I.	The Parent Bank's Incorporation Date, Beginning Statue, Changes in the Existing Statue.....	1
II.	Explanations Regarding the Parent Bank's Shareholding Structure, Shareholders Holding Directly or Indirectly, Collectively or Individually the Managing and Controlling Power and Changes in Current Year, if any and Explanations on the Controlling Group of the Bank.....	1
III.	Explanations Regarding the Chairman and the Members of Board of Directors, Audit Committee, General Manager and Assistant General Managers and Their Shares in the Parent Bank.....	2
IV.	Information about the persons and institutions that have qualified shares in the Parent Bank.....	3
V.	Summary on the Parent Bank's Functions and Areas of Activity.....	3

SECTION TWO

Consolidated Financial Statements

I.	Consolidated Balance Sheets.....	4
II.	Consolidated Statement of Off Balance Sheet Contingencies and Commitments.....	6
III.	Consolidated Statement of Income.....	7
IV.	Consolidated Statement of Changes in Shareholders' Equity.....	8
V.	Consolidated Statement of Cash Flow.....	9

SECTION THREE

Accounting Principals

I.	Basis of Presentation.....	10
II.	Explanations on Usage Strategy of Financial Assets and Foreign Currency Transactions.....	11
III.	Information about the Parent Bank and its Subsidiaries subject to Consolidation.....	12
IV.	Explanations on Forward and Option Contracts and Derivative Instruments.....	13
V.	Interest Income and Expenses.....	14
VI.	Fees and Commission Income and Expenses.....	14
VII.	Explanations and Disclosures on Financial Assets.....	15
VIII.	Explanations on Impairment on Financial Assets.....	17
IX.	Offsetting of Financial Assets and Liabilities.....	18
X.	Explanations on Sales and Repurchase Agreements and Lending of Securities.....	18
XI.	Explanations on Assets Held For Selling Purposes and Stopped Operations.....	18
XII.	Explanations on Goodwill and Other Intangible Assets.....	19
XIII.	Explanations on Tangible Fixed Assets.....	19
XIV.	Explanations on Leasing Transactions.....	20
XV.	Explanations on Provisions and Contingent Liabilities.....	20
XVI.	Explanations on Liabilities Regarding Employee Benefits.....	20
XVII.	Explanations on Taxation.....	21
XVIII.	Additional Explanations on Borrowings.....	22
XIX.	Explanations on Share Certificates.....	22
XX.	Explanations on Acceptances.....	22
XXI.	Explanations on Government Incentives.....	22
XXII.	Explanations on Segment Reporting.....	22
XXIII.	Explanations on Other Matters.....	22

SECTION FOUR

Information on Consolidated Financial Structure

I.	Explanations Related to the Consolidated Capital Adequacy Standard Ratio.....	23
II.	Explanations Related to the Consolidated Credit Risk.....	26
III.	Explanations Related to the Consolidated Market Risk.....	28
IV.	Explanations Related to the Consolidated Operational Risk.....	29
V.	Explanations Related to the Consolidated Currency Risk.....	29
VI.	Explanations Related to the Consolidated Interest Rate Risk.....	31
VII.	Explanations Related to the Consolidated Liquidity Risk.....	33
VIII.	Explanations Related to Presentation of Financial Assets and Liabilities by Fair Value.....	35
IX.	Explanations Related to Transactions Made on Behalf of Others and Fiduciary Transactions.....	35

SECTION FIVE

Explanations and Disclosures on Consolidated Financial Statements

I.	Explanations Related to the Consolidated Assets.....	36
II.	Explanations Related to the Consolidated Liabilities.....	58
III.	Explanations Related to the Consolidated Off-Balance Sheet Contingencies and Commitments.....	64
IV.	Explanations Related to the Consolidated Income Statement.....	67
V.	Explanations Related to the Consolidated Shareholders' Equity Movement.....	72
VI.	Explanations Related to the Consolidated Statement of Cash Flows.....	74
VII.	Explanations on the Risk Group of the Bank.....	74
VIII.	Explanations on the Bank's domestic branches, agencies and branches abroad and off-shore branches.....	75

SECTION SIX

Other Explanations and Footnotes

I.	Other Explanations Related to the Operations of the Bank.....	76
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SECTION SEVEN

Independent Auditors' Report

I.	Explanations on the Independent Auditors' Report.....	77
II.	Other Footnotes and Explanations Prepared by Independent Auditors.....	77

TÜRKİYE SINAI KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006
(Amounts expressed in thousands of New Turkish Lira (TRY) unless otherwise stated.)

SECTION ONE

GENERAL INFORMATION

I. Parent Bank’s Incorporation Date, Beginning Statute, Changes in the Existing Statute:

The Bank was established in accordance with the decision of President of the Republic of Turkey numbered 3/11203 on 12 May 1950. This decision was declared by T.R. Office of Prime Ministry Procedures Directorate Decision Management on 12 May 1950.

According to the classification set out in the Banking Law No: 5411, the statute of the Bank is “Development and Investment Bank”. The Bank does not have the authority of “Accepting Deposit”. Since the establishment date of the Bank, there is no change in its “Development and Investment Bank” status.

II. Explanations Regarding Bank’s Shareholding Structure, Shareholders Holding Directly or Indirectly, Collectively or Individually, the Managing and Controlling Power and Changes in Current Year, if any and Explanations on the Controlling Group of the Parent Bank:

Türkiye İş Bankası A.Ş. has the authority of managing and controlling power indirectly or directly, alone or together with other shareholders.

The Bank’s shareholder Akbank T.A.Ş. has sold its shares which corresponds to the Bank’s %6,45 paid in capital and has left the shareholding structure.

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006
(Amounts expressed in thousands of New Turkish Lira (TRY) unless otherwise stated.)

SECTION ONE (Cont'd)

GENERAL INFORMATION (Cont'd)

III. Explanations Regarding the Chairman and the Members of Board of Directors, Audit Committee, General Manager and Assistant General Managers and Their Shares in the Parent Bank

<u>Title</u>	<u>Name and Surname</u>	<u>Academic Background</u>	<u>Experience in Banking and Management Before Appointment</u>
Chairman of Board of Directors	İsmet Cahit Kocaömer	Undergraduate	53 years
Vice Chairman of Board of Directors	Kadir Akgöz	Undergraduate	28 years
Members of Board of Directors	Murat Bilgiç	Undergraduate	15 years
	Yavuz Canevi	Undergraduate	13 years
	Ali Onur Özbilen	Undergraduate	30 years
	Burhanettin Kantar	Undergraduate	16 years
	Adnan Bali	Undergraduate	20 years
	Serdar Gençer	Undergraduate	14 years
	Cem Demirağ	Undergraduate	15 years
Member of Board of Director and General Manager	Halil Eroğlu	Undergraduate	24 years
Assistant General Managers	Şemseddin Arat	Undergraduate	23 years
	A.Orhan Beşkök	Undergraduate	19 years
	Şeniz Yarcan	Undergraduate	16 years
	Burak Akgüç	Undergraduate	15 years
	Ömer Eryılmaz	Undergraduate	20 years
	Çiğdem İçel	Undergraduate	17 years
Legal Auditors	Mustafa Darcan	Undergraduate	18 years
	Senar Akkuş	Undergraduate	14 years

Changes

<u>Title</u>	<u>Left during the year</u>	<u>Appointed during the year</u>
Members of Board of Directors	Erol Sabancı Onur Ökten Adnan Bali A. Cüneyt Demren Bilal Karaman Murat Ulus	Kadir Akgöz Ali Onur Özbilen A. Cüneyt Demren Adnan Bali Cem Demirağ
Vice Chairman of Board of Directors	Adnan Bali A. Cüneyt Demren	A. Cüneyt Demren Kadir Akgöz
Assistant General Managers	İ. Lale Gökman	Ömer Eryılmaz Çiğdem İçel
Statutory Auditors	Emre Duranlı	Mustafa Darcan

The shares of the above members in the Bank are symbolic.

TÜRKİYE SINAI KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006
(Amounts expressed in thousands of New Turkish Lira (TRY) unless otherwise stated.)

SECTION ONE (Cont'd)

GENERAL INFORMATION (Cont'd)

IV. Information about the persons and institutions that have qualified shares

T. İş Bankası A.Ş. Group owns the qualified shares that control the Bank's capital directly or indirectly.

Name Surname/Business Name	Share Capital	Shareholding Rate(%)	Paid in Capital	Unpaid Capital
T. İş Bankası A.Ş. Group	150.293	50,10	150.293	-
T. Vakıflar Bankası T.A.O	25.132	8,38	25.132	-
Under Custody at Merkezi Kayıt Kuruluşu (National Custody Institution)	114.770	38,26	114.770	-
Other	9.805	3,26	9.805	-
Total	300.000	100,00	300.000	-

V. Summary on the Bank's Functions and Areas of Activity

Türkiye Sınai Kalkınma Bankası A.Ş. ("the Bank") is the first private investment and development bank which was established by the Council of Ministers resolution number of 3/11203 established in 1950 with the support of World Bank, T.R. Government, T.R. Central Bank and commercial banks. As per the articles of association published in the Official Gazette on 2 June 1950, the aim of TSKB is to support all private sector investments but mostly industrial sectors, to help domestic and foreign capital owners to finance the new firms and to help the improvement of Turkish capital markets. The Bank is succeeding its aims by financing, consulting, giving technical support and financial intermediary services.

The Bank, which operates as a non-deposit accepting bank, played a major role on manufacturing and finance sectors in every phase of the economic development of Turkey. The Bank has supported the development of the private sector by extending medium-term loans to more than 4000 firms. After 1960's the Bank had continued to finance over 100 firms by investing in these entities as a shareholder. The Bank has also participated in improvement of capital markets by organizing public offerings of some firms.

The Bank has opened two branches in Izmir and Ankara in April 2006 to enhance marketing and valuation operations.

TSKB Bahrain Branch, is the only branch of TSKB in abroad, started its operations on 18 January 2005 after obtaining the off-shore banking license from Bahrain Central Bank (BMA) on 30 December 2004. The mission of the branch is to expand to Middle East and exercise all activities including capital market transactions and giving foreign currency loans.

SECTION THREE

ACCOUNTING POLICIES

I. Basis of Presentation

I.a Presentation of Financial Statements

As prescribed in the Article 37 of the Banking Act No. 5411, banks shall, in line with the principles and procedures to be established by the Banking Regulation and Supervision Agency (“BRSA”) upon consulting the associations of financial institutions and the Turkish Accounting Standards Board taking into consideration international standards, ensure uniformity in their accounting systems; correctly record all their transactions; and timely and accurately prepare their financial reports in a style and format that will meet disclosure requirements, clearly reliable and comparable, and suitable for auditing, analysis and interpretation.

Banks shall not finalize their legal and auxiliary books, records and balance sheets without ensuring reconciliation with the branches and domestic and foreign correspondents.

The Parent Bank prepares its financial statements and underlying documents according to Communiqué on Banks’ Accounting Practice and Maintaining Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards, other communiqués, pronouncements and explanations about accounting and financial reporting issued by Banking Regulation and Supervision Agency (BRSA), Turkish Commercial Code and Tax Legislation.

Amounts in the financial statements, the underlying explanations and disclosures are expressed in thousands of New Turkish Lira unless otherwise stated.

1.b Accounting Principles

The accompanying financial statements have been prepared based on the Group’s statutory books. The Group has performed inflation accounting restatements to its statutory records starting from 30 June 2004 to 31 December 2004 in accordance with the Act No: 5024 amending the Tax Procedural Code. On the other hand, 31 December 2003 financial statements were prepared based on the historical cost convention, except for the revaluation of fixed assets and includes inflation accounting adjustments and related classifications as per “Financial Reporting in Hyperinflationary Economies” (“TAS 29”) till 31 December 2004.

1.b.1 Inflation Accounting

The accompanying financial statements have been adjusted in accordance with TAS 29 requiring that in hyperinflationary periods financial statements must be expressed in the purchasing power of money as at the balance sheet date. To adjust the effects of changes in the purchasing power of money in the financial statements, all financial statements prepared before 31 December 2004 are restated for the effects of inflation.

TAS 29 states that if the indicators of a hyperinflationary economy cease to exist then financial institutions do not have to prepare their financial statements in accordance with inflation accounting since hyperinflationary period is over.

As stated by the BRSA circular dated 28 April 2005 and numbered 2, the indicators of hyperinflationary period are no longer valid and as explained in the BRSA resolution dated 21 April 2005 and numbered 1623 the inflation accounting is revoked after 1 January 2005 and banks’ obligation to prepare their financial statements according to this regulation is no longer in effect.

SECTION THREE (Cont'd)

ACCOUNTING POLICIES (Cont'd)

II. Explanations on Usage Strategy of Financial Assets and Foreign Currency Transactions

The main sources of the funds of the Group have variable interest rates. The financial balances are monitored frequently and constant and variable interest rate placements are undertaken according to the return on the alternative financial instruments. The macro goals related to balance sheet amounts are set during budgeting process and positions are taken accordingly.

Due to the fact that the great majority of the credits extended by the Bank have the flexibility of reflecting the changes in market interest rates to customers, the interest rate risk is kept at minimum level. Moreover, the highly profitable Eurobond and the foreign debt securities portfolio have the attribute of eliminating the risks of interest rate volatility.

The Group liquidity is monitored frequently. Moreover, the need of liquidity in foreign currencies is safeguarded by monetary swaps.

Commercial placements are managed with high return and low risk assets considering the international and domestic economic expectations, market conditions, the creditors expectations and their tendencies, interest-liquidity and other similar factors. Prudence principle is adopted in the placement decisions. The long term placements are made under project finance. A credit policy harmonising the value the profitability of the projects, the collateral and the Bank's benefit provided is implemented.

The movements of foreign exchange rates in the market, the interest rate and the prices are monitored instantaneously. When taking positions, the Bank's unique operating and control limits are watched effectively besides statutory limits. Limit overs are not allowed.

The Group's strategies of hedging interest rate and foreign currency risks arising from fixed and variable interest rate funds and foreign currency available for sale securities:

A great majority of foreign currency available for sale securities are financed with foreign currency resources. Accordingly, the expected depreciation of local currency against other currencies is eliminated. A foreign currency basket is formulated in terms of the indicated foreign currency to eliminate the risk exposure of cross currency rates.

To mitigate the interest rate risk, a balanced asset composition is established in compliance with the structure of fixed and variable rate funding resources.

The hedging strategies for other foreign exchange risk exposures:

A stable foreign exchange position strategy is implemented: To be secured from cross currency risk, the current foreign exchange position is taken by considering a specific foreign currency basket.

The foreign exchange gains and losses on foreign currency transactions are accounted for in the period of the transaction. Foreign exchange assets and liabilities are translated to Turkish Lira using foreign exchange bid rate as of the balance sheet date, and the resulting gains and losses are recorded in foreign exchange gains or losses.

SECTION THREE (Cont'd)

ACCOUNTING POLICIES (Cont'd)

III. Information about the Consolidated Parent Bank and its Subsidiaries

Türkiye Sınai Kalkınma Bankası A.Ş. and its financial institutions, Yatırım Finansman Menkul Değerler A.Ş., TSKB Gayrimenkul Yatırım Ortaklığı A.Ş., TSKB Yatırım Ortaklığı A.Ş., Yatırım Finansman Yatırım Ortaklığı A.Ş. are included in the accompanying consolidated financial statements by line by line consolidation method; İş Finansal Kiralama A.Ş., İş Girişim Sermayesi Yatırım Ortaklığı A.Ş. and İş Factoring Finansman Hizmetleri A.Ş. are included in the accompanying consolidated financial statements by equity method. Financial institutions included in the consolidation are determined in accordance with “Communiqué on Preparation of Consolidated Financial Statements of Banks” published in the Official Gazette dated 8 November 2006 numbered 26340. The Parent Bank and the entities included in the consolidation hereinafter will be referred to as “the Group”.

