

2006 ANNUAL REPORT



Keep a river running
through it...

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The environment that was the cradle of the human race and has unselfishly nourished it for millennia belongs to everyone. It is “Our Environment”.

TSKB is proud to be a bank that is known for its environmental awareness. TSKB always takes the vital importance of the environment to human life into account in the conduct of its banking activities. When lending, the bank is as mindful of environmental issues as it is of economic value and profitability. TSKB is the first and only Turkish-owned bank in Turkey to have been awarded an ISO 14001 Environmental Management System Certificate.*

In the presentation of the environmental approach that we take in the conduct of our banking activities under the different headings in this year’s annual report, we chose “Our Environment” as the visual theme in order to show to all our stakeholders the beauties of nature and the losses that may occur if the environment is damaged.

* For information about TSKB’s ISO 14001 Environmental Management System certification, please see page 33.



Corporate profile

Turkey's first privately-owned development and investment bank, Türkiye Sınai Kalkınma Bankası A.Ş. (Industrial Development Bank of Turkey, TSKB) was founded in 1950. TSKB provides a comprehensive range of corporate banking products in the areas of resource distribution, investment banking for corporate and individual customers, and portfolio management services.

Regarded worldwide as a model for others and the recipient of international awards and recognition for its activities in different aspects of investment banking, TSKB's extensive customer portfolio gives it access to the greater part of the Turkish business world. Through provision of long-term resources to investment projects, high value-added consultancy and brokerage services that it provides to its customers in many different sectors, the bank contributes continuously to the development of the Turkish economy. This is the essential foundation underlying TSKB's mission.

A sophisticated business philosophy, unmatched knowledge and experience, superior human resources, and excellent infrastructure

Having undertaken the biggest and most comprehensive project finance ventures and company mergers and acquisitions carried out in Turkey, TSKB plays a key role as both a leader and a guide in corporate restructuring and consultancy activities.

Enjoying an undisputed position among Turkey's best-known banks in the international arena, TSKB engages in a deep-rooted and strong cooperation with international financial institutions, including the World Bank, which played a key role in TSKB's own founding.

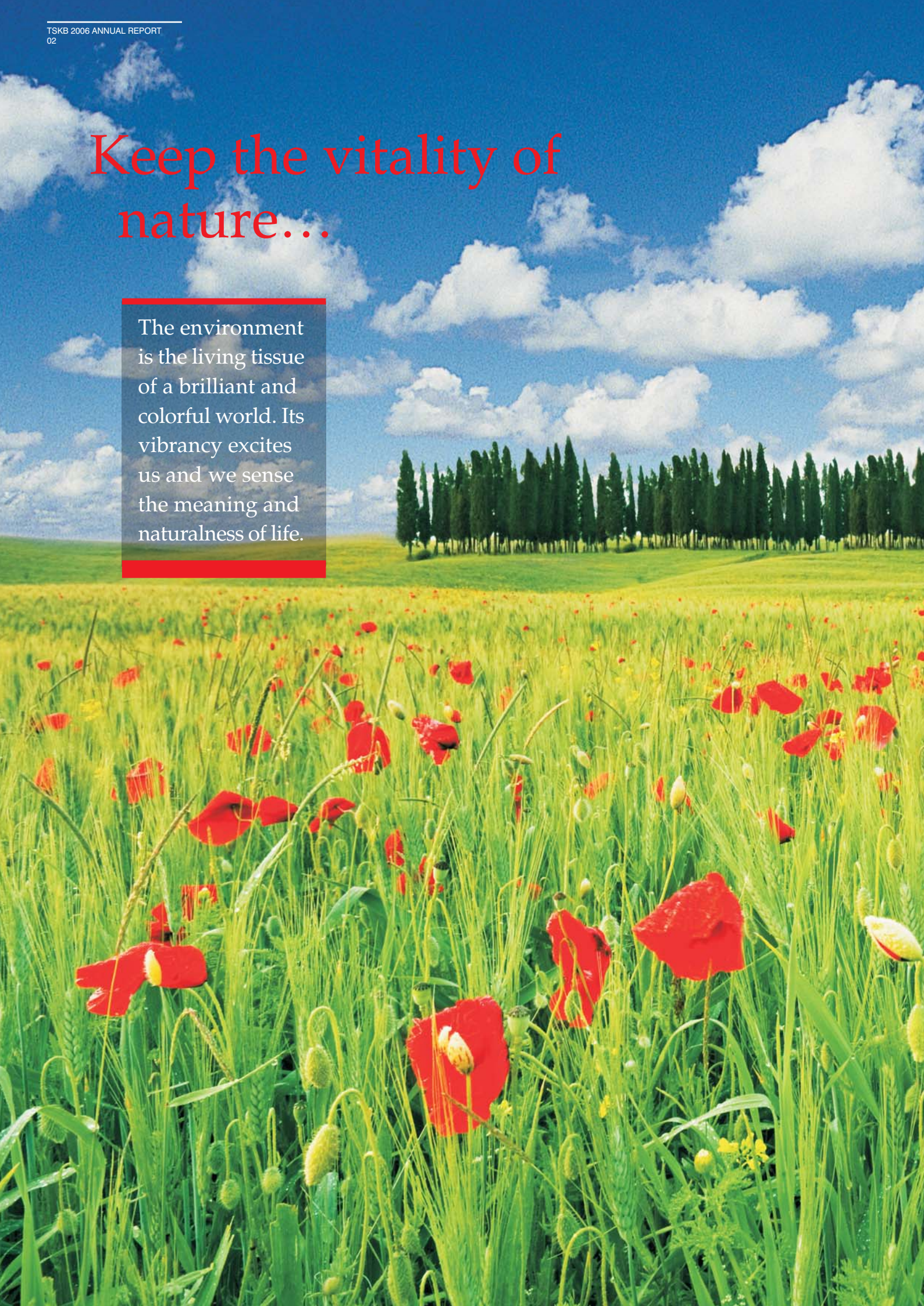
As the first Turkish-owned financial institution to be awarded an ISO 14001 Environmental Management System Certificate, TSKB acts in line with its mission of being an "environmental bank" and takes a special interest in protecting the natural environment that is so important to the future of humanity and in making the best possible use of renewable energy sources.

TSKB's principal shareholder (50.1%) is Türkiye İş Bankası Group, whose flagship company Türkiye İş Bankası is Turkey's biggest privately-owned bank. At end-2006 TSKB's assets amounted to TRY 4,602 million. 38.3% of the bank's shares are traded in the İstanbul Stock Exchange National Market under the TSKB symbol.*

* Detailed information about TSKB shares is presented on page 148

Keep the vitality of nature...

The environment
is the living tissue
of a brilliant and
colorful world. Its
vibrancy excites
us and we sense
the meaning and
naturalness of life.





TSKB protects the environment. It minimizes the environmental impact of all its activities while also defining environmental objectives and continuously monitoring their compliance.

Our Mission

- To provide medium and long-term financing to the real sector.
- To support investment by entrepreneurs in all sectors with a particular focus on manufacturing industries.
- To provide expertise and guidance to foreign capital that is to be invested in Turkey.
- To produce high value-added solutions in addition to financing support through our “customer-tailored” consultancy services.
- To provide our customers with high-quality brokerage and portfolio management services.
- To play a constant role in the growth and development of capital markets in Turkey.

Our Vision

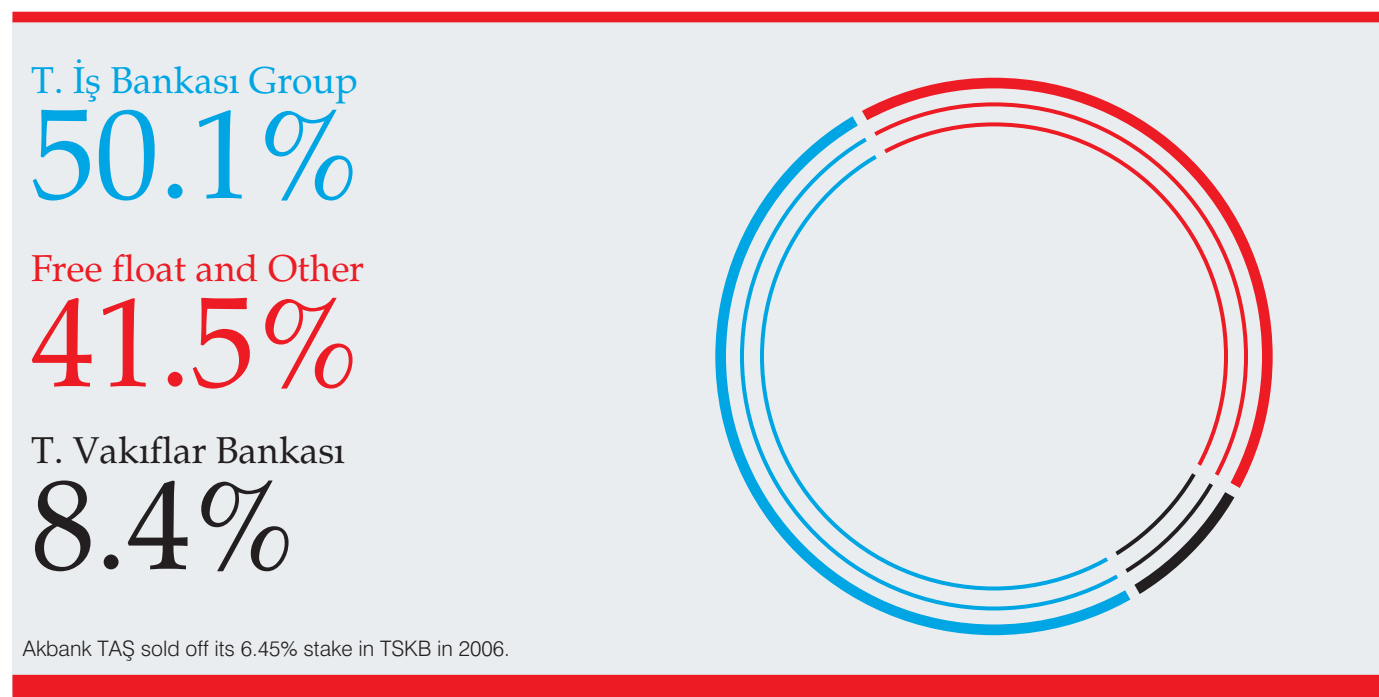
- To grow through investment in Turkey and its surrounding region.

TSKB's Sources of Strength

- Our solid sources of strength and strong shareholders
- Our ability to access low-cost, long-term funding
- Our experience in medium and long-term lending
- Our ability to reach an extensive customer base with low operational costs.

TSKB's Capital Structure

As of 31 December 2006, TSKB's capital was as shown below.



Credit Ratings

International credit rating agencies consistently rank TSKB among the best risks in Turkey.

Moody's		As of 20 December 2005
		Outlook
Long-term foreign currency		B1/positive
Fitch Ratings		As of 23 November 2006
		Outlook
Long-term foreign currency		BB-/positive
Long-term local currency		BB/positive

Financial Highlights

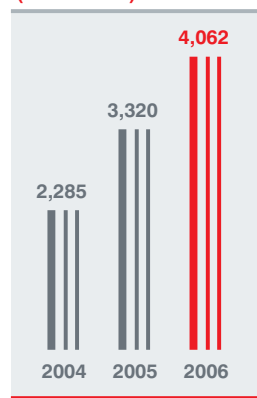
Financial Highlights

TRY Million	2004	2005	2006
Total Assets	2,285	3,320	4,062
Loan Portfolio	1,389	1,789	2,478
Shareholders' Equity	382	550	589
Net Profit/(Loss)	47	98	106

Key Ratios

Average Return on Equity	13.3%	21.0%	18.7%
Average Return on Assets	2.2%	3.5%	2.9%
Capital Adequacy Ratio	42.8%	36.8%	32.9%
Number of Employees	278	287	297

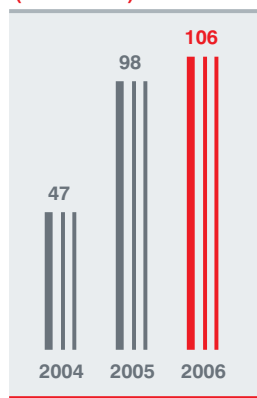
Total Assets
(TRY Million)



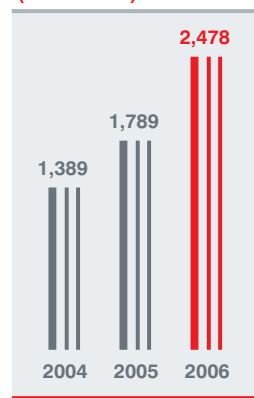
Shareholders' Equity
(TRY Million)



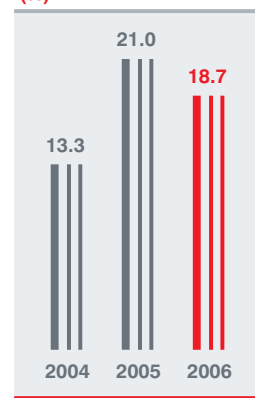
Net Profit
(TRY Million)



Loans
(TRY Million)

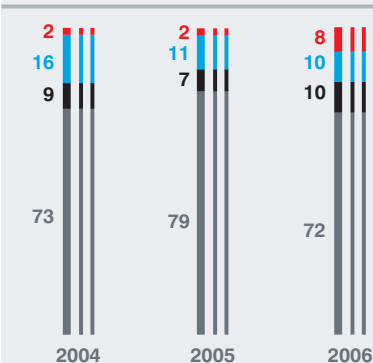


Average Return on Equity
(%)



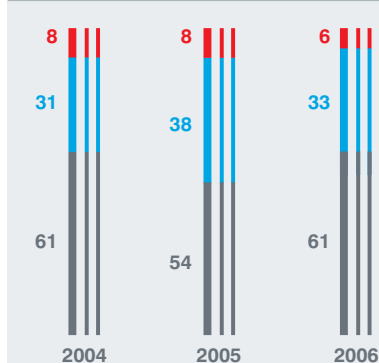
Breakdown of Revenues (%)

Net Interest Income Net Commissions
Released Provisions Other Income

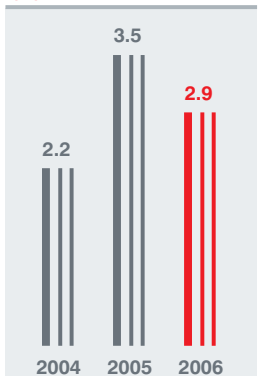


Asset Composition (%)

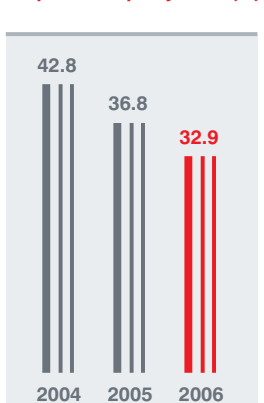
Loans Liquid Assets Other



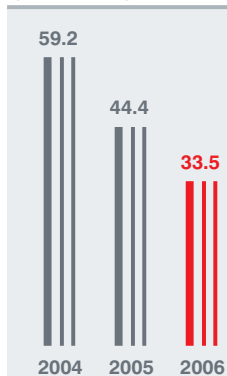
Average Return on Assets (%)



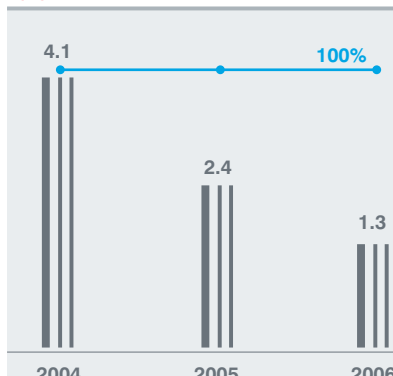
Capital Adequacy Ratio(%)



Non-performing Loans (TRY Million)



NPL Ratio Coverage Ratio (%)



From 1950 to the present: Milestones in TSKB's history

TSKB was founded in 1950 as a joint venture of a number of commercial banks with the support of the World Bank and the Central Bank of the Republic of Turkey. TSKB was the first and today is still the largest privately-owned development and investment bank in Turkey.

1950

In the 1950s, TSKB undertook important duties in line with its mission as a development and investment bank in the form of providing medium to long term funding to the private sector on project basis, giving technical support to project sponsors, and taking a pioneer role in the studies for the establishment of Turkey's capital market. During these years, TSKB was the only bank capable of extending the foreign currency credit needed to finance imports into the country and it was also the only organization negotiating cash sales of foreign currencies released under the Marshal Plan.

1960

In the 1960s, TSKB issued, underwrote, and guaranteed company bonds and carried out its first initial public offerings of shares from its own portfolio of holdings. During this decade, the bank became the first company in Turkey to be audited by an internationally recognized independent auditor. As a Turkish equity stake of IFC, a member of the World Bank Group, TSKB undertook important roles in the country's industrialization and provided credit support for a wide range of manufacturing activities such as the first Turkish-made buses and automobiles, automobile tires, LPG cylinders, high-voltage cables, batteries, cardboard, plastics, and acrylic fibers.

1970

In the 1970s, the bank played a key role in encouraging private-sector investment in Turkey's less-developed regions. During this period, TSKB tapped the European credit market with its first medium-term syndications and it was the author of another first by beginning to offer comprehensive research services on the manufacturing and services sectors. TSKB brought the decade to a close with its own first issue of long-term bonds.

The 2000s, marked the beginning of a new era in TSKB's corporate history. In 2002, Sınai Yatırım Bankası (an industrial investment bank) was merged into TSKB.

1980

In the 1980s, TSKB continued to provide funding and resources to the private sector as a development and investment bank while also embarking on highly important ventures in its international relations. TSKB successfully issued a series of "Samurai bonds" in Japan. During this decade, the bank diversified its relations with European and Japanese financial institutions and in the process secured new sources of funding. TSKB took part in Turkey's Privatization Master Plan and served as a consultant for the privatization of the country's state-owned cement plants.

1990

In the 1990s, TSKB further strengthened its effectiveness in the business of investment banking in Turkey while continuing to develop and diversify its cooperation with international banks. Long-term foreign currency and interest rate swap agreements were signed with international financial institutions. The bank served as a consultant for the European Bank for Reconstruction and Development in Uzbekistan, undertook the management of the Risk Capital Fund set up by the European Investment Bank, and voluntarily took part in the "Risk Management Assessment" program supported by the World Bank.

2000

With the advent of the new millennium there was also a radical restructuring of the Turkish banking industry in which TSKB continued to play a powerful and proactive role. Seeking to enhance awareness of itself in the international arena, TSKB accomplished what it set out to do and created free resources of its own by borrowing from international syndication and murabaha markets for the first time. In a world in which protecting the environment had become a prime issue, the bank launched its first "environment related" lending activities. TSKB served as the secretariat bank in the important Istanbul Approach which was a milestone in the milieu of a post-crisis restructuring. In addition to lending directly to firms, the bank also began providing indirect funding through commercial banks and leasing companies through its APEX Banking operations. During the same period, TSKB became the first bank to set up a real estate investment company approved by the Capital Markets Board under newly-passed legislation.

Having identified its vision as pursuing growth through investment in Turkey and its surrounding region, TSKB is a strong bank that is focused on the future.

Keep the colorful excitement...

What astonishes us most is the richness of life that lies beneath the waves. The excitement that viewing this richness inspires enables us to become aware of the miracle that is nature.



TSKB values the riches of nature.
As a bank, it abides strictly with national
and international regulations concerning the
environment, sets environmental standards with which its
activities must comply, and supports environment-related
investments.

Chairman's Message



Cahit Kocaömer
Chairman of the Board of Directors



Unremitting and rigorous implementation of the stabilization program whose objective is to achieve growth that is both sustainable and enduring made it possible for the Turkish economy to continue growing in 2006 and to be pointed to as a model country among the world's developing economies.

Despite short-lived volatilities experienced in the first half-year, Turkey's economic performance remained strong and on course in 2006. The great majority of the year's macroeconomic targets, foremost among them being growth, were successfully achieved.

TSKB made the best possible use of all of its competencies and demonstrated an excellent performance as it continued resolutely on its journey to fulfill its mission.

This positive appearance at the macroeconomic level allowed the business climate to thrive and domestic demand was high. Capacity utilization rates in a great many production sectors continued to rise as did both production and investment volumes. At the same time, the growth in the country's foreign trade volumes, which are so important to the national economy, also continued and the year-on rises in exports and imports were 15.9% and 17.3% respectively. In November of the year, our country's one-month exports topped USD 8 billion for the first time in history. The banking sector also continued to grow and remained a center of attraction for foreign investment. Lending activities, the essential function of banking, increased the share of loans in banks' balance sheets overall while retail banking and SMEs were the forces that drove the banking industry's growth.

Another important development in the banking industry last year was the increasing need for investment banking products and for long-term project financing. Low inflation changed the rules of the game for all economic actors as the need for long-term thinking, planning, and investing began to dominate everyone's minds.

In the macroeconomic and sectoral environments that I have briefly summarized above, Türkiye Sınai Kalkınma Bankası made the best possible use of all of its competencies and demonstrated an excellent performance as it continued resolutely on its journey to fulfill its mission.

Since the day we were founded...

TSKB is Turkey's first privately-owned development and investment bank. It was founded with the mission of supporting economic development and of transferring resources to enterprises that are productive, provide jobs, export, and otherwise create economic value while fostering their growth and development through a diversity of services.

It gives me pride to say that, since the day it was founded in 1950, our bank has been the author of numerous "firsts" that have contributed significantly to Turkey's economic development and that it has been providing increasingly more resources to support industrial development without regard for sector.

TSKB is also an institution that spearheaded the development of our country's capital markets. The first corporate bond issues, the first international borrowing instruments, and the first brokerage house are just three of the entries in the roster of our bank's successes.

Another important feature of our bank is the deep-rooted relationships that it has had with the rest of the world since the day it was founded. Many international financial institutions, not least of which is the World Bank, regard TSKB today as an indispensable partner when doing business in Turkey.

Our bank transferred USD 631 million in resources to the national economy in 2006.

2006 was a year during which we continued to support the private sector in keeping with our mission.

TSKB supplied a total of USD 631 million in resources to customers in a wide range of sectors while the bank further strengthened its position as a guide and a leader for a growing and developing Turkish economy through its successful participation in a variety of company merger, acquisition, and consultancy projects.

For the future

TSKB is focused on and ready for even more growth in line with its mission. We believe in Turkey and in its economy.

We see signs of continued stability in the period immediately ahead of us even though passing volatilities may be experienced. In periods of stability and development, there is still a great need for strong, deep-rooted institutions such as TSKB whose objectives and strategies are clearly defined.

Changing market conditions in recent years have once again revealed the validity and strength of our business model. The members of our professional management team and our employees are committed and disciplined in the performance of their jobs. So long as it remains true at TSKB, this seemingly simple fact is what will make it possible for us to always achieve our corporate goals.

Cahit Kocaömer
Chairman of the Board of Directors

CEO's Message



Halil Eroğlu
CEO, President

The ability to implement the right strategies at the right time is what determines a company's course of development, future, and, most important of all, its viability. Financial performance is the measure of the added value that is created and of the success that is achieved in the course of this process. Having completed its 57th year of operations, Türkiye Sınai Kalkınma Bankası and all its stakeholders are once again experiencing the happiness of being a company that is successful in every respect.

The acknowledged founder of development and investment banking in Turkey, the recognized author of countless innovations, and known for its pioneering spirit, TSKB registered a strong performance in 2006.

In 2006 our bank took part in a large number of corporate financing and other projects on a variety of scales undertaken in our country.

In 2006 our bank further strengthened its market position and successfully met and even exceeded its targets in many different lines of business.

The picture that emerges not only once again reveals TSKB's strength and its matchless ability to create added value but also lays out the roadmap of the bank's future growth and development.

We're growing in our principal business line

As defined in our mission statement, our primary function is to supply long-term and suitably-priced resources for investments that will contribute to economic growth and development and to support our country's entrepreneurs and businesses. In 2006 our bank continued to expand its activities in this direction and it took part in a large number of corporate financing and other projects on a variety of scales undertaken in our country.

The total volume of TSKB's lending in all categories (including financial leasing) in 2006 amounted to USD 631 million. This represents a 29% year-on rise on a USD basis and is also the largest amount of credit extended by the bank in a single year in its history. Paralleling this, our bank also took part either as a leader or as a major partner in the provision of cash and non-cash credit needed to finance privatizations and company acquisitions carried out in Turkey in 2006. In its conduct of these activities, TSKB provided support to a large number of projects in different sectors ranging from energy to transportation and from telecommunications to cement.

In 2006 our bank continued to be one of the most preferred providers of information-based, high value-added consultancy and valuation services. In addition to our national customers, these services were also preferred by foreign corporate groups and banks that were interested in investing in Turkey, who regard TSKB as an institution whose knowledge and insights are to be respected and trusted when entering Turkey.

We've gained a presence in İzmir and Ankara

In 2006 TSKB opened two branches, one in Ankara and one in İzmir.

The mission of these two branches, all of whose operational activities are to be conducted from headquarters, is to make the bank's corporate marketing more effective by being closer to investors in Ankara and İzmir and also to expand the reach and scope of our real estate valuation services through our subsidiary TSKB Gayrimenkul Değerleme.

After being set up and staffed, these two branches have immediately begun intensive credit marketing activities and undertaken important duties in gaining new customers for the bank.

In the years ahead, TSKB will consider establishing a presence for itself in other parts of the country in light of developments in the Turkish economy and the needs of different sectors.

Formation of TSKB GYO

TSKB GYO is a real estate investment trust that our bank set up in 2006 to make more effective use of the knowledge and experience that it has gained in the real estate sector over the years.

We regard real estate as a line of business that has a tremendous future.

TSKB GYO complements our other subsidiary TSKB Gayrimenkul Değerleme, a real estate appraisal company, that we set up a few years ago. With the formation of TSKB GYO, we have completed the structure needed to carry out our strategy in the real estate business. Our objective is to take advantage of attractive business opportunities in the real estate sector by putting together a balanced portfolio of productive and liquid real estate properties that will generate high returns. At the same time, we also foresee that by resolving the project finance needs of the real estate sector within TSKB we will also be able to create synergetic business volumes and contribute to the bank's own income base.

CEO's Message

Strong, deep-rooted, and respected institutions like TSKB will grow even more and they will continue to successfully fulfill their duties as the engines of the country's economic development.

European Investment Fund

In another important development in 2006, TSKB became a shareholder of the European Investment Fund (EIF). Our bank is the first financial institution in Turkey to be invited to become a shareholder in EIF, the venture capital arm of the European Investment Bank (EIB).

As a result of this move, TSKB has joined the ranks of the other members of EIF, a EU agency consisting of EIB and 24 of Europe's leading banks and financial institutions.

Luxembourg-based EIF's mission is to foster the development of SMEs through venture capital and guarantees.

TSKB believes that its shareholding in EIF will play a role as an important driving force in its ongoing efforts to procure resources on more favorable terms for our country's small to medium-sized enterprises.

We're focused on the energy sector.

TSKB believes that there is an enormous potential in the energy sector in Turkey. A developing economy, new investment, a youthful population, rising demand, and an as yet unsaturated market for consumer goods all point to a burgeoning need for energy in our country in the years ahead. There are great investment and business opportunities in the energy sector in every area from production to transmission and distribution. It is also worth noting that Turkey is located at a key position on the Caucasus-Europe energy corridor and that position is vitally important to our country's integration with the West.

In light of these two separate facts just pointed to, we foresee that both the public sector as well as Turkish and foreign entrepreneurial groups will be entering Turkey's energy sector in increasing numbers in the period ahead and investing there. In this process, TSKB is committed to increasing its presence in the energy sector as a major investment bank that has strong funding abilities.

ISO 14001 certification

In late 2006 TSKB experienced the rightful pride of being the first Turkish-owned bank to be awarded an ISO 14001 Environmental Management System Certificate.

TSKB is an institution that makes protection of the environment one of the conditions of the loans that it extends to its customers and it monitors compliance with those conditions during the lifetime of the loan.

TSKB has developed its own Environmental Risk Assessment Model to calculate the environmental risks inherent in its lending activities. In the projects that it considers lending to, our bank gives great importance and priority to such issues as the productive use of natural as well as consumable resources (electricity, paper, plastic, etc) and the recovery and use of recyclable materials for the benefit of the economy.

We know that we will only be able to implement the environmental philosophy and approach embodied in the ISO 14001 certificate that we were awarded last year through a close and cooperative effort with our customers and all our other stakeholders. Just including conditions about environmental compliance and protection in our bank's lending agreements is not enough. What's more important is that everyone embrace this philosophy, uphold it, and take it further.

An environmentally sustainable approach is an investment in the future. Taking this notion as its point of departure, our bank plans to increase its support beginning in 2007 for environment-related scientific studies that will more effectively familiarize the public with the bank's identity as an environment-friendly financial institution.

On that note I also take this occasion to extend my personal thanks to all the members of our team whose efforts have helped make TSKB a friend of the environment.

2007 and beyond...

Despite a number of uncertainties on the horizon, we foresee that 2007 will be a year in which growth will continue. We believe in our country and in the great potential that lies within it, that our economy will easily overcome such volatilities as may occur, and that Turkey will remain on its path of sustainable growth without interruption.

In an economy characterized by stability and in which inflation is under control, strong, deep-rooted, and respected institutions like TSKB will grow even more and they will continue to successfully fulfill their duties as the engines of the country's economic development.

In a market characterized by stability, our ability to create long-term external resources will make it possible for us to supply funding to larger and larger projects and to serve them under even better conditions. At the same time, a Turkish economy characterized by sustainable growth and development will attract the interest of more and more foreign investors. In that respect too, TSKB will continue to be both a leader and a trusted business partner as the first place that investors wishing to enter our country will call at.

All of the attributes of TSKB that I have endeavored to sum up here and its market position will make it possible for us to further strengthen our leadership as the bank continues on its journey, producing increasingly more added value without interruption for all its stakeholders.

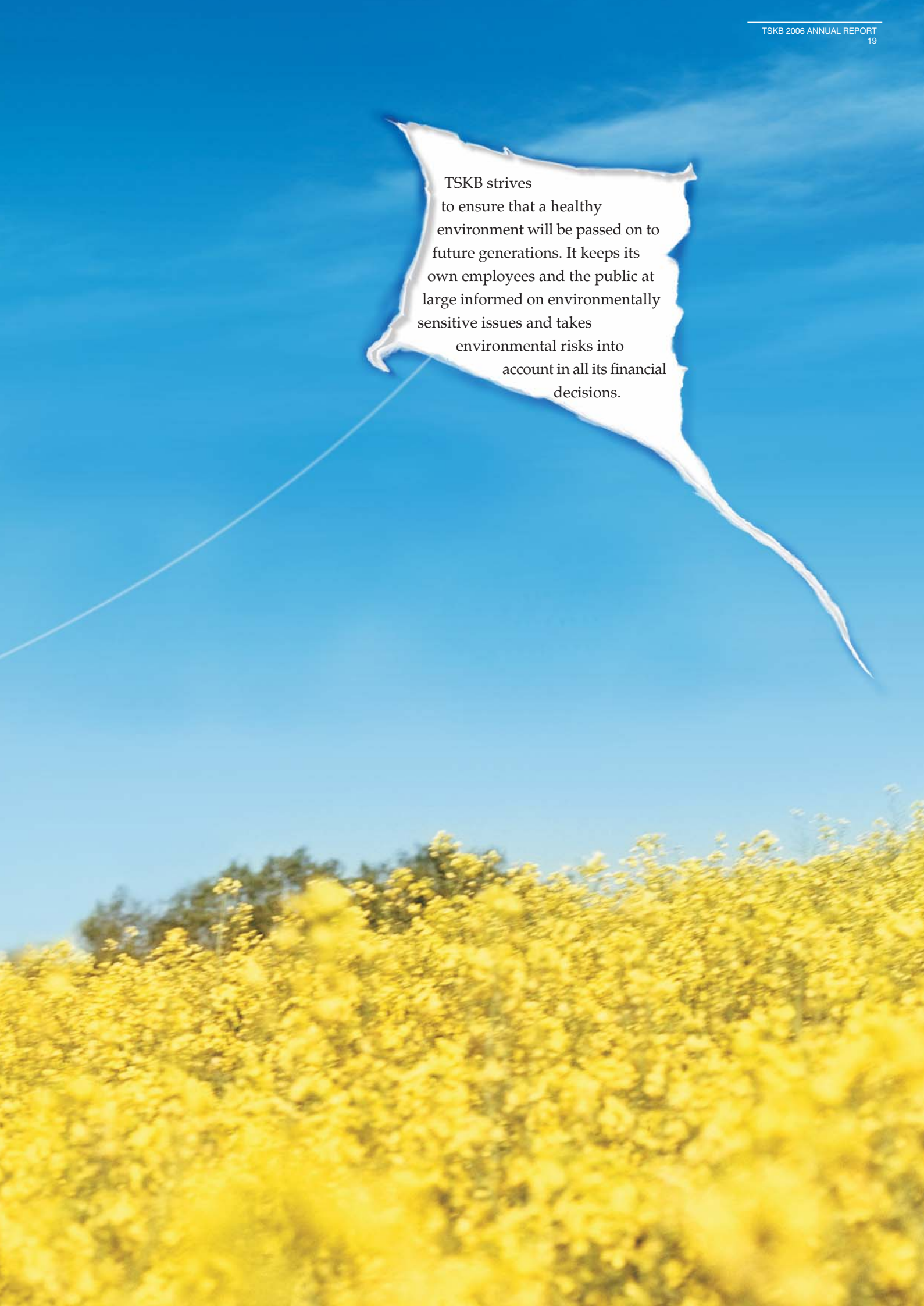
In closing, I extend my thanks to the members of our Board of Directors for their guidance in successfully bringing to a close our 57th year of operations and my respects go out to all our customers, national and international, who chose TSKB as their solution provider.

Halil Eroğlu
CEO, President

Keep our hopes for the future alive...

The environment is a living organism. Moving through its own cycles it provides people with a setting in which to live. Protecting the environment means protecting our children.





TSKB strives
to ensure that a healthy
environment will be passed on to
future generations. It keeps its
own employees and the public at
large informed on environmentally
sensitive issues and takes
environmental risks into
account in all its financial
decisions.

The world, Turkey, and our sector in 2006

In 2006, the world economy sustained its positive outlook. Economic development remained strong and global trade volumes increased.

The world economy is estimated to have grown by 5.1% in 2006. Economic development remained strong and global trade volumes increased. The two most important contributors to this favorable picture were lively economic activity in the Euro zone and in Japan on the one hand, and the rather limited financial market volatilities observed in the first half of the year, on the other.

Interest rates up

Economic growth in the United States appeared to be slowing down. While there were several reasons for this, the most important factor was continued interest rate hikes by the US Federal Reserve: from 4.25% short-term borrowing rate by end-2005, Fed policy rate reached 5.25% by the end of the first half-year. Interest rates were also up in the Euro zone as well, with the European Central Bank (ECB) raising them from 2% to 3.50%.

Dollar down

The US dollar depreciated against the euro in 2006, with the rise in the EUR/USD parity becoming particularly evident from May on. Two factors that contributed to this were a decision on the part of some countries to alter their foreign currency reserve mixes in favor of the euro and expectations that the Fed would stop raising US interest rates.