The financial statements of the subsidiaries, which were prepared in accordance with the prevailing principles and rules regarding financial accounting and reporting standards in the Turkish Commercial Code and/or Financial Leasing Law and communiqués of the Capital Market Board, are duly adjusted in order to present their financial statements in accordance with Turkish Accounting Standards and Turkish Financial Reporting Standards.

When there are differences between the accounting policies of the subsidiaries and the Parent Bank, the financial statements are adjusted in accordance with the principle of materiality. The financial statements of the subsidiaries are prepared as of 31 December 2006.

The transactions and balances between the consolidated entities and the Parent Bank are eliminated.

Yatırım Finansman Menkul Değerler A.Ş.:

Yatırım Finansman Menkul Değerler A.Ş. was established and registered in İstanbul Trade Registry on 15 October 1976 and it was announced in the Turkish Trade Registry Gazette No: 81 on 25 October 1976. Name of the Company was changed into Yatırım Finansman Menkul Değerler A.Ş. by the announcement made to the Turkish Trade Registry Gazette No: 4762 on 2 April, 1999. The Company’s purpose is to perform capital market operations specified in the Company’s main contract in accordance with the CMB and the related legislation. The Company was merged with TSKB Menkul Değerler A.Ş. on 29 December 2006.

TSKB Gayrimenkul Yatırım Ortaklığı A.Ş.

Core business of TSKB Gayrimenkul Yatırım Ortaklığı A.Ş. is real estate trust to construct and develop a portfolio of properties and make investment to capital market instruments linked to properties. The Company was established on 3 February 2006.

SECTION THREE (Cont'd)

ACCOUNTING POLICIES (Cont'd)

III. Information about the Consolidated Parent Bank and its Subsidiaries(Cont'd)

Yatırım Finansman Yatırım Ortaklığı A.Ş.:

Yatırım Finansman Yatırım Ortaklığı A.Ş., was established and registered in İstanbul Trade Registry on 31 December 1998 and it was announced in the Turkish Trade Registry Gazette No: 4714 on 18 January 1999. The purpose of Yatırım Finansman Yatırım Ortaklığı A.Ş. is to manage capital market instruments and gold or other precious metal portfolios in the local or international markets or over-the-counter markets, without having the control of management and capital of the subsidiaries whose securities are purchased by the company, under the Capital Markets Law No: 2499 as amended y Law No: 3794, and the related legislation.

İş Finansal Kiralama A.Ş. :

İş Finansal Kiralama A.Ş. was established on 8 February 1988 and it has been performing its operations in accordance with the Turkish Leasing Law No: 3226. The Company started its leasing operations in July 1998. The Company's headquarters is located at İş Kuleleri, Kule:2 Kat:10 34330 Levent-İstanbul/Türkiye.

TSKB Yatırım Ortaklığı A.Ş. :

The Company was established under the name of SYB Yatırım Ortaklığı A.Ş. on 10 November 2000. The Company's name, Sınai Yatırım Bankası Yatırım Ortaklığı A.Ş., was changed into TSKB Yatırım Ortaklığı A.Ş. on 17 April 2003 since Sınai Yatırım Bankası A.Ş. ceased to operate and it was transferred to Türkiye Sınai Kalkınma Bankası A.Ş. The name change was published in the Turkish Trade Registry Gazette No: 5784 on 24 April 2003. The Company's headquarters is in İstanbul.

The purpose of TSKB Yatırım Ortaklığı A.Ş. is to manage capital market instruments and gold or other precious metal portfolios in the local or international markets or over-the-counter markets, without having the control or significant effect over/on management and capital of the investees, under the principles and guidelines specified by the related legislation.

İş Factoring Finansman Hizmetleri A.Ş.

İş Factoring Finansman Hizmetleri A.Ş., was incorporated in Turkey on 4 July 1993 and started its operations in October 1993. The Company's main operation is domestic and export factoring transactions.

The Company is a Türkiye İş Bankası A.Ş. Group entity and the parent is İş Finansal Kiralama A.Ş. with 78,23% shareholding and the share of Türkiye Sınai Kalkınma Bankası A.Ş. is 14,74 %.

İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.

Principal business of İş Girişim Sermayesi Yatırım Ortaklığı A.Ş. is to make long-term investments in existing companies in Turkey or to be established in Turkey, having a development potential and are in need of financing. The Company is continuing its operations at İş Kuleleri Kule 2, Kat:8, Levent, İstanbul.

SECTION THREE (Cont'd)

ACCOUNTING POLICIES (Cont'd)

IV. Explanations on Forward and Option Contracts and Derivative Instruments

The Parent Bank is exposed to significant financial risk originating from the changes in the interest and foreign exchange rates as part of its normal operations. The bank exercises derivative financial instruments to manage these interest and foreign exchange financial risks.

The Group generally exercises foreign currency forward, swap, futures and option agreements.

The derivative instruments are accounted for at their fair values as of the date of the agreements entered into and subsequently valued at fair value. Some of the derivative instruments, although economical hedges, are accounted for as trading transactions since they are not qualified to be a hedging instrument as per “Financial Instruments: Recognition and Measurement” (“TAS 39”). Realized gains or losses are reflected in the statement of income on these derivative instruments. Unrealized gains or losses arising from the change in the fair value are recorded in disallowable expenses or exempt income according to the current tax legislation.

The Group has no derivative instruments used for hedging purposes.

V. Interest Income and Expenses

Interest income and expenses are recognized in the income statement for all interest bearing instruments on an accrual basis using the effective interest (the rate that equalizes the future cash flows of financial assets and liabilities to the current net book value) method.

In accordance with the related regulation, realized and unrealized interest accruals of the non-performing loans are reversed and interest income related to these loans are recorded as interest income only when collected.

VI. Fees and Commission Income and Expenses

Fees for various banking services and dividends from equity investments are recorded as income when collected and all other income and expenses, are recorded on an accrual basis.

SECTION THREE (Cont'd)

ACCOUNTING POLICIES (Cont'd)

VII. Explanations and Disclosures on Financial Assets

Financial instruments comprise financial assets, financial liabilities and derivative instruments. Financial instruments constitute the basis of Group's trading activities and operations. Risks related with these instruments constitutes majority of total risks. Financial instruments affect liquidity, market, and credit risks on the Group's balance sheet in all respects. Bank trades these instruments on behalf of its customers and on its own behalf.

Basically, financial assets create the majority of the commercial activities and operations of the Group. These instruments expose, affect and diminish the liquidity, credit and interest risks in the financial statements.

All regular way purchases and sales of financial assets are recognized on the settlement date i.e. the date that the asset is delivered to or by the Group. Settlement date accounting requires (a) accounting of the asset when acquired by the institution, and (b) disposing of the asset out of the balance sheet on the date settled by the institution; and accounting of gain or loss on disposal. In case of application of settlement date accounting, the entity accounts for the changes that occur in the fair value of the asset in the period between commercial transaction date and settlement date as in the assets that the entity settles.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place. Changes in fair value of assets to be received during the period between the trade date and the settlement date are accounted for in the same way as the acquired assets. Fair value differences are not accounted for assets presented at cost or amortized cost; gain or loss of financial assets at fair value through profit and loss are reflected in the statement of income; gain or loss of available for sale assets are accounted for under the shareholders' equity.

The methods and assumptions used in determining the reasonable estimated values of all of the financial instruments are explained below.

Cash, Banks, and Other Financial Institutions

Cash and cash equivalents comprise cash on hand, demand deposits, and highly liquid short-term investments with maturity of 3 months or less following the purchase date, not bearing risk of significant value change, and that are readily convertible to a known amount of cash. The book values of these assets approximate their fair values.

Marketable Securities:

Group classifies its marketable securities in three groups:

Financial assets at fair value through profit and loss: These transactions are classified in two categories. (i) Trading securities for the purposes of short term profit taking through sale or buying back in a near future. (ii) The financial assets classified at inception as financial assets at fair value through profit or loss by the Group. The Group uses such classification above when permitted or for the purposes of providing a more proper disclosure

SECTION THREE (Cont'd)

ACCOUNTING POLICIES (Cont'd)

VII. Explanations and Disclosures on Financial Assets (Cont'd)

In this category, trading securities are initially recognized at cost and measured at fair value on the financial statements. Fair values of securities that are traded in an active market are determined based on quoted prices or current market prices.

The difference between initial cost and fair value of financial assets at fair value through profit and loss is reflected to interest income or impairment on marketable securities accounts. Interest income and dividends from financial assets at fair value through profit and loss are reflected in interest income and dividend income.

Investments held to maturity include securities with fixed or determinable payments and fixed maturity where there is an intention of holding till maturity and the relevant conditions for fulfillment of such intention, including the funding ability. This portfolio excludes loans and receivables. After initial recognition held to maturity investments are measured at amortized cost by using effective interest rate less impairment losses, if any.

Some part of the securities which are classified as held to maturity securities in the financial statements as of 31 December 2003, are sold before maturity in 2004 and the remaining part were classified as securities available for sale. For this reason, the Bank could not classify any financial asset into financial assets held to maturity until 31 December 2006.

The interests received from held to maturity investments are recorded as interest income in the income statement. The dividends from held to maturity investments are booked as dividend income in the income statement.

Available for sale financial assets are initially recognized at cost including the transaction costs. The interest income related to securities with fixed and variable interest under available for sale financial assets are recorded in interest income. After the initial recognition, available for sale securities are measured at fair value and the unrealized gain/loss originating from the difference between the amortized cost and the fair value is recorded in "Marketable Securities Value Increase Fund" under the equity. At the disposal of available for sale financial assets, value increases/decreases that are recorded in the securities value increase fund under equity are transferred to income statement

Loans:

Loans are financial assets which have fixed payment terms and are not traded.

Loans are initially recognized at cost and measured at amortized cost by using effective interest rate. The duties, charges and other expenses paid for the collaterals obtained against loans are accepted as transaction costs and reflected to customers.

SECTION THREE (Cont'd)

ACCOUNTING POLICIES (Cont'd)

VII. Explanations and Disclosures on Financial Assets (Cont'd)

New Turkish Lira (TRY) cash loans are composed of foreign currency indexed loans, export guaranteed loans, loans financed by government funds. Foreign currency (FC) cash loans are composed of export financing loans and working capital loans.

Foreign currency indexed loans, are converted into TRY from the foreign currency rate as of the opening date and followed in TRY accounts. Repayments are measured with the foreign currency rate at the payment date, the foreign currency gains and losses are reflected to the statement of income.

Provision is set for the loans that may be doubtful and the amount is charged in the current period income statement as well as their classification to non-performing loans as per the related regulations. The collections made related to loans including those on non-performing loans for which provision is made in the current period are recorded in "Provision for Loans and Other Receivables" and "Interest Received from Non-performing Loans" account.

Releases of loan loss provisions are recorded by reversing the provisions booked during the year and the collections made related to loan losses previously accounted for are recorded to collections related to the prior period expenses.

VIII. Explanations on Impairment of Financial Assets:

At each balance sheet date, the Group evaluates the carrying amounts of its financial asset or a group of financial assets to determine whether there is an objective indication that those assets have suffered an impairment loss. If any such indication exists, the Group determines the related impairment.

A financial asset or a financial asset group incurs impairment loss only if there is an objective evidence related to the occurrence of one or more than one event ("loss event") after the first journalization of that asset; and such loss event (or events) causes, an impairment as a result of the effect on the reliable estimate of the expected future cash flows of the related financial asset and asset group. Irrespective of high probability the expected losses for future events are not booked.

IX. Offsetting of Financial Assets and Liabilities:

Financial assets and liabilities are offset when the Group has a legally enforceable right to set off, and when the Group has the intention of collecting or paying the net amount of related assets and liabilities or when the Group has the right to offset the assets and liabilities simultaneously. Otherwise, there is not any offsetting transaction about financial assets and liabilities.

X. Explanations on Sales and Repurchase Agreements and Lending of Securities:

Funds provided under repurchase agreements are accounted under "Funds Provided under Repurchase Agreements- TRY" account.

SECTION THREE (Cont'd)

ACCOUNTING POLICIES (Cont'd)

X. Explanations on Sales and Repurchase Agreements and Lending of Securities(Cont'd)

All of the repurchase agreements of the Group are based on the short-term government bonds. In the financial statements, the government bonds and treasury bills sold to customers under repurchase agreements are classified under securities held for trading, available for sale and held to maturity depending on the portfolio they are originally included in and are valued according to the valuation principles of the related portfolios. The income and expenses from these transactions are reflected to the interest income and interest expense accounts in the income statement.

Receivables from reverse repurchase agreements are recorded in “Receivables from Reverse Repurchase Agreements ” account in the balance sheet.

XI. Explanations on Assets Held for Sale and Discontinued Operations

Assets held for sale are measured at the lower of the assets’ carrying amount and fair value less costs to sell. Held for sale assets are not amortized and presented separately in the financial statements. In order to classify an asset as held for sale, only when the sale is highly probable, experienced quite often and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale. Highly saleable condition requires a plan by the management regarding the sale of the asset to be disposed (or else the group of assets), together with an active program for determination of buyers as well as for the completion of the plan. Also the asset (or else the group of assets) shall be actively marketed in conformity with its fair value. On the other hand, the sale is expected to be journalized as a completed sale within one year after the classification date; and the necessary transactions and procedures to complete the plan should demonstrate the fact that the possibility of making significant changes or canceling the plan is low. Various circumstances and conditions could extend the completion period of the sale more than one year. If such delay happened due to the circumstances and conditions beyond the control of the Group and if there is enough evidence that the sale plan of the related asset (or disposal group of asset) of the Group is still in process, the delay in the sales process does not prevent the classification of the asset (or disposal group of asset) as an asset held for sale.

A discontinued operation is a division that is either disposed or held for sale. Results of discontinued operations are included separately in the income statement.

XII. Explanations on Goodwill and Other Intangible Assets:

Goodwill arising on the acquisition of a subsidiary or a jointly controlled entity represents the excess of the cost of acquisition over the Group’s interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary or jointly controlled entity recognized at the date of acquisition. Goodwill is initially recognized as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill is allocated to each of the Group’s cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognized for goodwill is not reversed in a subsequent period.

SECTION THREE (Cont'd)

ACCOUNTING POLICIES (Cont'd)

XII. Explanations on Goodwill and Other Intangible Assets(Cont'd)

On disposal of a subsidiary or a jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Intangible assets that are acquired prior to 1 January 2005 are carried at restated historical cost as of 31 December 2004; and intangible assets that are acquired subsequent to 1 January 2005 are carried at cost less accumulated amortization, and any impairment. Intangible assets are depreciated over their expected useful lives. Depreciation method and period are reviewed periodically at the end of each year. Intangible assets are mainly composed of rights and they are depreciated principally on a straight-line basis over 5 years.

XIII. Explanations on Tangible Fixed Assets

The tangible Fixed Assets, purchased before 1 January 2005, are accounted for at their restated costs as of 31 December 2004 and the assets purchased in the following periods are accounted for at acquisition cost less accumulated depreciation and reserve for impairment.

Gain or loss resulting from disposals of the tangible fixed assets is reflected to the income statement as the difference between the net proceeds and net book value.