Oil and commodity prices on the rise

Global growth fuelled the demand for raw materials in general and for oil in particular. With the combination of strong demand and geopolitical risks, oil prices reached a new peak in August 2006 at USD 78 a barrel. In the last quarter of the year, oil prices began to subside once again, however, as supply-related concerns were assuaged.

Global growth will slow down.

In light of high interest rates and the manifestly weakening performance of the US economy, growth is expected to lose momentum in the period ahead and that global growth in 2007 will be close to, though not at, the 5% level. In tandem, the world trade volume is set to contract.

Liquidity flows will be at least as important as interest rates. It is expected that countries that largely shape the course of the world economy will generally take pains to adhere to balanced policies against the risks inherent in economic slowdown and inflation. It is also thought that the Fed will

not be overly hasty in its interest rate decisions and that it may even start considering moderate interest rate cuts, though not before the second half of the year. Similarly it is expected that both the European Central Bank and the Bank of Japan will also adhere to a policy of prudence in their interest rate decisions in 2007. Nevertheless, it is generally assumed that short-term liquidity flows will play an important role in the formation of market balances.

Oil prices will decline and stabilize.

It is projected that the worldwide demand for oil will be down in 2007, a consequence of global warming and milder winters in the northern hemisphere. This points to a continuation of the contraction in oil prices that began in the last quarter of 2006. Nevertheless it is also possible that political developments around the world as well as decisions by OPEC members to cut back oil production may constrain oil price setbacks.

Having demonstrated an exemplary performance for five years in a row, the Turkish economy continued to grow in 2006.

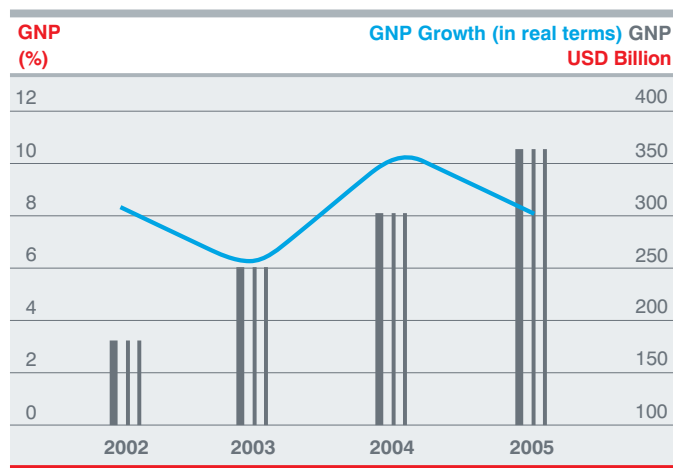
The private sector was the primary source of the 5.6% rise in GNP registered in the first 9 months of 2006, a year in which that sector grew in terms of both consumption and investment outlays while the contribution of the public side to economic growth shrank. Public sector expenditures in 2006 appear to have been channeled largely into consumption rather than investment. Throughout the year, the industrial sector performed strongly while the growth in services remained limited.

The foreign trade deficit increased 19.8% to USD 51.9 billion.

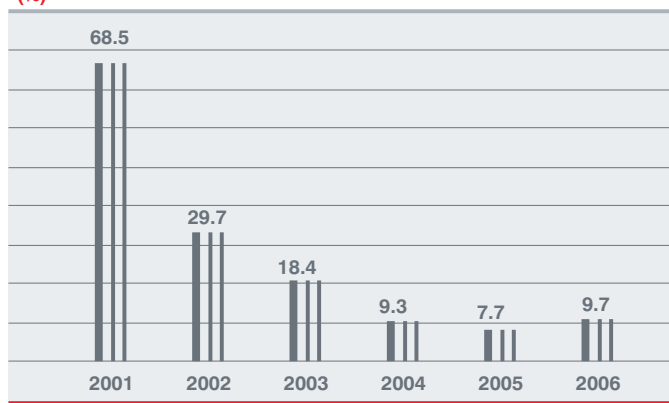
Turkey's total exports in 2006 were up 15.9% and reached USD 85 billion in value while the growth in imports, which amounted to USD 137 billion, was an even stronger 17.4%. The principal reasons for the growth in imports are said to have been greater input use but also high raw material prices, with oil heading the list. In the wake of some short-lived volatility experienced in May, the Turkish lira lost some of its value. This fact, combined with somewhat depressed domestic demand brought on by higher interest rates, spurred a strong rise in exports. Another factor playing a role in the increase in exports of course was unquestionably the liveliness in global trade and demand.

The current account deficit is expected to reach USD 33 billion.

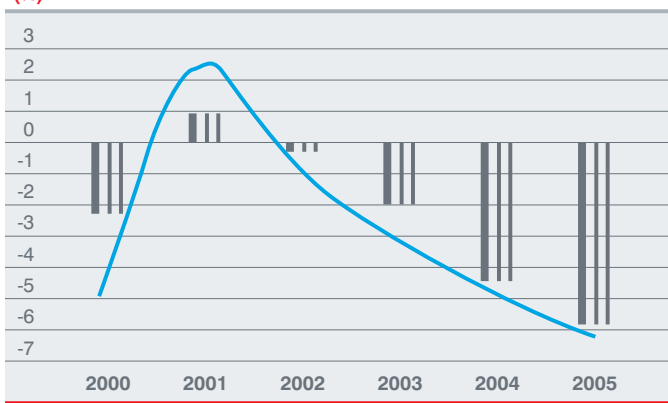
It is thought that the current account deficit reached USD 33 billion by the end of 2006. One noteworthy feature of the deficit last year is that 60% of it was financed by foreign direct investment: this is in marked contrast with previous years when it was largely financed by means of short-term liquidity. Big as the current account deficit may look, it is not expected to cause any structural problems for the Turkish economy so long existing stabilization policies continue to be adhered to strictly.



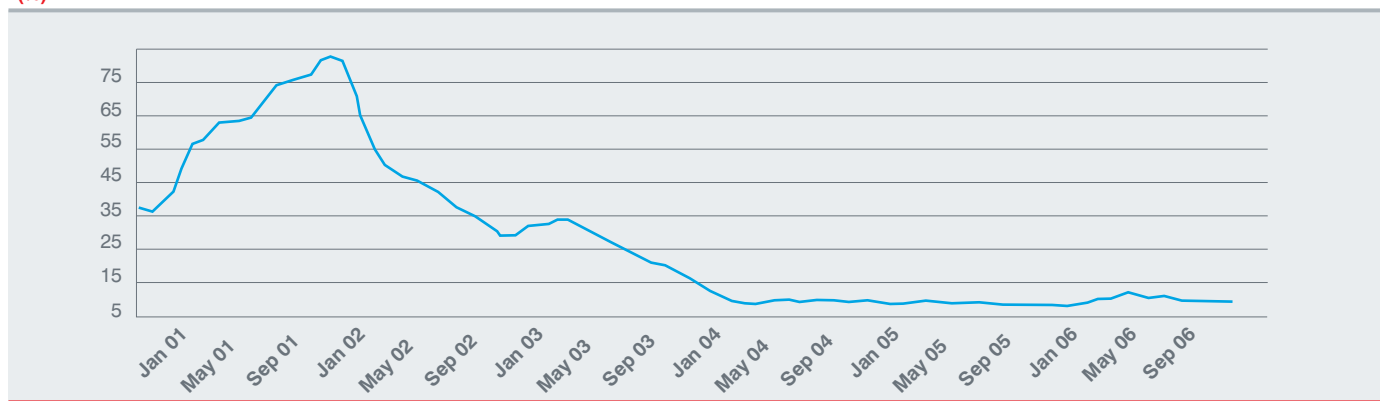
Consumer Prices Inflation (%)



Current Account Deficit (%)



Consumer Prices Inflation (Annual) (%)



The world, Turkey, and our sector in 2006

From the standpoint of the rates at which common banking services are generally used, Turkey is still a market with considerable developmental potential.

Inflation showed a tendency to rise.

From the standpoint of the Turkish economy, 2006 needs to be considered as two separate parts. In the first four months of the year, economic activity was vibrant. It was cut short however by unexpected volatility and a new balance was eventually struck after May, causing the Turkish lira to depreciate. Both the strength of domestic demand and the May-June volatility, however, had the effect of provoking a resumed rise in inflation. According to end-2006 figures, the twelve-month rise in producer prices was 11.58% while, at 9.65%, the rise in consumer prices was nearly double the government's target of 5%. On its own, the rate of inflation in 2006 would have been somewhere in the 6.0-6.5% range in any case but the movements in exchange rates added another 3-3.5 points to that. Furthermore, uncertainties in the wake of the May-June volatility and the rise in inflation pushed interest rates up substantially. Once up, interest rates did not come down even though 12-month inflation started to subside later in the year, which had the effect of further tightening monetary policy and keeping real interest rates high.

2007 is a year that needs to be watched closely and carefully.

That the successfully implemented stabilization program of the last five years has strengthened the Turkish economy significantly is an undeniable fact. If the stability that has been achieved on both the economic and the political fronts can be maintained, the years ahead are likely to be a period

in which the structural transformation that the Turkish economy is undergoing will be completed and its identity as a global player will be strengthened. 2007 however is a year that will be a crucial one because of two separate elections that must take place. In the conduct of those two elections, there is a real risk of renewed instability on the political front. The generally held view however is that the dynamics of the Turkish economy will be sufficient to keep political upheavals in check and that economic performance will continue and grow even stronger.

The government's targets for 2007 are 5% real growth, a 4% rise in consumer price inflation, and a public-sector non-interest surplus equal to 6.5% of GNP.

The banking sector continued to grow in 2006.

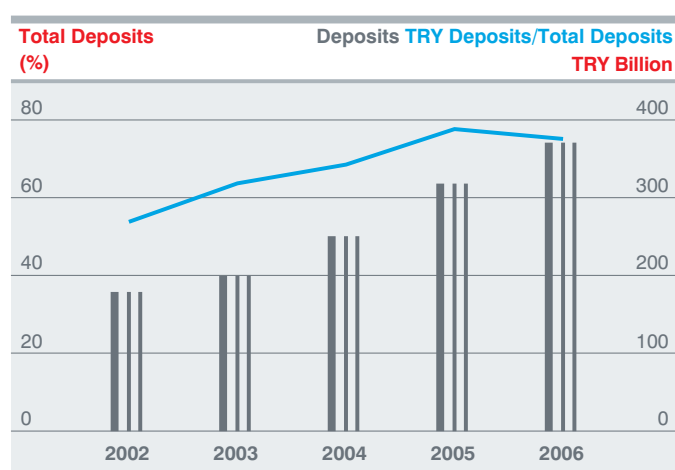
Total assets of the Turkish banking sector were up to USD 346 billion as of December 2006.

The rising trend in the volume of credit observed in the sector in recent years continued in 2006. There was considerable evidence that the sector was undergoing a process of healthy development: loans made up a greater share of total assets, lending policies were more precisely diversified, non-performing loans were down, and fewer assets were locked up in investment security portfolios. A strong rise in consumer lending, led by home-finance loans, and an increase in lending to small to medium-sized enterprises were what triggered the growth in the sector's credit volume.

Total deposits in 2006 were up 22%. The volume of Turkish lira deposits rose and fell in response to economic and political developments though there was a palpable shift towards foreign currency deposits due to the market volatilities experienced in May. As of year-end, Turkish lira accounted for a 61.2% share of total deposits.

The banking sector is focused on growth.

The Turkish banking sector is strongly focused on growth. From the standpoint of the rates at which common banking services are generally used, Turkey is still a market with considerable developmental potential. The factors that will continue to nourish growth in the banking industry's assets are sustained economic performance, increased foreign investment in Turkey, and a rise in the ratio of people of working age to the total population.



TSKB: An assessment of 2006

TSKB is Turkey's first privately-owned development and investment bank. It was founded with the mission of supporting economic development and of transferring resources to enterprises that are productive, provide jobs, export, and otherwise create economic value while fostering their growth and development through a diversity of services

In 2006, TSKB:

- Extended nearly USD 631 million in new loans to its corporate customers.
- Lent USD 228 million under the heading of APEX loans.
- Tapped the international markets twice and finalized two successful syndications (USD 195 million and USD 50 million).
- Secured a EUR 50 million long-term loan from Agence Française de Développement to finance environmental projects.
- Secured a EUR 100 million long-term loan from the Council of European Development Bank to finance SME projects.
- Opened two branches, one in Ankara and one in İzmir, in order to be closer to customers and to provide more effective service.
- Set up a new subsidiary, TSKB GYO, a real estate investment trust that will make effective use of the bank's knowledge and experience in the real estate sector.
- Completed legal formalities to become the first Turkish shareholder of the European Investment Fund.
- Introduced its environment policy in line with its mission of being an environment-friendly bank and became the first Turkish-owned financial institution to be awarded an ISO 14001 Environmental Management System Certificate.
- Continued to number among the best risks in Turkey in the eyes of credit rating agencies. (Fitch Ratings upgraded TSKB's international local currency IDR (issuer default rating to BB and national long-term rating to A+ (tur) in November 2006.)
- Substantially increased its business volume and has become very active in treasury dealings and was one of the most active members of TurkDEX, the Turkish Derivatives Exchange.
- Continued without letup to adapt itself in the best way possible to newly-introduced changes in the legal framework governing the banking industry.
- Launched a number of information technology projects that will meet the needs of its expanding business and growing organizational structure in the best possible way.

TSKB: An assessment of 2006

Supporting fixed-capital investment in the national economy by taking a long-term cooperative approach is TSKB's mission and the cement that binds its approach to business.

An expanding and developing loan book

Supporting fixed-capital investment in the national economy by taking a long-term cooperative approach is TSKB's mission and the cement that binds its approach to business. TSKB provides its corporate customers with resources through project financing, direct and indirect loans (APEX loans), and financial leasing transactions.

In 2006 the bank signed new lending agreements with customers worth a total of USD 741 million and it disbursed a total of USD 631 million in credit. At year-end, TSKB's total lending stood at TRY 2,478 million. USD 418 million of the new lending agreements signed with customers in 2006 were direct loans and financial leases while USD 244 million consisted of non-cash credit and USD 79 million of APEX agreements. The number of new lending agreements signed during the year was 170.

An examination of the bank's lending during the year shows that direct loans reached USD 356 million, financial leasing transactions USD 47 million, and APEX loans USD 228 million.

Thanks to the continuity of the long-term relationships that it has with its existing customers and with the addition of new customers to the portfolio in 2006, TSKB has provided about 3 billion dollars in support for fixed capital investment over the last three years.

A sound and broad-based customer portfolio

TSKB's corporate customer portfolio is rich in its diversity. Over the years, the bank has developed multidimensional, long-term relationships with large, medium, and small-scale customers in many different sectors ranging from energy to telecommunications and from tourism to logistics.

That diversity is a matter to which TSKB gives the utmost importance in the construction of its customer portfolio. In addition to its corporate banking activities, the wholesale banking activities provided in the form of APEX loans bestow TSKB to access a substantial cross-section of the Turkish economy and enable diversification of its customer structure. Besides being able to supply resources to investments in many different sectors, the ability to effectively provide knowledge-based, high added-value specialized services also plays an important role in maintaining the high quality of its loan book.

TSKB's streamlined branch structure makes effective use of advanced information technologies, is highly productive, and also gives the bank excellent control over its cost base. The advantages that arise from this unique structure are transformed into added value that the bank can share with its customers in many different ways.

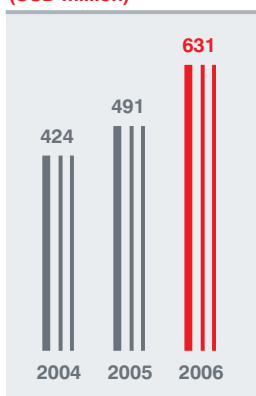
Major projects that we have financed

Under the heading of its corporate banking activities, TSKB

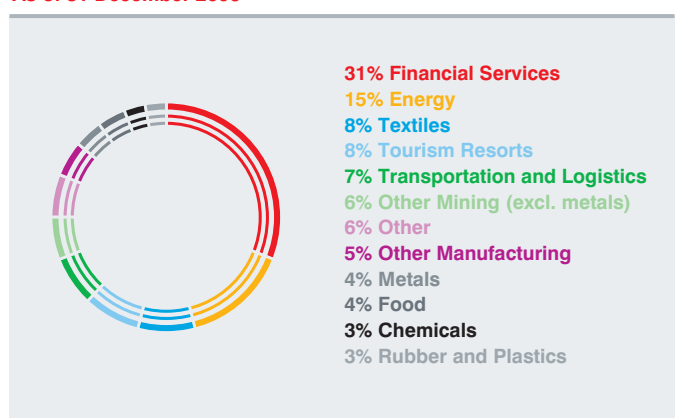
Loan and Leasing Commitments (USD million)



Loan and Leasing Disbursements (USD million)



Breakdown of Loan Portfolio As of 31 December 2006



played an active role in the financing of large-scale projects undertaken in Turkey last year. USD 90 million in project financing was provided for the hydroelectric power plants that are high on Turkey's agenda while about USD 110 million in medium-term loans was extended to another basic sector, cement, to finance acquisitions and new investments. In 2006 TSKB also continued to provide financing for the large-scale tourism projects that are on the bank's agenda.

In 2006 TSKB continued to extend non-cash credit needed by its customers due to the financing of their large-scale projects. TSKB's non-cash credit portfolio grew 209% in 2006. The major deals undertaken under this heading last year are summarized briefly below.

- TSKB contributed a USD 48.3 million letter of guarantee as part of a syndication handling the sale of Türk Telekom to the Ojer Group in what was the biggest single privatization ever undertaken in our country's history.
- TSKB took part in a non-cash credit syndication in the amount of EUR 250 million for Doğu Otomotiv and Katalonya Oto.
- TSKB contributed USD 100 million as part of a consortium formed to provide a letter of guarantee in the sale of a 49.29% stake in steelmaker Erdemir to OYAK for USD 2.77 billion.

In addition to such high-profile, big-ticket projects, a large volume of non-cash credit for import transactions also contributed significantly towards the growth of TSKB's non-cash credit portfolio in 2006.

APEX banking business grows

APEX lending is one of TSKB's areas of specialization. Since 2004 the bank has been the business partner most preferred by prestigious international financial institutions such as the World Bank, European Investment Bank, and KfW.

The funds that TSKB secures from international organizations under the heading of APEX Banking are made available as credit to SMEs and to manufactures and exporters through:

- Commercial banks
- Leasing companies.

As of end-2006, TSKB was working with 8 commercial banks and 11 leasing companies under 3 different APEX credit packages.

TSKB's APEX banking activities are pointed to as models for the world. With its superior performance and exemplary activities in many different business lines, TSKB is a bank that is the object of esteem and appreciation.

In 2006 representatives of the Chinese Development Bank, one of China's biggest banks, visited TSKB. The visitors examined TSKB in terms of "best practices" in line with its own goals of funding the public sector directly as well as indirectly through APEX banking and they exchanged views and opinions with TSKB officers.

Deep-rooted, ongoing relationships with international financial institutions

TSKB has a pioneering role among Turkish banks in the international markets. Starting from its establishment TSKB has developed excellent relations with supranationals such as the World Bank (IBRD), European Investment Bank (EIB), Council of Europe Development Bank (CEB), Agence Française de Développement (AFD), Kreditanstalt für Wiederaufbau (KfW), Islamic Development Bank (IDB), International Finance Corporation (IFC), and Japanese Bank of International Cooperation (JBIC), all of which play an important role in providing the Turkish private sector with the long-term credit resources.

In addition to its already existing medium and long-term credit packages, in 2006 TSKB:

- Signed a 12-year EUR 50 million credit agreement (with a five-year grace period on principal payments) with the Agence Française de Développement. This line of credit was extended directly to TSKB without any other guarantees being required. These funds are to be used to finance private-sector fixed capital investments in Turkey in such fields as pollution prevention, energy efficiency, renewable energy sources, and natural gas distribution.
- Signed a EUR 100 million credit agreement (9.5-10 years with a 4.5-5 year grace period on principal) with the Council of Europe Development Bank. This line of credit, which is

TSKB: An assessment of 2006

The partnership with the European Investment Fund will enable TSKB to focus on new projects aimed at transferring resources to SMEs under more favorable conditions.

guaranteed by the Turkish Treasury, to finance SME investment projects aimed at protecting/increasing employment in the manufacturing industries (including agroindustry), energy, health, education, tourism, environment, and trade as well as in related services sectors.

- Took part as a negotiating bank in a EUR 30 million credit agreement between the Spanish government and the Turkish Treasury to finance goods and services that Turkish SMEs import from Spain. This is a thirteen-year loan with an initial six-year grace period.

Membership in the European Investment Fund

In 2006, TSKB became the first Turkish organization to become a shareholder of the European Investment Fund. TSKB was invited to join EIF by the fund's principal shareholder, the European Investment Bank, and it became a member with the approval of the Turkish Banking Regulation and Supervision Agency. This partnership will enable TSKB to focus on new projects aimed at transferring resources to SMEs under more favorable conditions.

Correspondent banking activities developing strongly TSKB has started to build partnerships with international banks in different areas. The bank provides its customers with intermediary services in the area of foreign trade finance and the volume of its business in this line has been increasing steadily since 2004. The bank's extensive correspondent network and strong credit limits enable it to offer its foreign trade customers effective, high-quality service on advantageous terms. In addition to its ability to price

competitively, TSKB also designs structured foreign trade finance products according to customers' specific needs and its solutions in this line of business are becoming increasingly more sought after.

TSKB raised two syndicated loans in 2006.

In order to create alternative sources of funding, TSKB raised its debut syndicated loan in April 2005. In 2006 the bank further strengthened its activities with the international financial institutions and in April rolled over its second syndicated loan, with the participation of 13 mandated lead arrangements from different countries.

Through this syndicated loan, which attracted strong interest in international markets, TSKB secured USD 195 million. This corresponds to a 63% increase over the previous year's syndication; but even more important was the fact that the cost of the loan to the bank was considerably less than what it had been the previous year. The strong interest in this syndication and the reduction in its cost are indications of the confidence felt in TSKB as well as in the positive developments taking place in the Turkish economy.

In 2005 TSKB raised a USD 50 million syndicated murabaha loan for its Bahrain branch. This was the first murabaha syndication ever received by a bank in Turkey and the participant banks consisted of 8 international banks from Europe and the Gulf region. This loan was renewed in 2006 as a conventional syndication at a considerably lower cost to the bank. TSKB will continue to be an active and effective

Long-term borrowings provided between 2005-2006

2005	Amount	Term (year)	Maturity
World Bank-Export Finance Intermediary Loan (EFIL III)	USD 201 million	16	2021
World Bank-Export Finance Intermediary Loan (EFIL III)	EUR 80 million	16	2021
Agence France de Developpement (AFD)	EUR 50 million	12	2017
European Investment Bank (Industrial Sector Global V Loan)	EUR 250 million	12	2017
2006			
Agence France de Developpement (AFD)-II	EUR 50 million	12	2018
Council of Europe Development Bank (CEB)-II	EUR 100 million	10	2016
Instituto de Credito Oficial of the Kingdom of Spain	EUR 30 million	12	2018

European Investment Fund (EIF)

The European Investment Fund (EIF) was founded in 1994 as a joint venture of a number of publicly and privately-owned European banks and financial institutions.

- Contributes to the pursuit of European Union objectives; in particular it is committed to the development of a knowledge-based society, centered on innovation, growth and employment, the promotion of entrepreneurial spirit, regional development and the cohesion of the Union
- Contributes to the development of SMEs in EU member states and in candidate countries.

www.eif.org

player in international markets in line with its ongoing efforts to create new resources for its customers.

Increasing demand for TSKB investment banking and consulting services

Low inflation and economic stability in the Turkish economy in recent years have made it possible for investment banking to grow and develop. In addition to the ongoing improvement witnessed in the economic environment, the start of negotiations for Turkey's accession to the EU as a full member has transformed our country into an attractive market for international investors. In such a market environment, TSKB has been able to further entrench its position in the business of investment banking thanks to its strong international relations and to its full panoply of banking products and services. Having already served as a consultant to both private and public-sector organizations in company acquisitions, sales, and mergers in previous years, TSKB took part in an even greater number of such projects in 2006.

TSKB served as a consultant to sellers in:

- The long-term leasing of the Sariseki wharf to the firm of Gübretaş
- The sale of Ceylan InterContinental Hotel to Ceylan İnşaat
- The sale of the Cevahir shopping center to Cevahir İnşaat
- A project to find a strategic and financial partner for Gedizler in its fleet rental operations
- The ongoing Privatization Administration projects for the privatization of the Mersin, İzmir, Derince, Bandırma, and Samsun ports owned by the State Railways Authority and for the privatization of subsidiaries belonging to Sümer Holding
- The successful completion of the privatization of the Karadeniz copper works.

TSKB also served as a consultant to buyers on a number of projects involving companies which have high acquisition potential and which rank among the leaders of their sectors and areas of operation in Turkey. These included:

- A Global Holding and Çelebi Holding consortium, in the auction of the Antalya Ortadoğu port operations contract (which was awarded to this consortium)
- The Limak Group, in the sale of cement plants belonging

to Yibitaş Lafarge and in the privatization of electrical distribution networks

- Maersk Sea Line, in the sale of the Nemrut Limaş port by the Savings Deposit Insurance Fund
- The sale of shares in Döktaş to CMS
- The sale of the Tarabya Hotel to the Tahincioğlu Group
- The sale of the Büyük Ankara Hotel to the Koçoğlu Group.

In the case of corporate mergers, TSKB served as a consultant:

- In the merger of FFK Fon Leasing and Toprak Leasing, two leasing companies belonging to the Ülker Group
- To the Banvit Group in the merger of the firms of Banvit and Tadpi.

Under the heading of investment banking activities, TSKB provided appraisal consulting services to a variety of public and private-sector organizations (appraisal of Ziraat Bankası subsidiaries, appraisal of Finansbank international subsidiaries, and others), prepared feasibility reports (Hema Endüstri Diamond of Istanbul, Agrotechniques seafood plant in Yemen, Goldaş gold mine in Mali), and served as a strategic consultant (conversion of Pera Investment Trust into Pera REIT, and others).

Investment banking is a business line with tremendous growth potential.

TSKB expects to continue to be busy with even more corporate mergers and acquisitions in 2007, particularly in the banking, real estate, services, tourism, foods, energy, and pharmaceuticals sectors. Public offerings that were put on hold by the short-term volatilities experienced in markets in 2006 will regain their momentum in all likelihood in 2007. The bank also believes that corporate bond issues that have been held in abeyance for quite some time will get under way in 2007 and that such issues will play an important role in expanding the vision of Turkish companies in general.

Companies which are the leaders of their sectors and are strategically positioned, which have vision and are well managed, and which are operationally profitable will be offering attractive opportunities for both local and international financial/strategic investors. The leader of investment banking in Turkey, TSKB will continue to put its 57 years of knowledge

TSKB: An assessment of 2006

TSKB is the first Turkish-owned bank to have an ISO 14001-certified environmental management system.

and experience, market acumen, and excellent infrastructure to work in order to command an increasingly bigger share of all aspects of investment banking and thereby contribute to its non-interest income base.

Financial support for Turkey's biggest privately-owned wind farm

With more than two decades of experience in environment-related lending, TSKB provided the financing for the Bandırma Wind Power Plant (Bandırma RES), the biggest privately-owned wind farm in Turkey. The USD 26 million in funding needed by this project was procured from World Bank renewable energy credits and French Development Agency resources.

After about a year of construction, Bandırma RES went into operation in May 2006 and is now deploying its 30 MW installed capacity to supply about 120 million kWh of energy a year to the free market. The electricity generated by Bandırma RES is enough to meet all the requirements of a town of about 100,000 people.

Aware of the importance that the energy sector has for our country and of the great potential inherent in it, TSKB will continue to supply increasingly more resources to investment projects in energy-related matters ranging from production to distribution.

Making use of World Bank renewable energy credits and of French Development Agency resources, TSKB intends to play an increasingly more active role in financing investments in which renewable energy sources such as water, sun, wind, and geothermal power are used in place of non-renewable sources such as coal, natural gas, and petroleum.

An important criterion in lending: Environment

TSKB is the first Turkish-owned bank to have an ISO 14001-certified environmental management system.

Founded with the support of the World Bank and channeling long-term funding provided by international financial institutions to Turkey's leading firms to finance their investments, TSKB regards environmental issues among the most important criteria informing its lending decisions.

TSKB shares its knowledge and experience in environmental matters with the leading Turkish commercial banks and leasing companies with which it works in its APEX lending activities.

Among the investments that the bank supports with environmental project loans are:

- Waste water treatment plants of SMEs
- Filtration, dedusting, and gas effluent reduction
- Fuel conversion
- Reduction of water use in manufacturing processes
- Increasing job and worker health and safety
- Setting up environmental management systems.

Treasury management strategy focused on productivity and profitability

The strategies that TSKB adheres to in its treasury operations continued to produce successful results in 2006 as well. The bank's strong market position in treasury and capital market products was supported by its risk management practices and by its dealings with its customers with the result that TSKB continued to increase the volume, productivity, and profitability of its treasury operations. The main highlights of the bank's dealings in money and capital markets in 2006 are summarized below.

- TSKB ranked among the leaders of the futures and options market in terms of transaction volume in 2006 with USD 324 million worth of business.
- TSKB was an active participant in the over-the-counter market in the domestic securities category. The bank increased its transaction volume in this market 72% year-on and did a total of USD 18.5 million worth of business.
- In foreign security trading, TSKB booked a transaction volume worth USD 871 million, about at least 10% of which consisted of repo deals with foreign banks.
- TSKB is an active participant in the derivatives market that has begun to develop in Turkey in the last few years and it offers derivative products to its customers on a regular basis. In 2006 the bank managed USD 526.4 million in business in this market.

Under the heading of treasury management operations, TSKB provides its customers with traditional money and capital market products as well as with specially designed

financial products. The expansion in the array of products made available to customers emphasized once more the importance given to service quality while also revealing the unique position of the bank in customer service in general.

An active participant in the fixed-yield security, foreign exchange, money, and derivatives markets, TSKB is also known for the high-quality research services that it provides its customers.

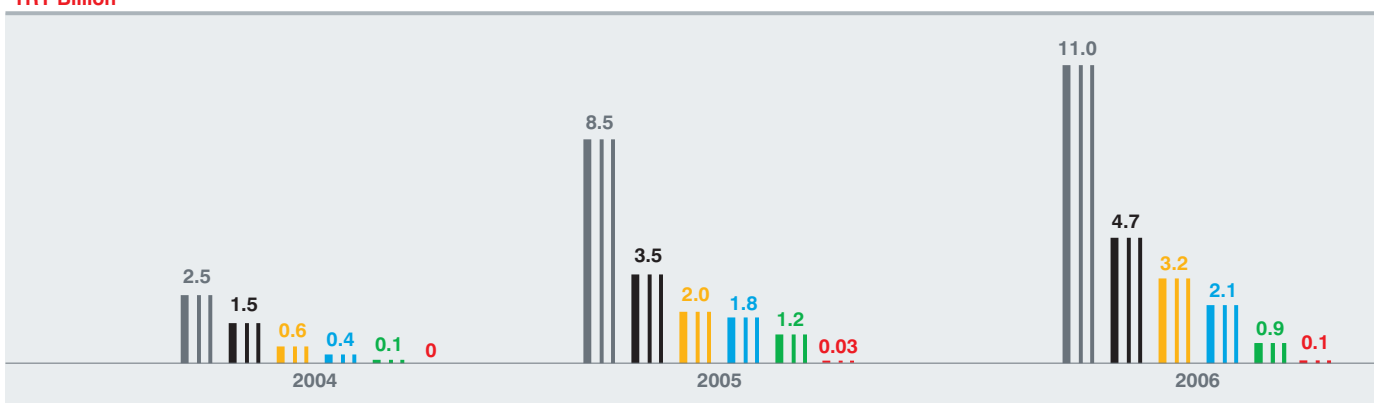
In the boutique banking operations that it conducts for its customers, TSKB added 40% new customers to its portfolio despite the financial sector turbulence experienced in 2006.

Charts showing the degree of TSKB's success in its treasury operations are presented below.

Since the end of 2004, the Treasury Marketing Unit's income has risen steadily.

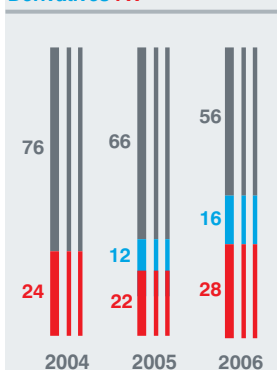
Volume of TMU Transactions
TRY Billion

Total Repo FX Loan Transactions Fixed-income FX Options



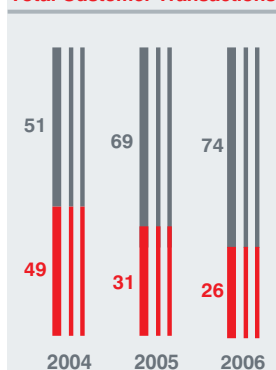
Highest Increase Percentage in Customer Transactions (%)

Total Customer Transactions
Derivatives FX

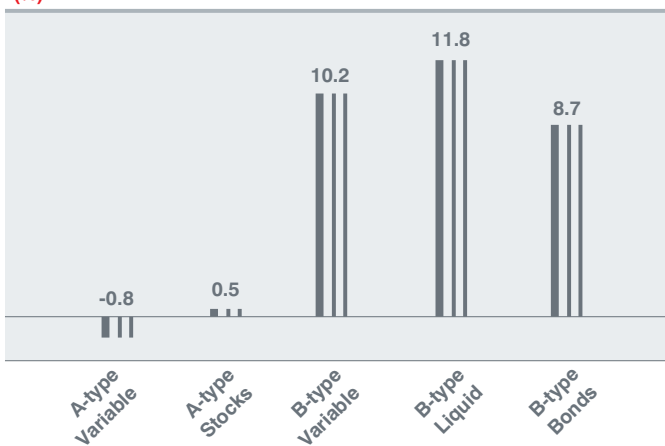


Breakdown of TMU Revenues (%)

Total Loan Transactions
Total Customer Transactions



2006-Return of Mutual Funds (%)



TSKB: An assessment of 2006

TSKB provides its customers with every possible service for which they may feel a need at different stages of the investment process.

TSKB is determined to maintain and increase the momentum that it achieved in treasury operations last year in 2007 and the years beyond. To achieve this, the bank will continue to take advantage of business opportunities that arise in national and international money and capital markets and to manage its own and its customers' positions in the best way possible in light of its risk-sensitive and prudent policies. TSKB expects to further develop the variety and effectiveness of increasingly more important derivative instruments, to expand its corporate and commercial customer base along this axis, and to increase its treasury operation transaction volumes.

Service in every aspect of asset management

TSKB provides its customers with every possible service for which they may feel a need at different stages of the investment process ranging from pre-investment analysis and portfolio modeling to post-investment evaluations and analyses. TSKB's approach in offering this rich diversity of services is to make it possible for customers to leave the management of their assets to the bank while they themselves focus on their real business.

Rapid growth in equity trading

TSKB provides stock market brokerage services from its Istanbul headquarters and via its online branch. In 2006 there was a significant rise in the volume of Istanbul Stock Exchange trading handled by the bank for its customers. TSKB is a shareholder and active participant in TurkDEX, the Turkish Derivatives Exchange and options market that

commenced operation in 2005. As a result of intensive promotional and marketing activities undertaken in 2006, the bank achieved rapid growth in its TurkDEX customer transaction volumes.

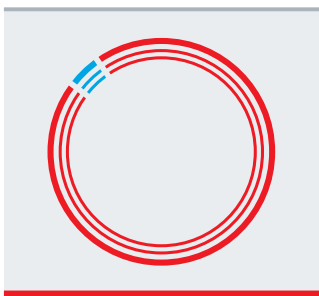
The most important factors underlying these capital market successes are TSKB's professional staff and a wide range of products shaped within the framework of high-quality service at the highest standards. The bank offers a broad array of services which allow customers to invest in instruments which generate the highest returns at the lowest cost in line with their appetite for risk and which range from corporate shares to eurobonds and from forward contracts to portfolio management.

TSKB continuously invests in technology to enable its customers to make and carry out their capital market investment decisions in the fastest and most reliable way possible. The bank's infrastructure is kept up to date with the latest applications. The TurkDEX- API link on which the bank began working in 2006 and which is to go into operation in 2007 will allow its customers to carry out their trading activities faster and more conveniently.

TSKB has launched activities so as to act as a broker in the lending & borrowing market that is due to become operational at ISE in 2007. The bank is determined to further expand its activities in the business of brokerage and trading services, to reach out to still more customers, and to command an increasingly share of all the markets that are accessible to it.

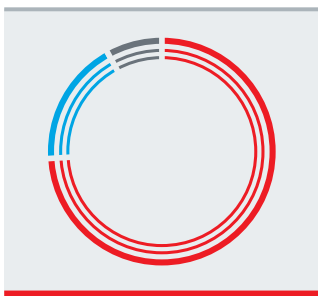
Asset Management Corporate Customers

95% Mixed
5% Bills and Bonds



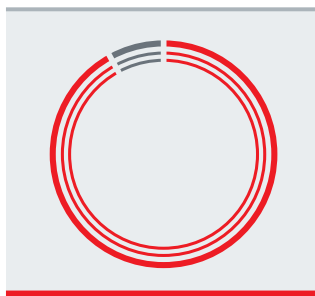
Asset Management Individual Customers

74% Mixed
18% Bills and Bonds 8% Stocks



Asset Management Breakdown of Customers

92% Corporate
8% Individual



Portfolio management and mutual funds: Important links in the investment process

The declines in both inflation and interest rates brought on by the positive developments experienced in the Turkish economy in recent years have also caused profit margins to become increasingly thinner. This development in turn has further increased the importance of specialized portfolio management services which seek to capture yield opportunities as they arise on markets and which employ professional investment strategies. Putting its store of intellectual capital, its expertise, and its approach to innovative solutions to work, TSKB began offering its customers private and corporate portfolio management services in 2006.

Portfolio management services, which make up a most important link in the investment process, have been the object of increasingly more demand on the part of the bank's customers. At end-2006, the average size of the private customer portfolio under the bank's management was TRY 12.9 million while corporate customers' portfolios averaged TRY 154.4 million in aggregate.

The portfolio management product line is diversified so as to take into account a customer's penchant for risk and return. This makes it possible for customers to put their resources to work according to the options that best suit their investment preferences.

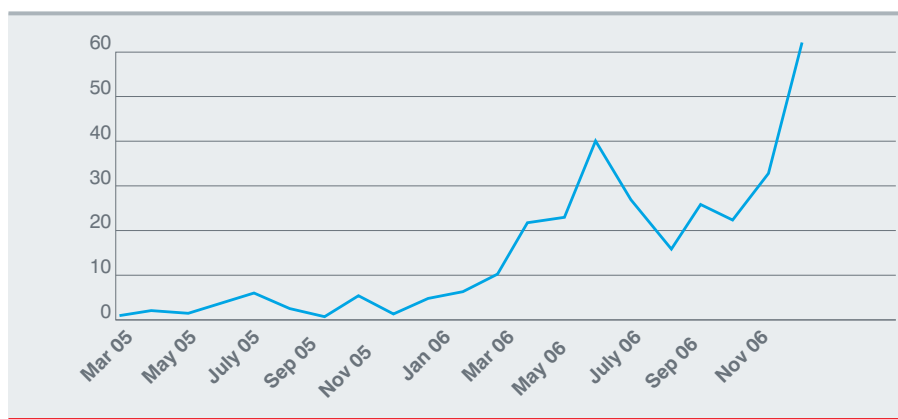
Serving its customers with five mutual funds, each with its own risk/return profile, TSKB gives equal importance on both risk and return in the management of its mutual funds with an eye on achieving yield stability within a long-term perspective. Three of TSKB's mutual funds invest predominantly in fixed-return instruments while the other two invest primarily in company shares. In all cases, TSKB's objective is to increase its share of the corporate and private portfolio management sector while maximizing yields. In the wake of the rapid growth experienced in these services, the bank believes that 2007 will be the year in which substantial progress will be made in portfolio management services in terms of both customer base and product diversity.

With its skilled staff and deep knowledge and experience, TSKB will continue to keep watch over market movements in the most effective way possible and deliver professional portfolio management services to its customers.

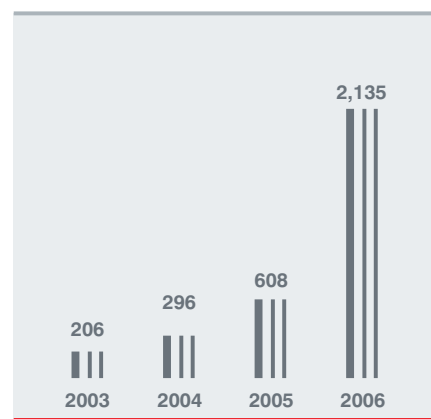
For strict compliance with laws and regulations...

Over the last six years, the Turkish banking sector has been undergoing some of the most radical and rapid changes and thoroughgoing restructuring in its history. Comprehensive efforts on the part of authorities to regulate the banking industry have changed the sector in ways no less significant than Turkey's deeply altered macroeconomic realities and disinflationary process. A new legal framework that has

Turkish Derivatives Exchange - Volume of Customer Transactions (TRY Million)



Stock Market Transactions (TRY Million)



TSKB: An assessment of 2006

TSKB is fully committed to its role of being an exemplary institution that abides strictly by national and international banking norms and it carries out all its activities within the limits defined by the legal framework.

been put in place in the sector along with those changes seeks to bring the Turkish banking sector up to a level where it is capable of competing at global norms.

Since the day it was founded, TSKB has abided strictly with the principles of legal compliance, transparency, and accountability and it has acted in keeping with its mission of being an exemplary bank by bringing itself into compliance at every level and in every aspect with the requirements of new laws and regulations that are put into effect. Among these efforts, mention may be made of some of the most important issues such as the auditing, internal control, and risk management functions and processes, which have become increasingly more important in the sector in recent years; fundamental innovations introduced in banking accounting and reporting principles as well as the changeover to international accounting standards; investor relations and public disclosure requirements; and information technology auditing.

Along the same lines, the systemic regulations concerning new tax practices which went into effect in 2006 and which are of the utmost interest to investors investing in money and capital markets were all put into effect without delay. It was made possible for investors to see their individual tax positions and TSKB's professional staff-members provided customers with complete information about the newly-introduced system in line with their needs. Another issue to which the bank gives great importance and whose preparations are currently under way is the process of complying with Basel II criteria. Detailed information on this subject is provided on page 46 of this report under the heading "Risk management practices". TSKB is fully committed to its role of being an exemplary institution that abides strictly by national and international banking norms and it carries out all its activities within the limits defined by the legal framework.

For the delivery of more effective and more productive service...

In 2006 TSKB carried out a number of information technology projects that were of importance from the standpoints of both infrastructure and business processes and of security. All these projects had the goal of delivering more effective

and more productive service. They provided uninterrupted, secure, and high-tech support for banking transactions and, thanks to the new solutions that were developed, opportunities were created to achieve critical increases in business volumes and product diversity while still maintaining the dimensions of the bank's human resources.

The highlights of information technology activities at TSKB in 2006 are summarized below.

- Under a project that was launched to restructure TSKB's banking and information technology processes, all prioritized banking processes were methodologically reviewed and documented in the course of seven months' time.
- ISACA's COBIT framework was used as the basis for the restructuring of the bank's information technology processes and critical improvements were made in process control mechanisms. The successes of this project were confirmed by independent auditors.
- Improvements were made in TSKB's information technology infrastructure to increase both its security and its performance. Preparations were completed to set up a disaster recovery center and the TSKB data center was completely renewed.
- The information technology infrastructure of the newly-opened Ankara and İzmir branches was readied in a very short time using the bank's existing resources.
- Changes were made in the bank's organization to increase the quality and security of information technology services. The functions of the Information Technology Security Unit were made more proactive and an Information Technology Help Desk function was added.
- An Information Technology Committee was set up. This committee is responsible for aligning TSKB's medium and long-term information technology plans with the bank's business plans and for approving and implementing information security policies and standards and making risk assessments.
- Information technology support for human resource and process productivity was further increased in 2006 with the addition of new modules and features to TSKB's core banking and electronic work flow applications.
- New functions and security-enhancing features were added to the online banking applications made available to customers at the bank's www.tskb.com.tr website.

The basic principles of TSKB's environment policies are these:

- Minimize the environmental impact of the bank's activities.
- Identify environmental standards concerning the bank's activities.
- Define and continuously monitor environmental objectives and targets.
- Support investments aimed at protecting the environment.
- Identify environmental risks and take them into account when making financial decisions.
- Develop and maintain a continuous awareness of environmental sensitivity among employees and the public at large.

- Ensure compliance with all national and international environmental regulations.
- Take part in efforts that will make it possible to pass a livable environment on to future generations.

The first Turkish bank to introduce an in-house environment management system of its own, TSKB successfully passed its ISO 14001 Environmental Management System certification on 25 December 2006. Detailed information about TSKB's environment management system and environment policies is provided on its website at www.tskb.com.tr.

TSKB continues to carry out its information technology activities at an increasing pace with the aim of achieving even higher levels in security, productivity, and competitive strength. In keeping with this aim, work will be conducted during 2007 to make it possible for banking applications to be run effectively and without interruption on the most current platform available. Some of the items on this year's agenda are indicated below.

- Continue making improvements in core banking applications and increase the quality and productivity of the online services provided to customers.
- Bring internal control, reporting, and analysis processes into compliance with Basel II requirements.
- Further develop our systems that analyze department, product, and customer profitability and resource productivity.
- Produce new reporting and electronic data transfer solutions that will satisfy increasing legal compliance and consolidation requirements.
- Install mechanisms that will continuously monitor, quantify, and proactively improve information technology service levels.
- Commence activities to quantify and improve performance management in TSKB's banking processes.
- Develop and implement solutions that will increase the effectiveness of internet and intranet content management.
- Develop features that will further increase the process productivity of electronic work flow, project management, and document management applications.

Employing human resources who have a high level of competency and experience in information technology, TSKB successfully develops the information technology projects that it knows will be of critical importance to its efforts to deliver the best to its customers and it will continue to deploy banking technology in order to achieve its goals on all levels.

A first in Turkish banking: Environment policies

TSKB is a bank that has proven its sensitivity towards the environment through the environment policies that it has begun to implement throughout its own organization as well as by means of its environmentally-friendly lending.

The objective of the bank's environment policies, which were approved by its Board of Directors on 1 June 2006, is to minimize the environmental impact of the bank's activities, whatever they may be, and to increase general awareness about the environment. Practices in line with these policies are now being introduced.

TSKB has launched its own in-house Environment Management System, the approach of which is to identify, measure, and report all issues which result from the bank's activities and which might have an impact on the environment and to minimize the effects of that impact.

Continuous and transparent communication with investors

Since it became operational in 2005, the TSKB Investor Relations Unit has been carrying out its mission of promoting the bank and keeping potential investors informed about it. In response to rising interest in the bank on the part of international investors, the unit is regularly invited to take part in roadshows in other countries.

The TSKB Investor Relations Unit continued to promote the bank and its activities without letup in 2006. Last year the unit took part in a total of seven roadshows that originated in the cities of New York, London, Stockholm, Frankfurt, and Paris. As of 31 December 2006, the unit had taken part in 127 "One on One" meetings, 46 of them held in TSKB.

Due in part to these promotional and informational activities, the percentage of TSKB shares held in foreign investors' free float shares increased. As of end-2006, 50% of the bank's free float shares was held by foreign investors.

TSKB shares, which are included in the ISE-30 index, traded heavily throughout 2006. The shares drew the increasing attention in particular of brokerages that are known for having large numbers of customers and high transaction volumes.

Subsidiaries

TSKB has five subsidiaries that are active in the areas of capital markets, real estate investment, and real estate appraisal.

Yatırım Finansman Menkul Değerler AŞ

Spearheaded by TSKB and Türkiye İş Bankası, Yatırım Finansman Menkul Değerler AŞ was founded in 1976 with the participation of 13 major banks as the country's first capital market brokerage house. Since then, the company has played an important role in the establishment, growth, and development of capital markets in Turkey. Yatırım Finansman served as a consultant in the establishment of the Istanbul Stock Exchange, laid the foundations of the country's risk capital activities, and was the first to introduce investors in Turkey to bank bonds, bank-guaranteed bonds, private-sector bonds, and similar investment instruments. In the course of nearly three decades, Yatırım Finansman helped take a large number of companies public and today it is one of only a few brokerages that holds a complete set of capital market licenses.

Celebrating its 30th year in 2006, Yatırım Finansman's refurbished vision is to "generate information and methods that will create value while carrying out brokerage activities at the highest level of quality" while its new logo symbolizes "change, development, and momentum". Last year the company also restructured its service distribution channels, began concentrating on investment banking, and completed the organization of its international corporate sales and research units.

Yatırım Finansman serves more than 25,000 private and corporate customers with fully Capital Markets Board-licensed, experienced, and expert personnel who are employed in twelve branches and representative's offices and one agency located in seven of Turkey's major urban centers. The company is also accessible to investors both in Turkey and abroad via its online branch at www.yatirimfinansman.com and its telephone branch on 444 11 44. On 31 December 2006, another TSKB-owned brokerage, TSKB Menkul Değerler AŞ, was merged into Yatırım Finansman and as of the same date the company's shareholders' equity was TRY 35 million, its customer portfolio was worth TRY 865 million, and it had TRY 113 million under management in its mutual funds. In 2006 Yatırım Finansman posted a net profit of TRY 4.9 million. According to the latest nine-month figures that are currently available, the company grew well above the sector's average.

In 2007 Yatırım Finansman's objective will be to increase its market shares in mutual funds and futures contracts. The company will also be seeking to raise the standards of brokerage services by restructuring its distribution channels to better suit the different needs of investors in different segments.

Yatırım Finansman Yatırım Ortaklığı AŞ

Yatırım Finansman Yatırım Ortaklığı AŞ is an investment trust set up in 1998 under the leadership of Yatırım Finansman. In 1999 the company went public by floating 49% of its shares on the ISE. As of end-2006, the net asset value of its portfolio had reached TRY 12.4 million.

TSKB Gayrimenkul Yatırım Ortaklığı AŞ

TSKB Gayrimenkul Yatırım Ortaklığı AŞ (TSKB GYO) is a real estate investment trust founded in 2006 with a startup capitalization of TRY 10 million and a registered capital ceiling of TRY 100 million.

TSKB GYO's mission may be summarized as "Create an attractive investment portfolio of diversified and liquid real estate properties that will generate high returns for shareholders and achieve sustainable growth". The company is currently at work putting together a solid portfolio of profitable properties. The majority of the investment projects that are currently under consideration are concerned with commercial real estate. Calling on the strength and support of the more than a half-century of experience of its parent in development and investment banking, TSKB GYO's goal is to make its voice heard in aspects of commercial and industrial real estate investment and to generate high and sustainable returns for its shareholders while satisfying needs in such areas.

Foremost among the investment projects that TSKB GYO is taking an interest in are business and shopping centers, tourism-industry facilities, hospitals, and logistics storage facilities. Housing projects are also considered and evaluated by TSKB GYO in light of their potential profitability.

TSKB Gayrimenkul Değerleme AŞ

TSKB Gayrimenkul Değerleme AŞ is a real estate appraisal company set up in 2002 by TSKB to provide real estate

Information About the Management and Corporate Governance Implementations

appraisal services. The company received its Capital Markets Board listing in 2002. Deriving its strength from the more than a half-century of experience of its parent in real estate and machinery and equipment appraisal, the company has undertaken and carried out a number of major projects.

TSKB Gayrimenkul Değerleme's mission is to determine the value of fixed assets employing scientific methodologies of every kind in an honest and transparent way so as to arrive at a value that is broadly recognized as acceptable. In addition, the company also carries out studies to determine the best and most productive use of properties that are to be invested in. TSKB Gayrimenkul Değerleme has hundreds of prestigious national and international clients in its portfolio.

In 2005, Euromoney magazine chose TSKB Gayrimenkul Değerleme as "Turkey's best real estate consultancy". In 2006 the company set up independent units of its own in TSKB's Ankara and İzmir branches from which it continued to successfully conduct its activities. TSKB Gayrimenkul Değerleme is the first company of its kind in Turkey to be awarded ISO 9001-2000 Quality Management System certification. In 2006 it increased both its human resources and turnover 70% on a year-to-year basis.

TSKB Yatırım Ortaklığı AŞ

TSKB Yatırım Ortaklığı AŞ is an investment trust that was set up in 2000 under TSKB's leadership. The company was taken public in 2001 and 66.9% of its shares are currently traded on the İstanbul Stock Exchange national market.

TSKB Yatırım Ortaklığı's capitalization at end-2006 stood at TRY 18 million while its net asset value as of the same date was TRY 20 million.

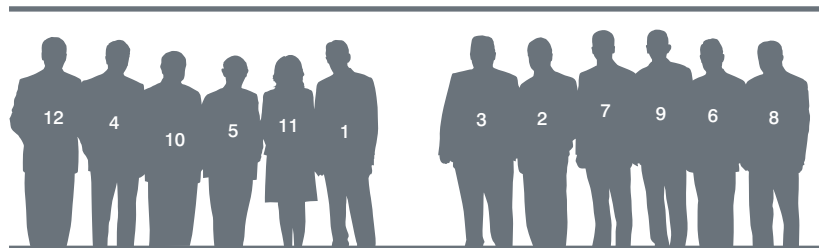
TSKB Yatırım Ortaklığı's mission is to formulate and manage an investment portfolio and make changes in it when necessary; diversify its portfolio so as to disperse and minimize investment risk taking different areas of business and company circumstances into account; continuously monitor developments concerning securities, financial markets and institutions, and companies and take measures as needed to manage its portfolio accordingly; and engage in research to protect and increase the value of its portfolio.

Other Subsidiaries

Subsidiary	Sector	Capital (TRY)	Share (%)	Web
İş Finansal Kiralama A.Ş. (İş Leasing)	Finance	100,000,000	28.56	www.isleasing.com.tr
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.	Finance	22,500,000	16.67	www.isgirisim.com.tr
İş Factoring Finansman Hizmetleri A.Ş.	Finance	16,000,000	14.75	www.isfactoring.com.tr

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- >43 Activities of the Risk Management Committees that Have Been set up and the Full Names of the Heads and Members of These Committees and of the Members of the Audit Committee
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- >43 Information About the Participation of the Members of the Members of the Board of Directors, the Audit Committee, and of the Committees Specified in Subparagraph 1/b-3 of this Article in Meetings that Were Held During the Reporting Period.
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Board of Directors and Auditors



Cahit Kocaömer
Chairman
(1)

Cahit Kocaömer is a graduate of the Istanbul School of Economics and Commerce and began his career in 1947 at Türkiye İş Bankası. He served as the general manager of that bank from 1976 to 1982 and as chairman of Türkiye Sınai Kalkınma Bankası (1976-1979), Sınai Yatırım Bankası (1976-2002), and T. Şişe Cam Fabrikaları (1980-1986) and as a member of Türkiye İş Bankası's board (1982-1990). Mr Kocaömer has been chairman of TSKB since 22 March 2002.

Kadir Akgöz
Vice Chairman
(2)

Kadir Akgöz was born in Trabzon in 1950 and is a graduate of Middle East Technical University (Department of Engineering). He began his career at Türkiye İş Bankası in 1978 in that bank's Organization Department as an assistant systems specialist. After serving in a number of the bank's units he was appointed Deputy Chief Executive on 27 February 2002. Mr Akgöz has been a member of the TSKB Board of Directors since 17 March 2006.

Halil Eroğlu
Board Member and CEO
(3)

Halil Eroğlu was born in Karşıyaka in 1952. He graduated from Ankara University (Faculty of Political Sciences, Department of Economics and Public Finance) and began his career at Türkiye İş Bankası, where he served in various positions from 1988 to 1996. He served as general manager of Dışbank (1998-1998), İş Finansal Kiralama (1998-2001), and Sınai Yatırım Bankası (1998-2001). Mr Eroğlu has been a member of TSKB's Board of Directors and the company's general manager since 22 March 2002.

Adnan Bali Board Member (4)

Adnan Bali was born in 1962 and graduated from Middle East Technical University (Department of Economics) after which he studied in the "Program for Global Leadership" at Harvard University's Graduate School of Business Administration. In 1986 he joined Türkiye İş Bankası as a member of the bank's Board of Inspectors and subsequently served in a variety of positions at the bank and in its subsidiaries. Mr Bali has appointed Deputy Chief Executive in T. İş Bankası, in 2006.

Yavuz Canevi Board Member (5)

Yavuz Canevi was born in Konya in 1939 and graduated from Ankara University (Faculty of Political Sciences, Department of Public Finance and Economics) in 1960. In 1966-1969 he completed a master's degree at the University of Southern California. Between 1960 and 1963 he served as a Ministry of Finance inspector. Between 1963 and 1989 he served in a variety of positions in public and private organizations until retiring from his position as Treasury undersecretary in the latter year. Mr Canevi has been chairman of Türk Ekonomi Bankası since 1996.

Burhanettin Kantar Board Member (6)

Burhanettin Kantar was born in Trabzon in 1963 and graduated from Middle East Technical University (Faculty of Economic and Administrative Sciences, Department of Public Administration). He began his career at Türkiye İş Bankası as an assistant inspector on the bank's Board of Inspectors. He was appointed assistant manager in the Participations Department in 1997. In May 2005 he was appointed Manager in the same department where he has been serving as group manager.

Serdar Gençer Board Member (7)

Serdar Gençer graduated from Middle East Technical University (Department of Industrial Engineering) after which he completed a master's degree in business administration at the University of Nottingham. He joined Türkiye İş Bankası as a bank inspector in 1990 and served as group manager in the bank's Accounting Department from 2001 to 2003. He has been manager of the Budget & Planning Department since 2003.

Murat Bilgiç Board Member (8)

Murat Bilgiç was born in Ankara in 1968 and graduated from Middle East Technical University (Faculty of Economic and Administrative Sciences, Department of International Relations) after which he completed a master's degree in banking at the University of Birmingham. He joined Türkiye İş Bankası in 1990 as a trainee assistant inspector and served in a variety of positions at the bank until 2002 when he became regional manager in the Corporate Loans Department.

Cem Demirağ Board Member (9)

Cem Demirağ was born in 1968 and graduated from Middle East Technical University (Department of Public Administration). He began his career at Garanti Bankası in its management trainee program in 1991. After serving in a variety of positions at that bank he moved to EGS Bank in 1995 and remained there until 2002. In 2003-2004 he served as an assistant general manager for corporate and commercial-SME marketing at Halkbank and as a chief consultant for BRSA in 2004-2005. Mr Demirağ has been a member of the Vakıfbank Board of Directors since 1995.

Ali Onur Özbilen Board Member (10)

Ali Onur Özbilen was born in Ceyhan in 1946 and graduated from the Ankara Faculty of Political Sciences after which he completed a master's degree in marketing at Leeds University. He joined Türkiye İş Bankası in 1974 as a member of the bank's Board of Inspectors. He became vice president of the board in 1986, section regional manager in the Participations Department in 1988, and Deputy Chief Executive in 1994, from which position he retired in 2002. Mr Özbilen has been a member of TSKB's Board of Directors since 17 March 2006.

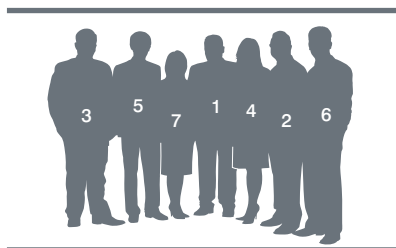
Senar Akkuş Statutory Auditor (11)

Senar Akkuş was born in Diyarbakır in 1969 and graduated from Middle East Technical University (Faculty of Economic Sciences, Department of Economics). She began her career at Türkiye İş Bankası in 1991, serving in a variety of positions until 2006 when he became economic research manager. Ms Akkuş was elected a statutory auditor of TSKB on 16 March 2005.

Mustafa Darcan Statutory Auditor (12)

Mustafa Darcan was born in İzmir in 1965 and graduated from Ankara University (Faculty of Political Sciences, Department of International Relations). He began his career at Türkiye İş Bankası in 1987, serving in a variety of positions until 2004 when he became group manager in the Participations Department. Mr Darcan was elected a statutory auditor of TSKB on 17 March 2006.

Senior Management



Halil Eroğlu
CEO, Member of the Board
(1)

Please see page 36 for Mr Eroğlu's CV.

Şemseddin Arat
Executive Vice President
(2)

Şemseddin Arat was born in Erzurum in 1954 and graduated from Hacettepe University (Department of Mathematics) after which he completed a master's degree in the same subject at that school. He began his career at Türkiye İş Bankası, serving in a variety of positions until 1995 when he became information technology coordinator for Türkiye Sınai Kalkınma Bankası. Mr Arat was appointed executive vice president in 2000 and is currently responsible for the Information Technology and Human Resources Division, which includes the Applications Development, System Development, Human Resources, and System & Network Support departments.

Orhan Beşkök
Executive Vice President
(3)

Orhan Beşkök was born in Ankara in 1955 and graduated from the Polytechnic of Central London (Department of Economics) after which he completed a master's degree in economics at London School of Economics. After serving in a variety of positions at TSKB he was appointed head of the Economic Analysis Department in 1995. Mr Beşkök became an executive vice president in 2002 and is currently responsible for the Technical Services Division, which includes financial analysis, technical analysis, economic analysis departments.

Şeniz Yarcın
Executive Vice President
(4)

Şeniz Yarcın was born in Bolu in 1965 and graduated from Boğaziçi University (Department of Business Administration). She began her career at TSKB as an assistant investment consultant in the Treasury Department. After serving in a variety of positions she was appointed executive vice president in 2004. Ms Yarcın is currently responsible for the Treasury and Capital Markets Division, which includes the Treasury, Financial Institutions, Research, and Capital Markets departments, the Bahrain Branch, and the Asset Management Unit.

Burak Akgüç
Executive Vice President
(5)

Burak Akgüç was born in İstanbul in 1964 and graduated from Boğaziçi University (Department of Political Science). He joined TSKB in 1991 as an specialist in the Financial Analysis Department. After serving in a variety of positions, he was appointed head of the Loan and Investment Department in 2001. Mr Akgüç became an executive vice president in 2005 and is currently responsible for the Corporate Banking Division, which includes the Corporate Banking and Corporate Finance departments and the Ankara and İzmir branches.

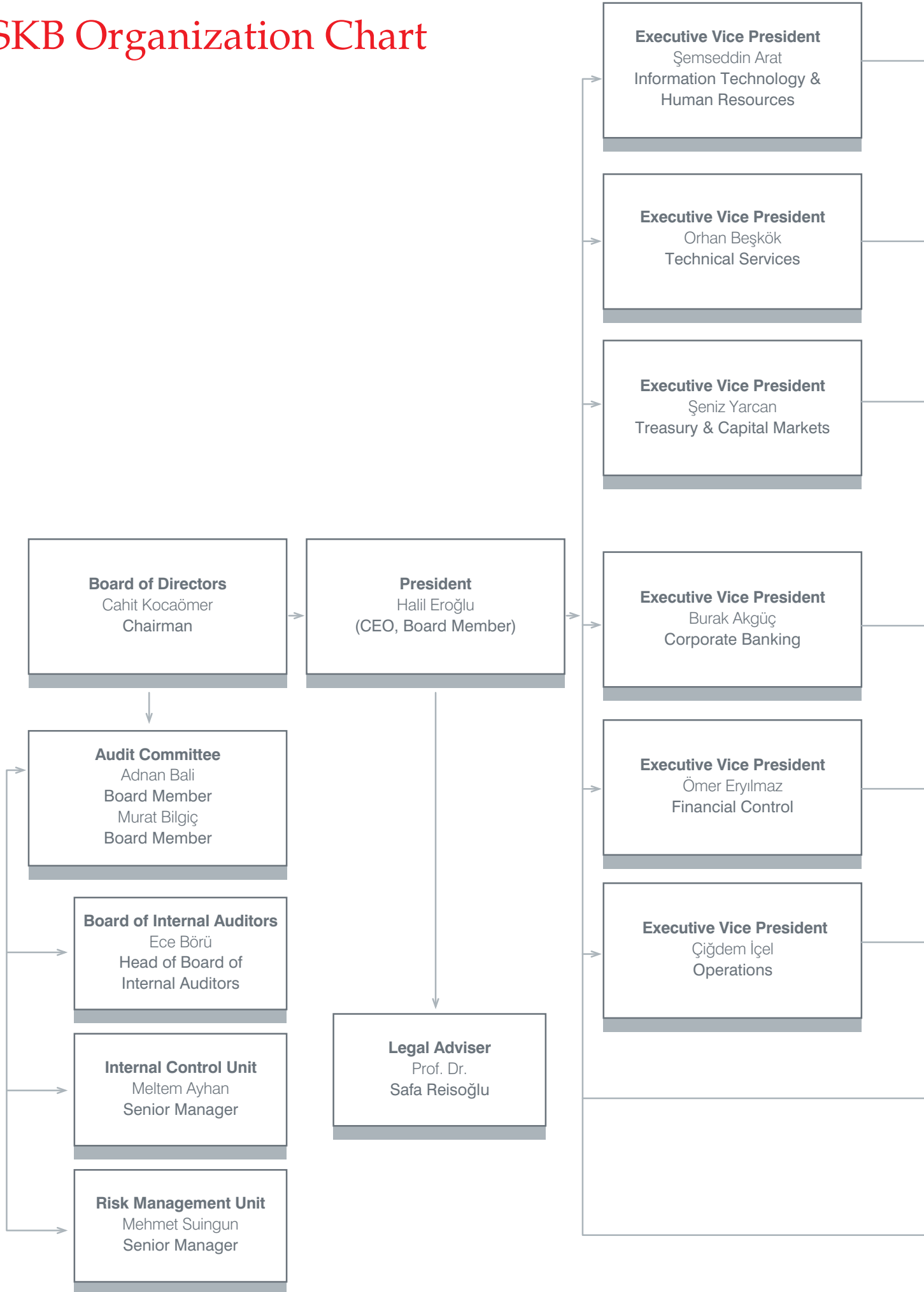
Ömer Eryılmaz
Executive Vice President
(6)

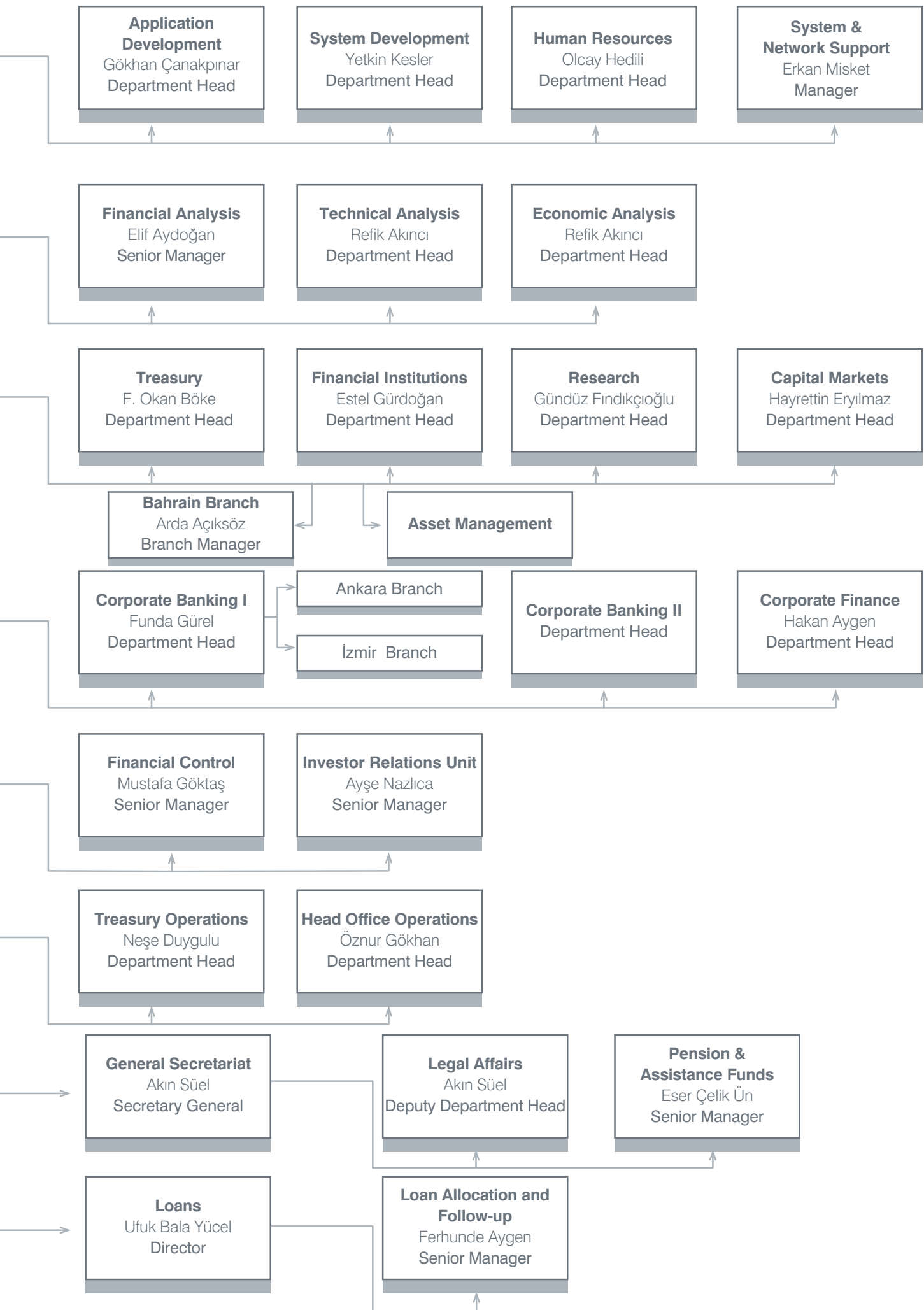
Ömer Eryılmaz was born in Giresun in 1964 and graduated from İstanbul University (Faculty of Business Administration). He began his career in 1986 at Sınai Yatırım Bankası, becoming financial control manager there in 1999. Since 2002 he has been head of the TSKB Risk Management Department and he was promoted to head of the Board of Inspectors in 2003. Mr Eryılmaz became an executive vice president in 2006 and is currently responsible for the Financial Control Division, which includes the Financial Control Department and the Investor Relations Unit.