Normal maintenance and repair cost of the properties are expensed.

There is no pledge, mortgage or any other lien on tangible fixed assets.

Tangible fixed assets are depreciated with straight-line method and their useful lives are determined in accordance with the Tax Procedural Law.

XIV. Explanations on Leasing Transactions

The Group as Lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. The lease payments are allocated as principle and interest. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

The Group as Lessee

Assets held under finance leases are recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are included in profit or loss in accordance with the Group's general policy on borrowing costs. Tangible fixed assets acquired by financial leases, are amortized based on the useful lives of the assets.

SECTION THREE (Cont'd)

ACCOUNTING POLICIES (Cont'd)

XV. Explanations on Provisions and Contingent Liabilities

Provisions are recognized when there is a present obligation due to a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are determined by using the Group's best expectation of expenses in fulfilling the obligation, and discounted to present value if material.

XVI. Explanations on Obligations Regarding Employee Benefits

Under Turkish law and union agreements, lump sum payments are made to employees retiring or involuntarily leaving the Bank. In retirement and involuntarily leaving, the Bank records the present value of the defined benefit obligation.

There is no indemnity obligations related to the employees who are employed with contract of limited duration exceeding 12 month period.

There is no provision provided for "Türkiye Sınai Kalkınma Bankası Anonim Şirketi Memur ve Müstahdemleri Yardım ve Emekli Vakfı" and "Türkiye Sınai Kalkınma Bankası A.Ş. Mensupları Munzam Sosyal Güvenlik ve Yardımlaşma Vakfı" (their members include the employees of the Bank) in the accompanying financial statements. The Bank has made no payments to these particular funds for the purposes of offsetting their technical deficits. Funds functioning as Foundations that are subject to 20th Provisional Article of the National Insurance Act No: 506, are to be transferred to Social Insurance Institution in accordance with the Board of Minister's decision published in the Official Gazette No: 2006/1135 on 15.12.2006. Social Security Institution Funds are required to provide a "Health Expense" and "Administrative Expense" provision in their actuarial balance sheet as a result of this transfer. Even though there is no detailed legislation issued for this matter, as of 31 December 2006 there is no technical deficit in the statutory TSKB funds based on the current calculations under the prevailing legislation.

XVII. Explanations on Taxation

The Parent Bank is undertaking financial leasing operations under Article 11 of the Regulation on "Establishment and Operations of the Financial Leasing Companies" published in the Official Gazette No: 21212 on 28 April 1992. Accordingly, the Bank is dealing with financial leasing operations based on its investment incentive certificate and also utilizes and registers on its behalf for the financial leasing transactions of its customers with investment incentives covering a part of investment. The Parent Bank is entitled for an investment allowance due to the investment expenses incurred in accordance with its investment incentive certificate.

Additionally, the required provision for corporate tax liability for current period activities is provided in case that there is still tax base after deducting investment incentives.

The income tax charge is composed of the sum of current tax and deferred tax.

SECTION THREE (Cont'd)

ACCOUNTING POLICIES (Cont'd)

XVII. Explanations on Taxation (Cont'd)

The current tax payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the balance sheet liability method.

Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized and reflected in the statement of income as expense or income. Moreover, if the deferred tax is related with items directly recorded under the equity in the same or different period, deferred tax is also associated directly with equity.

Current taxes payable and advance taxes are offset since they relate to each other. Deferred tax assets and liabilities are also offset.

The Group has adjusted its statutory financial statements as per the inflation accounting as of 1 January 2004 in accordance with Law No. 5024.

Some modifications have been made in the tax legislation with Law 4842 published in the Official Gazette number 25088 on 24 April 2003. Under these modifications, investment and development banks, which are not allowed to accept deposit, are allowed to deduct loan loss provisions from the tax base in accordance with item 2 of the article 20 of Banking Law and the amendment introduced by the article 35 of the Law numbered 4842.

XVIII. Additional Explanations on Borrowings

The borrowing costs related to purchase, production, or construction of qualifying assets that require significant time to be prepared for use and sale are included in the cost of assets until the relevant assets become ready to be used or to be sold. Income obtained by temporary placement of undisbursed investment loan in financial investments is offset against borrowing costs qualified for capitalization

All other borrowing costs are recorded to the income statement at the period they are incurred.

SECTION THREE (Cont'd)

ACCOUNTING POLICIES (Cont'd)

XIX. Explanations on Share Certificates

The Bank's share capital has increased by TRY 100.000 Thousand in the current year. TRY 2.221 Thousand of the increased capital is transferred from income from sale of investments in compliance with Article 8/12 of Corporate Tax Law, TRY 42.779 Thousand from inflation adjustment to share capital, TRY 55.000 Thousand from the profit of the year 2005. This capital increase is announced in the Trade Registry Gazette dated 23 June 2006.

As of the date of this report, there is no subsequent dividend announcement of the Bank.

The profit appropriation will be announced after the general assembly.

XX. Explanations on Acceptances

Acceptances are realized simultaneously with the payment dates of the customers and they are presented as commitments in the off-balance sheet accounts.

XXI. Explanations on Government Incentives

The Parent Bank uses government incentives about leasing operations as explained in Note XVII above.

XXII. Explanations on Segment Reporting

In accordance with its mission, the Parent Bank mainly operates in investment and corporate banking segments

XXIII. Explanations on Other Matters

None other than above explanations.

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006
(Amounts expressed in thousands of New Turkish Lira (TRY) unless otherwise stated.)

SECTION FOUR

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE

I. Explanations Related to the Consolidated Capital Adequacy Standard Ratio

The capital adequacy ratio is 30,33% as at 31 December 2006. Related to the calculation of the capital adequacy ratio, the risk weighted assets, the obligations, non-cash loans are classified according to the collateral groups and evaluated within the particular risk group.

Information related to the capital adequacy ratio: Thousand TRY

	Risk Weight							
	Parent Bank				Consolidated			
	0%	20%	50%	100%	0%	20%	50%	100%
Amounts Subject to Credit Risk								
Balance Sheet items (Net)	1.225.476	991.447	445.674	1.389.626	1.240.144	1.011.468	445.674	1.412.010
Cash	110	-	-	-	146	-	-	-
Matured Marketable Securities	-	-	-	-	-	-	-	-
Due From Central Bank of Turkey	948	-	-	-	948	-	-	-
Due From Domestic Banks, Foreign Banks, Branches and Head Office Abroad	-	110.696	-	-	10	113.007	-	-
Interbank Money Market Placements	-	-	-	-	15.851	-	-	-
Receivables From Reverse Repo Transactions	-	-	-	-	12.638	-	-	-
Reserve Deposits	44.392	-	-	-	44.392	-	-	-
Loans(*)	22.443	880.751	445.674	1.128.731	22.443	880.751	445.674	1.128.731
Non-performing loans (Net)	-	-	-	-	-	-	-	-
Financial Lease Receivables (*)	-	-	-	-	-	-	-	-
Available-For-Sale Financial Assets	1.135.408	-	-	80.039	1.121.324	17.609	-	84.352
Held to Maturity Investments	-	-	-	-	-	-	-	-
Receivables From Installment Sales of Assets	-	-	-	-	-	-	-	-
Sundry Debtors	-	-	-	736	-	101	-	77.994
Interest and Income Accruals(**)	-	-	-	-	-	-	-	-
Subsidiaries, Associates and Entities Under Common Control (Net)	14.127	-	-	135.259	14.127	-	-	70.813
Tangible Assets	-	-	-	42.842	-	-	-	48.083
Other Assets	8.048	-	-	2.019	8.265	-	-	2.037
Off-Balance Sheet Items	-	151.911	19.582	-	13.965	151.911	19.582	-
Guarantees and Commitments	-	137.340	19.582	-	13.965	137.340	19.582	-
Derivative Financial Instruments	-	14.571	-	-	-	14.571	-	-
Non Risk Weighted Accounts	-	-	-	-	-	-	-	-
Total Risk Weighted Assets	1.225.476	1.143.358	465.256	1.389.626	1.254.109	1.163.379	465.256	1.412.010

(*): Financial Lease receivables amounting to TRY 286.089 Thousand is included in loans.

(**):Interest and income accruals are included in related accounts.

Summary information related to the capital adequacy ratio:

	Parent Bank	Consolidated
	Current Period	Current Period
Total Risk Weighted Assets (TRWA)	1.850.926	1.877.314
Amount Subject to Market Risk (ASMR)	65.900	91.838
Amount Subject to Operational Risk (ASOR)	-	-
Shareholders' Equity	630.409	597.205
Shareholders' Equity / (TRWA + ASMR + ASOR) *100	32,89	30,33

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006
(Amounts expressed in thousands of New Turkish Lira (TRY) unless otherwise stated.)

SECTION FOUR (Cont'd)

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (Cont'd)

I. Explanations Related to the Consolidated Capital Adequacy Standard Ratio (Cont'd)

Information related to the components of shareholders' equity

	Parent Bank	Consolidated
	Current Period	Current Period
CORE CAPITAL		
Paid-in capital	300.000	323.880
Nominal capital	300.000	323.880
Capital commitments (-)	-	-
Inflation adjustment to share capital	66.374	66.374
Share premium	-	47
Share cancellation profits	-	-
Legal reserves	19.433	20.746
First legal reserve (Turkish Commercial Code 466/1)	9.541	10.149
Second legal reserve (Turkish Commercial Code 466/2)	9.892	10.277
Other legal reserve per special legislation	-	320
Statutory reserves	9.541	9.541
Extraordinary reserves	42.641	48.847
Reserves allocated by the General Assembly	39.721	44.363
Retained earnings	2.920	4.484
Accumulated losses	-	-
Foreign currency share capital exchange differences	-	-
Inflation adjustment on legal reserves, statutory reserves and extraordinary reserves	-	-
Profit	116.337	143.596
Current period profit	106.402	110.419
Prior years' profits	9.935	33.177
Provisions for possible losses up to 25% of core capital	-	-
Gains on sale of associates and subsidiaries and properties to be added to capital	-	-
Primary subordinated loans up to 15% of the Core Capital	-	-
Losses that cannot be covered by reserves (-)	-	-
Net current period loss		
Prior years' losses	(8)	(23)
Leasehold improvements (-)	(2.524)	(2.524)
Prepaid expenses (-)	(231)	(477)
Intangible assets (-)	-	-
Deferred tax asset exceeding 10% of the Core Capital	-	-
Excess amount as per the Article 56, Clause 3 of the Banking Law	-	-
Goodwill (Net)	-	(366)
Total Core Capital	551.563	609.641

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006
(Amounts expressed in thousands of New Turkish Lira (TRY) unless otherwise stated.)

SECTION FOUR (Cont'd)

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (Cont'd)

I. Explanations Related to the Consolidated Capital Adequacy Standard Ratio (Cont'd)

Information related to the components of shareholders' equity (Cont'd)

SUPPLEMENTARY CAPITAL		
General Loan Loss Provisions	14.099	14.099
45% of the revaluation reserve for movable fixed assets	-	-
45% of the of revaluation reserve for properties	-	-
Bonus shares obtained from associates, subsidiaries and entities under common control	1.485	100
Primary subordinated loans excluded in the calculation of the Core Capital	-	-
Secondary subordinated loans	49.350	49.350
45% of marketable securities value increase fund	14.718	(5.469)
Associates and subsidiaries	-	-
Available for sale securities	14.718	(5.469)
Indexation differences for capital reserves, profit reserves and retained earnings (Except indexation differences for legal reserves, statutory reserves and extraordinary reserves)	-	-
TOTAL SUPPLEMENTARY CAPITAL	79.652	58.080
TIER III CAPITAL	-	-
CAPITAL	631.215	667.721
DEDUCTIONS FROM THE CAPITAL	(806)	(70.516)
Partnership share on non-consolidated banks and financial institutions	-	-
Loans extended to banks, financial institutions (domestic and abroad) and qualified shareholders, like secondary subordinated loan and debt instruments purchased from these institutions issued, like primary and secondary subordinated loan	-	-
Banks and financial institutions to which equity method is applied, however, assets and liabilities are not consolidated	-	(69.710)
Loans extended being non-compliant with articles 50 and 51 of the law	-	-
Net book values of properties owned, exceeding 50% of banks' equity and properties, and trade goods overtaken in exchange for loans and receivables that should be disposed within five years in accordance with article 57 of the Law, but not yet disposed	(806)	(806)
Other	-	-
TOTAL SHAREHOLDERS' EQUITY	630.409	597.205

SECTION FOUR (Cont'd)

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (Cont'd)

II. Explanations Related to Consolidated Credit Risk

The sectoral breakdown of loans is documented monthly and limitations are made according to evaluations. There is no limitation applied geographically.

Monitoring and checking is made for the treasury operations. Risk limits are identified for the operations implemented.

The credit monitoring department screens the creditworthiness of loan customers once every six months regularly. The debtors' creditworthiness are screened regularly in line with Communiqué on "Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves". Their financial statements are obtained as prescribed in the legislation. The credit limits have been set by the Board of Directors, the Banks credit committee and the credit management. The Bank takes enough collateral for the loans and other receivables extended. The collaterals obtained consist of indemnity, mortgage, cash blockage and client cheques.

The limits are also identified for the transactions made with the banks. The credit risk is managed by considering the creditworthiness and the limits of counter parties.

There are control limits over the positions on forwards, options and similar other agreements. Those limits are controlled by the management on a regular basis. The credit risk is managed together with the potential risks arising from the fluctuations in the market. Credit risk, market risk, liquidity risk and other risks are managed as a whole.

If exposed to a significant degree of credit risk, the Bank reduces the total risk by using, exercising or selling forward transactions and other similar contracts.

The compensated non-cash loans are evaluated at the same risk weight as the non-performing loans.

Rescheduled loans are monitored within the Bank's internal rating application, as well as the monitoring applications required by the related regulations. All precautions are taken in order to classify the companies' risks and their current rating may change within this internal rating applications. The Bank monitors and investigates the maturity concentration and the risks which are different than their normal pattern.

The international operations are made with many correspondent banks in various countries. The counter party limits are set with operations made with the banks.

The Parent Bank being an active participant in international banking market, is not exposed to a significant degree of credit risk when evaluated with the financial operations of other financial institutions.

The first 100 largest cash loans constitute 87,85 % of the total cash loans portfolio of the Parent Bank.

The first 100 largest non cash loans constitute 100 % of the total non cash loans portfolio of the Parent Bank.

The first 100 largest cash and non cash loans constitute 76,37 % of the total on and off balance sheet accounts.

The Parent Bank calculated the general loan loss provision of TRY 14.099 Thousand in accordance with the Communiqué on "Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves".

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006
(Amounts expressed in thousands of New Turkish Lira (TRY) unless otherwise stated.)

SECTION FOUR (Cont'd)

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (Cont'd)

II. Explanations Related to Consolidated Credit Risk (Cont'd)

Information according to geographical concentration:

	Assets	Liabilities	Non-Cash Loans	Equity Investments***	Net Income
Current Period					
Domestic	3.948.441	1.275.485	351.432	118.863	107.595
European Union Countries	82.871	2.018.929	-	-	-
OECD Countries *	245	113.194	-	-	-
Off-Shore Banking Regions	5.752	911	21.158	-	2.119
USA, Canada	3.316	754.153	-	-	-
Other Countries	3.525	341	-	-	-
Unallocated Assets/Liabilities (**)	-	-	-	-	-
Total	4.044.150	4.163.013	372.590	118.863	109.714

(*)EU countries, OECD countries except USA and Canada

(**) Assets and liabilities that are not allocated to segments on a consistent basis.

(***) Since investment balances are recognized in the "Equity investments" column, they are not shown in the "assets" column.

Sector concentration for cash loans

	Current Period			
	TRY	(%)	FC	(%)
Agricultural	3.345	-	3.737	-
Farming and Raising Livestock	3.345	-	3.737	-
Forestry, Wood and Paper	-	-	-	-
Fishing	-	-	-	-
Manufacturing	260.584	36	759.013	52
Mining and Petroleum	1.867	-	-	-
Production	96.501	13	575.125	39
Electricity, Gas and Water	162.216	23	183.888	13
Construction	-	-	40.652	3
Services	452.823	63	661.790	45
Wholesale and Retail Trade	5.026	1	11.693	1
Hotel, Tourism, Food and Beverage Services	49.533	7	109.719	7
Transportation and Communication	24.435	3	29.588	2
Financial Institutions	352.879	49	469.260	32
Real Estate and Renting Services	-	-	-	-
Self-Employment Services	-	-	-	-
Education Services	20.950	3	16.082	1
Health and Social Services	-	-	25.448	2
Other	9.566	1	-	-
Total	726.318	100	1.465.192	100

SECTION FOUR (Cont'd)

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (Cont'd)

III. Explanations Related to Consolidated Market Risk

The Board of Directors determines the limits and restrictions on market risk to avoid market risk. Limitations on risk, nominal ve rates are used and reports on risk information are presented to the Board of Directors, related committees and top management.

The guides prepared by Risk Management Group that is composed of Risk Management Unit and Risk Management Committee regarding organization, responsibility and operations are approved by the Board of Directors. Risk management policies are determined and announced throughout the Bank.

The Risk Management Unit uses the standard method to calculate the consolidated and unconsolidated market risk. In addition to the standard method, the Bank applies parametric and historical simulation models to securities portfolio, foreign currency position on a daily or monthly basis to detect the market risks. The success of these models is tested retrospectively. The Bank also makes VaR calculations, scenario analyses and stress tests to detect the risks not caught by using internal models. Market risk is measured on a daily basis and reported to top management, Audit Committee and Board of Directors weekly and monthly. The market risk table is as follows:

a) Information related to the market risk

	Amount
(I) Capital Requirement to be Employed For General Market Risk - Standard Method	4.008
Resulting From Financial Instruments related to Interest Income	2.806
Resulting From Positions in Share Certificates, Investment Fund and Participation Certificates	1.202
(II) Capital Requirement to be Employed For Specific Risk - Standard Method	1.202
Resulting From Financial Instruments related to Interest Income	-
Resulting From Positions in Share Certificates, Investment Fund and Participation Certificates	1.202
(III) Capital Requirement to be Employed For Currency Risk - Standard Method	2.137
Capital Requirement	2.131
Capital Requirement Calculated for Options Subject to Foreign Currency Risk	6
(IV) Capital Requirement to be Employed For Commodity Risk - Standard Method	-
(V) Capital Requirement to be Employed For Settlement Risk - Standard Method	-
(VI) Total Capital Requirement to be Employed For Market Risk Resulting From Options - Standard Method	-
(VII) Total Capital Requirement to be Employed For Market Risk in Banks Using Risk Measurement Model	-
(VIII) Total Capital Requirement to be Employed For Market Risk (I+II+III+IV+V+VI)	7.347
(IX) Amount Subject to Market Risk (12,5 x VIII) or (12,5 x VII)	91.838

SECTION FOUR (Cont'd)

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (Cont'd)

III. Explanations Related to Consolidated Market Risk (Cont'd)

b) Average market risk table as of the month ends during the period is as follows:

	Current Period		
	Average	Maximum	Minimum
Interest Rate Risk	35.850	38.088	37.613
Common Stock Risk	1.000	1.050	950
Currency Risk	17.644	27.238	8.050
Commodity Risk	-	-	-
Settlement Risk	-	-	-
Option Risk	-	-	-
Total Value At Risk	56.494	65.900	47.088

Risk information given above includes 1 January 2006 – 31 December 2006 period and it represents the amounts calculated solely for November and December under the Regulation on “Measuring and Evaluating the Capital Adequacy of the Banks” published on 1 November 2006. Only 31 December 2006 information is prepared on a consolidated basis.

IV. Explanations Related to Consolidated Operational Risk

According to Communiqué on "Measurement and Assessment of Capital Adequacy of Banks ", which was published on 1 November 2006 in the Official Gazette numbered 26333, the operational risk will be calculated from 1 July 2007.

III. Explanations Related to Consolidated Currency Risk

No long or short position is taken due to the uncertainties and changes in the markets therefore, no exposure to foreign currency risk is expected. However, possible foreign currency risks are calculated on a weekly and monthly basis under the standard method in the foreign currency risk table and their results are reported to the official authorities and the Parent Bank’s top management. Thus, foreign currency risk is closely monitored. Foreign currency risk, as a part of general market risk, is also taken into consideration in the calculation of Capital Adequacy Standard Ratio.

No short position is taken regarding foreign currency risk, whereas, counter position is taken for any foreign currency risks arising from customer transactions as to avoid foreign currency risk.

The Parent Bank has no foreign currency and net foreign investment hedging transactions through derivative instruments.

Announced current foreign exchange buying rates of the Parent Bank at December 31, 2006 and the previous five working days in USD, EURO and YEN are as follows:

	1 US Dollar	1 EURO	100 YEN
A. Bank “Foreign Exchange Valuation Rate”	1,41000	1,85683	0,01186
Prior dates:			
29 December 2006	1,41000	1,85683	0,01186
28 December 2006	1,42200	1,86680	0,01198
27 December 2006	1,42000	1,86673	0,01196
26 December 2006	1,42200	1,86609	0,01195
25 December 2006	1,42200	1,86652	0,01197

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006
(Amounts expressed in thousands of New Turkish Lira (TRY) unless otherwise stated.)

SECTION FOUR (Cont'd)

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (Cont'd)

V. Explanations Related to Consolidated Currency Risk(Cont'd)

Simple arithmetic thirty-day averages of the USD, EURO and YEN buying rates of the Parent Bank before the balance sheet date are TRY 1,4257, TRY 1,8832 and TRY 0,01215; respectively.

Information on the Group's consolidated foreign currency risk: Foreign Currencies (TRY Thousand)

	EURO	USD	Yen	Other FC	Total
Current Period					
Assets					
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metals) and Balances with the Central Bank of Turkey.	29	841	-	2	872
Due From Other Banks and Financial Institutions	2.906	86.903	187	296	90.292
Financial Assets at Fair Value Through Profit and Loss (**)	6	1.680	1	-	1.687
Money Market Placements	-	-	-	-	-
Available-For-Sale Financial Assets	47.870	295.617	-	-	343.487
Loans (*)	1.137.603	945.431	86.398	-	2.169.432
Subsidiaries, Associates and Entities Under Common Control	-	-	-	-	-
Held-To-Maturity Investments	-	-	-	-	-
Derivative Financial Assets for Hedging Purposes	-	-	-	-	-
Tangible Assets	-	-	-	11	11
Intangible Assets	-	-	-	-	-
Other Assets	210.658	105.953	12.292	15	328.918
Total Assets	1.399.072	1.436.425	98.878	324	2.934.699
Liabilities					
Bank Deposits	-	-	-	-	-
Foreign Currency Deposits	-	-	-	-	-
Money Market Borrowings	22.889	54.552	-	-	77.441
Funds Provided From Other Financial Institutions	1.397.391	1.423.796	113.682	-	2.934.869
Securities Issued	-	-	-	-	-
Sundry Creditors	1.155	4.448	9	12	5.624
Derivative Financial Liabilities for Hedging Purposes	-	-	-	-	-
Other Liabilities (***)	189	993	81	-	1.263
Total Liabilities	1.421.624	1.483.789	113.772	12	3.019.197
Net Balance Sheet Position	(22.552)	(47.364)	(14.894)	312	(84.498)
Net Off-Balance Sheet Position	16.724	58.991	20.798	-	96.513
Financial Derivative Assets	19.987	228.071	23.224	-	271.282
Financial Derivative Liabilities	(3.263)	(169.080)	(2.426)	-	(174.769)
Non-Cash Loans (****)	64.350	279.429	-	307	344.087

(*) Loans given include, TRY 704.240 Thousand foreign currency indexed loans.

(**)TRY 5.258 Thousand foreign exchange gains on derivatives are deducted from Financial Assets at Fair Value Through P/L.

(***) TRY 633 Thousand foreign exchange losses on derivatives are deducted from Other Liabilities.

(****) Has no effect on the net off-balance position.

SECTION FOUR (Cont'd)

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (Cont'd)

VI. Explanations Related to Consolidated Interest Rate Risk

Interest rate sensitivity of the assets, liabilities and off-balance sheet items are measured by the Parent Bank. General and specific interest rate risk tables in the standard method, by including assets and liabilities, are taken into account in determination of Capital Adequacy Standard Ratio and to calculate the overall interest rate risk of the Parent Bank.

Forecast results which have been formed using estimation-simulation reports are prepared and then the effects of fluctuations in interest rates are evaluated with sensitivity and scenario analyzes. Cash requirement for every maturity period are determined based on maturity distribution analysis (Gap). In addition, a positive spread between the yield on assets and the cost of liabilities is kept while determining interest rates.

The amount of local borrowings is very low considering the total liabilities of the Parent Bank. As the Parent Bank is a development and investment bank, it obtains most of the funding from abroad. Therefore the Parent Bank is not affected from the fluctuations in the domestic interest rates.

The fluctuations in interest rates are controlled with interest rate risk tables, gap analysis, scenario analysis and stress tests, its effect in assets and liabilities and the probable changes in cash flows are being screened. The Bank screens many risk control ratio including the markets risk ratio to the sum of risk weighted assets and the ratio of the value at risk calculated as per the internal model to the equity.

Under the scope of risk policies, continuous controls are made to prevent assets or shareholders' equity from adverse effects because of fluctuations in interest rates or liquidity difficulties and upper management, Board of Directors and Audit Committee are informed of these risks.

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006
(Amounts expressed in thousands of New Turkish Lira (TRY) unless otherwise stated.)

SECTION FOUR (Cont'd)

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (Cont'd)

VI. Explanations Related to Consolidated Interest Rate Risk (Cont'd)

Information related to the interest rate sensitivity of assets, liabilities and off-balance sheet items (based on repricing dates)

Current Period	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	Non-interest bearing	Total
Assets							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metals) and Balances with the Central Bank of Turkey.	-	-	-	-	-	1.094	1.094
Due From Other Banks and Financial Institutions	98.152	-	-	-	-	14.865	113.017
Financial Assets at Fair Value Through Profit and Loss	1.027	936	6.744	12.823	8.135	21.200	50.865
Money Market Placements	14.749	-	-	-	-	13.740	28.489
Available-For-Sale Financial Assets	247.449	178.286	137.097	378.848	244.088	37.517	1.223.285
Loans	750.900	852.473	386.022	20.166	181.949	-	2.191.510
Held-To-Maturity Investments	-	-	-	-	-	-	-
Other Assets	54.467	143.355	95.287	7.070	30.490	224.084	554.753
Total Assets	1.166.744	1.175.050	625.150	418.907	464.662	312.500	4.163.013
Liabilities							
Bank Deposits	-	-	-	-	-	-	-
Other Deposits	-	-	-	-	-	-	-
Money Market Borrowings	449.735	18.817	-	-	-	11.692	480.244
Sundry creditors	-	-	-	-	-	77.579	77.579
Securities Issued	-	-	-	-	-	5.200	5.200
Funds Provided From Other Financial Institutions	876.344	1.097.947	722.996	18.717	230.754	-	2.946.758
Other Liabilities	1.545	1.571	1.082	2.057	4.991	641.986	653.232
Total Liabilities	1.327.624	1.118.335	724.078	20.774	235.745	736.457	4.163.013
Balance Sheet Long Position	(160.880)	-	(98.928)	-	-	(423.957)	(683.765)
Balance Sheet Short Position	-	56.715	-	398.133	228.917	-	683.765
Off-Balance Sheet Long Position	-	(95)	-	-	-	-	(95)
Off-Balance Sheet Short Position	493	-	913	1.365	2.730	-	5.501
Total Position	(160.387)	56.620	(98.015)	399.498	231.647	(423.957)	5.406

SECTION FOUR (Cont'd)

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (Cont'd)

VI. Consolidated Interest Rate Risk (Cont'd)

Average interest rates applied to monetary financial instruments: %

	EURO	USD	Yen	TRY
Current Period				
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	-	-	-	-
Due From Other Banks and Financial Institutions	-	5,19	-	18,19
Financial assets at fair value through profit and loss	-	-	-	20,24
Money Market Placements	-	-	-	18,46
Available-For-Sale Financial Assets	5,10	6,89	-	18,24
Loans	6,09	8,05	4,83	20,32
Held-To-Maturity Investments	-	-	-	-
Liabilities				
Bank Deposits	-	-	-	-
Other Deposits	-	-	-	-
Money Market Borrowings	3,52	4,79	-	17,64
Sundry creditors	-	-	-	-
Securities Issued	-	-	-	-
Funds Provided From Other Financial Institutions	3,60	5,94	1,96	11,00

VII. Explanations Related to the Consolidated Liquidity Risk

The Parent Bank's future cash flows and current positions are taken into consideration for managing the market and liquidity risks. The Parent Bank does not invest into illiquid markets and instruments. The liquidity ratios are followed up and the maturity match and the coverage of liquidity need are targeted in the context of asset- liability management.

Although the Parent Bank started to perform tests to calculate liquidity risk with internal models, the risk is still followed up basically by adapting the risks to "holding period" data.

For the purpose of meeting the liquidity requirement, the Parent Bank chooses one of the three or more of the following; disposing liquid assets, increasing short-term borrowing, decreasing illiquid assets or increasing capital. The Parent Bank's liquidity management is implemented by meeting all the obligations on time considering the Parent Bank's reputation. The cash flow projections and the fund requirement predictions are made by using adverse scenarios to determine liquidity risk under urgent and unexpected circumstances.

As seen on interest rate risk tables, the difference in interest rates of assets and liabilities is in favor of the assets. Such mismatch positively affects the profitability and is checked by the Parent Bank Management with regular reports.

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006
(Amounts expressed in thousands of New Turkish Lira (TRY) unless otherwise stated.)

SECTION FOUR (Cont'd)

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (Cont'd)

VII. Explanations Related to the Consolidated Liquidity Risk (Cont'd)

The Parent Bank meets its short term liquidity requirements with repo transactions and inter-bank money market operations. The Parent Bank may also use its available for sale portfolio for urgent liquidity requirement. The Parent Bank meets its long term liquidity needs from the international institutions through borrowings.