Çiğdem İçel
Executive Vice President
(7)

Çiğdem İçel was born in Eskişehir in 1966 and graduated from Boğaziçi University (Department of Business Administration). She began her career at TSKB as an assistant investment consultant in the Treasury Operations Department. After serving in a variety of positions she was appointed head of the Treasury and Correspondent Banking Department in 1998. Ms İçel became an executive vice president in 2006 and is currently responsible for the Operations Division, which includes the Treasury Operations and Head Office Operations departments.

TSKB Organization Chart





TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
INDEPENDENT AUDITORS' REPORT
FOR THE YEAR 1 JANUARY – 31 DECEMBER 2006

Deloitte.

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

DRT Bağımsız Denetim ve
Serbest Muhasebeci
Mali Müşavirlik A.Ş.
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34398 Maslak, İstanbul Türkiye

Tel: 90 (212) 366 60 00
Fax: 90 (212) 366 60 20
www.deloitte.com.tr

We have been appointed to audit the accompanying balance sheet of Türkiye Sınai Kalkınma Bankası A.Ş. ("the Bank") as at 31 December 2006, and the related 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 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 financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2006 and the results of its operations and its cash flows for the year ended in accordance with the prevailing accounting principles and standards set out as per the Article 37 of the Banking Act No: 5411 and other regulations and pronouncements in respect of accounting and financial reporting made by BRSA.

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



Hasan Kılıç
Partner

İstanbul, 15 February 2007

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

ACTIVITIES OF THE RISK MANAGEMENT COMMITTEES THAT HAVE BEEN SET UP AND THE FULL NAMES OF THE HEADS AND MEMBERS OF THESE COMMITTEES AND OF THE MEMBERS OF THE AUDIT COMMITTEE

An "Audit Committee" consisting of two non-executive directors has been set up within our Board of Directors as required by article 24 of the Banks Act. Regulations concerning the duties, authorities, and responsibilities of the Audit Committee have been approved by the board and are now in force.

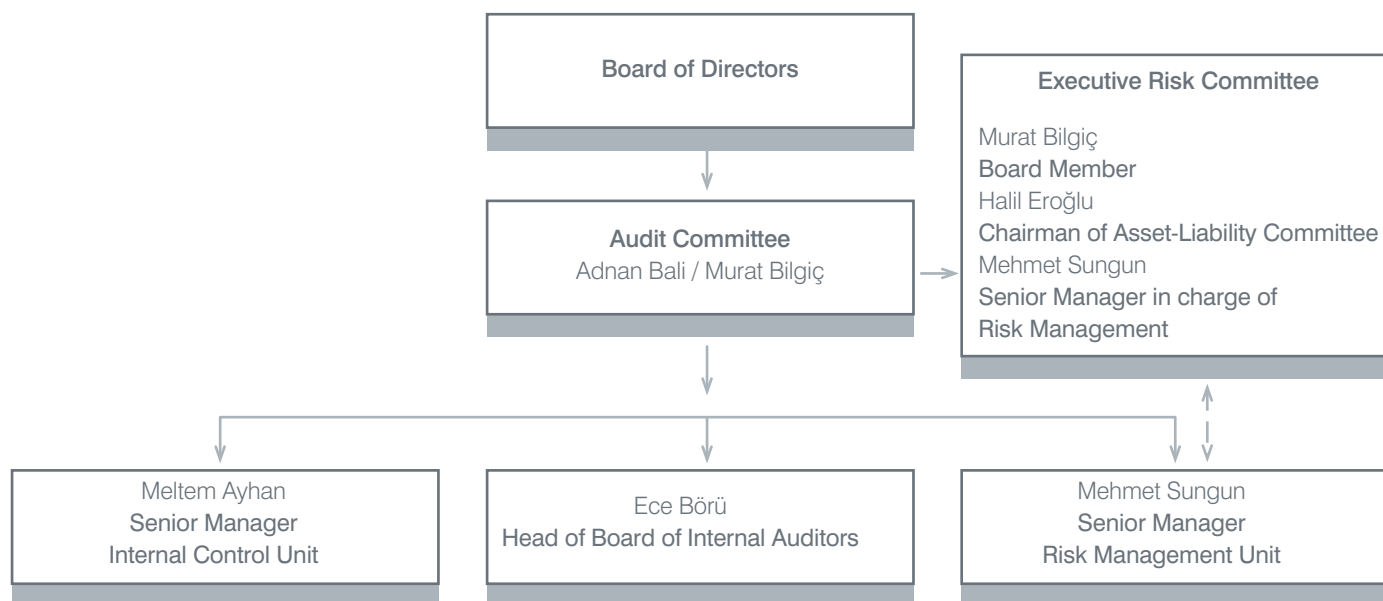
The Risk Management Group set up within the bank consists of a Executive Risk Committee and of a Risk Management Unit. The areas of responsibility and duties of the Executive Risk Committee and the Risk Management Unit have been set forth in the Risk Management Group Regulations approved by the bank's board of directors. In keeping with the principle of separation of powers, the Risk Management Group reports to the Board of Directors through the Audit Committee.

The Risk Management Group and senior management are responsible for developing policies and procedures as necessary but subject to the approval of the Board of Directors. These policies specify risk tolerances, limits, and operational principles.

A Risk Catalogue has been prepared by the Risk Management Unit and senior management that defines potential risks. This catalogue has been approved by the Board of Directors and is now in effect.

See "Corporate Governance Principles Compliance Statement".

TSKB Internal Systems Organizational Chart



INFORMATION ABOUT THE PARTICIPATION OF THE MEMBERS OF THE MEMBERS OF THE BOARD OF DIRECTORS, THE AUDIT COMMITTEE, AND OF THE COMMITTEES SPECIFIED IN SUBPARAGRAPH 1/B-3 OF THIS ARTICLE IN MEETINGS THAT WERE HELD DURING THE REPORTING PERIOD.

See "Corporate Governance Principles Compliance Statement".

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. SUMMARIZED BOARD OF DIRECTORS REPORT

Welcome to the 57th annual general meeting of our bank.

Before presenting for your examination and consideration the Board of Directors' and Statutory Auditors' reports and the profit & loss statement for the 2006 fiscal year we respectfully welcome our shareholders and their representatives and our guests who have honored this meeting with their presence.

For the Turkish economy, 2006 overall was a year in which growth continued. Factors such as tight fiscal policies, structural reforms, and steadfastness in the economic program have been influential in giving our economy a structure that is more resilient to external shocks. That the volatilities experienced in the second quarter of the past year were overcome at such a modest cost indeed supports this observation. Supply-side shocks, seasonal conditions, and external factors all exerted considerable inflationary pressure in 2006 with the result that inflation targets were not met.

The Turkish banking sector's growth was sustained in 2006. In the first 9 months of the year the sector's rate of growth was 9.8% and international investors' interest in the sector remained strong. The share of lending in the sector's balance sheet continued to rise. The growth in the volume of lending stemmed mainly from retail credit however it was to be observed that the rate of increase in the overall volume of lending was in decline.

As a result of our bank's taking nimble and good advantage of developments in our country's economy, in the year to 31 December 2006:

- Our shareholders' equity increased 7% to TRY 588,518,000
- Our total lending increased 38.5% to TRY 2,477,599,000
- Our total assets increased 22.4% to TRY 4,062,316,000
- Our net profit increased 8.8% to TRY 106,402,000.

As of end-2006, our capital adequacy ratio was 32.89%.

We have submitted for your examination and consideration our balance sheet and profit & loss statement in the annual report of our activities in 2006. We take this occasion to thank all our employees for their contributions towards our having these results and once again respectfully greet you our shareholders for having honored this general meeting.

Türkiye Sınai Kalkınma Bankası AŞ

Board of Directors

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

INFORMATION CONCERNING HUMAN RESOURCES PRACTICES

The wellspring of Türkiye Sınai Kalkınma Bankası's (TSKB) continuing development and progress is its employees. It was thanks to employees who are broad of vision, are pointed to as models in the market for their professional expertise, whose aim is to meet customers' needs and expectations, and who are open to development that TSKB was once again able to achieve so many successes in 2006.

The quality in the level of education, expertise, and identification with the company all put TSKB's personnel way ahead of their peers in the sector. Results-focus, analytical and problem-solving effectiveness, and strategic thinking skills number among the leading competencies of TSKB employees.

The foundations of the "Invest in the Employee" project that will be put into effect in 2007 were laid in 2006. The objectives of this project are to update the infrastructure of the bank's existing human resources systems and to develop and increase the bank's ability to attract and hold onto superior human resources.

As a result of interviews conducted to fill vacancies at TSKB in 2006, many new people who are eager to learn and open to development were added to our staff. TSKB's avowed principle is to recruit and train its management personnel in-house. In 2006, a group of 40 specialist assistants were prepared for the future through the bank's training and development programs. Senior and middle management personnel of the bank took part in a Recruitment Conference in Antalya to review activities in 2006 and identify goals for the next five years. The "Coaching Skills Development" project that was created for the purpose of developing the coaching skills of senior and middle managers is now in operation. Employees were informed about bank practices being carried out under its environment management system activities while disaster awareness training updated their knowledge on that subject.

Human resources	statistics %		
Total personnel	297	100	
Women	136	46	
Men	161	54	
Average length of service (years)	8,80		
Women	9,60		
Men	8,13		
Average age	35,51		
Women	35,65		
Men	35,40		
Educational status of banking personnel	Men	Women	Total
University	101	105	206
Other	24	5	29
Grand total	125	110	235
Foreign language competency among banking personnel (%)	Men	Women	Total
Grand total	72	85	78

The balance between the number of male and female employees, the educational level of its banking personnel, and the high percentage of foreign language competency at TSKB are all remarkable. TSKB personnel have a strong sense of identity with the bank, a fact that is made clear by an average length of service figure of 8.8 years. Another important sources of the bank's success is its relatively young staff, whose average age is 35.5.

INFORMATION ABOUT TRANSACTIONS THE BANK ENTERS INTO WITH MEMBERS OF ITS OWN RISK GROUP

See page footnote 7 of section 5 of the notes to the financial statements on page 142.

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

Believing that corporate governance principles are at least as important as financial performance, the bank sees their implementation as being highly beneficial to the development of national and international capital markets as well as in the bank's own interests.

The bank seeks to comply with such principles to the maximum degree possible and it makes an ongoing effort to do so.

The bank's articles of incorporation contain no provisions governing:

- Requests to have a special auditor appointed being granted as an individual right
- The payment of advances on dividends
- The participation of stakeholders in the bank's management
- Use of the cumulative voting system in the election of members of the Board of Directors
- Decisions of a highly important nature such as mergers or demergers that make significant changes in the bank's capital or management structures or assets; buying, selling, leasing, renting, donating, or contributing substantial amounts of assets and property; providing guarantees, surety, mortgages, and the like to third parties being taken at a general meeting.

A shareholder relations policy has been formulated.

Although there have never been any conflicts of interest among stakeholders over the limited number of corporate governance principles that have so far not been implemented, the bank desires to have them implemented within the framework of a plan in the least amount of time possible.

A determination and assessment of the level of the bank's compliance with corporate governance principles and opinions concerning the development of the level of compliance in terms of scope and nature are presented below.

2. Shareholder Relations Unit

A Shareholder Relations Unit has been set up at the bank. Ayşe Nazlıca is responsible for this function.

The name of the person employed in this unit and her contact information are presented below.

Name	Telephone	E-mail
Ayşe Nazlıca	(212) 334 5194	nazlicaa@tskb.com.tr

The Shareholder Relations Unit is responsible for managing the exercise of shareholders' rights and for maintaining communication between shareholders and the Board of Directors.

Work is currently in progress to set up a Corporate Governance Committee at the bank.

The Shareholder Relations Unit will begin reporting its activities directly to the Board of Directors in the very near future.

The basic functions and duties of the Shareholder Relations Unit are the following:

- Ensure that records pertaining to shareholders are maintained in a reliable, secure, and up-to-date manner.
- Respond to shareholders' written requests for all information about the bank except that which has not been publicly disclosed or is confidential and/or in the nature of a trade secret.
- Ensure that general meetings are conducted in accordance with the requirements of current laws and regulations and of the bank's articles of incorporation and other bylaws.

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

- Prepare documents for the use of shareholders at general meetings.
- Record the results of voting at general meetings and ensure that such results are reported to shareholders.
- Supervise and follow up on all issues related to public disclosures as required by law and the bank's public disclosure policy.

3. Shareholders' exercise of their right to obtain information

No written requests for information were received from shareholders during the reporting period.

All of the verbal requests for information received from shareholders during the reporting period were responded to.

During 2006 the Shareholder Relations Unit engaged in a total of 127 direct contacts with shareholders of which 73 took place at road shows, 9 via conference calls, and 5 by e-mail while the remaining 40 contacts took place with investors hosted at TSKB's headquarters building.

The infrastructure needed to monitor data pertaining to requests for information has been completed. The specific numbers of requests and responses will be included in future compliance reports.

Shareholders' requests for all information except that which has not been publicly disclosed or is confidential and/or in the nature of a trade secret are responded to. Requests for information received from shareholders are evaluated by employees who are at least departmental managers and every effort is made to respond to them, within the limits of trade secrecy and confidentiality, as quickly as possible and in such a way as to reflect the whole truth.

Announcements concerning issues that shareholders are frequently in need of and information about developments that might affect shareholders' exercise of their rights is published on the bank's corporate website at www.tskb.com.tr.

As a requirement of law, minority shareholding interests do not have the right to demand that a general meeting appoint a special auditor to examine specific concrete issues.

No request for the appointment of a special auditor was made by shareholders at any general meeting in 2006.

A request to have a special auditor appointed is not an individual right provided for under the bank's articles of incorporation.

In view of the fact that the appointment of a special auditor at the demand of a general meeting is a requirement of law and that a demand to appoint a special auditor is one of the exceptions to the principle of being bound by a general meeting agenda and furthermore in view of the practical concerns involved in protecting the confidentiality of information which is in the nature of a trade secret or which has not yet been publicly disclosed, the inclusion of an individual right to demand the appointment of a special auditor in the articles of incorporation is an issue to which consideration will be given in light of future developments.

It is believed that all the information necessary for shareholders to satisfactorily exercise their rights is made available to them through the corporate website, annual reports, and special circumstance announcements as well as by responding to individual requests.

Shareholders' requests for information about the legal and/or commercial relationships between the bank and private individuals and/or corporate entities that have a direct or indirect interest in the bank's capital, management, or audit are responded to within the framework of the bank's public disclosure policy.

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

For the purpose of increasing the ability of shareholders to have access to information, all information that may affect the exercise of their shareholder rights is provided in an electronic environment and in a timely manner.

4. Information about general meetings

One general meeting, the annual general meeting for 2005, was held during 2006. It took place on 17 March 2006.

Shareholders controlling TRY 125,713,814 worth of shares corresponding to 62.86% of the bank's TRY 200 million in paid-in capital took part in this meeting.

No one other than shareholders and employees took part in the meeting.

Announcements concerning the meeting and specifying its place, date, time, agenda, and specimen proxy statement were published two weeks before the meeting date in the Türkiye Ticaret Sicili Gazetesi, the newspaper Hürses, and in the ISE's bulletin.

E-mail invitations to the meeting were sent out in Turkish and English to those national and international investors who have invested in the bank and who could be reached in that way.

Care will be given to ensure that this notification period is at least three weeks in the future. An invitation will also be sent so that a representative of the independent auditors may attend general meetings too.

Information about the meeting was also sent out within the same time frame by fax and registered mail return receipt requested to holders of registered shares.

All shareholders are also able to directly access information about general meetings in both English and Turkish on the bank's corporate website at www.tskb.com.tr.

Entries in the shareholders' register are made by Board of Directors resolution. No period of time is stipulated during which such entries must be made in order to ensure that registered shareholders are able to attend general meetings.

As of the date on which the announcement of the invitation to a general meeting is made, copies of the annual report, financial statements and reports, dividend payment proposal, the agenda, other documents pertaining to the items on the agenda, the current text of the articles of incorporation, and, if the articles of incorporation are to be amended, the texts and justifications of the amendments are all made available for the inspection of shareholders at the bank's headquarters.

Since 2005, such information and documents have also been accessible on the corporate website at www.tskb.com.tr.

At the one ordinary general meeting held in 2006, shareholders exercised their recognized right to ask questions and their questions were duly responded to.

The shareholders present at the meeting unanimously passed motions to:

- Open the meeting, form the presiding committee, and authorize the presiding committee to sign the meeting's minutes on their behalf
- Read and deliberate the Board of Directors' report, the statutory auditors' report, and the independent auditors' report concerning the bank's accounts and transactions in 2006
- Examine and vote on the bank's balance sheet and profit/loss statement and acquit the members of the Board of Directors and the statutory auditors of their fiduciary responsibilities

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

- Come to a decision on the determination and apportionment of distributable profit and determine a dividend payment date
- Elect members to the Board of Directors
- Elect statutory auditors
- Determine the payments to be made to the members of the Board of Directors and to the statutory auditors.

By majority votes, the shareholders present at the meeting passed motions to:

- Approve the amendments to the articles of incorporation that had been vetted by the Capital Markets Board, the Banking Regulation and Supervision Agency, and the trade ministry
- Approve the selections of new directors made by the board to fill vacancies resulting from the resignation of members during the year.

According to the bank's articles of incorporation, the Board of Directors is authorized to make decisions involving:

- Allocations of credit above a specified limit
- The acquisition of equity stakes and the establishment of partnerships and the disposition thereof
- Matters of a highly important nature such as the management, acquisition, rental, or sale of real estate properties.

The bank's articles of incorporation contain no provisions requiring that decisions of a highly important nature such as demergers or share swaps that cause substantial changes in the bank's capital, management structure, or property assets or buying, selling, leasing, renting, donating, or contributing substantial amounts of tangible/non-tangible assets or providing guarantees such as surety, mortgages, etc on behalf of outside parties be taken at a general meeting.

The absence of such provisions in the articles of incorporation is thought to be justified on the grounds that their inclusion would give rise to consequences that would not be in the best interests of the bank or its stakeholders because they would:

- Reduce the effectiveness of management and
- Seriously hamper the bank's competitive strength and cause important opportunities to be missed.

Maximum attention is given to strictly complying with at least the minimum requirements of law so as to facilitate participation in general meetings. It is thought that bank's shareholders encounter no difficulties in participating in general meetings and to date no feedback on this issue has ever been received from a shareholder.

Copies of the minutes of general meetings are handed out to attending shareholders when the meeting is over and also, since 2005, they have been made available in electronic format by putting them up on the bank's corporate website at www.tskb.com.tr in order to inform shareholders who do not attend such meetings.

In general meeting announcements care is given to clearly state:

- The date and time
- The location so as not to leave any doubts
- The agenda
- Pertinent information about the items on the agenda
- If the agenda includes amendments to the articles of incorporation, the old and new texts of the amended articles that have been approved by authorities
- Who is summoning the meeting
- If another general meeting is being called because a previous one was postponed for any reason, the reason for the postponement and the quorum that will be required at the new meeting
- If the announcement is for an annual meeting, where the annual report, financial statements, and other meeting-related documents are available for examination.

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

Before a general meeting is held about changes in management or organizational activities that took place in the previous fiscal year or are planned in future ones, information about such changes together with their justifications will be provided to shareholders.

At such meetings, the following information and documents will be made available for the examination of shareholders:

- Explanations concerning changes in the bank's organizational structure and their justifications
- If one exists, a consultancy's report on the matter; otherwise a report on the subject prepared by the bank itself
- If organizational changes are to be made in subsidiaries or affiliates, the annual reports, financial statements, and pro forma balance sheets for the three most recent fiscal years of all the companies affected by the organizational changes.

When preparing general meeting agendas, care is given to presenting each item to be voted on under a separate heading; to make the headings as clear and explicit as possible so as not to be interpreted in any other way; and to refrain from including such legally prohibited items as "Other" or "Miscellaneous".

Specimen proxy statements for shareholders that wish to have themselves represented at meetings are published along with meeting announcements and are also made available for the information of shareholders in electronic format.

The principles and procedures that govern voting at the bank's general meetings are presented below in main outline.

- Each share of stock with a par value of one new kurush is entitled to one vote. There are no special voting rights.
- If a share of stock has more than one owner, only one of those owners may cast the share's vote on behalf of them all.
- Shareholders may participate in general meetings personally or may have themselves represented by a proxy.
- Voting at general meetings is by an open show of hands. Recourse may be had to secret ballot upon the demand of shareholders representing at least one-tenth of the capital present and voting.

The principles and procedures that govern voting at general meetings are also read out at the beginning of the meeting.

Issues that shareholders have told the Shareholder Relations Unit they wish to have included on meeting agendas are given consideration by the Board of Directors to the degree possible when it prepares a meeting's agenda.

As required both by law and by the bank's articles of incorporation, annual general meetings are held as soon as possible and within three months after the close of a fiscal year.

Annual general meetings are held as soon as possible after the close of the fiscal year but on no account more than three months later.

As required by the bank's articles of incorporation, annual general meetings are held in the same locality as the bank's headquarters and in such a way as to make it possible for all shareholders to attend.

At the start of the meeting and for the information of all shareholders, the total number of votes that may be exercised at a general meeting are classified on the basis of shareholders and indicated in the attendance roster along with a statement that there are no special voting rights.

News and analyses pertaining to disputed issues appearing in the media concerning the bank are presented for the information of shareholders at general meetings.

Questions that shareholders ask of members of the Board of Directors or of statutory auditors are responded to, provided that the answers are pertinent to the exercise of shareholder rights and do not fall within the scope of trade secrets.

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

The president of a general meeting conducts the meeting effectively and in such a way as to ensure that shareholders are able to exercise their rights.

Care is given to responding directly to every question raised by shareholders at a general meeting during the meeting. In situations where a question raised by a shareholder at a general meeting cannot be addressed directly, is unrelated to the agenda, or is too complex to be responded to immediately, every effort is made to provide a written response within one week's time at the latest.

The members of the Board of Directors, the bank officers responsible for preparing the financial statements, and the statutory auditors as well as other involved parties take pains to be present at general meetings in order to provide information about issues of a special nature that are on the agenda.

Each item on the agenda of a general meeting is voted on individually. To forestall any doubts about the results of voting, votes are counted and the results of the voting are announced to all shareholders before the meeting is adjourned.

The minutes of general meetings are always available in printed format and are also accessible in electronic format on the corporate website at www.tskb.com.tr.

5. Voting rights and minority rights

According to the bank's articles of incorporation, each share of stock with a nominal value of one new kurush is entitled to one vote. There are no shares that have special voting rights.

As required by banking legislation and by the provisions of the Turkish Commercial Code, the members of the Board of Directors and the statutory auditors are elected by shareholders convened in a general meeting.

As required by the bank's articles of incorporation, one member of the Board of Directors is chosen from among candidates designated by the Central Bank of the Republic of Turkey.

As required by law, the general manager is an ex officio member of the Board of Directors.

No shareholder is involved in any cross-shareholding relationship with the bank.

Vakıfbank, which controls a 8.38% stake in the bank's capital, has one seat on the Board of Directors.

The articles of incorporation contain no provisions governing the cumulative voting method.

There is no upper limit on the number of votes a shareholder may cast at a general meeting.

Voting rights are acquired the moment the shares on which they are contingent are acquired. There are no rules stipulating that voting rights may be exercised only after a specific period of time has passed after shares have been acquired.

The articles of incorporation contain no provisions preventing non-shareholders from acting as proxies for shareholders.

Shareholders may exercise their voting rights personally at general meetings and may also do so through any other party irrespective of the shareholder status of that party.

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

A non-corporate shareholder may only be represented by a single proxy at general meetings. If a corporate shareholder is represented by more than one individual at a meeting, only one of them may cast votes. The proxy statement must identify the individual who is authorized to cast votes.

6. Dividend payment policy and timing

The dividend payment proposals that the Board of Directors submits to the general assembly of shareholders are prepared according to a policy that:

- Avoids upsetting the delicate balance between shareholders' expectations and bank's need to grow
- Takes the bank's profitability into account.

The bank's dividend payment policy is to pay out 30% of distributable profit as a dividend provided that there are no adversities in global and/or national economic conditions and the bank's own financial standing and capital adequacy ratio are at expected levels.

The principles concerning the distribution of the bank's profits are governed by article 55 of the articles of incorporation as follows:

The net profit remaining after all general expenses, including within them the premiums, bonuses, and similar amounts payable to employees, as well as amounts of depreciation and required provisions have been subtracted from the revenues secured from the bank's activities in one year is partially set aside as reserves and partially distributed in the ways and at the percentages set forth below.

a) 1. 5% is set aside as a legal reserve.

2. 5% is set aside as a contingency against future losses.

b) From the net profit remaining after the reserves specified in (a) above have been set aside, an amount corresponding to 6% of paid-in capital is apportioned among shareholders as a "first dividend".

c) From the net profit remaining after the reserves and first dividend specified in (a) and (b) above have been set aside, at the recommendation of the Board of Directors and with the approval of the general assembly, 5% is set aside to be apportioned among founders' shares (limited to the first 200 thousand new Turkish liras of paid-in capital), up to 0.5% to be apportioned among members of the Board of Directors, and up to 3% to be apportioned among employees, except that the last cannot exceed three times the recipient's monthly salary.

d) From the amount remaining after the allocations and payments specified in (a), (b), and (c) above have been made, a "second dividend" may be paid in an amount proposed by the Board of Directors and approved by the general assembly.

The amount of net profit remaining after allocations and payments have been made in accordance with the rules specified above is set aside as an extraordinary reserve.

The provisions of article 466/3 of the Turkish Commercial Code and of the Capital Markets Law concerning these matters are reserved.

There exist 100 founders' shares that receive a portion of the profits distributed within the framework of the principles indicated above.

Dividends are paid within the legally prescribed periods of time.

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

Care is given to paying dividends as quickly as possible but in no case later than the end of the 5th month of the year as prescribed by law. If the Board of Directors' profit distribution proposal is accepted by the general assembly, 2006-year dividends will be distributed in the form of free shares of stock.

The articles of incorporation contain no provisions governing the payment of advances on dividends.

There are no significant donations or grants in aid that the bank made during the year or had planned to make as of year-end. As required by the "Regulations concerning the donations and grants in aid that may be made by banks and organizations subject to consolidated audit with them" that went into effect on 1 November 2006, the bank does not make political contributions.

7. Transfer of shares

The articles of incorporation contain no provisions restricting the transfer of shares.

All shareholders, including minority shareholding interests and foreign nationals, are treated equally.

8. Company disclosure policy

The bank's disclosure policy has been formulated and approved by the Board of Directors. It was publicly announced on 16 March 2006. The policy is published in both Turkish and English on the bank's website.

Any changes that may be made in the public disclosure policy are publicly announced, together with their justifications, after having been approved by the Board of Directors.

Public disclosure policy: General issues

Türkiye Sınai Kalkınma Bankası (TSKB) provides all the financial information and other announcements and disclosures required of it by the Banks Act and applicable regulations as well as by capital market laws and regulations, by the Turkish Commercial Code, and by the regulations of the İstanbul Stock Exchange where its shares are traded while being mindful also of generally accepted accounting principles and corporate governance principles; and for this purpose the bank abides by a detailed public disclosure and information policy.

The basic objective of the bank's disclosure policy is to ensure that all essential information and statements that are not in the nature of trade secrets are made available to shareholders, investors, employees, customers, and other interested parties in an equitable manner and in a way that is timely, truthful, complete, intelligible, convenient, and economical.

TSKB takes a proactive approach on the subject of adopting and abiding by corporate governance principles and it makes a maximum effort to comply with the requirements of law and to adhere to best international practices on issues related to public disclosures and reporting. The TSKB disclosure policy that was prepared within this framework has been approved and put into effect by the Board of Directors.

Authorities and responsibilities

Public disclosure policy is formulated by the Board of Directors. The Board of Directors is invested with the authority and responsibility for monitoring, supervising, and developing the bank's public disclosure and information policy.

Managers responsible for financial management and reporting and the investor relations group have been charged with the coordination of reporting functions. They fulfill these responsibilities working in close cooperation with the Audit Committee and the Board of Directors.

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

Public disclosure activities and the methods and vehicles used

The methods and vehicles used to make public disclosures within the framework of banking laws and regulations, capital market laws and regulations, the Turkish Commercial Code, and other laws, regulations, and administrative provisions are presented below.

- At three-month intervals, non-consolidated financial statements together with their footnotes and explanations that have been prepared in accordance with the rules laid down by the Banking Regulation and Supervision Agency (BRSA) and the independent auditors' report associated with them are submitted to the İstanbul Stock Exchange (ISE) and published on the bank's corporate website within the legally prescribed period of time. These financial statements are attested to and signed by the chairman of the Board of Directors, the statutory auditors, the general manager, the assistant general manager responsible for financial affairs, and the financial control manager. These quarterly published financial statements are also announced to the media and the public is informed about the activities taking place during the most recent reporting period, the bank's market position, its general performance, and other issues that may be of importance.

Both financial statements and media statements are also translated into English and these are forwarded to interested parties and published on the corporate website. Every year after the annual general meeting has been held, press conferences are held by the chairman and/or general manager in which a general assessment of the previous year is made and media representatives' questions are answered.

- At mid-year and year-end, financial statements together with their footnotes and explanations that have been prepared in accordance with international financial reporting standards and the independent auditors' report associated with them are sent out to specified bank creditors and are also published on the bank's corporate website.
- Special circumstance announcements that must be made in accordance with Capital Markets Board (CMB) regulations are sent to ISE and CMB in due time. While special circumstance announcements are in principle signed by managers responsible for financial reporting, in exceptional cases, they may also be signed by the managers responsible for the units concerned before being sent to authorities.
- In situations such as amendments to the articles of incorporation, general meetings, and share capital increases, announcements are made in the commercial registry gazette and in daily newspapers as required.
- An annual report incorporating all essential information and explanations is prepared in Turkish every year and made available for shareholders to examine and is published on the bank's website (www.tskb.com.tr) before the general meeting for the year is held. A printed copy of the annual report may also be obtained if required from the bank's Shareholder Relations Unit.
- Public statements are made when necessary through the printed and visual media. Printed and visual media public statements may only be made by the bank chairman, the general manager, or their deputies or by other officers designated by them.
- Information is supplied to shareholders and other interested parties through teleconferences that are held from time to time. These teleconferences are coordinated by the Shareholder Relations Unit.
- Information is supplied to shareholders and other interested parties through investor meetings and visits (road-shows) conducted in Turkey and abroad. To the degree possible, these road-shows are conducted by the Shareholder Relations Unit and they are taken part in by the general manager, by those responsible for financial management and reporting, and by officers of the Shareholder Relations Unit. In situations where it is deemed to be necessary, these contact teams may be further augmented.
- The Shareholder Relations Unit responds regularly and periodically to e-mail requests for financial statements and other pertinent information made by shareholders, rating agencies, and organizations preparing research reports about the bank.
- In the "Yatırımcı İlişkileri" / "Investor Relations" section of the bank's website (www.tskb.com.tr) there is detailed information and data in both Turkish and English about the bank and its corporate governance profile. The corporate website is managed and kept up to date by the Shareholder Relations Unit. All questions directed to the bank by shareholders and other interested parties by e-mail, letter, telephone, etc are responded to as quickly as possible under the coordination of the Shareholder Relations Unit.

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

Other disclosures

Disclosures other than the ones indicated above are made under the signature of bank officers within the designated limits of their individual authorities.

The TSKB corporate website (www.tskb.com.tr)

The bank makes active and intensive use of its corporate website for public disclosures and announcements. This website contains all the information and data required by corporate governance principles and regulatory authorities. The website also contains announcements about general meetings that are to be held, the items on their agendas, reporting documents pertaining to agenda items, other information, documents, and reports related to agenda items, and information about how to participate in general meetings. Care is given so as to keep the corporate website up to date on a continuous basis.

The basic objective of the bank's public disclosure policy is to ensure that all essential information and statements that are not in the nature of trade secrets are made available to shareholders, investors, employees, customers, and other interested parties in an equitable manner and in a way that is timely, truthful, complete, intelligible, convenient, and economical.

There exist no relationships whatsoever between the bank and the members of its Board of Directors save for those contingent upon their duties as directors. All dealings between the bank and its shareholders are publicly disclosed as required by law.

Periodical financial statements and their footnotes are prepared within the framework of current laws and regulations and international accounting standards so as to reflect the bank's true financial standing, are independently audited, and are publicly disclosed.

The bank's independent auditors are subject to rotation at regular intervals. A single independent auditor is selected to perform regular and/or special audits for no more than eight consecutive reporting periods and a new permanent or special auditing agreement may not be entered into with the same independent auditor until at least two reporting periods have passed.

Care is given not to obtain consultancy services either directly or indirectly from independent auditors at times when they are acting in the capacity of an independent auditor for the bank.

The annual report is prepared in sufficient detail to give the public access to all information about the bank's activities.

The annual report is prepared by the general manager and by the officer of the unit responsible for preparing financial statements and reports and it is approved by the Board of Directors. Financial statements include a statement to the effect that they fully reflect the bank's financial standing and that the bank is in full compliance with the requirements of law.

Care is given to ensure that an annual report contains at least the following information about the bank:

- Principal business activities
- Information about the sector in which it is active and its place in the sector
- Financial standing and an analysis and assessment of operational results
- Degree to which planned activities have been achieved
- Standing with respect to stated strategic objective
- Internal control system and a statement as to the soundness of its operation
- Assessments made by rating agencies if any
- Detailed explanation of foreseeable activity-related risks
- Analysis of dealings with group companies and other related individuals and organizations involving significant amounts during most recent year

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

- Commercial and non-commercial business and transactions that members of the Board of Directors, managers, and shareholders directly or indirectly controlling more than a 5% interest in the bank's capital have with companies in whose capital they control more than a 5% interest or, without being subject to that percentage, whose management have control or in whose management they have an influence
- The CVs, duties, and responsibilities of the members of the Board of Directors and of managers, the duties they have outside the bank, and whether or not they comply with bank-specified rules concerned exclusively with such matters.
- Capital market vehicles related to the bank that are held by members of the Board of Directors and managers
- Suits that have been initiated in which members of the Board of Directors or managers are involved concerning their activities
- The percentages and amounts of shares that members of the Board of Directors and managers hold in the bank
- Dealings between the bank and members of the Board of Directors and managers
- Changes in organization, capital, partnership, or management structures
- Disclosure of any penalties that have been imposed on account of practices contrary to laws and regulations and of the reasons for them
- Changes in the legal framework that may have a significant impact on activities
- Suits brought against the bank; admonitions or warnings received from public authorities or fines that have been imposed and similar information
- Profit distribution proposal
- Future expectations concerning sales, profitability and productivity levels, market shares, capacity to generate income, debt/equity ratios, and similar matters
- Information about how to access documents concerning the functions of the general assemblies, shareholders' rights, and the principles governing the exercise of those rights
- Statistical information and graphs concerning activities.

9. Special circumstance announcements

The bank made 44 special circumstance announcements during 2006 as required by CMB regulations.

There were no special circumstance announcements that were not made in due time or for which either CMB or ISE demanded additional information.

The Shareholder Relations Unit is responsible for overseeing and following up on all issues related to public disclosure. Investors, financial analysts, media representatives, etc who are in need of information about the bank are directed to the Shareholder Relations Unit.