Presentation of assets and liabilities according to their remaining maturities:

	Demand	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	Undistributed (*)	Total
Current Period								
Assets								
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	1.094	-	-	-	-	-	-	1.094
Due From Other Banks and Financial Institutions	14.866	98.151	-	-	-	-	-	113.017
Financial Assets at Fair Value Through Profit and Loss	15.226	1.047	1.509	6.540	14.256	12.287	-	50.865
Money Market Placements	15.851	12.638	-	-	-	-	-	28.489
Available-For-Sale Financial Assets	21.922	71	87.084	37.161	424.816	636.636	15.595	1.223.285
Loans	-	66.941	44.766	62.431	144.518	1.872.854	-	2.191.510
Held-To-Maturity Investments	-	-	-	-	-	-	-	-
Other Assets	82.418	47.923	10.388	14.347	39.127	229.744	130.806	554.753
Total Assets	151.377	226.771	143.747	120.479	622.717	2.751.521	146.401	4.163.013
Liabilities								
Bank Deposits	-	-	-	-	-	-	-	-
Other Deposits	-	-	-	-	-	-	-	-
Funds Provided From Other Financial Institutions	-	111.625	22.081	399.877	158.098	2.255.077	-	2.946.758
Money Market Borrowings	11.692	449.726	18.826	-	-	-	-	480.244
Securities Issued	5.200	-	-	-	-	-	-	5.200
Sundry Creditors	69.505	3.662	99	824	320	3.167	2	77.579
Other Liabilities	72.813	13.615	8	-	880	9	565.907	653.232
Total Liabilities	159.210	578.628	41.014	400.701	159.298	2.258.253	565.909	4.163.013
Liquidity Gap	(7.833)	(351.857)	102.733	(280.222)	463.419	493.268	(419.508)	-

(*)Other asset and liability balances, which are necessary and cannot be converted into cash in the near future for the Bank's ongoing activities, such as tangible assets, investments in subsidiaries and associates, office supply inventory, prepaid expenses and non-performing loans are classified under undistributed.

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006
(Amounts expressed in thousands of New Turkish Lira (TRY) unless otherwise stated.)

SECTION FOUR (Cont'd)

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (Cont'd)

VII. Explanations Related To Presentation of Financial Assets and Liabilities by Fair Value

The table below shows the book value and the fair value of the financial assets and liabilities in the consolidated financial statements of the Group.

	Book Value	Fair Value
	Current Period	Current Period
Financial Assets (*)	3.556.301	3.556.301
Money Market Placements	28.489	28.489
Due From Other Banks and Financial Institutions	113.017	113.017
Available-For-Sale Financial Assets	1.223.285	1.223.285
Held-To-Maturity Investments	-	-
Loans	2.191.510	2.191.510
Financial Liabilities (*)	3.509.781	3.509.781
Bank Deposits	-	-
Other Deposits	-	-
Funds Provided From Other Financial Institutions	3.427.002	3.427.002
Securities Issued	5.200	5.200
Sundry Creditors	77.579	77.579

(*) Carrying values in the table comprise cost plus period-end accruals.

IX. Explanations Related To Transactions Made on Behalf of Others and Fiduciary Transaction

The Parent Bank performs trading transactions on behalf of customers, and gives custody, administration and consultancy services.

The Parent Bank does not deal with fiduciary transactions.

SECTION FIVE

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS

I. Explanations Related to the Consolidated Assets

1.a Information on Cash and Balances with the Central Bank of Turkey:

	Current Period	
	TRY	FC
Cash in TRY/Foreign Currency	108	38
Balances with the Central Bank of Turkey	114	834
Other	-	-
Total	222	872

1.b Information related to the account of the Central Bank of Turkey:

	Current Period	
	TRY	FC
Unrestricted demand deposits	114	834
Unrestricted time deposits	-	-
Restricted time deposits	-	-
Total	114	834

2.a Information on financial assets at fair value through profit and loss :

2.a.1 Trading securities

2.a.1.a Trading securities given as collateral or blocked

The Group's trading securities given as collateral or blocked amounted to TRY 7.370 Thousand at the balance sheet date.

2.a.1.b Trading securities subject to repurchase agreements

The Group has trading securities subject to repurchase agreements amounting to TRY 7.302 Thousand at the balance sheet date.

2.a.2 Information on financial assets designated as at fair value through profit and loss

2.a.2.a Information on financial assets designated as at fair value through profit and loss given as collateral or blocked

The Group does not have any financial assets designated as at fair value through profit and loss given as collateral or blocked as of the balance sheet date.

2.a.2.b Financial assets designated as at fair value through profit and loss subject to repurchase agreements

The Group does not have any financial assets designated as at fair value through profit and loss subject to repurchase agreements as of the balance sheet date.

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006
(Amounts expressed in thousands of New Turkish Lira (TRY) unless otherwise stated.)

SECTION FIVE (Cont'd)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

I. Explanations Related to the Consolidated Assets (Cont'd)

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

	Current Period	
	TRY	FC
Held for trading financial derivative instruments		
Forward Transactions	506	42
Swap Transactions	-	6.192
Futures Transactions	-	-
Options	-	589
Other	-	-
Total	506	6.823

3.a Information on banks and other financial institutions:

	Current Period	
	TRY	FC
Banks	22.725	90.292
Domestic	22.724	84.349
Foreign	-	5.943
Branches and head office abroad	-	-
Other Financial Institutions	1	-
Total	22.725	90.292

3.b Information on Foreign Bank Accounts:

	Unrestricted Amount	Restricted Amount
	Current Period	Current Period
EU Countries	2.337	-
USA, Canada	3.316	-
OECD Countries*	45	-
Off-Shore Banking Regions	245	-
Other	-	-
Total	5.943	-

(*) OECD countries other than European Union countries, USA and Canada.

SECTION FIVE (Cont'd)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

I. Explanations Related to the Consolidated Assets (Cont'd)

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

4.a.1 Financial assets available-for-sale subject to repurchase agreements:

	Current Period	
	TRY	FC
Government bonds	418.087	27.275
Treasury bills	20	-
Other public sector debt securities	-	49.735
Bank bonds and bank guaranteed bonds	-	-
Asset backed securities	-	-
Other	-	8.881
Total	418.107	85.891

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

All financial assets available for sale given as collateral comprise of financial assets issued by the Turkish Treasury. The carrying value of those assets is TRY 172.537 Thousand.

	Current Period	
	TRY	FC
Share certificates	-	-
Bond, Treasury bill and similar investment securities	166.680	5.857
Other	-	-
Total	166.680	5.857

4.b Major Types of Available For Sale Financial Assets:

Available for sale financial assets comprise 0,01% treasury bills, 83,45% government bonds and 16,54% Eurobonds, shares and other securities.

4.b.1 Information on financial assets available for sale portfolio:

	Current Period
Debt securities	1.193.791
Quoted on a stock exchange	1.026.641
Not quoted	167.150
Share certificates	29.030
Quoted on a stock exchange	1.556
Not quoted	27.474
Impairment provision(-)	(17.145)
Other	17.609
Total	1.223.285

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006
(Amounts expressed in thousands of New Turkish Lira (TRY) unless otherwise stated.)

SECTION FIVE (Cont'd)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

I. Explanations Related to the Consolidated Assets (Cont'd)

5. Information on Loans

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

	Current Period	
	Cash Loans	Non-Cash Loans
Direct loans granted to shareholders (*)	-	25.757
Corporate shareholders	-	25.757
Real person shareholders	-	-
Indirect loans granted to shareholders	13.882	-
Loans granted to employees	165	-
Total	14.047	25.757

(*)Indirect loans granted to shareholders include, loans granted to associates, subsidiaries and other components of risk group.

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

	Standard Loans and Other Receivables		Loans and Other Receivables Under Close Monitoring	
	Loans and Other Receivables	Restructured or Rescheduled	Loans and Other Receivables	Restructured or Rescheduled
Cash Loans				
Non-specialized loans	2.191.262	-	-	99
Discount notes	-	-	-	-
Export loans	-	-	-	-
Import loans	-	-	-	-
Investment loans	1.232.322	-	-	-
Loans given to financial sector	799.954	-	-	-
Foreign loans	23.703	-	-	-
Consumer loans	165	-	-	-
Credit cards	-	-	-	-
Precious metals loans	-	-	-	-
Other	135.118	-	-	99
Specialized loans	149	-	-	-
Other receivables	-	-	-	-
Total	2.191.411	-	-	99

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006
(Amounts expressed in thousands of New Turkish Lira (TRY) unless otherwise stated.)

SECTION FIVE (Cont'd)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

I. Explanations Related to the Consolidated Assets (Cont'd)

5. Information on Loans (Cont'd)

5.c Loans according to their maturity structure:

	Standard Loans and Other Receivables		Loans and Other Receivables Under Close Monitoring	
	Loans and Other Receivables	Restructured or Rescheduled	Loans and Other Receivables	Restructured or Rescheduled
Short-term loans and other receivables	35.391	-	-	-
Non-specialized loans	35.391	-	-	-
Specialized loans	-	-	-	-
Other receivables	-	-	-	-
Medium and Long-term loans	2.156.020	-	-	99
Non-specialized loans	2.155.871	-	-	99
Specialized loans	149	-	-	-
Other receivables	-	-	-	-

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006
(Amounts expressed in thousands of New Turkish Lira (TRY) unless otherwise stated.)

SECTION FIVE (Cont'd)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

I. Explanations Related to the Consolidated Assets (Cont'd)

5. Information on Loans (Cont'd)

5.ç Information on consumer loans, individual credit cards, personnel loans and credit cards given to personnel:

	Short Term	Medium and Long Term	Total
Consumer Loans-TRY	-	-	-
Housing Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Consumer Loans –Indexed to FC	-	-	-
Housing Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Consumer Loans-FC	-	-	-
Housing Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Individual Credit Cards-TRY	-	-	-
With Installments	-	-	-
Without Installments	-	-	-
Individual Credit Cards-FC	-	-	-
With Installments	-	-	-
Without Installments	-	-	-
Personnel Loans-TRY	165	-	165
Housing Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	165	-	165
Personnel Loans- Indexed to FC	-	-	-
Housing Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Personnel Loans-FC	-	-	-
Housing Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Personnel Credit Cards-TRY	-	-	-
With Installments	-	-	-
Without Installments	-	-	-
Personnel Credit Cards-FC	-	-	-
With Installments	-	-	-
Without Installments	-	-	-
Total	165	-	165

SECTION FIVE (Cont'd)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

I. Explanations Related to the Consolidated 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 the balance sheet date.

5.e. Loans according to borrowers:

	Current Period
Public	-
Private	2.191.510
Total	2.191.510

5.f Domestic and foreign loans:

	Current Period
Domestic Loans	2.167.807
Foreign Loans	23.703
Total	2.191.510

5.g Loans granted to subsidiaries and associates:

	Current Period
Direct loans granted to subsidiaries and associates	16.046
Indirect loans granted to subsidiaries and associates	-
Total	16.046

5.ğ Specific provisions provided against loans:

	Current Period
Loans and receivables with limited collectibility	-
Loans and receivables with doubtful collectibility	355
Uncollectible loans and receivables	33.175
Total	33.530

The Parent Bank allocates 100% provision for all non-performing loans regardless of the collaterals.

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006
(Amounts expressed in thousands of New Turkish Lira (TRY) unless otherwise stated.)

SECTION FIVE (Cont'd)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

I. Explanations Related to the Consolidated Assets (Cont'd)

5. Information on Loans (Cont'd)

5.h Information on non-performing loans (Net)

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

	III. Group Loans and Receivables With Limited Collectibility	IV. Group Loans and Receivables With Doubtful	V. Group Uncollectible Loans and Receivables
Current Period			
(Gross amounts before provisions)	-	-	22.761
Restructured loans and other receivables	-	-	-
Rescheduled loans and other receivables	-	-	22.761

5.h.2 Movement of Non-performing Loans:

	III. Group Loans and Receivables With Limited Collectibility	IV. Group Loans and Receivables With Doubtful Collectibility	V. Group Uncollectible Loans and Receivables
Prior Period Ending Balance	2.567	9	41.867
Additions (+)	2.174	-	17
Transfers from Other Categories of Non-performing Loans (+)	-	3.068	1.673
Transfers to Other Categories of Non-performing Loans (-)	(4.741)	-	-
Collections (-)	-	(2.722)	(10.088)
Write-offs (-)	-	-	(294)
Current Period Ending Balance	-	355	33.175
Specific Provisions (-)	-	(355)	(33.175)
Net Balance on Balance Sheet	-	-	-

SECTION FIVE (Cont'd)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

I. Explanations Related to the Consolidated Assets (Cont'd)

5. Information on Loans (Cont'd)

5.h Information on non-performing loans (Net) (Cont'd)

5.h.3 Information on Foreign Currency Non-performing Loans and Other Receivables:

	III. Group	IV. Group	V. Group
	Loans and Receivables With Limited Collectibility	Loans and Receivables With Doubtful Collectibility	Uncollectible Loans and Receivables
Current Period			
Period End Balance	-	-	2.888
Specific Provision (-)	-	-	(2.888)
Net Balance on Balance Sheet	-	-	-

5.1 Main principles of liquidating loans and receivables:

If there are collaterals received complying Article 9 of the Communiqué regarding “Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves”, these collaterals are converted into cash immediately using either administrative or legal procedures in order to collect those receivables.

If such collateral components exist, several financial investigations are made to determine whether any property holdings are subsequently acquired by applying legal procedures, even if there is evidence of insolvency for the debtor.

Before and after the beginning of the liquidation process; the Bank management makes investigations on the financial data of the debtor companies. As a result of these investigations, if the Bank management agrees that the companies show any indication of operating on an ongoing basis and probably are going to have contributions in the economical environment in the future, the Bank management tries to make the collection through rescheduling the payment terms.

6. Information on held-to-maturity investments:

A part of securities that are classified as assets held to maturity as of 31 December 2003 was sold before its maturity during 2004 and the remaining part was classified as assets available for sale. For this particular reason, the Bank has not classified any of its financial assets as held to maturity until 31 December 2006. Starting from 1 January 2007, the Bank may classify securities in investments held to maturity.

SECTION FIVE (Cont'd)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

I. Explanations Related to the Consolidated Assets (Cont'd)

6. Information on held-to-maturity investments (Cont'd)

6.a Information on held-to-maturity investments given as collateral or blocked:

The Group has no investment securities held-to-maturity as at the balance sheet date.

6.b Held-to-maturity investments subject to repurchase agreements:

The Group has no investment securities held-to-maturity as at the balance sheet date.

6.c Information on investment securities held-to-maturity

The Group has no investment securities held-to-maturity as at the balance sheet date.

6.ç The movement of investment securities held-to-maturity

The Group has no investment securities held-to-maturity as at the balance sheet date.

7. Information on Investments in Associates (Net)

7.a.1 Information on unconsolidated associates

	Title	Address (City/ Country)	Bank's share percentage-If different voting percentage (%)	Bank's risk group share percentage (%)
1	GÖZLÜK SANAYİ A.Ş. (Gözlük)	İzmir/Turkey	21,71	21,71
2	PROVUS BİLİŞİM HİZMETLERİ A.Ş. (Provus)	İstanbul/Turkey	0,04	0,04
3	SENAPA-STAMPA AMBALAJ SANAYİ VE TİCARET A.Ş. (Senapa)	Kocaeli/Turkey	9,15	9,15
4	SERVUS BİLGİSAYAR A.Ş. (Servus)	İstanbul/Turkey	7,14	7,14
5	TERME METAL SANAYİ VE TİCARET A.Ş. (Terme)	İstanbul/Turkey	17,83	18,76
6	ÜNSA AMBALAJ SANAYİ VE TİCARET A.Ş. (Ünsa)	İstanbul/Turkey	12,00	12,00

Non-financial associates above are not consolidated in accordance with the Communiqué on "Preparing Consolidated Financial Statements of the Banks"

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006
(Amounts expressed in thousands of New Turkish Lira (TRY) unless otherwise stated.)