In addition and in line with the principle of transparency and in keeping with the accounting principles to which the bank adheres and with the truthful reporting of financial results, the public is continuously kept informed and up to date on:

- Developments that might have an impact on the value of the banks' capital market vehicles, without delay and within the periods of time prescribed by law
- In situations in which a significant change takes place in the bank's financial standing and/or its activities or in which such a change is expected in the near future, all essential information is provided subject to the reservations made by laws and regulations
- Any changes or developments subsequently emerging with respect to public announcements that the bank has already made.

10. The company's corporate website and its content

The bank makes active and intensive use of its corporate website for public disclosures and announcements. This website contains all the information and data required by corporate governance principles and by regulatory authorities on a historical basis and in both Turkish and English. The website also contains announcements about general meetings that are to be held, the items on their agendas, reporting documents pertaining to agenda items, other information, documents, and reports related to agenda items, and information about how to participate in general meetings. The corporate website is kept up to date on a continuous basis.

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

In bank's corporate website address is www.tskb.com.tr. This address is included in the bank's letterhead stationery

11. Disclosure of ultimate non-corporate controlling shareholder(s)

There are no ultimate non-corporate controlling shareholders in the bank.

The bank's current shareholder structure is shown below.

Nr	Name	Nominal value (TRY 1,000)	Percentage
1	T. İş Bankası AŞ	121,551.85	40.52%
2	In the custody of the Central Registry Agency	114,770.39	38.26%
3	T. Vakıflar Bankası TAO	25,132.46	8.38%
4	Camiş Yatırım Holding AŞ	17,389.47	5.80%
5	TSKB Pension Fund	5,241.71	1.75%
6	Milli Reasürans TAŞ	3,612.43	1.20%
7	Others	12,301.69	4.09%

12. Public disclosure of those who may have access to insider information

Every precaution has been taken to prevent the misuse of insider information. The managers and other individuals and organizations which provide the bank with service that might have access to information that could affect the value of the bank's capital market vehicles are given below.

Employed by	Name	Position
Retired	İsmet Cahit Kocaömer	Chairman
T. İş Bankası AŞ	Kadir Akgöz	Vice Chairman
T. İş Bankası AŞ	Adnan Bali	Board Member
T. İş Bankası AŞ	Murat Bilgiç	Board Member
T. Ekonomi Bankası AŞ	Yavuz Canevi	Board Member
T. Vakıflar Bankası TAO	Cem Demirağ	Board Member
T. İş Bankası A.Ş	Serdar Gençer	Board Member
TSKB	Halil Eroğlu	Board Member & CEO
T. İş Bankası AŞ	Burhanettin Kantar	Board Member
Retired	A. Onur Özbilen	Board Member
T. İş Bankası AŞ	Senar Akkuş	Statutory Auditor
T. İş Bankası AŞ	Mustafa Darcan	Statutory Auditor
TSKB	Şemseddin Arat	Executive Vice President
TSKB	A. Orhan Beşkök	Executive Vice President
TSKB	Şeniz Yarcan	Executive Vice President
TSKB	Burak Akgüç	Executive Vice President
TSKB	Ömer Eryılmaz	Executive Vice President
TSKB	Çiğdem İçel	Executive Vice President
TSKB	Mustafa Gökteş	Financial Control Senior Manager
TSKB	Ayşe Nazlıca	Investor Relations Senior Manager
Denetim Serbest Mali Müşavirlik AŞ	Hasan Kılıç	Partner
DRT Denetim Revizyon Tasdik Yeminli Mali Müşavirlik AŞ	Adem Durak	Sworn Financial Advisor

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

13. Keeping stakeholders informed

Care is given to keeping stakeholders—those who have an interest in the bank and include shareholders, employees, creditors, customers, suppliers, non-governmental organizations, the government, and potential investors—informed on issues concerning the bank that are of interest to them as much as possible in writing. Insofar as is possible, the bank's relationships with stakeholders are governed by written agreements.

In situations where the rights of stakeholders are not governed by law or contract, the bank safeguards them within the framework of the rules of good faith, to the degree possible, and mindful of the bank's own reputation.

14. Stakeholder participation in management

The articles of incorporation contain no provisions governing stakeholder participation in the bank's management.

An "employee satisfaction survey" is conducted twice a year to solicit bank employees' views. The results of these surveys are evaluated by management, are announced to employees, and are taken into account when formulating policies.

"General assessment" meetings are held four times a year in order to inform employees about the bank's activities and progress in general and to solicit their suggestions. At such meetings the bank's financial structure and performance are also assessed together with employees.

15. Human resources policy

The principles of the human resources policy adopted by the bank are set out below.

Job descriptions, assignments, and performance criteria are determined by management and announced to employees.

When hiring, it is a principle that individuals are to be given equal opportunity under identical conditions. Hiring criteria are set forth in writing for each job position and are strictly complied with in practice.

When making training, assignment, and promotion decisions, particular care is given so as to make use of objective criteria and to protect the bank's best interests.

Training plans are developed and implemented so as to enable employees to improve their knowledge and skills.

An "employee satisfaction survey" is conducted twice a year to solicit bank employees' views. The results of these surveys are evaluated by management, are announced to employees, and are taken into account when formulating policies.

Employees are provided with a secure work environment and safe working conditions. Work is currently in progress to further improve these conditions in line with social and technological requirements.

Employees are kept informed about all bank decisions and developments that may be of concern to them and feedback is solicited from them on such issues.

Measures are taken to prevent discrimination among employees on the basis of race, religion, language, or sex; to ensure respect for human rights; and to protect employees against physical, mental, or emotional abuse in the workplace.

It is not a practice of the bank to appoint a representative to conduct relations with employees.

The human resources policy is also publicly disclosed on the corporate website.

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

16. Information about relations with customers and suppliers

The bank is mindful of the continuity of service quality and of standards in all aspects of its products and services.

Customers' wishes are quickly satisfied at every stage and customers are kept informed whenever delays may occur.

Care is given to protecting the integrity of customers' and suppliers' confidential information.

17. Social responsibility

The bank has been especially mindful of public interests and social responsibility in the conduct of its activities since the day it was founded. Environmental awareness and a sensitivity for environmental issues always rank high among its business principles.

TSKB's environmental sensitivity is defined within the framework of the following principles:

- Minimize the environmental impact of the bank's activities.
- Identify environmental standards concerning the bank's activities.
- Define and continuously monitor environmental objectives and targets.
- Support investments aimed at protecting the environment.
- Identify environmental risks and take them into account when making financial decisions.
- Develop and maintain a continuous awareness of environmental sensitivity among employees and the public at large.
- Ensure compliance with all national and international environmental regulations.
- Take part in efforts that will make it possible to pass a livable environment on to future generations.

These principles constitute the foundation of all decision-making processes concerning all activities. Under the heading of social responsibility, a decision has been made to set up an environment management system within TSKB that is compliant with ISO 14001 standards in order to bolster environmental awareness. This system will define the principles of TSKB's environmental sensitivity while also providing guidance to all bank employees on being aware of the environmental impact of the bank's activities and on improving environmental performance.

The TSKB Environment Policy was approved by the Board of Directors and went into effect on 1 June 2006.

The bank is a regular sponsor of concerts in the İstanbul Music Festival that is organized every year by the İstanbul Foundation for Culture and the Arts.

Under the heading of social responsibility, the bank provides material and moral support to the Handicapped Sports, Education and Assistance Foundation.

The bank's library, which is regarded as one of the most important privately-owned research and documentation centers in İstanbul, is open to anyone wishing to do research as well as to the bank's own personnel.

18. Structure and formation of the Board of Directors; non-executive directors

With the exception of the general manager, the Board of Directors consists entirely of non-executive directors.

The positions of general manager and board chairman are held by different people.

As the bank has no ultimate non-corporate controlling shareholders, it is thought that all the members of the Board of Directors are naturally able to act with complete independence and have the advantage of acting impartially in their decisions by holding the interests of the bank and its stakeholders above everything else.

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

Information about the members of the Board of Directors and general manager is presented below.

Name	Title	Educational background	Work experience	Date appointed	Company employed by and position
İ. Cahit Kocaömer	Chairman of the Board of Directors	İstanbul School of Economics and Commerce	58 years	22 Mar 2002	Retired
Kadir Akgöz	Vice Chairman of the Board of Directors	Middle East Technical University / Chemical Engineering	28 years	17 Mar 2006	T. İş Bankası AŞ / Deputy Chief Executive
Adnan Bali	Board Member	Middle East Technical University/Economics	20 years	24 Aug 2006	T. İş Bankası AŞ / Deputy Chief Executive
Murat Bilgiç	Board Member	University of Birmingham	16 years	23 Mar 2005	T. İş Bankası AŞ / Corporate Credit Department / Credit Regional Manager
Yavuz Canevi	Board Member	University of Southern California	26 years	29 Mar 1993	T. Ekonomi Bankası AŞ / Chairman of the Board of Directors
Cem Demirağ	Board Member	Middle East Technical University / Public Administration	15 years	18 Oct 2006	T. Vakıflar Bankası TAO Director
Serdar Gençer	Board Member	University of Nottingham	16 years	23 Mar 2005	T. İş Bankası AŞ / Budget and Planning Manager
Halil Eroğlu	Board Member and CEO	Ankara University / Faculty of Political Science	30 years	22 Mar 2002	TSKB AŞ / General Manager
Burhanettin Kantar	Director	Middle East Technical University / Public Administration	18 years	23 Mar 2005	T. İş Bankası AŞ / Participations Manager
A. Onur Özbilen	Board Member	Ankara University Faculty of Political Science	30 years	17 Mar 2006	Retired
Statutory Auditors					
Senar Akkuş	Statutory Auditor	Middle East Technical University / Economics	15 years	16 Mar 2005	T. İş Bankası AŞ / Economic Research Manager
Mustafa Darcan	Statutory Auditor	Ankara University / Faculty of Political Science / International Relations	18 years	17 Mar 2006	T. İş Bankası AŞ / Participations Group Manager

In the fulfillment of its decision-making functions, the Board of Directors' fundamental concerns are to:

- Maximize the bank's market value
- Ensure that the banks' activities are conducted in such a way as to secure long-term, stable gains for its shareholders
- Maintain the delicate balance between shareholders' expectations and the bank's need to grow

When choosing new members to fill vacancies on the board, attention is given to the following matters.

- Candidates are required to be present at general meetings at which board elections are to be held.
- Shareholders are provided with complete information about candidates.
- Shareholders have the right to put questions to candidates

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

- Candidates are required to inform shareholders about what, if any, seats they hold on the boards of other companies and state whether or not they will comply with bank regulations about such matters.

Attention is given to the conduct of regular board meetings, which are held at least once a month.

Because they are the representatives of corporate shareholders, the law does not require the members of the Board of Directors to be shareholders in the bank themselves.

For the same reason, the usual requirement of directors to entrust shares of stock to the bank as guarantees are fulfilled by the corporate entities that boardmembers represent.

There is no member of the Board of Directors who owns stock in the bank.

The articles of incorporation contain no provisions governing the use of the cumulative voting system in the election of members of the Board of Directors.

19. Qualifications of members of the Board of Directors

Because their qualifications are stipulated by law, the bank's articles of incorporation contain no other provisions governing the minimum qualifications required to be elected to a seat on the board.

By law, the general managers of banks must have at least four years of university education in one or more of the disciplines of law, economics, business administration, public finance, public administration, or the equivalent of these or in the engineering branches of those disciplines and must have and at least ten years of professional experience in banking or business administration. More than half of the members of the board must have the same qualifications save for that of length of professional experience.

All of the members of the banks board of directors have at least the following qualifications:

- A satisfactory level of knowledge and experience in banking and/or finance
- Financial statement and report reading and analysis skills
- Basic knowledge about the legal framework governing the bank and about the conditions of its market
- The willingness and ability to regularly take part in board meetings during their elected term of office.

The Board of Directors consists of eleven members and this number makes it possible for the board's activities to be organized effectively.

A newly-elected member of the board takes part in an orientation program that includes:

- Becoming acquainted with bank managers and visiting bank units
- Reviewing bank managers' backgrounds and performance evaluations
- Being familiarized with the bank's strategic goals, current standing, and problems
- Examining the bank's market share, financial structure, and performance indicators.

While there are no specific rules concerning boardmembers' undertaking other duties outside the bank, no member has any duties other than the ones naturally incumbent upon them in the corporate entities they represent and in the organizations belonging to the corporate entities they represent.

20. Mission, vision, and strategic goals of the company

The bank's

- Vision: To grow through investment in Turkey and its surrounding region.

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

• Mission: To assist in the establishment of new facilities belonging to enterprises in economic sectors in Turkey, particularly in industry, and in their expansion, modernization, and development and also to assist the development of projects and activities undertaken directly or through companies abroad and to assist the growth and development of money and capital markets. The bank's vision and mission are publicly disclosed on the corporate website at www.tskb.com.tr.

Strategic objectives are determined by management taking into account competitive conditions, the overall economic situation, general expectations in national and international financial markets, and the bank's medium and long-term objectives and they are presented to the Board of Directors for its approval.

These strategies and objectives are debated thoroughly and comprehensively by the board.

Performance with respect to approved strategies and objectives is regularly reviewed at monthly board meetings at which the bank's activities, financial structure, and related issues are reviewed and assessed.

In order to effectively and continuously carry out its supervision and control functions, the Board of Directors in principle meets every month.

At such meetings, consideration is given to the bank's activities, the degree to which the approved annual budget and business targets are being achieved, the position of the bank in its sector, its financial structure and performance standing, and the compliance of its reporting and activities with international standards.

21. Risk management and internal control mechanisms

A risk catalogue has been prepared that defines the potential risks to which the bank may be exposed. This catalogue has been approved by the Board of Directors and is now in force.

Risk policies that were formulated for the risk categories which are included in this catalogue and which are of the highest importance from the standpoint of the bank's activities have been approved by the Board of Directors and are now in force.

Under the heading of processes concerning the measurement, assessment, and management of the bank's risks, a structure that reports to the Board of Directors has been created to ensure that risk management and internal control activities are conducted in an organized way and within the framework of the risk catalogue that has been prepared.

An "Audit Committee" has been set up within the Board of Directors to assist the board in the performance of its audit and oversight functions. This committee carries out its activities subject to the board through the Board of Inspectors (internal audit), Risk Management Unit, and Internal Control Center. The Audit Committee is responsible for ensuring on the Board of Directors' behalf, the effectiveness and adequacy of the units referred to as "internal control systems".

The duties and responsibilities of the Board of Inspectors, Internal Control Center, and Risk Management Unit are all in compliance with the requirements of existing laws and regulations and they are governed by internal regulations that have been approved by the bank's Board of Directors.

22. Authorities and responsibilities of members of the Board of Directors and of executives

The authorities of the Board of Directors are set forth in the bank's articles of incorporation, according to which the board is responsible, among other things, for:

- Ensuring that all the transactions made necessary by the matters making up the bank's principal business activities are carried out and making such decisions to that end as are necessary
- Identifying general rules concerning internal regulations and bank policies in line with the bank's objectives and identifying those who exercise power of signature over the bank

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

- Determining what bank transactions are to be performed by the general manager and which ones will require a board decision
- Making credit allocations that are above a specified limit
- Acquiring equity stakes, entering into partnerships, and disposing thereof
- Managing, acquiring, renting, and selling real estate properties.

The Board of Directors exercises its authorities fully cognizant of all information needed to fulfill its duties, prudently, and within the framework of the rules of good faith.

As stipulated in the articles of incorporation, the general manager is responsible for the day-to-day conduct of the bank's business within the framework of the principles and limits set by the Board of Directors.

Authorities concerning the conduct of the bank's business are delegated to executive organs within the framework of the bank's published powers of signature.

The sanctions that are to be imposed in the event of illegal or irregular acts on the part of employees are set forth in the personnel regulations approved and put into effect by the board.

The members of the board devote a sufficient amount of their time to the bank's business.

The board has taken necessary precautions to ensure that information about the bank that is not to be publicly disclosed or is in the nature of trade secrets is not divulged outside the bank.

Periodic financial statements and the bank's annual report are published with the board's approval.

Outside its basic functions, the Board of Directors also takes the opinions and recommendations of executive organs and committees into account in the fulfillment of its responsibilities such as:

- Approving the bank's annual budget and business plans
- Having the bank's annual report prepared and finalizing it for presentation to the general meeting
- Ensuring that general meetings are held in accordance with the requirements of law and the bank's articles of incorporation
- Carrying out the decisions made at general meetings
- Checking significant expenditures that amount to more than 10% of the bank's most recent balance sheet
- Approving manager career plans and incentive programs
- Determining policies related to shareholders, stakeholders, and public relations
- Determining the bank's public disclosure policy
- Determining bank and employee rules of ethics
- Determining the working principles of committees and ensuring that committees are effective and productive in their work
- Taking measures to ensure that the bank's organizational structure is able to respond to current needs
- Examining the activities of predecessor boards of directors.

In addition the Board of Directors also has ultimate responsibility for the creation of the internal audit, internal control, and risk management systems—the "internal control systems" required by the Banking Regulation and Supervision Agency's "Regulations concerning the internal systems of banks"; for their effective, adequate, and proper operation; for the protection of the information provided by the accounting and financial reporting system; and for the determination of authorities and responsibilities throughout the bank.

23. Operating principles of the Board of Directors

A draft of the agenda for a board meeting is prepared by the general manager and finalized in line with the suggestions of the chairman and other directors.

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

The Board of Directors convened 41 times during 2006.

Special care is given to setting meeting dates that will allow all boardmembers to attend. Meetings are regularly held with all members in attendance, except in unforeseen exceptional cases.

Notifications concerning board meetings are sent out first by telephone and are then followed up in writing.

A secretariat has been set up that is responsible for keeping the members of the Board of Directors and the statutory auditors informed and for communicating with them.

Dissenting votes at board meetings and the justifications for them are entered into the meeting's minutes and the statutory auditors are notified of this situation as well. No member of the board cast a dissenting vote at any board meeting in 2006.

All members of the Board of Directors take particular care to be present at meetings dealing with important issues related to the bank's activities such as:

- Determining businesses that the bank is to engage in and approving business and financial plans
- Summoning ordinary and extraordinary general meetings and taking care of matters related to their organization
- Finalizing the annual report that is to be submitted at a general meeting
- Electing the chairman and deputy chairman and appointing new members to the board
- Creating and winding up administrative units
- Appointing and dismissing general managers
- Setting up committees
- Approving mergers, demergers, and restructurings; selling more than 10% of the bank's non-current assets or undertaking investments amounting to more than 10% thereof; approving expenditures amounting to more than 10% of the bank's total assets
- Determining the bank's dividend payment policy and how much of current profit is to be paid out as a dividend
- Increasing or decreasing the bank's capitalization.

A board's first meeting is preferably held on the same day that the board is elected into office.

At this first meeting, the chairman and deputy chairman are elected, duty assignments are made, and committees are formed.

In principle, boardmembers take part in all meetings.

The board meets regularly at least once a month as previously scheduled and occasionally as circumstances seem to warrant.

Information and documents pertaining to items on the board's agenda are normally sent out to members for them to examine at least seven days before the meeting date. In situations where this is not possible, every effort is made to ensure that all members are equally informed about the matters involved.

Each boardmember is entitled to a single vote. All directors' votes carry equal weight and no director has a positive or negative veto power.

As stipulated in the articles of incorporation, the board convenes with a simple majority of its membership and decisions are passed by a simple majority of those present.

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

24. Prohibition on doing business or competing with the company

Members of the Board of Directors engage in no activities which would be subject to any prohibition on doing business or competing with the bank and which would therefore require them to obtain the prior permission of the shareholders at a general meeting.

25. Rules of ethics

The bank adopted the Code of Banking Ethics published by the Banks Association of Turkey under Board of Directors resolution dated 16 March 2006. The board has also adopted the new form of the code as revised by the Banks Association of Turkey on 26 July 2006. The complete authorized Turkish and English versions of Code of Banking Ethics are available on the TSKB corporate website.

26. Number, structure, and independence of committees established by the Board of Directors

An "Audit Committee" consisting of two non-executive directors has been set up within the Board of Directors as required by article 24 of the Banks Act. Regulations concerning the duties, authorities, and responsibilities of the Audit Committee have been approved by the board and are now in force.

The Audit Committee convened four times during 2006. At these meetings, the Audit Committee was informed about the bank's internal audit, internal control, and risk management activities and was provided with reports that had been prepared, summarized finds, and information about planned activities.

There is a Senior Risk Committee that is responsible for preparing the risk management strategies and policies to which the bank adheres and for monitoring their implementation. One member of the Audit Committee is also a member of the Senior Risk Committee.

The bank's Risk Management Group consists of the Senior Risk Committee and the Risk Management Unit. The areas of responsibility of the committee and the Risk Management Unit and their duty descriptions are set forth in Risk Management Group regulations that have been approved by the Board of Directors. In keeping with the principle of separation of powers, the Risk Management Group reports directly to the Board of Directors through the Audit Committee.

The Risk Management Group and senior management are responsible for developing policies and procedures as necessary but subject to the approval of the Board of Directors. These policies specify risk tolerances, limits, and operational principles.

A risk catalogue that defines potential risks has been prepared by the Risk Management Unit and senior management. This catalogue has been approved by the Board of Directors and is now in force.

As the bank has no ultimate non-corporate controlling shareholder, it is thought that all the members of the Board of Directors are naturally able to act with complete independence and have the advantage of acting impartially in their decisions by holding the interests of the bank and its stakeholders above everything else.

27. Financial benefits provided to the Board of Directors

Members of the Board of Directors receive no financial benefits other than the monthly honorarium that is paid to them.

The amount to be paid as an honorarium is determined in line with proposals put forward by shareholders at a general meeting. No member of the Board of Directors is or has ever been the direct or indirect recipient of any cash loan or non-cash credit extended by the bank.

ASSESSMENT ON FINANCIAL INFORMATION AND RISK MANAGEMENT

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TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. STATUTORY AUDITORS' REPORT

To the general assembly of shareholders of
Türkiye Sınai Kalkınma Bankası AŞ:

The results of our examination made in accordance with accounting principles and standards specified in regulations currently in effect pursuant to the Turkish Commercial Code and article 37 of the Banks Act and with the provisions of the articles of incorporation of Türkiye Sınai Kalkınma Bankası Anonim Şirketi are presented below.

The balance sheet of Türkiye Sınai Kalkınma Bankası Anonim Şirketi dated 31 December 2006 was drawn up in accordance with the requirements of laws and regulations, conforms to its books of account, and shows the bank's true financial standing as of that date and the profit/loss statement for 2006 shows the true results of the bank's activities.

We recommend that the balance sheet and profit/loss statement be approved.



Statutory Auditor
Senar Akkuş



Statutory Auditor
Mustafa Darcan

15.02.2007

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. PROFIT DISTRIBUTION PROPOSAL

We respectfully recommend that the net profit from 2006 amounting to TRY 106,401,909.13 be allocated and distributed as indicated below and in accordance with article 55 of our articles of incorporation:

1. TRY 5,320,095.46 corresponding to 5% of net profit will be set aside as a first legal reserve pursuant to article 55/a-1 of the articles of incorporation.
2. TRY 5,320,095.46 corresponding to 5% of net profit will be set aside as a provision to cover possible future losses pursuant to article 55/a-2 of the articles of incorporation.
3. TRY 18,000,000.00 will be set aside as a first dividend pursuant to article 55/b of the articles of incorporation, to be paid at the rate of 0.06 new kurush (6%) on 30 billion paid and free shares each with a par value of 1 new kurush.
4. Of the TRY 77,761,718.21 in profit remaining after having set aside the amounts in items 1 through 3 above and in accordance with article 55/c of the articles of incorporation:
 - a) 5% (limited to the first 200 thousands of paid-in capital) corresponding to TRY 2,592.06 (gross) will be paid in the amount of TRY 25.92 to each holder of a founder's share.
 - b) 0.5% corresponding to TRY 388,808.59 will be apportioned among the members of the Board of Directors.
 - c) 3% corresponding to TRY 2,332,851.54 will be set aside to be apportioned among employees as the Board of Directors decides.
5. The amount of TRY 32,000,000.00 will be set aside as a second dividend pursuant to article 55/d of the articles of incorporation, to be paid at the rate of 0.1067 new kurush (10.667%) on 30 billion paid and free shares each with a par value of 1 new kurush.
6. TRY 3,772,425.22 will be set aside as a second legal reserve pursuant to article 466/2-3 of the Turkish Commercial Code.
7. The remaining TRY 39,265,040.80 will be set aside as an extraordinary reserve.
8. The entire amount of TRY 50,000,000.00 corresponding to the sum of the first and second dividends specified in items 3 and 5 above will be distributed as free shares of stock in order to cover the TRY 50,000,000.00 portion of the TRY 100,000,000.00 added to our bank's capitalization when it was increased from TRY 300,000,000.00 to TRY 400,000,000.00.
9. The distribution of the 2006 year dividends in the amount of TRY 50,000,000.00 in the form of free shares of stock will begin after those shares have been registered by the Capital Markets Board.

We respectfully recommend that the Board of Directors be authorized to take action with respect to the matters set forth above.

The Board of Directors

ASSESSMENT OF THE OPERATION OF THE INTERNAL AUDIT, INTERNAL CONTROL, AND RISK MANAGEMENT SYSTEMS OF TÜRKİYE SİNAİ KALKINMA BANKASI AŞ DURING THE 2006 REPORTING YEAR

General information about TSKB internal systems

As required by the provisions of the Banks Act (Statute 5411) and of the Banking Regulation and Supervision Agency's "Regulations concerning the internal systems of banks", the TSKB Board of Inspectors, the Internal Control Center, and the Risk Management Unit all conduct their activities subject to the Audit Committee set up to assist the Board of Directors in the fulfillment of its audit and oversight responsibilities. The Audit Committee is provided with information concerning internal audit, internal control, and risk management activities through regular meetings. The duties and responsibilities of the Board of Inspectors, the Internal Control Center, and the Risk Management Group are in compliance with the requirements of existing laws, regulations, and administrative provisions and have been set out in internal regulations approved by the Board of Directors.

The fundamental principles of the bank's risk management are: risk-focused auditing; active oversight on the part of the Board of Directors and senior management; formulation of appropriate policies and limits and their monitoring; independent, accurate, and timely measurement, assessment, and reporting of risks to those who have a need to know; and having effective internal control systems in place.

TSKB Board of Inspectors

The TSKB Board of Inspectors reports directly to the Board of Directors and is responsible for the conduct, through the Audit Committee, of all auditing functions concerning all TSKB activities. The board's audits, examinations, and inquiries are carried out at all of the bank's headquarters units, branches, and equity stakes.

The Board of Inspectors prepares an internal audit plan for the next year that sets out in detail the units that are to be inspected and the projects that are to be carried out in the course of its internal audit activities and it submits this plan to the Audit Committee for its approval. Internal audit and IT audit activities are carried out by bank inspectors and IT auditors within the framework of the audit plan, impartially and independently, and with all due professional diligence.

Risk assessments are being made by the Board of Inspectors that will serve as the basis for the preparation of audit plans that take a more effective, risk-focused approach to auditing. In these risk assessments, the risks to which the bank is exposed and the ways in which they are controlled are taken into consideration to determine what things are to be given priority in the conduct of audits and how frequently audits should take place. In this way resources can be used more productively and it becomes possible to intervene in potentially risky issues more quickly and more effectively.

Reports of the results of inspection activities are submitted to the Audit Committee, which examines them and then forwards them to the general manager. The findings and recommendations contained in these reports as well as the measures and actions taken by the headquarters units concerned are monitored by the Board of Directors.

The TSKB Board of Directors maintains a close watch over the activities of the Board of Inspectors, which submits a report setting out the internal audit activities and their results to the board through the Audit Committee at three-month intervals.

Members of the TSKB Board of Inspectors undertake duties on projects being carried out in the bank in addition to their inspection activities and they take an active part in all aspects of these projects from their original design to final execution.

TSKB Internal Control System

The TSKB Internal Control System is structured so as to ensure that all of the financial and operational risks involved in the bank's activities are continuously kept under a reasonable level of control.

The Internal Control Center is responsible for all aspects of the internal control system including but not limited to identifying in advance the risks to which the bank may be exposed in its efforts to achieve its aims and managing them, ensuring that the bank's operations are effective and productive, protecting the bank's assets, ensuring compliance with current laws and regulations, and safeguarding the reliability and integrity of the accounting and financial reporting systems.

ASSESSMENT OF THE OPERATION OF THE INTERNAL AUDIT, INTERNAL CONTROL, AND RISK MANAGEMENT SYSTEMS OF TÜRKİYE SİNAİ KALKINMA BANKASI AŞ DURING THE 2006 REPORTING YEAR

Activity-related procedures, work flows, responsibilities, authorities, and limits are continuously reviewed and updated in light of changing needs, risks, and conditions. Whenever internal controls related to the bank's primary activities and business processes are formulated or changed, they must be examined and approved by the Internal Control Center. In the development of new projects and products, the Internal Control Center plays a proactive role in addition to its regular process responsibilities and it helps identify where internal control points need to be placed.

Activity-related work flows incorporate complete and suitable control mechanisms needed to respond to risks on an individual activity basis with the result that the activities take place in a controlled manner. Functional responsibilities on an individual activity basis as well as authorities to perform and approve transactions and their limits, system controls, post-transaction controls, and other transaction-specific controls all help ensure that activities and transactions are always conducted in a manner that is effective, correct, and secure.

Findings, opinions, and recommendations resulting from the internal control activities of the Internal Control Center are shared and assessed first of all with those performing the activities. In this way, it is possible for complementary and preventive measures to be taken and put into effect quickly as needed and for suitable and practical solutions to be introduced to make improvements. All of these activities are continuously and closely monitored and assessed by the Internal Control Center as well as by those carrying them out.

The TSKB Audit Committee periodically assesses the effectiveness of the internal control system and the results of internal control activities through activity reports prepared by the Internal Control Center.

TSKB Risk Management System

The Risk Management Group is responsible for preparing the risk management policies and strategies that the bank will follow, for the implementation of risk management system activities, and for defining, measuring, monitoring, analyzing, assessing, and reporting risks. The Risk Management Group consists of the Senior Risk Committee and the Risk Management Unit.

The risk management process is organized within the framework of risk management regulations and contributes towards the formation of a culture of risk awareness throughout the bank. The process is structured so as to allow risks to be defined in a manner compliant with international standards and ensure that they are measured, analyzed, monitored, and reported in the same way.

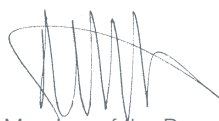
The Risk Management Unit is responsible for taking part in activities to develop and integrate systems that will help monitor risks for compliance with the bank's policies, standards, and limits and identify violations; analyze the dimensions of risks through scenario development; and measure, monitor, and report risks.

In line with its fundamental objective of ensuring the creation and continuity of risk management systems, the Risk Management Unit identifies the basic risks to which the bank is exposed, measures the risks it incurs, and identifies and develops risk measurement methods and ensures their consistency. The Risk Management Unit is also responsible for conducting the bank's Basel II criteria compliance activities.

The Risk Management Unit prepares a detailed risk management report at three-month intervals and submits it to the Board of Directors



Member of the Board of Directors
and Audit Committee
Adnan Bali



Member of the Board of Directors
and Audit Committee
Murat Bilgiç

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
INDEPENDENT AUDITORS' REPORT FOR THE YEAR
1 JANUARY – 31 DECEMBER 2006

Deloitte.

DRT Bağımsız Denetim ve
Serbest Muhasebeci
Mali Müşavirlik A.Ş.
Sun Plaza
Dereboyu Sok. No:24
34398 Maslak, İstanbul Türkiye

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

We have been appointed to audit the accompanying balance sheet of Türkiye Sınai Kalkınma Bankası A.Ş. ("the Bank") as at 31 December 2006, and the related 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 financial statements present fairly, in all material respects, the financial position of the Bank 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 Article 37 of the Banking Act No: 5411 and other regulations and pronouncements in respect of accounting and financial reporting made by BRSA.

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



Hasan Kılıç
Partner

İstanbul, 15 February 2007

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

Address: Meclis-i Mebusan Cad. No: 161 34427 Fındıklı/Istanbul
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E-mail Address for communication: NAZLICAA@tskb.com.tr

The unconsolidated 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 BANK
- UNCONSOLIDATED FINANCIAL STATEMENTS OF THE BANK
- EXPLANATIONS ON THE CORRESPONDING ACCOUNTING POLICIES APPLIED IN THE RELATED PERIOD
- INFORMATION ON FINANCIAL STRUCTURE OF THE BANK
- EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS
- OTHER EXPLANATIONS AND FOOTNOTES
- INDEPENDENT AUDITORS' REPORT

The unconsolidated financial statements and the explanations 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 Banks' records.

15 February 2007

Chairman

İsmet Cahit Kocaömer

CEO and Board Member

Halil Eroğlu

Executive Vice President
Responsible for Financial Control

Ömer Eryılmaz

Senior Manager for
Financial Control

Mustafa Göktaş

Member of Audit Committee

Adnan Bali

Member of Audit Committee

Murat Bilgiç

Information related to responsible personnel for the questions can be raised about financial statements:

Name-Surname/Title: Ayşe Nazlıca / Senior Manager for Investor Relations

Telephone Number: (212) 334 51 94

Fax Number: (212) 243 29 75

THE UNCONSOLIDATED FINANCIAL STATEMENTS BETWEEN 1 JANUARY – 31 DECEMBER 2006

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TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

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. 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 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.

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

Title	Name and Surname	Academic Background	Experience in Banking and Management Before	
			Appointment	
Chairman of the 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 Directors and General Manager	Halil Eroğlu	Undergraduate	24 years	
Assistant General Managers	Şemseddin Arat	Undergraduate	23 years	
	A.Orhan Beşkök	Undergraduate	19 years	
	Şeniz Yarcın	Undergraduate	16 years	
	Burak Akgüç	Undergraduate	15 years	
	Ömer Eryılmaz	Undergraduate	20 years	
	Çiğdem İgel	Undergraduate	17 years	
	Mustafa Darcan	Undergraduate	18 years	
Legal Auditors	Senar Akkuş	Undergraduate	14 years	

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

(Amounts expressed in thousands of New Turkish Lira (TRY) unless otherwise stated.)

Changes

Title	Left during the year	Appointed during the year
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 particular candidate's shares in the Bank is symbolic.

IV. Information about the Persons and Institutions that have Qualified Shares

T. İş Bankası A.Ş. Group owns the qualified shares that controls 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 (Central Registry Agency)	114.770	38,26	114.770	-
Other	9.805	3,26	9.805	-
Total	300.000	100,00	300,000	-

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

(Amounts expressed in thousands of New Turkish Lira (TRY) unless otherwise stated.)

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 licence 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.

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

BALANCE SHEET AS OF 31 DECEMBER 2006 AND 31 DECEMBER 2005

(In Thousand of New Turkish Lira)

ASSETS	Note Ref.	Audited CURRENT PERIOD 31 December 2006			Audited PRIOR PERIOD 31 December 2005		
		TRY	FC	TOTAL	TRY	FC	TOTAL
I. CASH AND BALANCES WITH THE CENTRAL BANK	(1)	186	872	1,058	357	130	487
II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (Net)	(2)	1,029	6,823	7,852	533	165	698
2.1 Trading financial assets		523	-	523	532	-	532
2.1.1 Public sector debt securities		-	-	-	-	-	-
2.1.2 Share certificates		-	-	-	-	-	-
2.1.3 Other marketable securities		523	-	523	532	-	532
2.2 Financial assets at fair value through profit and loss		-	-	-	-	-	-
2.2.1 Public sector debt securities		-	-	-	-	-	-
2.2.2 Share certificates		-	-	-	-	-	-
2.2.3 Other marketable securities		-	-	-	-	-	-
2.3 Derivative financial assets held for trading		506	6,823	7,329	1	165	166
III. BANKS AND OTHER FINANCIAL INSTITUTIONS	(3)	22,583	88,113	110,696	41,304	85,782	127,086
IV. MONEY MARKET PLACEMENTS		-	-	-	-	-	-
4.1 Interbank money market placements		-	-	-	-	-	-
4.2 Istanbul Stock Exchange money market placements		-	-	-	-	-	-
4.3 Receivables from reverse repurchase agreements		-	-	-	-	-	-
V. FINANCIAL ASSETS AVAILABLE FOR SALE (Net)	(4)	871,960	343,487	1,215,447	830,312	315,062	1,145,374
5.1 Share certificates		13,893	1,702	15,595	16,373	-	16,373
5.2 Public sector debt securities		843,983	277,341	1,121,324	797,697	273,964	1,071,661
5.3 Other marketable securities		14,084	64,444	78,528	16,242	41,098	57,340
VI. LOANS	(5)	726,318	1,465,192	2,191,510	365,000	1,188,190	1,553,190
6.1 Loans		726,318	1,465,192	2,191,510	365,000	1,188,190	1,553,190
6.2 Non-performing loans		30,642	2,888	33,530	35,506	8,937	44,443
6.3 Specific provisions (-)		(30,642)	(2,888)	(33,530)	(35,506)	(8,937)	(44,443)
VII. FACTORING RECEIVABLES		-	-	-	-	-	-
VIII. HELD TO MATURITY INVESTMENTS (Net)	(6)	-	-	-	-	-	-
8.1 Public sector debt securities		-	-	-	-	-	-
8.2 Other marketable securities		-	-	-	-	-	-
IX. INVESTMENTS IN ASSOCIATES (Net)	(7)	109,236	-	109,236	136,875	-	136,875
9.1 Accounted for under equity method		-	-	-	-	-	-
9.2 Unconsolidated associates		109,236	-	109,236	136,875	-	136,875
9.2.1 Financial investments		94,323	-	94,323	122,003	-	122,003
9.2.2 Non-financial investments		14,913	-	14,913	14,872	-	14,872
X. INVESTMENTS IN SUBSIDIARIES (Net)	(8)	40,150	-	40,150	30,550	-	30,550
10.1 Unconsolidated financial subsidiaries		39,831	-	39,831	30,231	-	30,231
10.2 Unconsolidated non-financial subsidiaries		319	-	319	319	-	319
XI. ENTITIES UNDER COMMON CONTROL (Net)	(9)	-	-	-	-	-	-
11.1 Consolidated under equity method		-	-	-	-	-	-
11.2 Unconsolidated		-	-	-	-	-	-
11.2.1 Financial subsidiaries		-	-	-	-	-	-
11.2.2 Non-financial subsidiaries		-	-	-	-	-	-
XII. LEASE RECEIVABLES (Net)	(10)	4,874	281,215	286,089	1,084	234,734	235,818
12.1 Finance lease receivables		6,049	331,163	337,212	1,271	275,930	277,201
12.2 Operating lease receivables		-	-	-	-	-	-
12.3 Other		-	-	-	-	-	-
12.4 Unearned income (-)		(1,175)	(49,948)	(51,123)	(187)	(41,196)	(41,383)
XIII. DERIVATIVE FINANCIAL ASSETS FOR HEDGING PURPOSES	(11)	-	-	-	-	-	-
13.1 Fair value hedge		-	-	-	-	-	-
13.2 Cash flow hedge		-	-	-	-	-	-
13.3 Hedge of net investment risks in foreign operations		-	-	-	-	-	-
XIV. TANGIBLE ASSETS (Net)	(12)	42,831	11	42,842	36,350	14	36,364
XV. INTANGIBLE ASSETS (Net)	(13)	231	-	231	177	-	177
15.1 Goodwill		-	-	-	-	-	-
15.2 Other		231	-	231	177	-	177
XVI. TAX ASSET	(14)	7,525	-	7,525	21,572	-	21,572
16.1 Current tax asset		6,300	-	6,300	21,113	-	21,113
16.2 Deferred tax asset		1,225	-	1,225	459	-	459
XVII. ASSETS HELD FOR SALE (Net)	(15)	-	-	-	-	-	-
XVIII. OTHER ASSETS	(16)	1,977	47,703	49,680	1,807	29,482	31,289
TOTAL ASSETS		1,828,900	2,233,416	4,062,316	1,465,921	1,853,559	3,319,480

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
BALANCE SHEET AS OF 31 DECEMBER 2006
AND 31 DECEMBER 2005
(In Thousand of New Turkish Lira)

LIABILITIES	Note Ref.	Audited CURRENT PERIOD 31 December 2006			Audited PRIOR PERIOD 31 December 2005		
		TRY	FC	TOTAL	TRY	FC	TOTAL
I. DEPOSITS	(1)	-	-	-	-	-	-
II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	(2)	10,248	1,452	11,700	4,165	171	4,336
III. FUNDS BORROWED	(3)	11,742	2,861,670	2,873,412	29,058	2,131,577	2,160,635
IV. MONEY MARKET BALANCES		391,111	77,441	468,552	391,928	84,215	476,143
4.1 Interbank money market takings		-	-	-	-	-	-
4.2 Istanbul Stock Exchange money market takings		12,092	-	12,092	19,313	-	19,313
4.3 Funds provided under repurchase agreements		379,019	77,441	456,460	372,615	84,215	456,830
V. MARKETABLE SECURITIES ISSUED (Net)		-	-	-	1	-	1
5.1 Bills		-	-	-	1	-	1
5.2 Asset backed securities		-	-	-	-	-	-
5.3 Bonds		-	-	-	-	-	-
VI. FUNDS		147	-	147	240	-	240
VII. SUNDRY CREDITORS		4,223	3,849	8,072	2,257	3,561	5,818
VIII. OTHER LIABILITIES	(4)	-	-	-	-	-	-
IX. FACTORING PAYABLES		-	-	-	-	-	-
X. FINANCE LEASE PAYABLES (Net)	(5)	436	444	880	-	717	717
10.1 Finance lease payables		486	471	957	-	767	767
10.2 Operating lease payables		-	-	-	-	-	-
10.3 Other		-	-	-	-	-	-
10.4 Deferred finance lease expenses (-)		(50)	(27)	(77)	-	(50)	(50)
XI. DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING PURPOSES	(6)	-	-	-	-	-	-
11.1 Fair value hedge		-	-	-	-	-	-
11.2 Cash flow hedge		-	-	-	-	-	-
11.3 Hedge of net investment in foreign operations		-	-	-	-	-	-
XII. PROVISIONS	(7)	19,717	-	19,717	11,048	7,188	18,236
12.1 General loan loss provisions		14,099	-	14,099	2,904	7,188	10,092
12.2 Restructuring provisions		-	-	-	-	-	-
12.3 Reserve for employee benefits		2,783	-	2,783	2,356	-	2,356
12.4 Insurance technical reserves (Net)		-	-	-	-	-	-
12.5 Other provisions		2,835	-	2,835	5,788	-	5,788
XIII. TAX LIABILITY	(8)	18,119	-	18,119	33,854	-	33,854
13.1 Current tax liability		18,119	-	18,119	33,854	-	33,854
13.2 Deferred tax liability		-	-	-	-	-	-
XIV. PAYABLES RELATED TO ASSETS HELD FOR SALE	(9)	-	-	-	-	-	-
XV. SUBORDINATED LOANS	(10)	-	73,199	73,199	-	69,352	69,352
XVI. SHAREHOLDERS' EQUITY	(11)	587,058	1,460	588,518	548,767	1,381	550,148
16.1 Paid-in capital		300,000	-	300,000	200,000	-	200,000
16.2 Capital reserves		99,107	1,460	100,567	209,691	1,381	211,072
16.2.1 Share premium		-	-	-	-	-	-
16.2.2 Share cancellation profits		-	-	-	-	-	-
16.2.3 Marketable securities value increase fund		31,248	1,460	32,708	98,217	1,381	99,598
16.2.4 Tangible assets revaluation reserve		-	-	-	-	-	-
16.2.5 Intangible assets revaluation reserve		-	-	-	-	-	-
16.2.6 Bonus shares obtained from associates, subsidiaries and jointly controlled entities		1,485	-	1,485	100	-	100
16.2.7 Hedging funds (Effective portion)		-	-	-	-	-	-
16.2.8 Value increase on assets held for sale		-	-	-	-	-	-
16.2.9 Other capital reserves		66,374	-	66,374	111,374	-	111,374
16.3 Profit reserves		71,615	-	71,615	29,117	-	29,117
16.3.1 Legal reserves		19,433	-	19,433	9,679	-	9,679
16.3.2 Statutory reserves		9,541	-	9,541	4,540	-	4,540
16.3.3 Extraordinary reserves		39,721	-	39,721	11,978	-	11,978
16.3.4 Other profit reserves		2,920	-	2,920	2,920	-	2,920
16.4 Profit or loss		116,336	-	116,336	109,959	-	109,959
16.4.1 Prior years' profit/losses		9,934	-	9,934	12,144	-	12,144
16.4.2 Current year profit/loss		106,402	-	106,402	97,815	-	97,815
16.5 Minority shares	(12)	-	-	-	-	-	-
TOTAL LIABILITIES AND EQUITY		1,042,801	3,019,515	4,062,316	1,021,318	2,298,162	3,319,480

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

STATEMENT OF OFF-BALANCE SHEET CONTINGENCIES AND COMMITMENTS AS OF 31 DECEMBER 2006 AND 31 DECEMBER 2005

(In Thousand of New Turkish Lira)

	Note Ref.	Audited CURRENT PERIOD 31 December 2006			Audited PRIOR PERIOD 31 December 2005		
		TRY	FC	TOTAL	TRY	FC	TOTAL
A. OFF BALANCE SHEET CONTINGENCIES AND COMMITMENTS (I+II+III)		607,480	1,140,091	1,747,571	566,072	707,066	1,273,138
I. GUARANTEES AND COLLATERALS	(1), (3)	28,503	344,087	372,590	25,578	95,174	120,752
1.1. Letters of guarantee		28,495	246,177	274,672	25,570	13,072	38,642
1.1.1. Guarantees subject to State Tender Law		-	-	-	-	-	-
1.1.2. Guarantees given for foreign trade operations		-	-	-	-	-	-
1.1.3. Other letters of guarantee		28,495	246,177	274,672	25,570	13,072	38,642
1.2. Bank loans		-	-	-	-	-	-
1.2.1. Import letters of acceptance		-	-	-	-	-	-
1.2.2. Other bank acceptances		-	-	-	-	-	-
1.3. Letters of credit		-	97,910	97,910	-	82,102	82,102
1.3.1. Documentary letters of credit		-	97,910	97,910	-	82,102	82,102
1.3.2. Other letters of credit		-	-	-	-	-	-
1.4. Prefinancing given as guarantee		-	-	-	-	-	-
1.5. Endorsements		-	-	-	-	-	-
1.5.1. Endorsements to the Central Bank of Turkey		-	-	-	-	-	-
1.5.2. Other endorsements		-	-	-	-	-	-
1.6. Securities issue purchase guarantees		-	-	-	-	-	-
1.7. Factoring guarantees		-	-	-	-	-	-
1.8. Other guarantees		8	-	8	8	-	8
1.9. Other collaterals		-	-	-	-	-	-
II. COMMITMENTS	(1), (3)	221,370	321,236	542,606	422,478	382,663	805,141
2.1. Irrevocable commitments		2,867	73,182	76,049	36,112	35,270	71,382
2.1.1. Forward asset purchase commitments		2,867	26,898	29,765	1,379	18,411	19,790
2.1.2. Forward deposit purchase and sales commitments		-	46,284	46,284	34,733	16,859	51,592
2.1.3. Share capital commitment to associates and subsidiaries		-	-	-	-	-	-
2.1.4. Loan granting commitments		-	-	-	-	-	-
2.1.5. Securities underwriting commitments		-	-	-	-	-	-
2.1.6. Commitments for reserve deposit requirements		-	-	-	-	-	-
2.1.7. Payment commitment for checks		-	-	-	-	-	-
2.1.8. Tax and fund liabilities from export commitments		-	-	-	-	-	-
2.1.9. Commitments for credit card expenditure limits		-	-	-	-	-	-
2.1.10. Receivables from short sale commitments		-	-	-	-	-	-
2.1.11. Payables for short sale commitments		-	-	-	-	-	-
2.1.12. Other irrevocable commitments		-	-	-	-	-	-
2.2. Revocable commitments		218,503	248,054	466,557	386,366	347,393	733,759
2.2.1. Revocable loan granting commitments		218,503	245,609	464,112	386,366	344,302	730,668
2.2.2. Other revocable commitments		-	2,445	2,445	-	3,091	3,091
III. DERIVATIVE FINANCIAL INSTRUMENTS	(2)	357,607	474,768	832,375	118,016	229,229	347,245
3.1. Derivative financial instruments for hedging purposes		-	-	-	-	-	-
3.1.1. Fair value hedge		-	-	-	-	-	-
3.1.2. Cash flow hedge		-	-	-	-	-	-
3.1.3. Hedge of net investment in foreign operations		-	-	-	-	-	-
3.2. Held for trading transactions		357,607	474,768	832,375	118,016	229,229	347,245
3.2.1. Forward foreign currency buy/sell transactions		55,897	59,166	115,063	21,144	20,633	41,777
3.2.1.1. Forward foreign currency transactions-buy		55,897	1,839	57,736	18,191	2,692	20,883
3.2.1.2. Forward foreign currency transactions-sell		-	57,327	57,327	2,953	17,941	20,894
3.2.2. Swap transactions related to f.c. and interest rates		146,805	236,364	383,169	74,080	102,368	176,448
3.2.2.1. Foreign currency swaps-buy		-	191,588	191,588	-	87,638	87,638
3.2.2.2. Foreign currency swaps-sell		146,805	44,168	190,973	74,080	13,558	87,638
3.2.2.3. Interest rate swaps-buy		-	306	306	-	577	577
3.2.2.4. Interest rate swaps-sell		-	302	302	-	595	595

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
STATEMENT OF OFF-BALANCE SHEET CONTINGENCIES AND
COMMITMENTS AS OF 31 DECEMBER 2006 AND 31 DECEMBER 2005
(In Thousand of New Turkish Lira)

	Note Ref.	Audited CURRENT PERIOD 31 December 2006			Audited PRIOR PERIOD 31 December 2005		
		TRY	FC	TOTAL	TRY	FC	TOTAL
3.2.3	Foreign currency, interest rate and securities options	90,822	86,010	176,832	22,780	89,017	111,797
3.2.3.1	Foreign currency options-buy	29,766	56,400	86,166	22,780	50,213	72,993
3.2.3.2	Foreign currency options-sell	61,056	29,610	90,666	-	29,274	29,274
3.2.3.3	Interest rate options-buy	-	-	-	-	-	-
3.2.3.4	Interest rate options-sell	-	-	-	-	-	-
3.2.3.5	Securities options-buy	-	-	-	-	-	-
3.2.3.6	Securities options-sell	-	-	-	-	9,530	9,530
3.2.4	Foreign currency futures	44,123	43,362	87,485	12	17,211	17,223
3.2.4.1	Foreign currency futures-buy	44,123	-	44,123	12	16,723	16,735
3.2.4.2	Foreign currency futures-sell	-	43,362	43,362	-	488	488
3.2.5	Interest rate futures	-	-	-	-	-	-
3.2.5.1	Interest rate futures-buy	-	-	-	-	-	-
3.2.5.2	Interest rate futures-sell	-	-	-	-	-	-
3.2.6	Other	19,960	49,866	69,826	-	-	-
B. CUSTODY AND PLEDGED SECURITIES (IV+V+VI)		1,569,847	3,496,606	5,066,453	1,374,878	2,595,521	3,970,399
IV. ITEMS HELD IN CUSTODY		1,351,148	211,281	1,562,429	1,254,092	208,436	1,462,528
4.1.	Assets under management	10,500	24,171	34,671	7,016	21,279	28,295
4.2.	Investment securities held in custody	329,441	187,110	516,551	375,840	187,090	562,930
4.3.	Checks received for collection	-	-	-	27	67	94
4.4.	Commercial notes received for collection	-	-	-	-	-	-
4.5.	Other assets received for collection	-	-	-	-	-	-
4.6.	Assets received for public offering	-	-	-	-	-	-
4.7.	Other items under custody	446,032	-	446,032	402,221	-	402,221
4.8.	Custodians	565,175	-	565,175	468,988	-	468,988
V. PLEDGED ITEMS		218,699	3,285,325	3,504,024	120,786	2,387,085	2,507,871
5.1.	Marketable securities	307	17,860	18,167	579	201	780
5.2.	Guarantee notes	25,687	1,236,796	1,262,483	4,471	1,181,718	1,186,189
5.3.	Commodity	-	-	-	-	-	-
5.4.	Warranty	-	-	-	-	-	-
5.5.	Properties	97,994	1,709,784	1,807,778	92,137	1,147,866	1,240,003
5.6.	Other pledged items	94,711	320,885	415,596	23,599	57,300	80,899
5.7.	Pledged items-depository	-	-	-	-	-	-
VI. ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES		-	-	-	-	-	-
TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)		2,177,327	4,636,697	6,814,024	1,940,950	3,302,587	5,243,537

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(In Thousand of New Turkish Lira)

IN THOUSAND OF NEW TURKISH LIRA							
CHANGES IN SHAREHOLDER'S EQUITY	Note Ref.	Paid in Capital	Effect of Inflation on Paid in Capital	Share Premiums	Share certificate cancellation profits	Legal Reserves	Statutory Reserves
PRIOR PERIOD							
(01/01 - 31/12/2005)							
I. Prior Period Balance		142,500	137,440	-	-	4,859	2,183
II. Corrections according to TAS 8		-	-	-	-	-	-
2.1 The effect of corrections of errors		-	-	-	-	-	-
2.2 The effects of changes in accounting policy.		-	-	-	-	-	-
III. New Balance (I+II)		142,500	137,440	-	-	4,859	2,183
Changes in period		-	-	-	-	-	-
IV. Increase/Decrease related to merger		-	-	-	-	-	-
V. Investments securities available for sale		-	-	-	-	-	-
VI. Hedging Transactions		-	-	-	-	-	-
6.1 Cash-flow hedge		-	-	-	-	-	-
6.2 Hedge of net investment in foreign operations		-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-
VII. Investments securities available for sale		-	-	-	-	-	-
VIII. Hedging transactions		-	-	-	-	-	-
8.1 Cash-flow hedge		-	-	-	-	-	-
8.2 Hedge of net investment in foreign operations		-	-	-	-	-	-
IX. Period net income/(loss)		-	-	-	-	-	-
X. Profit distribution		-	-	-	-	4,820	2,357
10.1 Dividends distributed		-	-	-	-	-	-
10.2 Transfers to reserves		-	-	-	-	4,820	2,357
10.3 Other		-	-	-	-	-	-
XI. Capital increase		57,500	(28,287)	-	-	-	-
11.1 Cash		-	-	-	-	-	-
11.2 Tangible assets revaluation surplus		-	-	-	-	-	-
11.3 Bonus shares from associates, subsidiaries and jointly controlled entities		-	-	-	-	-	-
11.4 Marketable securities value increase fund		-	-	-	-	-	-
11.5 Inflation adjustment to paid-in capital		28,287	(28,287)	-	-	-	-
11.6 Issuance of share certificates		29,213	-	-	-	-	-
11.7 Foreign exchange differences		-	-	-	-	-	-
11.8 Other		-	-	-	-	-	-
XII. The disposal of assets		-	-	-	-	-	-
XIII. The reclassification of assets		-	-	-	-	-	-
XIV. Primary subordinated loans		-	-	-	-	-	-
XV. Secondary subordinated loans		-	-	-	-	-	-
XVI. The effect of changes in associates' equities		-	-	-	-	-	-
Closing Balance (III+IV+V+VI+VII+VIII+IX+X+XI)		200,000	109,153	-	-	9,679	4,540
CURRENT PERIOD							
(01/01 - 31/12/2006)							
I. Prior Period Balance		200,000	109,153	-	-	9,679	4,540
Changes in period		-	-	-	-	-	-
II. Increase/Decrease related to merger		-	-	-	-	-	-
III. Investments securities available for sale		-	-	-	-	-	-
IV. Hedging Transactions		-	-	-	-	-	-
4.1 Cash-flow hedge		-	-	-	-	-	-
4.2 Hedge of net investment in foreign operations		-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-
V. Investments securities available for sale		-	-	-	-	-	-
VI. Hedging transactions		-	-	-	-	-	-
6.1 Cash-flow hedge		-	-	-	-	-	-
6.2 Hedge of net investment in foreign operations		-	-	-	-	-	-
VII. Period net income/(loss)		-	-	-	-	-	-
VIII. Profit distribution		-	-	-	-	9,754	5,001
8.1 Dividends distributed		-	-	-	-	-	-
8.2 Transfers to reserves		-	-	-	-	9,754	5,001
8.3 Other		-	-	-	-	-	-
IX. Capital increase		100,000	(42,779)	-	-	-	-
9.1 Cash		-	-	-	-	-	-
9.2 Tangible assets revaluation surplus		-	-	-	-	-	-
9.3 Bonus shares from associates, subsidiaries and jointly controlled entities		-	-	-	-	-	-
9.4 Marketable securities value increase fund		-	-	-	-	-	-
9.5 Inflation adjustment to paid-in capital		42,779	(42,779)	-	-	-	-
9.6 Issuance of share certificates		55,000	-	-	-	-	-
9.7 Foreign exchange differences		-	-	-	-	-	-
9.8 Other		2,221	-	-	-	-	-
X. The disposal of assets		-	-	-	-	-	-
XI. The reclassification of assets		-	-	-	-	-	-
XII. Primary subordinated loans		-	-	-	-	-	-
XIII. Secondary subordinated loans		-	-	-	-	-	-
XIV. The effect of changes in associates' equities		-	-	-	-	-	-
Closing Balance (I+II+III+...+XII+XIII+XIV)		300,000	66,374	-	-	19,433	9,541

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(In Thousand of New Turkish Lira)

IN THOUSAND OF NEW TURKISH LIRA										
Extraordinary Reserves	Other Reserves	Current Period Net Income / (Loss)	Prior Period Net Income / (Loss)	Revaluation Funds	Value Increase Revaluation Fund	Marketable Securities Value Increase Fund	Total Equity Attributable to Parent	Minority Shares	Shareholders' Equity	Total
3,773	2,920	47,137	-	-	-	40,846	-	-	381,658	
-	-	-	12,144	-	-	(15,430)	-	-	(3,286)	
-	-	-	12,144	-	-	(15,430)	-	-	(3,286)	
3,773	2,920	47,137	12,144	-	-	25,416	-	-	378,372	
-	-	-	-	-	-	-	-	-	-	
-	-	-	-	-	-	74,182	-	-	74,182	
-	-	-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	-	-	
-	-	97,815	-	-	-	-	-	-	97,815	
8,205	-	(17,924)	-	-	-	-	-	-	(2,542)	
-	-	(2,542)	-	-	-	-	-	-	(2,542)	
8,205	-	(15,382)	-	-	-	-	-	-	-	
-	-	(29,213)	-	2,221	100	-	-	-	2,321	
-	-	-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	-	-	
-	-	(29,213)	-	-	-	-	-	-	-	
-	-	-	-	2,221	100	-	-	-	2,321	
-	-	-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	-	-	
11,978	2,920	97,815	12,144	2,221	100	99,598	-	-	550,148	
11,978	2,920	97,815	12,144	2,221	100	99,598	-	-	550,148	
-	-	-	-	-	-	-	-	-	-	
-	-	-	-	-	-	(66,890)	-	-	(66,890)	
-	-	-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	-	-	
-	-	106,402	-	-	-	-	-	-	106,402	
27,743	-	(42,815)	(2,210)	-	-	-	-	-	(2,527)	
-	-	(2,527)	-	-	-	-	-	-	(2,527)	
27,743	-	(40,288)	(2,210)	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	-	-	
-	-	(55,000)	-	(2,221)	1,385	-	-	-	1,385	
-	-	-	-	-	-	-	-	-	-	
-	-	-	-	-	1,385	-	-	-	1,385	
-	-	-	-	-	-	-	-	-	-	
-	-	(55,000)	-	-	-	-	-	-	-	
-	-	-	-	(2,221)	-	-	-	-	-	
-	-	-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	-	-	
39,721	2,920	106,402	9,934	-	1,485	32,708	-	-	588,518	

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

STATEMENT OF CASH FLOWS AS OF 31 DECEMBER 2006 AND 31 DECEMBER 2005

(In Thousand of New Turkish Lira)

	Note	Audited	Audited
	Ref	CURRENT PERIOD	PRIOR PERIOD
		1 January-31 December 2006	1 January-31 December 2005
A. CASH FLOWS FROM BANKING OPERATIONS			
1.1 Operating profit before changes in operating assets and liabilities		51,440	91,846
1.1.1 Interest received		211,588	222,258
1.1.2 Interest paid		(128,781)	(82,989)
1.1.3 Dividends received		3,129	3,059
1.1.4 Fees and commissions received		15,322	8,331
1.1.5 Other income		769	2,013
1.1.6 Collections from previously written off loans		1,160	2,331
1.1.7 Payments to personnel and service suppliers		(31,516)	(27,941)
1.1.8 Taxes paid		(18,835)	(31,073)
1.1.9 Others	(1)	(1,396)	(4,143)
1.2 Changes in operating assets and liabilities		47,063	430,922
1.2.1 Net (increase) decrease in financial assets		9	(158)
1.2.2 Net (increase) decrease in financial assets at fair value through profit or loss		-	-
1.2.3 Net (increase) decrease in due from banks and other financial institutions		-	-
1.2.4 Net (increase) decrease in loans		(608,260)	(364,475)
1.2.5 Net (increase) decrease in other assets		(20,812)	(26,136)
1.2.6 Net increase (decrease) in bank deposits		-	-
1.2.7 Net increase (decrease) in other deposits		-	-
1.2.8 Net increase (decrease) in funds borrowed		673,665	825,390
1.2.9 Net increase (decrease) in matured payables		-	-
1.2.10 Net increase (decrease) in other liabilities	(1)	2,461	(3,699)
I. Net cash provided from banking operations		98,503	522,768
B. CASH FLOWS FROM INVESTING ACTIVITIES			
II. Net cash provided from investing activities		(115,404)	(455,371)
2.1 Cash paid for purchase of entities under common control, associates and subsidiaries		(10,896)	(2,921)
2.2 Cash obtained from sale of entities under common control, associates and subsidiaries		50	3,639
2.3 Fixed assets purchases		(3,068)	(2,139)
2.4 Fixed assets sales		2,188	386
2.5 Cash paid for purchase of financial assets available for sale		(103,678)	(454,336)
2.6 Cash obtained from sale of financial assets available for sale		-	-
2.7 Cash paid for purchase of investment securities		-	-
2.8 Cash obtained from sale of investment securities		-	-
2.9 Others	(1)	-	-
C. CASH FLOWS FROM FINANCING ACTIVITIES			
III. Net cash provided from financing activities		7,554	5,753
3.1 Cash obtained from funds borrowed and securities issued		-	-
3.2 Cash used for repayment of funds borrowed and securities issued		-	-
3.3 Capital increase		-	-
3.4 Dividends paid		(2,527)	(2,542)
3.5 Payments for finance leases		163	387
3.6 Other	(1)	9,918	7,908
IV. Effect of change in foreign exchange rate on cash and cash equivalents	(1)	(5,913)	1,256
V. Net increase / (decrease) in cash and cash equivalents		(15,260)	74,406
VI. Cash and cash equivalents at beginning of the period		126,942	52,536
VII. Cash and cash equivalents at end of the period		111,682	126,942

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
INCOME STATEMENT AS OF 31 DECEMBER 2006
AND 31 DECEMBER 2005
(In Thousand of New Turkish Lira)

	Note Ref	Audited CURRENT PERIOD		Audited PRIOR PERIOD	
		1 January-	31 December 2006	1 January-	31 December 2005
I. INTEREST INCOME	(1)		304,970		244,126
1.1 Interest on loans			141,185		82,263
1.2 Interest received from reserve deposits			776		131
1.3 Interest received from banks			8,270		3,529
1.4 Interest received from money market placements			1,421		254
1.5 Interest received from marketable securities portfolio			135,804		147,878
1.5.1 Held-for-trading financial assets			-		123
1.5.2 Financial assets at fair value through profit and loss			-		-
1.5.3 Available-for-sale financial assets			135,804		147,755
1.5.4 Investments held-to-maturity			-		-
1.6 Finance lease income			17,048		9,936
1.7 Other interest income			466		135
II. INTEREST EXPENSES	(2)		(171,403)		(108,552)
2.1 Interest on deposits			-		-
2.2 Interest on funds borrowed			(136,386)		(74,987)
2.3 Interest on money market borrowings			(3,309)		(9,644)
2.4 Interest on securities issued			-		-
2.5 Other interest expense			(31,708)		(23,921)
III. NET INTEREST INCOME (I - II)			133,567		135,574
IV. NET FEES AND COMMISSIONS INCOME			15,322		8,331
4.1 Fees and commissions received			19,047		14,109
4.1.1 Cash loans			9,873		9,082
4.1.2 Non-cash loans			3,082		1,401
4.1.3 Other			6,092		3,626
4.2 Fees and commissions paid			(3,725)		(5,778)
4.2.1 Cash loans			(2,060)		(1,250)
4.2.2 Non-cash loans			(3)		(8)
4.2.3 Other			(1,662)		(4,520)
V. DIVIDEND INCOME	(3)		13,116		3,059
VI. NET TRADING INCOME	(4)		(53,280)		8,811
6.1 Profit/losses on securities trading (net)			(1,110)		421
6.2 Foreign exchange gains/losses (net)			(52,170)		8,390
VII. OTHER OPERATING INCOME	(5)		75,848		27,741
VIII. TOTAL OPERATING INCOME (III+IV+V+VI+VII)			184,573		183,516
IX. PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)	(6)		(7,242)		(9,039)
X. OTHER OPERATING EXPENSES (-)	(7)		(47,383)		(50,882)
XI. NET OPERATING INCOME/(LOSS) (VIII-IX-X)			129,948		123,595
XII. AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER			-		-
XIII. GAIN / (LOSS) ON EQUITY METHOD			-		-
XIV. GAIN / (LOSS) ON NET MONETARY POSITION			-		-
XV. INCOME/(LOSS) BEFORE TAXES (XI+XII+XIII+XIV)			-		-
XVI. PROVISION FOR TAXES ON INCOME (±)			-		-
16.1 Provision for current income taxes	(8)		129,948		123,595
16.2 Provision for deferred taxes	(9)		(23,546)		(25,780)
XVII. NET OPERATING INCOME AFTER TAXES (XV±XVI)			(16,218)		(32,146)
17.1 Discontinued operations			(7,328)		6,366
17.2 Other	(10)		106,402		97,815
XVIII. NET PROFIT/(LOSS)			-		-
18.1 Attributable to the equity holders of the parent			106,402		97,815
18.2 Minority shares	(11)		106,402		97,815
Earnings/(losses) per share			0.355		0.326

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

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 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 Bank prepares its financial statements and underlying documents according to Communique on Banks' Accounting Practice and Maintaining Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards, other communiques, 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.a.1 Accounting Principles

The prior period financial statements, are restated as described below, in line with the principles of Turkish Accounting Standards No:1 "Fundamentals of Preparing and Presenting Financial Statements" published in the Official Gazette on 16/1/2005 with No: 25702, and in accordance with Turkish Accounting Standards and Turkish Financial Reporting Standards. The adjustments to the prior years' profit, are summarized below:

	Current Period	Prior Period
As previously reported prior years' profits	-	-
Reclassification of restatements on listed participations	11.349	12.484
Reclassification of non-cash increases on participations	2.572	2.572
Depreciation for movable fixed assets held for resale	(1.037)	(496)
Employee benefit liability adjustment	(1.500)	(1.255)
Deferred tax adjustment	(1.450)	(1.161)
As restated prior years' profits	9.934	12.144

1.b Accounting Principles:

The accompanying financial statements have been prepared based on the Bank's statutory books. The Bank 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 include inflation accounting adjustments and related classifications as per "Financial Reporting in Hyperinflationary Economies" ("TAS 29") till 31 December 2004.

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

(Amounts expressed in thousands of New Turkish Lira (TRY) unless otherwise stated.)

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.

The main indicators referred to above were as follows;

- a) Increase in New Turkish Lira deposits and a corresponding decrease in foreign currency deposits within total deposits as of January 2005.
- b) Increase in New Turkish Lira loans and a corresponding decrease in foreign currency loans within the total loan portfolio in banking sector as of January 2005.
- c) Interest component is not considered in determination of short term pricing.
- d) Ceasing the practice of issuing government bonds based on price indices.
- e) Monthly increases in the Wholesale Price Index (WPI) issued by Turkish Statistical Institute (TURKSTAT) falling below pre determined levels.

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

The main sources of the funds of the Bank 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 Bank liquidity is monitored periodically. 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 harmonizing the value the profitability of the projects, the collateral and the Bank's productivity 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.

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

(Amounts expressed in thousands of New Turkish Lira (TRY) unless otherwise stated.)

The Bank'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.

III.Explanations on Forward and Option Contracts and Derivative Instruments:

The 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 Bank 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 Bank has no derivative instruments used for hedging purposes.

IV. 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.

V. 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.

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

(Amounts expressed in thousands of New Turkish Lira (TRY) unless otherwise stated.)

VI. Explanations and Disclosures on Financial Assets

Financial instruments comprise financial assets, financial liabilities and derivative instruments. Financial instruments constitute the basis of Bank'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 Bank'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 Bank. 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 Bank. 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:

Bank 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 Bank. The Bank uses such classification above when permitted or for the purposes of providing a more proper disclosure.

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.

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

(Amounts expressed in thousands of New Turkish Lira (TRY) unless otherwise stated.)

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 was 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 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.

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.

VII. Explanations on Impairment of Financial Assets:

At each balance sheet date, the Bank 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 Bank determines the related impairment.

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

(Amounts expressed in thousands of New Turkish Lira (TRY) unless otherwise stated.)

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 journalized.

VIII . Offsetting of Financial Assets and Liabilities:

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

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

Funds provided under repurchase agreements are accounted under "332-Funds Provided under Repurchase Agreements-TRY" and "333-Funds Provided under Repurchase Agreements-FC" accounts.

All of the repurchase agreements of the Bank 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.

X. 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 Bank and if there is enough evidence that the sale plan of the related asset (or disposal group of asset) of the Bank 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.

XI. 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 Bank'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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

(Amounts expressed in thousands of New Turkish Lira (TRY) unless otherwise stated.)

the Bank'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. 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.

The standalone financial statements of the Bank does not include goodwill as of the balance sheet date.

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.