SECTION FIVE (Cont'd)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

I. Explanations Related to the Consolidated Assets (Cont'd)

7. Information on Investments in Associates (Net) (Cont'd):

7.a.1 Information on the unconsolidated associates (Cont'd):

	Total Assets	Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities Portfolio	Current Period Profit /Loss	Prior Period Profit/Loss	Fair Value
Gözlük (1)	4.161	3.968	3.612	6	-	(304)	(406)	-
Provus (2)	12.849	2.254	11.650	29	-	(2.292)	(1.682)	-
Senapa (3)	28.298	5.154	19.586	1122	-	(3.412)	(2.924)	-
Servus (4)	49.452	22.449	13.673	215	-	1.585	570	-
Terme (5)	11.811	2.077	1.949	-	-	(291)	(307)	-
Ünsa (6)	84.009	25.599	39.991	94	-	(3.928)	(4.587)	-

- (1) Represent non-reviewed financial statements of 30.09.2006. Prior year loss is obtained from 31.12.2005 dated financial statements.
(2) Represent non-reviewed financial statements of 30.09.2006. Prior year loss is obtained from 31.12.2005 dated financial statements.
(3) Represent non-reviewed financial statements of 30.09.2006. Prior year loss is obtained from 31.12.2005 dated financial statements.
(4) Represent non-reviewed consolidated financial statements of 30.09.2006. Prior year profit is obtained from 30.09.2005 dated financial statements.
(5) Represent unaudited financial statements of 31.12.2006. Prior year loss is obtained from 31.12.2005 dated financial statements.
(6) Represent non-reviewed financial statements of 30.11.2006. Prior year loss is obtained from 31.12.2005 dated financial statements.

7.b.1 Information on the consolidated associates:

	Title	Address (City/ Country)	Bank's share percentage-If different voting percentage (%)	Bank's risk group share percentage (%)	Consolidation Method
1	İŞ FACTORİNG FİNANSMAN HİZMETLERİ A.Ş. (İş Factoring)	İstanbul/Turkey	14,75	100,00	Equity Method
2	İŞ FİNANSAL KİRALAMA A.Ş. (İş Finansal)	İstanbul/Turkey	28,56	69,99	Equity Method
3	İŞ GİRİŞİM SERMAYESİ YATIRIM ORTAKLIĞI A.Ş. (İş Girişim)	İstanbul/Turkey	16,67	48,75	Equity Method

	Total Assets	Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss	Fair Value
İş Factoring (1)	37.529	7.359	74	4.800	-	(14.397)	1.576	1.035
İş Finansal (2)	913.766	157.365	1.188	155.163	-	27.446	40.022	73.970
İş Girişim (3)	105.037	104.208	1.240	3.875	1.858	15.088	10.076	14.288

- (1) Represent unaudited financial statements of 30.12.2006. Prior year profit is obtained from 31.12.2005 dated financial statements.
(2) Represent audited consolidated financial statements of 31.12.2006. Prior year profit is obtained from 31.12.2005 dated financial statements. Fair value is determined at 31.12.2006.
(3) Represent audited consolidated financial statements of 30.12.2006. Prior year profit is obtained from 31.12.2005 dated financial statements. Fair value is determined at 31.12.2006.

SECTION FIVE (Cont'd)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

I. Explanations Related to the Consolidated Assets (Cont'd)

7. Information on Investments in Associates (Net) (Cont'd):

7.b.2 Information on the consolidated associates:

	Current Period
Balance at the Beginning of the Period	61.571
Movements During the Period	
Purchases	-
Current Year Share of Profit	8.139
Sales	-
Revaluation Increase	-
Provision for Impairment	-
Balance at the End of the Period	69.710
Capital Commitments	-
Share Percentage at the End of the Period (%)	-

7.a.3 Sectoral information of associates and the related carrying amounts in the legal books

	Current Period
Banks	-
Insurance Companies	-
Factoring Companies	2.730
Leasing Companies	48.042
Financial Service Companies	-
Other Associates	33.851

7.a.4 Information on associates quoted on stock market

	Current Period
Associates quoted on domestic stock Markets	66.980
Associates quoted on foreign stock Markets	-

7.a.5 Information on associates sold in the current period:

The Parent Bank has not sold any associates in the current period.

7.a.6 Information on associates purchased in the current period:

During the current year, the Parent Bank purchased A Bilişim Hizmetleri A.Ş.'s associate having a nominal value of TRY 2 Thousand in consideration of TRY 2 Thousand and contributed TRY 39 Thousand and TRY 14.280 Thousand to the capital increase of its associates; Gözlük Sanayi A.Ş. and İş Finansal Kiralama A.Ş. respectively in the prior period.

TÜRKİYE SINAI KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006
(Amounts expressed in thousands of New Turkish Lira (TRY) unless otherwise stated.)

SECTION FIVE (Cont'd)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

I. Explanations Related to the Consolidated Assets (Cont'd)

8. Information Related to Subsidiaries (net)

8.a.1 Information Related to Unconsolidated Subsidiaries

	Title	Address (City/ Country)	Bank's share percentage-If different voting percentage (%)	Bank's risk group share percentage (%)
1	TSKB Gayrimenkul Değerleme A.Ş.	İstanbul /Türkiye	80,00	80,00

	Total Assets	Shareholders' Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss	Fair Value
TSKB GMD (1)	1.478	1.231	636	65	-	264	245	-

(1) Represent unaudited financial statements of 30.12.2006. Prior year profit is obtained from 31.12.2005 dated financial statements.

8.b.1 Information Related to consolidated subsidiaries

	Title	Address (City/ Country)	Bank's share percentage-If different voting percentage (%)	Bank's risk group share percentage (%)
1	Yatırım Finansman Menkul Değerler A.Ş.	İstanbul /Turkey	88,78	91,40
2	TSKB Gayrimenkul Yatırım Ortaklığı A.Ş.	İstanbul/Turkey	96,00	100,00
3	TSKB YATIRIM ORTAKLIĞI A.Ş. (TSKB Y.O.)	İstanbul/Turkey	29,75	44,48
4	YATIRIM FİNANSMAN YATIRIM ORTAKLIĞI A.Ş. (Yatırım Fin. Y.O.)	İstanbul/Turkey	11,58	51,98

	Total Assets	Shareholders' Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss	Fair Value
YF MEN.DEĞ. (1)	122.633	35.096	8.911	1.914	-	4.934	5.221	-
TSKB GYO (2)	11.738	11.697	3.655	1.039	-	1.698	-	-
TSKB Y.O. (3)	20.124	20.093	-	193	-	(18)	5.441	3.909
Yatırım Fin. Y.O. (4)	12.941	12.270	-	504	-	174	1.589	906

- (1) Represent audited unconsolidated 31.12.2006 financial statements. Prior year profit is taken from 31.12.2005 financial statements.
(2) Represent audited 31.12.2006 financial statements.
(3) Represent audited 31.12.2006 financial statements. Prior year profit is taken from 31.12.2005 financial statements. Fair value is determined at 31.12.2006.
(4) Represent audited 31.12.2006 financial statements. Prior year profit is taken from 31.12.2005 financial statements. Fair value is determined at 31.12.2006.

SECTION FIVE (Cont'd)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

I. Explanations Related to the Consolidated Assets (Cont'd)

8. Information Related to Subsidiaries (net) (Cont'd)

	Current Period
Balance at the beginning of the period	53.425
Movements in period	7.877
Purchases	10.514
Free shares obtained	2.530
Dividends from current year income	-
Sales	(50)
Revaluation increase	-
Impairment provision	(5.117)
Balance at the end of the period	61.302
Capital commitments	-
Share percentage at the end of the period (%)	-

8.a.3 Sectoral information on subsidiaries and the related carrying amounts in the legal books

Subsidiaries	Current Period
Banks	-
Insurance Companies	-
Factoring Companies	-
Leasing Companies	-
Financial Service Companies	-
Other Associates	61.621

In the accompanying financial statements, after amounts of consolidated subsidiaries are eliminated there is TRY 319 Thousand unconsolidated non-financial subsidiaries.

8.a.4 Subsidiaries quoted on stock exchange

As at the balance sheet date, the Group has no subsidiaries quoted on the stock exchange.

8.a.5 Subsidiaries sold in the current period

The Parent Bank sold its 1,4% share in TSKB Yatırım Ortaklığı A.Ş. with the nominal value of TRY 50 Thousand in the current period.

The Parent Bank added its 1,79% share in TSKB Menkul Değerlerler A.Ş. amounting to TRY 1.538 Thousand to its shares in Yatırım Finansman Menkul Değerler A.Ş. as a result of the merger of two companies; TSKB Menkul Değerlerler A.Ş. and Yatırım Finansman Menkul Değerler A.Ş. on 29 December 2006.

SECTION FIVE (Cont'd)

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED
FINANCIAL STATEMENTS (Cont'd)**

I. Explanations Related to the Consolidated Assets (Cont'd)

8. Information Related to Subsidiaries (net) (Cont'd)

8.a.5 Subsidiaries purchased in current period

The Parent Bank and Yatırım Finansman Menkul Değerler A.Ş. have participated in the registered TSKB Gayrimenkul Yatırım Ortaklığı A.Ş. by 96% and 2% of shares in consideration of TRY 9.600 Thousand and TRY 200 Thousand, respectively on 3 February 2006.

The Parent Bank contributed TRY 539 Thousand and TRY 1.785 Thousand (TRY 1.071 Thousand of bonus shares, TRY 714 Thousand in exchange of dividends) to the capital increase of Yatırım Finansman Yatırım Ortaklığı A.Ş. and TSKB Yatırım Ortaklığı A.Ş. respectively in the current period. Also Yatırım Finansman Menkul Değerler A.Ş. participated in the capital increase of Yatırım Finansman Yatırım Ortaklığı A.Ş. by TRY 920 Thousand in the current period.

Yatırım Finansman Menkul Değerler A.Ş. ("Yatırım Finansman"), was merged with TSKB Menkul Değerler A.Ş. (91.79% of its share is held by the Parent Bank) and under the legal name of Yatırım Finansman on 29 December 2006. As a result of this merger, all of the rights, receivables, payables and liabilities without tax are transferred to Yatırım Finansman through dissolving without liquidating in accordance with Article 451 and other provisions of the Turkish Commercial Code together with Articles 19 and 20 of the Corporate Tax Law.

SECTION FIVE (Cont'd)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

I. Explanations Related to the Consolidated Assets (Cont'd)

9. Information on entities under common control

At balance sheet date, the Group does not have entities under common control.

10. Information on Finance Lease Receivables (net)

10.a Maturities of Investments on Finance Leases

	Current Period	
	Gross	Net
Less than 1 year	77.420	59.510
Between 1- 4 years	204.088	175.809
More than 4 years	55.704	50.770
Total	337.212	286.089

10.b The information on net investments in finance leases:

	Current Period
Gross investments in finance leases	337.212
Unearned revenue from finance leases (-)	(51.123)
Cancelled finance leases (-)	-
Net investments in finance leases	286.089

SECTION FIVE (Cont'd)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

I. Explanations Related to the Consolidated Assets (Cont'd)

10. Information on Finance Lease Receivables (net) (Cont'd)

10.c Explanation with respect to finance lease agreements, the criteria used in determination of contingent rents, conditions for revisions or purchase options, updates of leasing amounts and the restrictions imposed by lease arrangements, whether arrays in repayment occur, whether the terms of the contract are renewed, if renewed, the renewal conditions, whether the renewal results any restrictions, and other important conditions of the leasing agreement

Finance lease agreements are made in accordance with the related articles of financial leasing law 3286. There are no restructuring or restrictions having material effect on financial statements.

11. Information on derivative financial assets for hedging purposes

11.a Positive differences of derivative financial assets for hedging purposes

The Group has no financial assets for hedging purposes as of the balance sheet date.

12. Information on tangible assets (Net)

	Land and Building	Assets held under finance leases	Vehicles	Assets for resale	Other	Total
Prior Period End :						
Cost	40.242	1.872	1.801	17.841	27.432	89.188
Impairment	-	-	-	(2.762)	-	(2.762)
Accumulated depreciation(-)	(20.775)	(333)	(1.115)	(1.037)	(24.782)	(48.042)
Net book value	19.467	1.539	686	14.042	2.650	38.384
Current Period End:						
Net book value at beginning of the period	19.467	1.539	686	14.042	2.650	38.384
Additions	2.749	1.966	136	7.382	1.866	14.099
Disposals(-)	(1.807)	-	(214)	(118)	(288)	(2.427)
Impairment	-	-	-	-	-	-
Change in Current Value	1.060	-	-	-	-	1.060
Depreciation charge (-)	(707)	(566)	(204)	(1.054)	(805)	(3.336)
Currency translation differences resulting from foreign investments (-)	-	-	-	-	-	-
Period End Cost	42.244	3.838	1.723	25.105	29.010	101.920
Period End Accumulated Depreciation(-)	(21.482)	(899)	(1.301)	(2.091)	(25.302)	(51.075)
Accumulated impairment loss at the end of the period	-	-	-	(2.762)	-	(2.762)
Closing Net book value	20.762	2.939	422	20.252	3.708	48.083

SECTION FIVE (Cont'd)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

I. Explanations Related to the Consolidated Assets (Cont'd)

12. Information on tangible assets (net) (cont'd)

12.b. Investment properties

The fair value of the investment property presented in the table above whose carrying value is TRY 3.651 Thousand belonging to the Bank's subsidiary operating in the real-estate investment trust sector is determined as TRY 3.651 Thousand based on report issued on 14 February 2007 by a registered real-estate valuation company. TRY 1.060 Thousand of fair value difference is recognized under the other operating income in the accompanying financial statements.

12.a If impairment amount on individual asset recorded or reversed in the current period is material for the overall financial statements

12.a.1 Events and conditions for recording or reversing impairment

According to the appraisal report of the Group's internal specialists the inflation adjusted values of the properties are more than their fair values. Therefore, the Group recorded provision on these.

12.a.2 Amount of recorded or reversed impairment in the financial statements

The impairment amount recorded as at the balance sheet date is TRY 2.762 Thousand. There are no impairments reversed.

12.b The impairment provision set or cancelled in the current period according to the asset groups not individually significant but materially affecting the overall financial statements, and the reason and conditions for this

There is no impairment provision on individual asset set or cancelled in the current period, other than impairment on properties referred to above.

13. Information on Intangible Assets (Net)

13.a Useful lives and amortization rates used

The Group has booked the inflation adjustments to its statutory records since 1 January 2004 according to the Law No: 203 amending the Tax Procedural Code. While prior years' depreciation rates were used for the intangible assets acquired before 1 January 2004, new depreciation rates were applied as per their useful lives determined by the Ministry of Finance for those acquired after 1 January 2004.

13.b Amortization methods used

The intangible fixed assets are amortized principally on straight line basis which amortize the assets over their expected useful lives.

SECTION FIVE (Cont'd)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

I. Explanations Related to the Consolidated Assets (Cont'd)

13. Information on Intangible Assets (Net) (Cont'd)

13.c Cost and accumulated amortization at the beginning and end of the period

	Period Beginning		Period End	
	Gross Book Value	Accumulated Amortization	Gross Book Value	Accumulated Amortization
Software	1.850	1.557	2.134	1.657
Goodwill	563	197	563	197

13.ç Movement of cost and accumulated amortization for the period

	Rights	Goodwill	Total
	Current Period	Current Period	Current Period
Beginning balance(Net)	293	366	659
Amounts internally developed	-	-	-
Additions due to mergers, transfers and acquisitions	287	-	287
Not used and disposed items	-	-	-
Increases or decreases in the revaluation fund	-	-	-
Impairment charges	-	-	-
Reversal of impairment charges	-	-	-
Amortization charges (-)	(103)	-	(103)
Currency translation differences arising from foreign investments	-	-	-
Other differences in book values	-	-	-
Closing balance	477	366	843

13.d The net book value, description and the remaining amortization period of any material individual intangible asset in the financial statements

As at the balance sheet date, the Group has no single intangible asset which is material to the financial statements as a whole.