XII. 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.

XIII. Explanations on Leasing Transactions:

The Bank as Lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Bank'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 Bank's net investment outstanding in respect of the leases.

The Bank as Lessee

Assets held under finance leases are recognized as assets of the Bank 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 Bank's general policy on borrowing costs. Tangible fixed assets acquired by financial leases, are amortized based on the useful lives of the assets.

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

(Amounts expressed in thousands of New Turkish Lira (TRY) unless otherwise stated.)

XIV.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 Bank's best expectation of expenses in fulfilling the obligation, and discounted to present value if material.

XV.Explanations on Liabilities 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.

XVI. Explanations on Taxation:

The 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 utilize and register on its behalf for the financial leasing transactions of its customers with investment incentives covering a part of investment. The 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.

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 Bank'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 is accounted for using the balance sheet liability method.

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

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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 Bank 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.

XVII. 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.

XVIII. 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.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

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XIX. 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.

XX. Explanations on Government Incentives:

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

XXI. Explanations on Segment Reporting:

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

XXII. Explanations on Other Matters:

None, other than above explanations.

SECTION FOUR

INFORMATION ON FINANCIAL STRUCTURE

I. Explanations Related to the Capital Adequacy Standard Ratio:

The capital adequacy ratio is 32,89% 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.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

(Amounts expressed in thousands of New Turkish Lira (TRY) unless otherwise stated.)

Information related to the capital adequacy ratio: Thousand TRY,

	Risk Weight			
	Bank			
	0%	20%	50%	100%
Amounts subject to credit risk				
Balance Sheet items (Net)	1.225.476	991.447	445.674	1.389.626
Cash	110	-	-	-
Matured Marketable Securities	-	-	-	-
Due From Central Bank of Turkey	948	-	-	-
Due From Domestic Banks, Foreign Banks, Branches and				
Due From Domestic Banks, Foreign Banks, Branches and				
Head Office Abroad	-	110.696	-	-
Interbank Money Market Placements	-	-	-	-
Receivables From Reverse Repo Transactions	-	-	-	-
Reserve Deposits	44.392	-	-	-
Loans (*)	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
Held to Maturity Investments	-	-	-	-
Receivables From Installment Sales of Assets	-	-	-	-
Sundry Debtors	-	-	-	736
Interest and Income Accruals (**)	-	-	-	-
Subsidiaries, Associates and Entities Under Common Control (Net)	14.127	-	-	135.259
Tangible Assets	-	-	-	42.842
Other Assets	8.048	-	-	2.019
Off-Balance Sheet Items	-	151.911	19.582	-
Guarantees and Commitments	-	137.340	19.582	-
Derivative Financial Instruments	-	14.571	-	-
Non Risk Weighted Accounts	-	-	-	-
Total Risk Weighted Assets	1.225.476	1.143.358	465.256	1.389.626

(*): 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:

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

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Information related to the components of shareholders' equity:

	Current Period
CORE CAPITAL	
Paid-in capital	300.000
Nominal capital	300.000
Capital commitments (-)	-
Inflation adjustment to share capital	66.374
Share premium and cancellation profits	-
Legal reserves	-
First legal reserve (Turkish Commercial Code 466/1)	19.433
Second legal reserve (Turkish Commercial Code 466/2)	9.541
Other legal reserve per special legislation	9.892
Statutory reserves	-
Extraordinary reserves	9.541
Reserves allocated by the General Assembly	42.641
Retained earnings	39.721
Accumulated losses	2.920
Foreign currency share capital exchange differences	-
Inflation adjustment on legal reserves, statutory reserves and extraordinary reserves	-
Profit	-
Current period profit	116.337
Prior years' profits	106.402
Provisions for possible losses up to 25% of core capital	9.935
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	-
Leasehold improvements (-)	-
Prepaid expenses (-)	(8)
Intangible assets (-)	(2.524)
Deferred tax asset exceeding 10% of the Core Capital	(231)
Excess amount as per the Article 56, Clause 3 of the Banking Law	-
Total Core Capital	551.563

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	Current Period
SUPPLEMENTARY CAPITAL	
General Loan Loss Provisions	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
Primary subordinated loans excluded in the calculation of the Core Capital	-
Secondary subordinated loans	49.350
45 % of marketable securities value increase fund	14.718
Associates and subsidiaries	-
Available for sale securities	14.718
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
TIER III CAPITAL	-
CAPITAL	631.215
DEDUCTIONS FROM THE CAPITAL	(806)
Shareholdings of banks and financial institutions (Domestic, Foreign) from which the Bank keeps ten percent or more of capitals	-
Shareholdings of unconsolidated banks and financial institutions (Domestic, Foreign) from which the Bank keeps less than Ten percent of capitals which exceed the ten Percent of Bank's Core and Supplementary Capital	-
Secondary subordinated loans granted to Banks and Financial Institutions (Domestic, Foreign) or Qualified Shareholders and placements that possess the nature of their Primary or Secondary Subordinated Debt	-
Loans granted being non-compliant with the Articles 50 and 51 of the Banking Law	-
The net book value of properties exceeding fifty percent of equity and properties held for sale and properties and commodity to be disposed, acquired in exchange of loans and receivables according to the Article 57 of the Banking Law and have not been disposed yet after 5 years after foreclosure	(806)
Other	-
TOTAL SHAREHOLDERS' EQUITY	630.409

The current period capital adequacy table is prepared as per BRSA Communique on Measurement and Assessment of Capital Adequacy of Banks published on 1 November 2006. Since the new capital adequacy table is not comparable to prior period, the prior period capital adequacy table is not presented above. As of 31 December 2005, the capital adequacy standard ratio prepared as per prevailing BRSA Communique as of 31 December 2005 was 36,78%.

II. Explanations Related to Credit Risk:

The sectoral breakdown of loans are 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.

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

The first 100 largest cash loans constitute 86,26% of the total cash loans portfolio of the Bank.

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

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

The 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".

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II. Explanations Related to Credit Risk:

Information according to geographical concentration:

	Assets	Liabilities	Non-Cash Loans	Equity Investments***	Net Income/Loss
Current Period					
Domestic	3.801.626	1.174.788	351.432	164.981	104.283
European Union Countries	82.871	2.018.929	-	-	-
OECD Countries *	245	113.194	-	-	-
Off-Shore Banking Regions	5.752	911	21.150	-	2.119
USA, Canada	3.316	754.153	-	-	-
Other Countries	3.525	341	-	-	-
Unallocated Assets/Liabilities (**)	-	-	-	-	-
Total	3.897.335	4.062.316	372.582	164.981	106.402
Prior Period					
Domestic	2.808.310	1.031.636	120.744	183.798	93.631
European Union Countries	71.763	1.464.423	-	-	-
OECD Countries (*)	216	137.925	-	-	-
Off-shore Banking Regions	226.458	212.676	-	-	4.184
USA, Canada	28.896	465.844	-	-	-
Other Countries	39	6.976	-	-	-
Unallocated Assets/Liabilities (**)					
Total	3.135.682	3.319.480	120.744	183.798	97.815

(*) 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.

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Sector concentration for cash loans

	Current Period				Prior Period			
	TRY	(%)	FC	(%)	TRY	(%)	FC	(%)
Agricultural	3.345	-	3.737	-	5.367	1	36.637	3
Farming and Raising Livestock	3.345	-	3.737	-	5.367	1	26.487	2
Forestry, Wood and Paper	-	-	-	-	-	-	10.150	1
Fishing	-	-	-	-	-	-	-	-
Manufacturing	260.584	36	759.013	52	83.983	23	564.889	47
Mining and Petroleum	1.867	-	-	-	-	-	-	-
Production	96.501	13	575.125	39	44.373	12	464.116	39
Electricity, Gas and Water	162.216	23	183.888	13	39.610	11	100.773	8
Construction	-	-	40.652	3	-	-	19.163	2
Services	452.823	63	661.790	45	234.362	64	544.616	46
Wholesale and Retail Trade	5.026	1	11.693	1	-	-	1.579	-
Hotel, Tourism, Food and Beverage Services	49.533	7	109.719	7	24.676	7	176.151	15
Transportation and Communication	24.435	3	29.588	2	22.951	6	18.431	2
Financial Institutions	352.879	49	469.260	32	180.334	49	326.217	27
Real Estate and Renting Services	-	-	-	-	-	-	-	-
Self-Employment Services	-	-	-	-	-	-	-	-
Education Services	20.950	3	16.082	1	6.401	2	15.415	1
Health and Social Services	-	-	25.448	2	-	-	6.823	1
Other	9.566	1	-	-	41.288	12	22.885	2
Total	726.318	100	1001.465.192	100	365.000	100	1.188.190	100

III. Explanations Related to Market Risk:

The Board of Directors determine 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:

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a) Information related to the market risk

	Amount
(I) Capital Requirement to be Employed For General Market Risk - Standard Method	3.051
Resulting From Financial Instruments related to Interest Income	3.009
Resulting From Positions in Share Certificates, Investment Fund and Participation Certificates	42
(II) Capital Requirement to be Employed For Specific Risk - Standard Method	42
Resulting From Financial Instruments related to Interest Income	-
Resulting From Positions in Share Certificates, Investment Fund and Participation Certificates	42
(III) Capital Requirement to be Employed For Currency Risk - Standard Method	2.179
Capital Requirement	2.173
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)	5.272
(IX) Amount Subject to Market Risk (12,5 x VIII) or (12,5 x VII)	65.900

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

	Current Period		
	Average	Maximum	Minimum
Interest Rate Risk	113.665	161.538	37.613
Common Stock Risk	32.794	43.725	950
Currency Risk	52.150	100.625	3.425
Commodity Risk	-	-	-
Settlement Risk	-	-	-
Option Risk	5	13	-
Total Value At Risk	198.614	290.150	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 2006 under the Regulation on "Measuring and Evaluating the Capital Adequacy of the Banks" published on 1 November 2006.

IV. Explanations Related to 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.

V. Explanations Related to 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 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.

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

Announced current foreign exchange buying rates of the 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

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

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Information on the foreign currency risk of the Bank (Thousand TRY):

	EURO	USD	Yen	Other	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	2.363	85.267	187	296	88.113
Financial Assets at Fair Value Through Profit and Loss (**)	6	1.558	1	-	1.565
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	1.398.529	1.434.667	98.878	324	2.932.398
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	620	3.208	9	12	3.849
Derivative Financial Liabilities for Hedging Purposes	-	-	-	-	-
Other Liabilities (***)	189	993	81	-	1.263
Total Liabilities	1.421.089	1.482.549	113.772	12	3.017.422
Net Balance Sheet Position	(22.560)	(47.882)	(14.894)	312	(85.024)
Net Off-Balance Sheet Position	16.724	58.991	20.798	-	96.513
Financial Derivative Assets	19.988	228.071	23.224	-	271.282
Financial Derivative Liabilities	(3.264)	(169.080)	(2.426)	-	(174.769)
Non-Cash Loans (****)	64.350	279.429	-	307	344.087
Prior Period					
Total Assets					
Total Liabilities	1.020.197	1.059.046	137.266	270	2.216.779
Net Balance Sheet Position	1.017.656	1.142.560	137.932	14	2.298.162
Net Off-Balance Sheet Position	2.541	(83.514)	(666)	256	(81.383)
Financial Derivative Assets	(2.906)	72.496	1.625	-	71.215
Financial Derivative Liabilities	28.116	115.715	1.625	-	145.456
Non-Cash Loans (*****)	(31.022)	(43.219)	-	-	(74.241)
Net Balance Sheet Position	18.433	74.929	1.247	565	95.174

(*) 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.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

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VI. Explanations Related to Interest Rate Risk:

Interest rate sensitivity of the assets, liabilities and off-balance sheet items are measured by the 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 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 are very low considering the total liabilities of the Bank. As the Bank is a development and investment bank, it obtains most of the fundings from abroad. Therefore the 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

(Amounts expressed in thousands of New Turkish Lira (TRY) unless otherwise stated.)

VI. Explanations Related to Interest Rate Risk:

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.	-	-	-	-	-	1.058	1.058
Due From Other Banks and Financial Institutions	98.151	-	-	-	-	12.545	110.696
Financial Assets at Fair Value Through Profit and Loss	-	710	94	127	466	6.455	7.852
Money Market Placements	-	-	-	-	-	-	-
Available-For-Sale Financial Assets	247.449	178.286	137.097	378.848	244.088	29.679	1.215.447
Loans	750.900	852.473	386.022	20.166	181.949	-	2.191.510
Held-To-Maturity Investments	-	-	-	-	-	-	-
Other Assets	54.445	143.319	95.335	7.161	30.548	204.945	535.753
Total Assets	1.150.945	1.174.788	618.548	406.302	457.051	254.682	4.062.316
Liabilities							
Bank Deposits	-	-	-	-	-	-	-
Other Deposits	-	-	-	-	-	-	-
Money Market Borrowings	449.735	18.817	-	-	-	-	468.552
Sundry creditors	-	-	-	-	-	8.072	8.072
Securities Issued	-	-	-	-	-	-	-
Funds Provided From Other Financial Institutions	876.344	1.097.947	722.996	18.717	230.754	-	2.946.758
Other Liabilities	1.531	1.563	1.082	2.057	4.982	627.719	638.934
Total Liabilities	1.327.610	1.118.327	724.078	20.774	235.736	635.791	4.062.316
Balance Sheet Long Position	(176.665)	-	(105.530)	-	-	(381.109)	(663.304)
Balance Sheet Short Position	-	56.461	-	385.528	221.315	-	663.304
Off-Balance Sheet Long Position	-	(95)	-	-	-	-	(95)
Off-Balance Sheet Short Position	493	-	913	1.365	2.730	-	5.501
Total Position	(176.172)	56.366	(104.617)	386.893	224.045	(381.109)	5.406

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

(Amounts expressed in thousands of New Turkish Lira (TRY) unless otherwise stated.)

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	-	5,26	-	18,28
Financial assets at fair value through profit and loss	-	-	-	-
Money Market Placements	-	-	-	-
Available-For-Sale Financial Assets	5,10	6,89	-	18,32
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	-	18,25
Sundry creditors	-	-	-	-
Securities Issued	-	-	-	-
Funds Provided From Other Financial Institutions	3,60	5,94	1,96	11,00

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

(Amounts expressed in thousands of New Turkish Lira (TRY) unless otherwise stated.)

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

Prior 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.	-	-	-	-	-	487	487
Due From Other Banks and Financial Institutions	105.491	15.000	-	-	-	6.595	127.086
Financial Assets at Fair Value Through Profit and Loss	165	-	-	-	-	533	698
Money Market Placements	-	-	-	-	-	-	-
Available-For-Sale Financial Assets	931	431.218	101.661	350.895	226.949	33.720	1.145.374
Loans	401.734	681.418	282.723	17.914	169.401	-	1.553.190
Held-To-Maturity Investments	-	-	-	-	-	-	-
Other Assets	25.594	4.196	7.538	17.086	206.414	231.817	492.645
Total Assets	533.915	1.131.832	391.922	385.895	602.764	273.152	3.319.480
Liabilities							
Bank Deposits	-	-	-	-	-	-	-
Other Deposits	-	-	-	-	-	-	-
Money Market Borrowings	458.403	-	17.740	-	-	-	476.143
Sundry creditors	-	-	-	-	-	5.818	5.818
Securities Issued	1	-	-	-	-	-	1
Funds Provided From Other Financial Institutions	572.545	842.845	562.643	15.763	236.431	-	2.230.227
Other Liabilities	-	-	-	717	-	606.574	607.291
Total Liabilities	1.030.949	842.845	580.303	16.480	236.431	612.392	3.319.480
Balance Sheet Long Position	(497.034)	-	(188.461)	-	-	(339.240)	(1.024.735)
Balance Sheet Short Position	-	288.987	-	369.415	366.333	-	1.024.735
Off-Balance Sheet Long Position	-	-	-	-	-	-	-
Off-Balance Sheet Short Position	38.325	287	5.063	-	15	-	43.690
Total Position	(458.709)	289.274	(183.398)	369.415	366.348	(339.240)	43.690

(*) Amounts in other assets and shareholders' equity are presented in non-interest bearing column, in order to reconcile the total assets and liabilities to the balance sheet.

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

(Amounts expressed in thousands of New Turkish Lira (TRY) unless otherwise stated.)

Average interest rates applied to monetary financial instruments in prior period:%

	EURO	USD	Yen	TRY
Prior 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	-	4,46	-	14,81
Financial assets at fair value through profit and loss	-	-	-	-
Money Market Placements	-	-	-	-
Available-For-Sale Financial Assets	4,34	5,83	-	16,04
Loans	5,10	6,91	4,91	20,40
Held-To-Maturity Investments	-	-	-	-
Liabilities				
Bank Deposits	-	-	-	-
Other Deposits	-	-	-	-
Money Market Borrowings	1,92	3,72	-	14,88
Sundry creditors	-	-	-	-
Securities Issued	-	-	-	-
Funds Provided From Other Financial Institutions	2,58	5,13	1,96	11,00

VII. Explanations Related to Liquidity Risk:

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

Although the 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 Bank chooses one of the three or more of the following; disposing liquid assets, increasing short-term borrowing, decreasing unliquid assets or increasing capital. The Bank's liquidity management is implemented by meeting all the obligations on time considering the 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 affect the profitability and is checked by the Bank Management with regular reports.

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

(Amounts expressed in thousands of New Turkish Lira (TRY) unless otherwise stated.)

VII. Explanations Related to Liquidity Risk:

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,								
Precious Metals) and Balances with								
the Central Bank of Turkey	1.058	-	-	-	-	-	-	1.058
Due From Other Banks and								
Financial Institutions	12.545	98.151	-	-	-	-	-	110.696
Financial Assets at Fair Value								
Through Profit and Loss	523	20	1.279	909	1.550	3.571	-	7.852
Money Market Placements	-	-	-	-	-	-	-	-
Financial Assets Available-For-Sale	14.084	71	87.084	37.161	424.816	636.636	15.595	1.215.447
Loans	-	66.941	44.766	62.431	144.518	1.872.854	-	2.191.510
Held-To-Maturity Investments	-	-	-	-	-	-	-	-
Other Assets	218	47.954	10.352	14.356	39.152	229.892	193.829	535.753
Total Assets	28.428	213.137	143.481	114.857	610.036	2.742.953	209.424	4.062.316
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	-	449.726	18.826	-	-	-	-	468.552
Securities Issued	-	-	-	-	-	-	-	-
Sundry Creditors	-	3.662	99	824	320	3.167	-	8.072
Other Liabilities	35.935	13.601	-	-	880	-	588.518	638.934
Total Liabilities	35.935	578.614	41.006	400.701	159.298	2.258.244	588.518	4.062.316
Liquidity Gap	(7.507)	(365.477)	102.475	(285.844)	450.738	484.709	(379.094)	-
Prior Period								
Total Assets	24.510	152.952	68.336	99.114	568.883	2.184.662	221.023	3.319.480
Total Liabilities	50.930	601.935	16.339	225.196	225.769	1.649.710	549.601	3.319.480
Liquidity Gap	(26.420)	(448.983)	51.997	(126.082)	343.114	534.952	(328.578)	-

(*): 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

(Amounts expressed in thousands of New Turkish Lira (TRY) unless otherwise stated.)

VIII.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 financial statements of the Bank.

	Book Value		Fair Value	
	Current Period	Prior Period	Current Period	Prior Period
Financial Assets (*)	3.517.653	2.825.650	3.517.653	2.825.650
Money Market Placements	-	-	-	-
Due From Other Banks and Financial Institutions	110.696	127.086	110.696	127.086
Available-For-Sale Financial Assets	1.215.447	1.145.374	1.215.447	1.145.374
Held-To-Maturity Investments	-	-	-	-
Loans	2.191.510	1.553.190	2.191.510	1.553.190
Financial Liabilities (*)	3.423.382	2.712.189	3.423.382	2.712.189
Bank Deposits	-	-	-	-
Other Deposits	-	-	-	-
Funds Provided From Other Financial Institutions	3.415.310	2.706.370	3.415.310	2.706.370
Securities Issued	-	1	-	1
Sundry Creditors	8.072	5.818	8.072	5.818

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

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

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

The Bank does not deal with fiduciary transactions.

SECTION FIVE

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS

I. Explanations Related to the Assets:

1.a Information on cash and balances with the Central Bank of Turkey:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Cash in TRY/Foreign Currency	72	38	106	14
Balances with the Central Bank of Turkey	114	834	251	116
Other	-	-	-	-
Total	186	872	357	130

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

(Amounts expressed in thousands of New Turkish Lira (TRY) unless otherwise stated.)

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

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Unrestricted demand deposit	114	834	251	116
Unrestricted time deposit	-	-	-	-
Restricted time deposit	-	-	-	-
Total	114	834	251	116

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

None. (31 December 2005: None).

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

None. (31 December 2005: None).

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

None. (31 December 2005: None).

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

None. (31 December 2005: None).

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

Held for trading financial derivative instruments	Current Period		Prior Period	
	TRY	FC	TRY	FC
Forward Transactions	506	42	1	-
Swap Transactions	-	6.192	-	165
Futures Transactions	-	-	-	-
Options	-	589	-	-
Other	-	-	-	-
Total	506	6.823	1	165

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

(Amounts expressed in thousands of New Turkish Lira (TRY) unless otherwise stated.)

3.a Information on banks and other financial institutions:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Current Period	Prior Period			
TRY	FC			
	TRY			
	FC			
Banks	22.583	88.113	41.304	85.782
Domestic	22.583	82.170	41.304	47.461
Foreign	-	5.943	-	38.321
Branches and head office abroad	-	-	-	-
Other Financial Institutions	-	-	-	-
Total	22.583	88.113	41.304	85.782

3.b Information on foreign bank accounts:

	Unrestricted Amount		Restricted Amount	
	Current Period	Prior Period	Current Period	Prior Period
European Union Countries	2.337	2.664	-	33.650
USA and Canada	3.316	1.752	-	-
OECD Countries*	45	216	-	-
Off-shore banking regions	245	39	-	-
Other	-	-	-	-
Total	5.943	4.671	-	33.650

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

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

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

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Government bonds	418.087	27.275	345.785	16.248
Treasury bills	20	-	77.072	-
Other debt securities	-	49.735	-	82.469
Bank bonds and bank guaranteed bonds	-	-	-	-
Asset backed securities	-	-	-	-
Other	-	8.881	-	-
Total	418.107	85.891	422.857	98.717

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

(Amounts expressed in thousands of New Turkish Lira (TRY) unless otherwise stated.)

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 (31 December 2005: TRY 296.322 Thousand).

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Share certificates	-	-	-	-
Bond, treasury bill and similar investment securities	166.680	5.857	290.739	5.583
Other	-	-	-	-
Total	166.680	5.857	290.739	5.583

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

Available for sale financial assets comprise 0,01% treasury bills, 84,46% government bonds and 15,53% Eurobonds, shares and other securities.

Financial and non-financial investments, to which the Bank has invested between 0,15% to 5% are classified in available-for-sale financial assets.

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

	Current Period		Prior Period	
Debt securities		1.193.791		1.114.799
Quoted on a stock exchange		1.026.641		934.405
Not quoted		167.150		180.394
Share certificates		23.625		24.059
Quoted on a stock exchange		1.556		3.993
Not quoted		22.069		20.066
Impairment provision (-)		(16.053)		(9.725)
Other		14.084		16.241
Total		1.215.447		1.145.374

5. Information on loans:

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

	Current Period		Prior Period	
	Cash Loans	Non-Cash Loans	Cash Loans	Non-Cash Loans
Direct loans granted to shareholders (*)	-	25.757	81.263	24.350
Corporate shareholders	-	25.757	81.263	24.350
Real person shareholders	-	-	-	-
Indirect loans granted to shareholders	13.882	-	40.711	8.076
Loans granted to employees	165	-	118	-
Total	14.047	25.757	122.092	32.426

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2006

(Amounts expressed in thousands of New Turkish Lira (TRY) unless otherwise stated.)

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

Cash Loans	Standard Loans and Other Receivables		Loans and Other Receivables Under Close Monitoring	
	Loans and Other Receivables	Restructured or Rescheduled	Loans and Other Receivables	Restructured or Rescheduled
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

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

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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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

(Amounts expressed in thousands of New Turkish Lira (TRY) unless otherwise stated.)

5.d Information on commercial loans with installments and corporate credit cards:

The Bank has not granted any commercial loans with installments and corporate credit cards as of the balance sheet date (31.12.2005: None).

5.e. Loans according to borrowers:

	Current Period	Prior Period
Public	-	-
Private	2.191.510	1.553.190
Total	2.191.510	1.553.190

5.f Domestic and foreign loans:

	Current Period	Prior Period
Domestic loans	2.167.807	1.530.863
Foreign loans	23.703	22.327
Total	2.191.510	1.553.190

5.g Loans granted to subsidiaries and associates:

	Current Period	Prior Period
Direct loans granted to subsidiaries and associates	16.046	10.720
Indirect loans granted to subsidiaries and associates	-	-
Total	16.046	10.720

5.ğ Specific provisions provided against loans:

	Current Period	Prior Period
Loans and receivables with limited collectibility	-	2.567
Loans and receivables with doubtful collectibility	355	9
Uncollectible loans and receivables	33.175	41.867
Total	33.530	44.443

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

(Amounts expressed in thousands of New Turkish Lira (TRY) unless otherwise stated.)

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

5.h.1 Information on loans and other receivables included in non-performing loans which are restructured or rescheduled:

	III. Group Loans and Receivables With Limited Collectibility	IV. Group Loans and Receivables With Doubtful Collectibility	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
Prior Period			
(Gross amounts before provisions)	-	9	27.925
Loans and other receivables restructured	-	-	-
Loans and other receivables rescheduled	-	9	27.925

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 end 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 end balance	-	355	33.175
Specific provision (-)	-	(355)	(33.175)
Net Balances on Balance Sheet	-	-	-

5.h.3 Information on foreign currency non-performing loans and other receivables

	III. Group Loans and Receivables With Limited Collectibility	IV. Group Loans and Receivables With Doubtful Collectibility	V. Group Uncollectible Loans and Receivables
Current Period			
Period End Balance	-	-	2.888
Special Provision (-)	-	-	(2.888)
Net Balance on Balance Sheet	-	-	-
Prior Period			
Period End Balance	2.567	-	6.370
Special Provision (-)	(2.567)	-	(6.370)
Net Balance on Balance Sheet	-	-	-

5.i 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

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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 portfolio.

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

The Bank has no investment securities held-to-maturity as at the balance sheet date. (31 December 2005: None).

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

The Bank has no investment securities held-to-maturity as at the balance sheet date. (31 December 2005: None).

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

The Bank has no investment securities held-to-maturity as at the balance sheet date. (31 December 2005: None).

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

The Bank has no investment securities held-to-maturity as at the balance sheet date. (31 December 2005: None).

7. Information on Associates (Net)

7.a.1 Information on 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 İŞ FACTORİNG FİNANSMAN HİZMETLERİ A.Ş. (İş Factoring)	İstanbul/ Turkey	14,75	100,00
3 İŞ FİNANSAL KİRALAMA A.Ş. (İş Finansal)	İstanbul/ Turkey	28,56	69,99
4 İŞ GİRİŞİM SERMAYESİ YATIRIM ORTAKLIĞI A.Ş. (İş Girişim)	İstanbul/ Turkey	16,67	48,75
5 PROVUS BİLİŞİM HİZMETLERİ A.Ş. (Provus)	İstanbul/ Turkey	0,04	0,04
6 SENAPA-STAMPA AMBALAJ SANAYİ VE TİCARET A.Ş. (Senapa)	Kocaeli/ Turkey	9,15	9,15
7 SERVUS BİLGİSAYAR A.Ş. (Servus)	İstanbul/ Turkey	7,14	7,14
8 TERME METAL SANAYİ VE TİCARET A.Ş. (Terme)	İstanbul/ Turkey	17,83	18,76
9 TSKB YATIRIM ORTAKLIĞI A.Ş. (TSKB Y.O.)	İstanbul/ Turkey	29,75	44,48
10 ÜNSA AMBALAJ SANAYİ VE TİCARET A.Ş. (Ünsa)	İstanbul/ Turkey	12,00	12,00
11 YATIRIM FİNANSMAN YATIRIM ORTAKLIĞI A.Ş. (Yatırım Fin.Y.O.)	İstanbul/ Turkey	11,58	51,98

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	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)	-
İş Factoring (2)	38.232	23.361	8.467	3.778	-	1.787	1.657	-
İş Finansal (3)	889.171	138.529	403.663	159.556	-	8.594	40.022	73.970
İş Girişim (4)	105.504	88.295	48.558	6.233	-	(825)	10.076	14.288
Provus (5)	12.849	2.254	11.650	29	-	(2.292)	(1.682)	-
Senapa (6)	28.298	5.154	19.586	1122	-	(3.412)	(2.924)	-
Servus (7)	49.452	22.449	13.673	215	-	1.585	570	-
Terme (8)	11.811	2.077	1.949	-	-	(291)	(307)	-
TSKB Y.O. (9)	17.985	17.956	-	(676)	-	(2.116)	5.294	4.123
Ünsa (10)	84.009	25.599	39.991	94	-	(3.928)	(4.587)	-
Yatırım Fin. (11)	11.363	11.208	-	269	-	(888)	1.589	906

(1) Represent non-reviewed 30.09.2006 financial statements. Prior year loss is obtained from 31.12.2005 financial statements.

(2) Represent non-reviewed 30.11.2006 financial statements. Prior year profit is obtained from 31.12.2005 financial statements.

(3) Represent reviewed 30.06.2006 financial statements. Prior year profit is obtained from 31.12.2005 financial statements. Fair value is presented as of 30.09.06.

(4) Represent reviewed 30.06.2006 financial statements. Prior year profit is obtained from 31.12.2005 financial statements. Fair value is presented as of 30.09.06.

(5) Represent non-reviewed 30.09.2006 financial statements. Prior year loss is obtained from 31.12.2005 financial statements.

(6) Represent non-reviewed 30.09.2006 financial statements. Prior year loss is obtained from 31.12.2005 financial statements.

(7) Represent non-reviewed 30.09.2006 consolidated financial statements. Prior year profit is obtained from 31.09.2005 financial statements.

(8) Represent unaudited 31.12.2006 financial statements. Prior year loss is obtained from 31.12.2005 financial statements.

(9) Represent reviewed 30.06.2006 financial statements. Prior year profit is obtained from 31.12.2005 financial statements. Fair value is presented as of 30.09.06.

(10) Represent non-reviewed 30.11.2006 financial statements. Prior year profit is obtained from 31.12.2005 financial statements.

(11) Represent reviewed 30.06.2006 financial statements. Prior year profit is obtained from 31.12.2005 financial statements. Fair value is presented as of 30.09.06.

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7.a.2 Information on associates

	Current Period	Prior Period
Balance at the Beginning of the Period	136.875	72.342
Movements During the Period	(27.639)	64.533
Purchases	1.294	252
Free shares received	15.351	9.249
Current Year Share of Profit	-	-
Sales	(50)	(3.637)
Revaluation Increase	-	-
Provision for Impairment	(44.234)	58.669
Balance at the End of the Period	109.236	136.875
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	Prior Period
Banks	-	-
Insurance Companies	-	-
Factoring Companies	1.036	1.036
Leasing Companies	73.971	101.247
Financial Service Companies	-	-
Other Associates	34.229	34.592

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

	Current Period	Prior Period
Associates quoted on domestic stock Markets	93.287	120.967
Associates quoted on foreign stock Markets	-	-

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

Bank sold 1,4% of shares of TSKB Yatırım Ortaklığı A.Ş. having a nominal value of TRY 50 Thousand, in the current period.

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

During the current year, the 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, TRY 14.280 Thousand and TRY 539 Thousand to the capital increases of its associates; Gözlük Sanayi A.Ş., İş Finansal Kiralama A.Ş., and Yatırım Finansman Yatırım Ortaklığı A.Ş.; respectively. The Bank also contributed TRY 1.785 Thousand (TRY 1.071 Thousand free shares and TRY 714 Thousand in exchange of dividends) to the capital increase of TSKB Yatırım Ortaklığı A.Ş. in the current period.

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8. Information on Subsidiaries (net)

8.a.1 Information on 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 /Turkey	80,00	80,00
2 Yatırım Finansman Menkul Değerler A.Ş.	İstanbul /Turkey	88,78	91,4
3 TSKB Gayrimenkul Yatırım Ortaklığı A.Ş.	İstanbul/Turkey	96,00	100,00

	Total Assets	Shareholders' Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities	Portfolio Current Period Profit/Loss	Prior Period Profit/Loss	Fair Value
TSKB GMD (1)	1.478	1.231	636	65	-	264	245	-
YF MEN.DEĞ. (2)	122.385	28.572	8.657	10.542	-	2.706	4.444	-
TSKB GYO (3)	10.682	10.641	2.581	1.057	-	642	141	-

(1) Represent unaudited 31.12.2006 financial statements. Prior year profit is obtained from 31.12.2005 financial statements.

(2) Represent reviewed 30.06.2006 financial statements. Prior year profit is obtained from 31.12.2005 financial statements.

(3) Represent unaudited 31.12.2006 financial statements. Prior year profit is obtained from 31.03.2006 financial statements.

8.a.2 Information on subsidiaries

	Current Period	Prior Period
Balance at the beginning of the period	30.550	30.550
Movements in period	9.600	-
Purchases	9.600	-
Free shares obtained	-	-
Dividends from current year income	-	-
Sales	-	-
Revaluation increase	-	-
Impairment provision	-	-
Balance at the end of the period	40.150	30.550
Capital commitments	-	-
Share percentage at the end of the period (%)	-	-

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

Subsidiaries	Current Period	Prior Period
Banks	-	-
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	-	-
Financial Service Companies	-	-
Other Subsidiaries	40.150	30.550

8.a.4 Subsidiaries quoted on stock market

As at the balance sheet date, the Bank has no subsidiaries quoted on the stock market.(31 December 2005: None).

8.a.5 Subsidiaries sold in the current period

The Bank added its 1,79% share in TSKB Menkul Değerler 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 Değerler A.Ş. and Yatırım Finansman Menkul Değerler A.Ş. on 29 December 2006.

9. Information on entities under common control:

The Bank has no entities under common control as of the balance sheet date.(31 December 2005: None).

10. Information on Finance Lease Receivables (net)

10.a Maturities of Investments on Finance Leases

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 year	77.420	59.510	41.345	29.192
Between 1- 4 years	204.088	175.809	166.930	142.838
More than 4 years	55.704	50.770	68.926	63.788
Total	337.212	286.089	277.201	235.818

10.b The information on net investments in finance leases

	Current Period	Prior Period
Gross investments in finance leases	337.212	277.201
Unearned revenue from finance leases (-)	(51.123)	(41.383)
Cancelled finance leases (-)	-	-
Net investments in finance leases	286.089	235.818

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; which has material effect on financial statements.

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11. Information on derivative financial assets for hedging purposes

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

The Bank has no financial assets for hedging purposes as of the balance sheet date. (31 December 2005: None).