13.e Disclosure for intangible fixed assets acquired through government grants and accounted for at fair value at initial recognition

As at the balance sheet date, the Group has no intangible fixed assets acquired through government grants.

SECTION FIVE (Cont'd)

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED
FINANCIAL STATEMENTS (Cont'd)**

I. Explanations Related to the Consolidated Assets (Cont'd)

13 Information on Intangible Assets (Net) (Cont'd)

13.f The method of subsequent measurement for intangible assets that are acquired through government incentives and recorded at fair value at the initial recognition

As at the balance sheet date, the Group has no assets acquired with government incentives.

13.g The book value of intangible assets that are pledged or restricted for use

As at the balance sheet date, the Group has no intangible assets with restricted use or pledged.

13.h Amount of purchase commitments for intangible assets

As at the balance sheet date, the Bank has no purchase commitments for intangible assets.

13.ı Information on revalued intangible assets according to their types

The Bank did not revalue its intangible assets as at the balance sheet date.

13.i Amount of total research and development expenses recorded in income statement within the period, if any

The Group has no research and development costs expensed in the current period.

13.j Information on goodwill

	Share Rate %	Carrying Amount
Goodwill on consolidation		
Yatırım Finansman Yatırım Ortaklığı A.Ş.	88,78	366
Total		366

SECTION FIVE (Cont'd)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

I. Explanations Related to the Consolidated Assets (Cont'd)

13. Information on Intangible Assets (Net) (Cont'd)

13.k The carrying value of goodwill at beginning and end of the period, and movements within the period

	Current Period
Net Value at the beginning of period	366
Changes in the period:	-
Additional goodwill	-
Restatements arising from changes in assets and liabilities	-
Goodwill written off due to discontinued operations or partial/full derecognition of an asset (-)	-
Impairment loss (-)	-
Reversal of impairment loss (-)	-
Changes in carrying value	-
Net Value at the end of period	366

13.l The carrying value of negative goodwill at beginning and end of the period, and movements within the period

As at the balance sheet date, the Group has no negative goodwill in the accompanying financial statements.

14. Information on Deferred Tax Assets

14.a Temporary differences, tax losses, exemptions and deductions reflected to balance sheet as deferred tax asset

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.

Deferred Tax Asset	Current Period
Useful life difference of fixed assets	1.032
Financial lease adjustments	(1.598)
Derivative transaction accruals	650
Employee benefit provision	680
Other Provisions	600
Other	7
Total	1.371

In addition, TRY 3.591 Thousand of deferred tax liability, which is calculated over the fair value differences on available for sale securities value increase fund, is offset against the “available for sale securities value increase fund” item under equity.

SECTION FIVE (Cont'd)

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED
FINANCIAL STATEMENTS (Cont'd)**

I. Explanations Related to the Consolidated Assets (Cont'd)

14. Information on Deferred Tax Asset (Cont'd)

14.b Temporary differences over which deferred tax asset are not computed and recorded in the balance sheet in prior periods, if so, their expiry date, losses and tax deductions and exceptions

The Group has no deductible temporary differences that are not included in calculation of deferred tax asset and not reflected to financial statements in prior periods.

14.c Allowance for deferred tax and deferred tax assets from reversal of allowance

As of the balance sheet date, the Bank has no allowance for deferred tax and deferred tax assets from reversal of allowance.

15. Information on assets held for sale

At the balance sheet date, the Group has no assets held for sale.

16. Information About Other Assets

16.a Other assets which exceed 10% of the balance sheet total (excluding off balance sheet commitments) and breakdown of these which constitute at least 20% of grand total

Other assets are not exceeding 10% of total assets, excluding off-balance sheet commitments.

SECTION FIVE (Cont'd)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

II. Explanations Related to the Consolidated Liabilities

1. Information of Maturity Structure of Deposits

1.a.1 Maturity Structure of Deposits

The Parent Bank is not authorized to accept deposits.

1.a.2 Information on saving deposits under the guarantee of saving deposit insurance fund and exceeding the limit of deposit insurance fund

The Parent Bank is not authorized to accept deposits.

1.b Information on the scope whether the Bank with a foreign head office suits saving deposit insurance of the related country

The Parent Bank is not authorized to accept deposits.

1.c Saving deposits which are not under the guarantee of deposit insurance fund

The Parent Bank is not authorized to accept deposits

2. Information on derivative financial liabilities held-for-trading:

2.a Negative differences table related to derivative financial liabilities held-for-trading:

Derivative financial liabilities held for trading	Current Period	
	TRY	FC
Forward Transactions	-	3
Swap Transactions	10.248	718
Futures Transactions	-	-
Options	-	731
Other	-	-
Total	10.248	1.452

3. Information on funds borrowed

3.a Information on banks and other financial institutions:

	Current Period	
	TRY	FC
Loans from Central Bank of Turkey	-	-
From Domestic Banks and Institutions	1.200	105.825
From Foreign Banks, Institutions and Funds	10.542	2.755.845
Total	11.742	2.861.670

SECTION FIVE (Cont'd)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

II. Explanations Related to the Consolidated Liabilities (Cont'd)

3. Information on borrowings (Cont'd)

3.b Maturity analysis of funds borrowed:

	Current Period	
	TRY	FC
Short-term	1.200	532.216
Medium and long-term	10.542	2.329.454
Total	11.742	2.861.670

3.c Additional information about the concentrated areas of liabilities:

As the Bank is not authorized to accept deposits, liabilities are mostly composed of the borrowings from domestic banks and banks abroad; medium and long term borrowings and funds.

4. Other liabilities which exceed 10% of the balance sheet total (excluding off-balance sheet commitments) and the breakdown of these which constitute at least 20% of grand total:

There are no other liabilities which exceed 10% of the balance sheet total.

5. Explanations on financial lease obligations (Net):

5.a The general explanations on criteria used in determining installments of financial lease agreements, renewal and purchasing options and restrictions in the agreements that create significant obligations to the bank:

The Parent Bank entered into the financial lease transactions with its affiliates İş Finansal Kiralama A.Ş. (19 transactions) and Vakıf Finansal Kiralama A.Ş. (4 transactions). The lease agreements are paid in equal installments. There are no issues bringing important liabilities to the Parent Bank.

5.b The explanation on modifications in agreements and new obligations that these modifications cause:

There are no changes in financial leasing contracts.

5.c Explanations on finance lease payables:

	Current Period	
	Gross	Net
Less than 1 year	858	799
Between 1- 4 years	99	81
More than 4 years	-	-
Total	957	880

5.d Explanations regarding operational leases

The Group has no operational leasing.

5.e Explanations on the lessor and lessee in sale and lease back transactions, agreement conditions, and major agreement terms:

The Group does not have sale and lease back transactions as at the balance sheet date.

SECTION FIVE (Cont'd)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

II. Explanations Related to the Consolidated Liabilities (Cont'd)

6. Information on derivative financial liabilities for hedging purposes:

6.a Negative differences related to derivative financial liabilities for hedging purposes:

The Group has no derivative financial liabilities for hedging purposes.

7. Information on provisions

7.a Information on general loan loss provisions:

	Current Period
General Loan Loss Provisions	14.099
Provisions for First Group Loans and Receivables	10.978
Provisions for Second Group Loans and Receivables	-
Provisions for non-Cash Loans	435
Other	2.686

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

The foreign exchange losses on the foreign currency indexed loans are amounting to TRY 9,099 Thousand.

7.c The specific provisions provided for unindemnified non cash loans:

The Group has no specific provisions provided for unindemnified non cash loans .

7.ç Information Related to Other Provisions:

7.ç.1 Provisions for possible losses:

	Current Period
Provision for possible losses	-

7.ç.2 If Other Provisions Exceeds 10% of Total Provisions, the Name and Amount of Sub-Accounts

	Current Period
Provision for possible losses	-
Dividend Provision for Subsidiaries	2.816

SECTION FIVE (Cont'd)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

II. Explanations Related to the Consolidated Liabilities (Cont'd)

8. Explanations on the number of subordinated loans the Group used, maturity, interest rate, institution that the loan was borrowed from, and conversion option, if any:

The Parent Bank has signed an agreement with the International Finance Corporation, for a subordinated loan of USD 50 million (TRY 73.199 Thousand).

The first agreement date of the loan was 21 September 2004. The first usage date was 5 November 2004. The interest rate is variable; at the balance sheet date it is (5,4+3,62 spread) %9,02. There is no principle repayment in the first 5 years and the maturity is 15 October 2011.

8.a Information on subordinated loans:

	Current Period	
	TRY	FC
From Domestic Banks	-	-
From Other Domestic Institutions	-	-
From Foreign Banks	-	-
From Other Foreign Institutions	-	73.199
Total	-	73.199

9. Information on Taxes Payable:

	Current Period	
	TRY	FC
Corporate Taxes and Deferred Taxes		
Corporate tax payable	16.512	-
Deferred tax liability	-	-
Total	16.512	-

9.a Information on deferred taxes liabilities:

At the balance sheet date, the Group has no deferred tax liability.

9.a.2 Information on taxes payable:

	Current Period
Corporate taxes payable	16.512
Taxation of securities	479
Property tax	-
Banking Insurance Transaction Tax (BITT)	174
Foreign Exchange Transaction Tax	116
Value Added Tax Payable	83
Other	1.816
Total	19.180

SECTION FIVE (Cont'd)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

II. Explanations Related to the Consolidated Liabilities (Cont'd)

9.a.3 Information on premiums:

	Current Period
Social Security Premiums-Employee	39
Social Security Premiums-Employer	54
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	12
Unemployment insurance-Employer	23
Other	6
Total	134

10. Information on liabilities regarding assets held for sale

At the balance sheet date, the Group has no liabilities regarding assets held for sale.

11. Information on Shareholders' Equity:

11.a Presentation of Paid-in capital:

	Current Period
Common stock	300.000
Preferred stock	-

11.b Paid-in capital amount, explanation as to whether the registered share capital system ceiling is applicable at bank, if so amount of registered share capital:

Capital System	Paid-in Capital	Ceiling
Registered Capital System	300.000	400.000

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

Date of increase	Amount of increase	Cash	Reserves	Revaluation Funds
22.05.2006	100.000	-	55.000	45.000

SECTION FIVE (Cont'd)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

II. Explanations Related to the Consolidated Liabilities (Cont'd)

11. Information on Shareholders' Equity (Cont'd)

11.ç Information on share capital increases from capital reserves:

Securities value increase fund	Tangible and intangible fixed assets value increase fund	Free Shares on Participations, Subsidiaries and Entities Under Common Control	Other
-	-	-	45.000

11.d Capital commitments in the last fiscal year and at the end of the following interim period, the general purpose of these commitments and projected resources required to meet these commitments:

The Parent Bank has no capital commitments in the last fiscal year and at the end of the following interim period.

11.e Indicators of the Bank's income, profitability and liquidity for the previous periods and possible effects of these future assumptions on the Bank's equity due to the uncertainty of these indicators:

None.

11.f Information on preferred shares:

The Bank has no preferred shares.

11.g Information on marketable securities value increase fund:

	Current Period	
	TRY	FC
From Associates, Subsidiaries, and Entities Under Common Control	-	-
Valuation Differences	(13.764)	1.460
Foreign Exchange Difference	-	-
Total	(13.764)	1.460

12. Information on minority shares

	Current Period
Paid-in-capital	23.880
Share Premium in excess of par	4
Securities value increase fund	150
Legal Reserves	586
Extraordinary reserves	1.079
Other profit reserves	1.140
Retained earnings / Accumulated losses	29
Net Profit or Loss	705
Total	27.573

SECTION FIVE (Cont'd)

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED
FINANCIAL STATEMENTS (Cont'd)**

III. Explanations Related to the Consolidated Off-Balance Sheet Contingencies and Commitments

1. Information on off-balance sheet liabilities:

1.a Nature and amount of irrevocable loan commitments:

None other than those disclosed in 1.b.1 and 1.b.2 below.

1.b Possible losses and commitments related to off-balance sheet items including items listed below

1.b.1 Non-cash loans including guarantees, acceptances, financial collaterals and other letters of credits

Total letter of credits as of 31 December 2006 is TRY 97.910 Thousand .

1.b.2 Guarantees, surety ships, and similar transactions

Total letter of guarantee as of 31 December 2006 is TRY 274.672 Thousand.

1.c.1 Total amount of non-cash loans:

	Current Period
Non-cash loans given against achieving cash loans	-
With maturity of 1 year or less than 1 year	-
With maturity of more than 1 year	-
Other non-cash loans	372.590
Total	372.590

SECTION FIVE (Cont'd)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

III. Explanations Related to the Consolidated Off-Balance Sheet Contingencies and Commitments (Cont'd)

1. Information on off-balance sheet liabilities (Cont'd)

1.c.2 Information on sectoral risk breakdown of non-cash loans:

	Current Period			
	TRY	(%)	FC	(%)
Agricultural	-	-	-	-
Farming and Raising livestock	-	-	-	-
Forestry	-	-	-	-
Fishing	-	-	-	-
Manufacturing	983	3	226.890	66
Mining	-	-	-	-
Production	67	-	205.099	60
Electric, gas and water	916	3	21.791	6
Construction	-	-	-	-
Services	27.520	97	117.197	34
Wholesale and retail trade	-	-	39.167	11
Hotel, food and beverage services	-	-	-	-
Transportation and telecommunication	2	-	69.570	20
Financial institutions	25.517	90	8.460	3
Real estate and renting services	1	-	-	-
Self-employment services	2.000	7	-	-
Education services	-	-	-	-
Health and social services	-	-	-	-
Other	-	-	-	-
Total	28.503	100	344.087	100

1.c.3 Information on Ist and IInd Group non-cash loans:

	I st Group		II nd Group	
	TRY	FC	TRY	FC
Non-cash loans	28.503	344.087	-	-
Letters of guarantee	28.495	246.177	-	-
Bank acceptances	-	-	-	-
Letters of credit	-	97.910	-	-
Endorsements	-	-	-	-
Purchase Guarantees on Issues of Securities	-	-	-	-
Factoring Guarantees	-	-	-	-
Other commitments and contingencies	8	-	-	-

SECTION FIVE (Cont'd)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

III. Explanations Related to the Consolidated Off-Balance Sheet Contingencies and Commitments (Cont'd)

2. Information related to derivative financial instruments

	Current Period
Foreign currency related derivative transactions (I):	761.941
Forward transactions	115.063
Swap transactions	382.561
Futures transactions	87.485
Option transactions	176.832
Interest related derivative transactions (II) :	608
Forward rate transactions	-
Interest rate swap transactions	608
Interest option transactions	-
Futures interest transactions	-
Other trading derivative transactions (III)	69.826
A. Total trading derivative transactions (I+II+III)	832.375
Types of hedging transactions	
Fair value hedges	-
Cash flow hedges	-
Net investment hedges	-
B. Total hedging related derivatives	-
Total Derivative Transactions (A+B)	832.375

3. Explanations on contingent liabilities and assets

There are legal cases against the Group amounting to TRY 359 Thousand as of the balance sheet date. TRY 41 Thousand provision is provided for these cases in the accompanying financial statements.

With respect to one of the subsidiaries of the Bank, İş Factoring Finansman Hizmetleri A.Ş., as per the decision of Istanbul Tax Court No:3, Benita Tax Office has issued a tax payment declaration as a result of the tax court decisions. For the purposes of the abolition of these particular decisions and the suspension of the executions of the decisions, İş Factoring Finansman Hizmetleri A.Ş. has filed cases at İstanbul District Court in order to appeal to the Supreme Court. Due to the rejections made against these particular cases, District Court has decided in favor of suspension of executions related to advance tax. An application has been made to the Ministry of Finance, with all of its rights reserved by İş Factoring Finansman Hizmetleri A.Ş. for cases filed, to defer and make an installment plan for such tax payables. A provision for İş Factoring Finansman Hizmetleri A.Ş. investment was booked under investments in associates in the accompanying financial statements as a result of above cases.

4. Custodian and intermediary services:

The Parent Bank provides trading and safe keeping services in the name and account of third parties, which are presented in the statement of contingencies and commitments.

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006
(Amounts expressed in thousands of New Turkish Lira (TRY) unless otherwise stated.)

SECTION FIVE (Cont'd)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

IV. Explanations Related to the Statement of Income

1.a Information on interest on loans:

	Group I		Group II	
	TRY	FC	TRY	FC
Interest on loans	42.328	98.857	-	-
Short term loans	2.992	1.898	-	-
Medium and long term loans	38.176	96.959	-	-
Interest on non-performing loans	1.160	-	-	-
Premiums received from Resource Utilization Support Fund	-	-	-	-

1.b Information on interest received from banks:

	Current Period	
	TRY	FC
The Central Bank of Turkey	-	-
Domestic banks	2.714	3.945
Foreign banks	322	2.425
Branches and head office abroad	-	-
Total	3.036	6.370

1.c Interest received from marketable securities portfolio:

	Current Period	
	TRY	FC
Trading securities	1.701	-
Financial assets at fair value through profit and loss	-	-
Available-for-sale assets	110.307	25.522
Held-to-maturity assets	67	-
Total	112.075	25.522

1.ç Information on interest income received from associates and subsidiaries:

	Current Period
Interest received from associates and subsidiaries	866

SECTION FIVE (Cont'd)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

IV. Explanations Related to the Statement of Income (Cont'd)

2.a Information on interest on funds borrowed:

	Current Period	
	TRY	FC
Banks	728	29.143
The Central Bank of Turkey	-	-
Domestic banks	583	6.371
Foreign banks	145	22.772
Branches and head office abroad	-	-
Other financial institutions	-	106.515
Total	728	135.658

2.b Information on interest expenses to associates and subsidiaries

The Bank has no interest expense to its associates and subsidiaries.

2.c Information on interest expenses to securities issued

The Bank has no interest expense on securities issued.

2.ç Allocation of interest expense on deposits based on maturity of deposits:

The Bank is not authorised to accept deposits.

3. Information on dividend income:

	Current Period
Trading Securities	858
Financial assets at fair value through profit and loss	-
Available-for-sale securities	1.450
Other	1.133
Total	3.441

4. Information on net trading income (Net):

	Current Period
Profit	164.167
Gains on capital market operations	36.544
On derivative financial instruments	22.248
Other	14.296
Foreign exchange gains	127.623
Losses (-)	(217.025)
Losses on capital market operations	(37.233)
On derivative financial instruments	(23.771)
Other	(13.462)
Foreign exchange losses	(179.792)

TÜRKİYE SINAI KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006
(Amounts expressed in thousands of New Turkish Lira (TRY) unless otherwise stated.)

SECTION FIVE (Cont'd)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

IV. Explanations Related to the Statement of Income (Cont'd)

5. Information Related with Other Operating Income:

	Current Period
Provisions Released	17.497
Gains on Sale of Assets	162
From Associate and Subsidiary Sales	30
From Movable Fixed Asset Sales	-
From Other Asset Sales	132
Other	59.952
Total	77.611

6. Provision Expenses Related to Loans and Other Receivables Of The Group:

	Current Period
Specific provisions for loans and other receivables	2.458
III. Group	568
IV. Group	99
V. Group	1.791
General provision expenses	4.176
Provision expenses for possible losses	-
Foreign exchange differences on foreign currency losses	-
Marketable securities impairment expenses	608
Trading securities	-
Investment securities available for sale	608
Impairment provisions	-
Associates	-
Subsidiaries	-
Entities under common control	-
Investment securities held to maturity	-
Assets held for resale	-
Other	-
Total	7.242

TÜRKİYE SINAI KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006
(Amounts expressed in thousands of New Turkish Lira (TRY) unless otherwise stated.)

SECTION FIVE (Cont'd)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

IV. Explanations Related to the Statement of Income (Cont'd)

7. Information Related to Other Operating Expenses:

	Current Period
Personnel expenses	31.410
Reserve for employee termination benefits	369
Bank social aid fund deficit provision	-
Impairment expenses of fixed assets	-
Depreciation expenses of fixed assets	2.282
Impairment expenses of intangible assets	-
Impairment expense of goodwill	-
Amortisation expenses of intangible assets	103
Impairment on subsidiaries accounted for under equity method	-
Impairment expenses of assets held for resale	-
Depreciation expenses of assets held for resale	1.054
Impairment expenses of assets held for sale	-
Other operating expenses	6.703
Rent expenses	13
Maintenance expenses	374
Advertisement expenses	349
Other expenses	5.967
Loss on sales of assets	-
Other	23.337
Total	65.258

8. Information on profit or loss before tax:

Profit before tax is TRY 135.206 Thousand for the year 2006.

9. Information on tax provision:

9.a Current tax charge/(benefit) and deferred tax charge/(benefit)

The Bank's tax charge for the period is TRY 17.453 Thousand. Deferred tax charge is TRY 7.334 Thousand.

SECTION FIVE (Cont'd)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

IV. Explanations Related to the Statement of Income (Cont'd)

9. Information on tax provision: (Cont'd):

9.b Information Related to Deferred Tax Benefit or Charge on Temporary Differences

Deferred Tax Asset	Current Period
Useful life difference of fixed assets	1.032
Financial leasing adjustment	(1.598)
Derivative transaction accruals	650
Employee benefits provision	680
Other provisions	600
Other	7
Total	1.371

In addition, TRY 3.625 Thousand of deferred tax liability, which is calculated over the fair value differences on available for sale securities value increase fund, is offset against the “available for sale securities value increase fund” item under equity. Current year deferred tax charge is TRY 7.334 Thousand.

9.c Information related to deferred tax benefit / charge on temporary differences, losses, tax deductions and exceptions

As of 31 December 2006, deferred tax benefit calculated based on temporary timing differences is TRY 7.334 Thousand. There is no deferred tax benefit or charge reflected to income statement on carry forward tax losses, tax deductions and exceptions.

10. Information on net operating income after taxes:

Total net operating income after tax is TRY 110.419 Thousand in 2006 and the share attributable to the Group is TRY 109.714 Thousand.

11. Information related with net income/loss for the period:

11.a The nature and amount of certain income and expense items from ordinary operations is disclosed if the disclosure for nature, amount and repetition rate of such items is required for the complete understanding of the Bank's performance for the period

The Group has generated TRY 311.643 Thousand total interest income, Thousand TRY 172.156 interest expenses and TRY 31.886 Thousand net fee and commission income from banking operations.

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 the accounting estimates and accordingly any effect on the income/loss for the period.

11.c Minority share of profit and loss:

Current year profit attributable to minority shares is TRY 705 Thousand, total shareholders equity, including current year profit attributable to minority shares is TRY 27.573 Thousand.

12. If the other items in the income statement exceed 10% of the income statement total, accounts amounting to at least 20% of these items are shown below:

None, other than those explained in note IV.5 and IV.7.

SECTION FIVE (Cont'd)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

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

1. Information related to capital:

As of 31 December 2006, the shareholders and capital structure of the Bank are as follows:

Name Surname/Title	Share Amounts	Share Rates(%)	Paid in Shares	Unpaid Shares
T. İş Bankası A.Ş. Group	150.293	50,10	150.293	-
T. Vakıflar Bankası T.A.O	25.132	8,38	25.132	-
Under Custody at Merkezi Kayıt Kuruluşu (National Custody Institution)	114.770	38,26	114.770	-
Other	9.805	3,26	9.805	-
Total	300.000	100,00	300.000	-

One of the Bank's shareholders, Akbank T.A.Ş., sold its shares corresponding to the Bank's 6,45% paid in capital and is out of the shareholding structure.

TRY 100.000 Thousand capital increase has been realized during the year. TRY 2.221 Thousand, TRY 42.779 Thousand and TRY 55.000 Thousand of this increase are incorporated from the gains on sale of equity investments in accordance with Article 8/12 of the Corporate Tax Law , inflation restatement differences of paid in share capital and the year 2005 profit, respectively. The related capital increase was published in the Trade Registry Gazette on 23 June 2006.

2 Information on the increase arising from the revaluation of securities available-for-sale

As of 31 December 2006, TRY 15,895 Thousand impairment is accounted for arising from the valuation of available for sale investments at fair value. TRY 3.591 Thousand deferred tax liability is offset against impairment related to these investments and as a result, TRY 12,304 Thousand net impairment is disclosed under the securities value increase fund in the statement of changes in equity.

3. Information on increases in the cash flow hedges

There is no increase in cash flow hedge transactions.

4. Reconciliation between beginning and ending balances for foreign currency differences

There is no difference in the beginning and ending balances for foreign currency differences accounted for under equity.

SECTION FIVE (Cont'd)

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED
FINANCIAL STATEMENTS (Cont'd)**

V. Explanations Related to Statement of Changes in Shareholders' Equity (Cont'd)

5. Information on the decrease arising from the revaluation of securities available-for-sale

There is no decrease arising from the revaluation of securities available-for-sale.

6. Information About Dividends:

6.a Dividends declared subsequent to the balance sheet date, but before the announcement of the financial statements

Based on the profit distribution proposition made by the Board of Directors of the Parent Bank ; 1st dividend amounting to TRY 18,000 Thousand and 2nd dividend amounting to TRY 32,000 Thousand will be distributed to shareholders and TRY 5,320 Thousand first reserve, TRY 3,772 Thousand second reserve, TRY 5,320 Thousand possible loss provision and TRY 39,265 Thousand extraordinary reserve will be appropriated by the Parent Bank.

6.b Net dividend per share proposed after balance sheet date:

Dividend per share rate proposed for the approval at the General Assembly is calculated as 16.67%.

7. Amounts transferred to legal reserves

In the current year, TRY 10.465 Thousand were transferred to legal reserves.

8. Offsetting of the prior period's losses

There is no offsetting made during the current year.

SECTION FIVE (Cont'd)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

VI. Explanations Related To Statement Of Cash Flows:

1. Explanations about Other Cash Flows Items and the Effect of Changes in Foreign Exchange Rates in Cash and Cash Equivalents:

Operating profit figure includes TRY 539 Thousands income from leasing, TRY 1.102 Thousands loss from capital market operations, TRY 1.332 Thousands gain on sale of assets and other non-interest income.

The effect of foreign currency differences on cash and cash equivalents was TRY 5.913 Thousands.

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

Cash and cash equivalents at the beginning of period:

	01.01.2006
Cash	532
Cash Equivalents	139.617

Cash and cash equivalents at the end of period:

	31.12.2006
Cash	1.094
Cash Equivalents	112.945

VII. Explanations on the Risk Group of the Bank:

1. Volume of related party transactions, income and expense amounts involved and outstanding loan and deposit balances:

1.a Current Period:

Related Parties (*)	Subsidiaries and associates		Direct and indirect shareholders of the Bank		Other entities included in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Balance at beginning of period	5.057	1	-	24.347	4.667	-
Balance at end of period	9.964	1	-	24.347	3.918	1.410
Interest and commission income	548	6	-	24	208	2

(*) The scope of the related parties is defined in the Article 20-2 of the "Regulation on the Establishment and Operations of Banks".

SECTION FIVE (Cont'd)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

VII. Explanations on the Risk Group of the Bank (Cont'd)

1.c Information on related party deposits balances

The Parent Bank is not authorised to accept deposits.

2. Information on forward and option agreements and other similar agreements made with related parties:

The Parent Bank does not have forward and option agreements and other similar agreements made with related parties.

VIII. Explanations on the Bank's domestic branches, agencies and branches abroad and off-shore branches:

1. Explanations on the Group's domestic branches, agencies and branches abroad and off-shore branches

	Number (*)	Number of Employees			
Domestic branches	8	434			
			Country		
Rep-offices Abroad			1-		
			2-		
			3-		
				Total Asset	Capital
Branches abroad			1-		
			2-		
			3-		
Off-shore Branches	1	2	1-Bahreyn	318.458	
			2-		
			3-		

Ana Ortaklık Banka'nın 2 adet yurtiçi şubesi bulunmaktadır. Diğer 6 şube bağlı ortaklıklara ait bulunmaktadır.
The Parent Bank has 2 domestic branches. Other 6 are the branches of the affiliates.

2. Explanation on opening, closing of a branch/agency of the Parent Bank or changing its organizational structure significantly:

General management is authorised to initiate the necessary procedures to open branches in Ankara and İzmir as per the Board of Directors' decision made on 1 March 2006. Accordingly, those branches were opened in April 2006 and as of that date they have commenced their operations.

SECTION SIX

OTHER EXPLANATIONS AND FOOTNOTES

I. Other Explanations Related to the Operations of the Group

I.a Brief Information Related to Rating Carried Out By International Rating Firms:

FITCH RATINGS

Foreign Currency	
Long-term Maturity	BB-
Outlook	Pozitive
Short-term Maturity	B
Turkish Lira	
Long-term Maturity	BB
Outlook	Pozitive
Short-term Maturity	B
National	
Long-term Maturity	A+(tur)
Outlook	Stable
Individual	C/D
Support	3

Informations above-mentioned are received from Fitch Ratings report dated 23 November 2006.

MOODY'S

Financial Rating Note	D+
Outlook	Stable
Foreign Currency	
Long-term Maturity	B1
Outlook	Pozitive
Short-term Maturity	N/P

Informations above-metioned are obtained from Moody's Investors Service report as of 20 December 2005.

I.b Information Related to TSKB Gayrimenkul Yatırım Ortaklığı A.Ş.

In accordance with Article 10 of the Communiqué on "Principles of Real Estate Investment Trusts" of the Capital Markets Board ("CMB"), real estate investment trust companies or companies which are reformed as real estate investment trust, through changes in their Articles of Association, should apply CMB for registration within one year after the establishment date in order to go public for at least 49% of the companies' share capital. TSKB Gayrimenkul Yatırım Ortaklığı A.Ş., ("TSKB G.Y.O"), a subsidiary of the Parent Bank included in the consolidation, was registered on 3 February 2006. Accordingly, the application deadline to CMB of TSKB G.Y.O to go public is 3 February 2007.

TSKB G.Y.O applied to CMB on 30 January 2007 to extend its initial public offering period for a year considering the general risks inherent to the expected market conditions. As of the balance sheet date, a written approval from the CMB is not yet received.

SECTION SEVEN

BAĞIMSIZ DENETİM RAPORU

I. Explanations for Independent Auditors' Report

Consolidated Financial statements as at 31 December 2006 have been independently audited by DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. ("Member of Deloitte Touche Tohmatsu").

The independent auditors' report is presented at the beginning of the consolidated financial statements and related notes.

II. Explanations and notes prepared by independent auditor

There are no other explanations and notes not expressed in sections above related with Group's operations.