12. Information on tangible assets:

	Land and Building	Assets held under finance leases	Vehicles	Assets for resale	Other	Total
Prior Period End :						
Cost	40.242	1.872	1.362	17.841	18.962	80.279
Impairment	-	-	-	(2.762)	-	(2.762)
Accumulated depreciation (-)	(20.775)	(333)	(894)	(1.037)	(18.114)	(41.153)
Net book value	19.467	1.539	468	14.042	848	36.364
Current Period End:						
Net book value at beginning of the period	19.467	1.539	468	14.042	848	36.364
Additions	150	1.966	81	7.382	1.577	11.156
Disposals (-)	(1.807)	-	(180)	(118)	-	(2.105)
Impairment	-	-	-	-	-	-
Depreciation charge (-)	(703)	(566)	(120)	(1.054)	(130)	(2.573)
Currency translation differences resulting from foreign investments (-)	-	-	-	-	-	-
Period end cost	38.585	3.838	1.263	25.105	20.539	89.330
Period end accumulated depreciation (-)	(21.478)	(899)	(1.014)	(2.091)	(18.244)	(43.726)
Accumulated impairment loss at the end of the period	-	-	-	(2.762)	-	(2.762)
Closing net book value	17.107	2.939	249	20.252	2.295	42.842

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 Bank's internal specialists the inflation adjusted values of the properties are more than the fair values. Therefore; the Bank recorded impairment 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 effecting the overall financial statements, and the reason and conditions for this

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

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13. Information on Intangible Assets (Net)

13.a Useful lives and amortization rates used

The Bank 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' amortization rates were used for the intangible assets acquired before 1 January 2004, new amortization 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.

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	1.734	1.557	1.875	1.644

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

	Current Period
Beginning balance (Net)	177
Amounts internally developed	-
Additions due to mergers, transfers and acquisitions	142
Not used and disposed items	-
Increases or decreases in the revaluation fund	-
Impairment charges	-
Reversal of impairment charges	-
Amortization charges (-)	(88)
Currency translation differences arising from foreign investments	-
Other differences in book values	-
Closing balance	231

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 Bank has no individual intangible asset which is material in the financial statements as a whole. (31 December 2005: None).

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 Bank has no intangible fixed assets acquired through government grants. (31 December 2005: None).

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 Bank has no intangible assets acquired with government incentives. (31 December 2005: None).

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

As at the balance sheet date, there are no intangible assets with restricted use or pledged (31 December 2005: None).

13.h Amount of purchase commitments for intangible assets

As at the balance sheet date, the Bank has no purchase commitments for intangible assets (31 December 2005: None).

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

The Bank did not revalue its intangible assets as at the balance sheet date (31 December 2005: None).

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

The Bank has no research and development costs expensed in the current period. (31 December 2005: None).

13.j Information on positive or negative goodwill

As at the balance sheet date, the Bank has no goodwill (31 December 2005: None).

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

As at the balance sheet date, the Bank has no goodwill in the accompanying financial statements (31 December 2005: None).

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 Bank has no goodwill in the accompanying financial statements (31 December 2005: None).

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	Prior Period
Useful life difference of fixed assets	983	2.329
Financial lease adjustments	(1.598)	(5.356)
Derivative transaction accruals	650	963
Employee benefit provision	556	707
Other Provisions	600	1.735
Other	34	81
Total	1.225	459

In addition, TRY 3.625 Thousand deferred tax liability, which is calculated over the fair value differences on available for sale securities, is offset against the "available for sale securities value increase fund" item under equity.

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

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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 Bank has no assets held for sale (31 December 2005: None).

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 (31 December 2005: None).

II. Explanations Related to the Liabilities:

1. Information of Maturity Structure of Deposits

1.a.1 Maturity Structure of Deposits

The 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 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 Bank is not authorized to accept deposits.

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

The 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		Prior Period	
	TRY	FC	TRY	FC
Forward Transactions	-	3	19	-
Swap Transactions	10.248	718	4.146	133
Futures Transactions	-	-	-	-
Options	-	731	-	38
Other	-	-	-	-
Total	10.248	1.452	4.165	171

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

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3. Information on funds borrowed

3.a Information on banks and other financial institutions:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Loans from Central Bank of Turkey	-	-	-	-
From Domestic Banks and Institutions	1.200	105.825	18.516	207.301
From Foreign Banks, Institutions and Funds	10.542	2.755.845	10.542	1.924.276
Total	11.742	2.861.670	29.058	2.131.577

3.b Maturity analysis of funds borrowed:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Short-term	1.200	532.216	18.516	442.165
Medium and long-term	10.542	2.329.454	10.542	1.689.412
Total	11.742	2.861.670	29.058	2.131.577

3.c Additional information about the concentrated areas of Bank's major liabilities:

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

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 (31 December 2005: None).

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 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 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		Prior Period	
	Gross	Net	Gross	Net
Less than 1 year	858	799	715	669
Between 1- 4 years	99	81	52	48
More than 4 years	-	-	-	-
Total	957	880	767	717

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

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5.d Explanations regarding operational leases:

The Bank has no operational leases as of the balance sheet date. (31 December 2005: None).

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

The Bank does not engage in sale and lease back transactions as of the balance sheet date (31 December 2005: None).

6. Information on derivative financial liabilities for hedging purposes:

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

The bank has no derivative financial liabilities for hedging purposes as of the balance sheet date (31 December 2005: None).

7. Information on provisions

7.a Information on general provisions:

	Current Period	Prior Period
General Provisions	14.099	10.092
Provisions for First Group Loans and Receivables	10.978	7.576
Provisions for Second Group Loans and Receivables	-	-
Provisions for non-Cash Loans	435	121
Other	2.686	2.395

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 amounting to TRY 9,099 Thousand (31 December 2005: TRY 11.792 Thousand).

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

The Bank has no specific provisions provided for unindemnified non cash loans as of the balance sheet date (31 December 2005: None).

7.ç Information Related to Other Provisions:

7.ç.1 Provision for possible losses:

	Current Period	Prior Period
Provision for possible losses	-	2.953

7.ç.2 The breakdown of the subsidiary accounts if other provisions exceed 10% of the grand total of provisions:

	Current Period	Prior Period
Provision for possible losses	-	2.953
Dividend Provision for Subsidiaries	2.816	2.816

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

The 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 during the first 5 years and the maturity is 15 October 2011.

8.a Information on subordinated loans:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
From Domestic Banks	-	-	-	-
From Other Domestic Institutions	-	-	-	-
From Foreign Banks	-	-	-	-
From Other Foreign Institutions	-	73.199	-	69.352
Total	-	73.199	-	69.352

9. Explanations on taxes payable:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Corporate Taxes and Deferred Taxes				
Corporate tax payable	16.218	-	32.146	-
Deferred tax liability	-	-	-	-
Total	16.218	-	32.146	-

9.a Information on deferred tax liabilities:

At the balance sheet date, the Bank has no deferred tax liability (31 December 2005- None).

9.a.2 Information on taxes payable:

	Current Period	Prior Period
Corporate taxes payable	16.128	32.146
Taxation of securities	459	481
Property tax	-	-
Banking Insurance Transaction Tax (BITT)	88	140
Foreign Exchange Transaction Tax	116	11
Value Added Tax Payable	80	86
Other	1.131	965
Total	18.092	33.829

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9.a.3 Information on premiums:

	Current Period	Prior Period
Social Security Premiums-Employee	-	-
Social Security Premiums-Employer	-	-
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	9	8
Unemployment insurance-Employer	18	17
Other	-	-
Total	27	25

10. Information on liabilities regarding assets held for sale

The bank has no liabilities regarding assets held for sale (31 December 2005: None).

11. Information on Shareholders' Equity:

11.a Presentation of Paid-in capital:

	Current Period	Prior Period
Common stock	300.000	200.000
Preferred stock	-	-

11.b Paid-in capital amount, explanation as to whether the registered share capital system is ceiling 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

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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 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		Prior Period	
	TRY	FC	TRY	FC
From Associates, Subsidiaries, and Entities Under Common Control	45.361	-	85.609	-
Valuation Difference	(14.114)	1.460	12.608	1.381
Foreign Exchange Difference	-	-	-	-
Total	31.247	1.460	98.217	1.381

12. Information on minority shares:

There are no minority shares in the accompanying unconsolidated financial statements.

III. Explanations Related to the 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 (31 December 2005: TRY 82.102 Thousand).

1.b.2 Guarantees, suretyships, and similar transactions

Total letter of guarantees as of 31 December 2006 is TRY 274.672 Thousand (31 December 2005: TRY 38.642 Thousand).

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

	Current Period	Prior 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	120.752
Total	372.590	120.752

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

	Current Period				Prior Period			
	TRY	(%)	TRY	(%)	TRY	(%)	TRY	(%)
Agricultural	-	-	-	-	-	-	1.460	2
Farming and Raising livestock	-	-	-	-	-	-	941	1
Forestry	-	-	-	-	-	-	519	1
Fishery	-	-	-	-	-	-	-	-
Manufacturing	983	3	226.890	66	60	-	83.138	87
Mining	-	-	-	-	-	-	-	-
Production	67	-	205.099	60	46	-	56.570	59
Electric, gas and water	916	3	21.791	6	14	-	26.568	28
Construction	-	-	-	-	-	-	-	-
Services	27.520	97	117.197	34	25.518	100	9.917	10
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	25.516	100	9.675	10
Real estate and renting services	1	-	-	-	2	-	-	-
Self-employment services	2.000	7	-	-	-	-	-	-
Education services	-	-	-	-	-	-	-	-
Health and social services	-	-	-	-	-	-	242	-
Other	-	-	-	-	-	-	659	1
Total	28.503	100	344.087	100	25.578	100	95.174	100

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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	-	-	-	-
Underwriting commitments	-	-	-	-
Factoring guarantees	-	-	-	-
Other	8	-	-	-

2.Information related to derivative financial instruments:

	Current Period	Prior Period
Types of trading transactions		
Foreign currency related derivative transactions (I):	761.941	336.543
Forward transactions	115.063	41.777
Swap transactions	382.561	175.276
Futures transactions	87.485	17.223
Option transactions	176.832	102.267
Interest related derivative transactions (II):	608	1.172
Forward rate transactions	-	-
Interest rate swap transactions	608	1.172
Interest option transactions	-	-
Futures interest transactions	-	-
Other trading derivative transactions (III)	69.826	9.530
A. Total trading derivative transactions (I+II+III)	832.375	347.245
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	347.245

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3. Explanations on contingent liabilities and assets:

The legal cases against the Bank are amounting to TRY 98 Thousand as of the balance sheet date.

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, Beşiktaş 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 Bank provides trading and safe keeping services in the name and account of real persons, legal entities, funds, pension funds and other entities.

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		Prior Period	
	TRY	FC	TRY	FC
The Central Bank of Turkey	-	-	-	-
Domestic banks	1.578	3.945	1.665	906
Foreign banks	322	2.425	86	872
Branches and head office abroad	-	-	-	-
Total	1.900	6.370	1.751	1.778

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1.c Interest received from marketable securities portfolio:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Trading securities	-	-	-	123
Financial assets at fair value through profit and loss	-	-	-	-
Available-for-sale securities	110.283	25.521	115.508	32.247
Held-to-maturity securities	-	-	-	-
Total	110.283	25.521	115.508	32.370

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

	Current Period	Prior Period
Interest received from associates and subsidiaries	866	692

2.a Information on interest on funds borrowed:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Banks	728	29.143	467	19.297
The Central Bank of Turkey	-	-	-	-
Domestic banks	583	6.371	467	9.955
Foreign banks	145	22.772	-	9.342
Branches and head office abroad	-	-	-	-
Other financial institutions	-	106.515	-	55.223
Total	728	135.658	467	74.520

2.b Information on interest expense to associates and subsidiaries

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

2.c Information on interest expense 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 authorized to accept deposits.

3. Information on dividend income:

	Current Period	Prior Period
Trading Securities	-	-
Financial assets at fair value through profit and loss	-	-
Available-for-sale securities	1.450	1.057
Other	11.666	2.002
Total	13.116	3.059

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4. Information on net trading income

	Current Period	Prior Period
Profit	163.745	240.915
Gains on capital market operations	36.122	24.484
On derivative financial instruments	22.248	10.334
Other	13.874	14.150
Foreign exchange gains	127.623	216.431
Losses (-)	(217.025)	(232.104)
Losses on capital market operations	(37.232)	(24.063)
On derivative financial instruments	(23.771)	(12.850)
Other	(13.461)	(11.213)
Foreign exchange losses	(179.793)	(208.041)

5. Information Related with Other Operating Income

	Current Period	Prior Period
Provisions Released	17.497	19.023
Gains on Sale of Assets	162	335
From Associate and Subsidiary Sales	30	2
From Movable Fixed Asset Sales	-	63
From Other Asset Sales	132	270
Other	58.189	8.383
Total	75.848	27.741

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

	Current Period	Prior Period
Specific provisions for loans and other receivables	2.458	3.953
III. Group	568	3.651
IV. Group	99	74
V. Group	1.791	228
General provision expenses	4.176	2.547
Provision expenses for possible losses	-	-
Foreign exchange differences on foreign currency losses	-	-
Marketable securities impairment expenses	608	2.039
Trading securities	-	-
Investment securities available for sale	608	2.039
Impairment provisions	-	-
Associates	-	-
Subsidiaries	-	-
Entities under common control	-	-
Investment securities held to maturity	-	-
Impairment on assets held for sale	-	500
Other	-	-
Total	7.242	9.039

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7. Information Related to Other Operating Expenses

	Current Period	Prior Period
Personnel expenses	23.940	22.052
Reserve for employee termination benefits	278	133
Bank social aid fund deficit provision	-	-
Impairment expenses of fixed assets	-	-
Depreciation expenses of fixed assets	1.519	1.430
Impairment expenses of intangible assets	-	-
Impairment expense of goodwill	-	-
Amortization expenses of intangible assets	90	193
Impairment on subsidiaries accounted for under equity method	-	-
Impairment expenses of assets held for resale	-	-
Depreciation expenses of assets held for resale	1.054	541
Impairment expenses of assets held for sale	-	-
Other operating expenses	6.342	5.889
Rent expenses	-	-
Maintenance expenses	356	292
Advertisement expenses	291	635
Other expenses	5.695	4.962
Loss on sales of assets	-	520
Other	14.160	20.124
Total	47.383	50.882

8. Information on profit or loss before tax:

The Bank increased its profit before tax by 5,1% and reached TRY 129.948 Thousand in 2006.

9. Information on tax provision for taxes on income:

9.a Information on current tax charge or benefit and deferred tax charge or benefit

The Bank's current tax charge for the period is TRY 16.218 Thousand. Deferred tax charge is TRY 7.328 Thousand.

9.b Information related to deferred tax charge on temporary differences

Deferred Tax Asset	Current Period	Prior Period
Useful life difference of fixed assets	983	2.329
Financial leasing adjustment	(1.598)	(5.356)
Derivative transaction accruals	650	963
Employee benefits provision	556	707
Other provisions	600	1.735
Other	34	81
Total	1.225	459

In addition, TRY 3.625 Thousand deferred tax liability, which is calculated over the fair value differences on available for sale securities, is offset against "available for sale securities value increase fund" item under equity.

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9.c Information related to deferred tax 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 7.328 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 has increased by 8,8% and reached TRY 106.402 Thousand in 2006.

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 Bank has generated a total of TRY 304.970 Thousand interest income, TRY 171.403 Thousand interest expenses and TRY 15.322 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:

There is no profit and loss attributable to minority interest in the accompanying financial statements.

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.

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

1. Informations 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 (Central Registry Agency)	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.

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As of 31 December 2005, 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	81.035	40,52	81.035	-
T. Vakıflar Bankası T.A.O.	16.755	8,38	16.755	-
Under Custody at Takasbank A.Ş.	12.894	6,45	12.894	-
Other	61.839	30,92	61.839	-
Total	200.000	100,00	200.000	-

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 16.312 Thousand impairment is accounted for arising from the valuation of available for sale investments at fair value. TRY 3.658 Thousand deferred tax liability is offset against impairment related to these investments and as a result, TRY 12.654 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.

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

As of the date of this report, the Bank has not yet computed its distributable profit and earnings per share for the approval in the General Assembly. Accordingly, a statement of profit distribution is not disclosed in the accompanying financial statements. Earnings per share disclosed in the accompanying income statement is calculated by dividing profit for the period by total number of shares.

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

There are no dividends proposed by the Bank after the balance sheet date for the approval in the General Assembly.

7. Amounts transferred to legal reserves

In the current year, TRY 9.754 Thousand were transferred to legal reserves.

8. Offsetting of the prior period's losses

There is no offsetting of accumulated losses made during the current year.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

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VI. Explanations Related to Statement Of Cash Flows:

1. The effects of the other items stated in the cash flow statement and the changes in foreign currency exchange rates on cash and cash equivalents:

Operating profit figure includes TRY 539 Thousand income from leasing, TRY 1.102 Thousand loss from capital market operations, TRY 1.332 Thousand 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 Thousand.

2. Information about cash flows from acquisition of associates, subsidiaries, and other investments:

The bank, invested TRY 10.896 Thousand to associates, subsidiaries, and other investments and TRY 3.068 Thousand to movable fixed assets and properties in the current period.

	Current Period	Prior Period
Cash and Cash Equivalents	-	-
Loans	-	-
Other Assets	13.964	5.060
Funds Obtained from Other Financial Institutions	-	-
Other Liabilities	-	-
Goodwill	-	-
Cash Payments on Acquisitions	13.964	5.060
Foreign Currency Gains	-	-
Acquisition Cost	13.964	5.060
Cash and Cash Equivalents of Entities Acquired	-	-
Cash Outflows from Acquisitions	13.964	5.060

3. Information about disposal of associates, subsidiaries, and other investments:

The total amount of purchases or sales of related account and their cash and cash equivalent assets

	Current Period	Prior Period
Net Assets	-	-
Cash and cash equivalents	2.238	4.024
Receivables from banks and other financial institutions	-	-
Loans	-	-
Bank deposits	-	-
Funds obtained from other financial institutions	-	-
Other liabilities	-	-
Sale income	2.238	4.024
Cash and cash equivalents of subsidiaries sold	-	-
Cash Inflows from Disposals	2.238	4.024

The Bank generated cash inflow of 2.188 Thousand TRY on sale of movable fixed assets and properties.

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4. Information on Cash and Cash Equivalents at the End of the Period:

Information on Cash and Cash Equivalents at the Beginning of the Period:

	01.01.2006	01.01.2005
Cash	487	462
Cash Equivalents	126.455	52.074

Information on Cash and Cash Equivalents at the End of the Period:

	31.12.2006	31.12.2005
Cash	1.058	487
Cash Equivalents	110.624	126.455

5. Amount of cash and cash equivalents restricted for the usage of the Bank and the shareholders by legal limitations and other reasons

There are no cash and cash equivalents restricted for the usage of the Bank and affiliates by legal limitations and other reasons.

6. Additional Information Related to Financial Position and Liquidity of The Bank

6.a Any unused financial borrowing facility which can be utilized in banking operations and unpaid capital commitments and any restrictions on such facilities

There are not any unused financial borrowing facility which can be utilized in banking operations and unpaid capital commitments and any restrictions on such facilities.

6.b Apart from the cash flows needed to run ordinary operations of the Bank, total of cash flows that shows the increase in the operation capacity of the Bank.

Under current economical conditions, the cash flows are followed daily and cash flows showing the increase in the capacity of operations of the Bank is investigated.

VII. Explanations on the Risk Group of the Bank

1. Information on the Volume Of Transactions Related to The Bank's Own Risk Group, Outstanding Loan and Deposit Transactions and Income and Expenses of the Period:

1.a Current Period:

	Risk Group of the Bank (*) shareholders of the Bank		Subsidiaries and associates Other entities included		Direct and indirect in the risk group	
	Cash	Non-cash	Cash	Cash	Non-cash	Cash
Loans and other receivables						
Balance at beginning of period	5.057	168	-	24.347	4.667	-
Balance at end of period	9.964	168	-	24.347	3.918	1.410
Interest and commission income	548	6	-	24	208	2

(*) Defined in the Paragraph 2 of the Article 20 of the "Regulation on the Establishment and Operations of Banks".

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

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1.b Prior Period:

	Risk Group of the Bank (*) shareholders of the Bank		Subsidiaries and associates Other entities included		Direct and indirect in the risk group	
	Cash	Non-cash	Cash	Cash	Non-cash	Cash
Loans and other receivables						
Balance at beginning of period	6.086	168	-	24.687	5.787	-
Balance at end of period	5.057	168	-	24.347	4.667	-
Interest and commission income received	249	2	-	24	233	-

* Defined in the Paragraph 2 of the Article 20 of the "Regulation on the Establishment and Operations of Banks".

VII. Explanations on the Risk Group of the Bank:

1.c Information on deposit held by Bank's own risk group

The Bank is not authorized to accept deposits.

2. Information on forward, option and other similar agreements made with Bank's own risk group

The Bank has no forward, option and other similar agreements with the Bank's own risk group

VIII. Information and Disclosures Related to the Domestic, Foreign Offshore Branches and Foreign Representations of the Bank

1. Information and Disclosures Related to the Domestic, Foreign Offshore Branches and Foreign Representations of the Bank

	Number	Number Of Employees		
Domestic Branch	1	295		
Foreign Rep Office			Country of Incorporation	
			1-	
			2-	
			3-	
			Total Assets Statutory share capital	
Foreign Branch			1-	
			2-	
			3-	
Off-share Banking Region Branches	1	2	1-Bahrain	318.458
			2-	
			3-	

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

The Bank has decided to open branches in İzmir and Ankara as per 1 March 2006 dated decision of Board of Directors authorizing the General Management on this. In April 2006, the new branches were established and started their operations.

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

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 SIX

OTHER INFORMATION

I. Other Explanations Related to the Operations of the Bank

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

FITCH RATINGS

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

Information above 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	Positive
Short-term Maturity	N/P

Information above are received from Moody's Investors Service report dated 20 December 2006.

SECTION SEVEN

INDEPENDENT AUDITORS' REPORT

I. Explanations for Independent Auditors' Report

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

The independent auditors' report is presented at the beginning of the 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 Bank's operations.

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. ASSESSMENT OF FINANCIAL STANDING, PROFITABILITY, AND SOLVENCY

Financially 2006 was a very successful year for TSKB, which continued to strengthen its asset structure with the medium and long-term resources it secured. Total assets were up 22.3% year-to-year and reached the TRY 4,062 million level.

The fundamental contributor to this growth in assets was the increase in the medium and long-term lending that constitutes the bank's most important activity. As a result of our successful marketing efforts, our new lendings in 2006 amounted to a record-breaking USD 631 million. Where the year-on growth in the bank's loan book in 2005 was 27%, in 2006 it grew 38% and reached a total of TRY 2,478 million.

50% of the loan portfolio consists of investment financing loans and 37% of operating loans while 13% of it consists of leasing receivables. A breakdown of the lending portfolio by currency type is consistent with the liability-side loans received by the bank: 54% EUR, 41% USD, 4% JPY, and 1% TRY. A sectoral breakdown of the loan book shows that the most lending has been made to the energy, finance, and construction sectors. The ratio of our bank's lending to total assets is 61%, which is once again one of the highest in the sector.

While our bank's lending has been increasing so too has the quality of its assets. The ratio of non-performing loans—all of which are 100% provisioned—to total lending nearly halved from 2.4% in 2005 to 1.3% in 2006.

In addition to the steady growth in its lending, the bank has also been performing successfully particularly in the areas of project finance and participation in credit syndications.

In 2006 TSKB's non-cash credit portfolio reached TRY 373 million in value, a year-on rise of 209%. Such non-cash credit makes a significant contribution to the bank's commission income.

Liquid assets, which make up the second biggest asset category after loans, consist of securities ready for sale, deposits with other banks, and investment securities such as shares in companies and mutual funds. The ratio of liquid assets to total assets was up 5% last year and such assets amounted to TRY 1,335 million. 90% of the portfolio consists of securities that can be sold at any time while 67% of it consists of Turkish lira instruments. The bank's investment securities portfolio suffered very little from the volatilities experienced in 2006 thanks to successful treasury management.

The bank's liabilities consist mainly of credit and loans received, shareholders' equity, and money-market debt.

Credit and loans received amounted to TRY 2,873 and were up 33% year-on. Nearly all of this consists of foreign currency resources secured by the bank from abroad. 81% of our resources consist of long-term loans that are also low-interest bearing

These long-term resources are used to finance the asset-side lending that we engage in. 78% of the total is also secured by Treasury Undersecretariat guarantees.

Because the borrowing and lending interest rate structures on the assets and liabilities sides are variable and the term structures of resources are longer than those of lendings, the bank suffers from no interest rate or liquidity mismatch whatsoever. Because the currency types of lendings are compatible with those of borrowings, the bank's exposure to exchange rate risk is close to zero.

At end-2006, TSKB's shareholders' equity topped TRY 589 million and paralleling this its capital adequacy ratio was 32.9%, well above the legal requirement. The bank has TRY 388 million in free capital, which corresponds to 9.6% of its total assets and consists entirely of liquid assets. TSKB's pretax net profit in 2006 was up 5.1% year-on and reached TRY 129.9 million while net current profit was up 8.8% and amounted to TRY 106.4 million. Paralleling this, the average return on equity for the year was 18.7% while the bank's return on assets ratio was 2.9%.

Interest received on the bank's lendings in 2006 was up 72% year-on. Total interest income during the same period increased 25% and amounted to TRY 305 million.

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. ASSESSMENT OF FINANCIAL STANDING, PROFITABILITY, AND SOLVENCY

The year-on rise in the bank's net fee and commission income was 83.9%. New customers were added to the portfolio as a result of boutique banking services employing products specially designed according to customers' needs in the investment securities and treasury marketing units and this nourished the growth in commission income. In addition to the commission income earned on investment banking activities, there was also a rise in non-cash credit commission income.

At end-2006 the ratio of TSKB's interest-bearing assets to total assets was a very high 94%. Such a high level is another factor that enhances the bank's debt serviceability. The bank's resource structure is both long-term and sustainable as a result of close and long-term relationships with international organizations and this too may be expected to have a continued positive impact on both the profitability and the debt serviceability of TSKB.

INFORMATION ABOUT RISK MANAGEMENT POLICIES IMPLEMENTED ACCORDING TO RISK TYPE

Credit risk

Credit risk is the possibility that a credit customer or some party with which the customer has entered into an agreement will fail to fulfill the terms of a lending agreement.

Credit risk is measured and managed by taking into account the structure and particulars of a loan, the terms and financial conditions of the loan agreement, the risk profile structure in light of possible market movements before the loan matures, guarantees and collateral, potential changes in internal risk ratings and in ratings during the process of risk exposure, sector and customer concentrations, and limits specified by the Board of Directors.

Market risk

Market risk is the possibility that the bank's financial position may be adversely affected by movements in market prices and rates (equity and commodity prices and interest and exchange rates).

Market risk is managed by using appropriate quantification methods such as volatilities in interest/price levels and value-at-risk calculations (historical simulation and variance/covariance) in light of such criteria as compliance with stipulated risk limits, risk definitions, risk detection and installation of appropriate controls, and having market risk regularly reported to all levels for which it is a matter of concern.

Operational risk

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people, and systems or from external events. This definition includes the risk of non-compliance with the requirements of law and with ethical standards but not strategic risk or reputational risk according to Basel II.

TSKB employs high-quality and well-trained human resources among whom the turnover rate is relatively low. Performance evaluations and career planning are carried out on a regular basis while effective system controls and authorization and approval mechanisms have been developed and put in place. The principle of separating task functions is adhered to. Secure and reliable systems are used to make payments and clearances.

TSKB employs the "Standardized Approach" set forth in the Basel II document as its operational risk management method. An examination of past operational risk data sets shows that the bank has never suffered any serious losses on account of operational risks.

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

CREDIT RATINGS

Fitch Ratings

The international credit rating agency Fitch Ratings announced the following credit rating for TSKB on 23 November 2006.

Foreign Currency

Long-term	BB-
Outlook	Positive
Short-term	B

Turkish Lira

Long-term	BB
Outlook	Positive
Short-term	B

National

Long-term	A+(tur)
Outlook	Stable
Individual	C/D
Support	3

According to Fitch Ratings, TSKB's credit ratings are further supported by the advanced quality of its assets, its sound profitability, and its strong capital structure as well as by its distinction it enjoys as Turkey's biggest development and investment bank. TSKB, whose principal business activity is development and investment banking, obtains funds from national and international organizations that it lends out on a medium to long-term basis. The majority of resources that TSKB obtains from international organizations are guaranteed by the Turkish Treasury Undersecretariat.

Moody's

The international credit rating agency Moody's Investors Service announced the following credit rating for TSKB on 20 December 2005.

Financial Rating Note	D+
Outlook	Stable
Foreign Currency Long-term Maturity	B1
Outlook	Positive

In its announcement Moody's said that the bank's B1 foreign currency rating was limited by its country rating, that its D+ rating was supported by its strong development and investment banking activities, that in addition to the significant weight of its government bond and T-bill portfolio, the bank's investment banking activities contributed towards its ability to create revenue streams.

SUMMARIZED FINANCIAL INFORMATION FOR THE MOST RECENT FIVE YEARS, INCLUDING THE REPORTING PERIOD

TRY million	2002	2003	2004	2005	2006
Assets*	1,604	1,619	2,285	3,319	4,062
Loan book*	906	964	1,389	1,789	2,478
Shareholders' equity*	200	286	382	550	589
Net profit / (loss)*	18	41	47	98	106

* These values are indexed depending on the years for which they are shown. The figures from 2005 and 2006 were prepared according to TAS standards that went into effect on 1 November 2006 while those from 2002, 2003, and 2004 are indexed according to regulations in effect prior to that date.

	2002	2003	2004	2005	2006
Average return on equity*	10.9%	15.9%	13.3%	21.0%	18.7%
Average return on assets*	1.5%	2.4%	2.2%	3.5%	2.9%
Capital adequacy ratio*	22.7%	32.3%	42.8%	36.8%	32.9%

* These ratios are based on the indexed values shown above.

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. TSKB SHARE PERFORMANCE IN 2006

TSKB share performance in 2006

2006 was something of a year of respite for TSKB shares. Following their strong performance in 2005, TSKB shares generated returns for investors that paralleled those of the ISE Financials and ISE-100 indexes in the first quarter of 2006. Financial market volatilities experienced in May however had an impact on the İstanbul Stock Exchange and indexes there entered a slump, a situation that adversely affected the performance of TSKB's shares along with that of nearly all other shares traded on ISE.

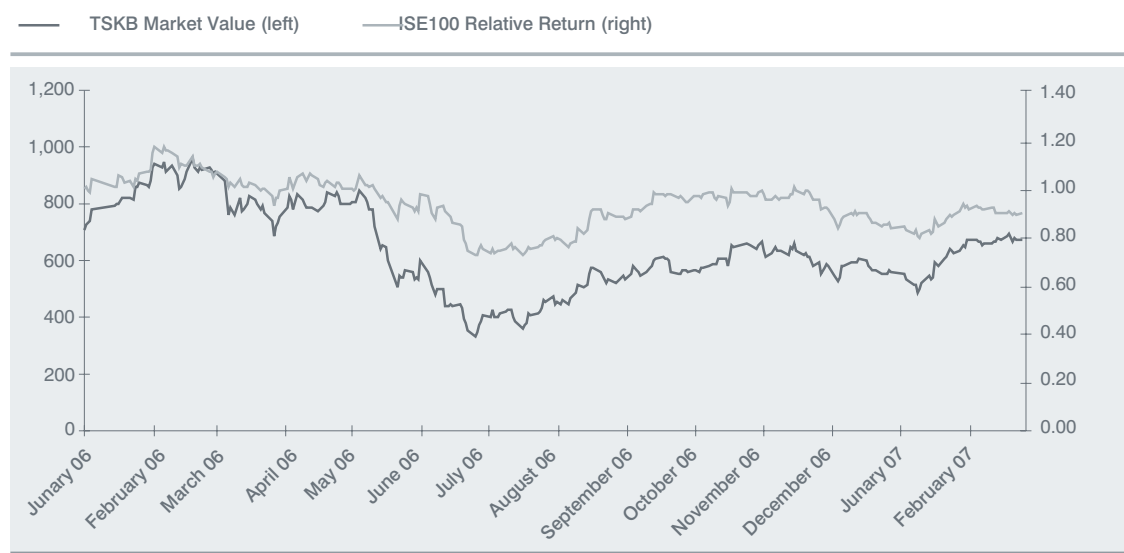
In June TSKB's shares began to recover faster than the general level of index returns and in the third quarter of 2006 they had regained a significant part of what they had lost in the second. The ISE Financials and ISE-100 indexes in the third quarter rose 7% and 4% respectively whereas TSKB's shares registered a rise of 31%.

After this rapid recovery, in the fourth quarter TSKB suffered a 7% loss largely due to late-year profit-taking. As a consequence of these movements, TSKB shares suffered a net 15.8% year-to-year loss in 2006. During the same twelve months, the ISE Financials and ISE-100 indexes dropped 4.1% and 1.7% respectively. As of year-end 2006, TSKB's market value stood at USD 551 million.

Rising share performance in the first two months of 2007

As of the date on which this annual report was being readied for printing, TSKB shares were on the rise. As of 26 February 2007, the company's shares had gained 19% in value since the beginning of the year and provided investors returns above the indexes. When the exchange closed on that date, TSKB's market value was around USD 670 million.

YTL	31.12.2004	31.12.2005	31.03.2006	30.06.2006	30.09.2006	31.12.2006	26.02.2007
TSKB	0.62	3.07	3.35	2.10	2.76	2.58	3.08
% change		393	9	(37)	31	(7)	19
ISE NATIONAL - FINANCIALS	35,488	62,801	68,637	54,247	57,875	60,168	66,579
% change		77	9	(21)	7	4	11
ISE NATIONAL-100	24,972	39,778	42,911	35,453	36,925	39,117	43,737
% change		59	8	(17)	4	6	12



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TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
INDEPENDENT AUDITORS' REPORT

Deloitte.

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

TÜRKİYE SİNAİ 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

İstanbul, 21 March 2007



Hasan Kılıç
Partner

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

CONSOLIDATED BALANCE SHEETS

IN THOUSAND OF NEW TURKISH LIRA (TRY)				
		Audited CURRENT PERIOD (31.12.2006)		
	Note	TRY	FC	Total
ASSETS				
I. CASH AND BALANCES WITH THE CENTRAL BANK	(1)	222	872	1,094
II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (Net)	(2)	43,920	6,945	50,865
2.1 Trading financial assets		43,414	122	43,536
2.1.1 Public sector debt securities		27,515	-	27,515
2.1.2 Share certificates		14,013	-	14,013
2.1.3 Other marketable securities		1,886	122	2,008
2.2 Financial assets at fair value through profit and loss		-	-	-
2.2.1 Public sector debt securities		-	-	-
2.2.2 Share certificates		-	-	-
2.2.3 Other marketable securities		-	-	-
2.3 Derivative financial assets held for trading		506	6,823	7,329
III. BANKS AND OTHER FINANCIAL INSTITUTIONS	(3)	22,725	90,292	113,017
IV. MONEY MARKET PLACEMENTS		28,489	-	28,489
4.1 Interbank money market placements		15,851	-	15,851
4.2 Istanbul Stock Exchange money market placements		-	-	-
4.3 Receivables from reverse repurchase agreements		12,638	-	12,638
V. FINANCIAL ASSETS AVAILABLE FOR SALE (Net)	(4)	879,798	343,487	1,223,285
5.1 Share certificates		18,206	1,702	19,908
5.2 Public sector debt securities		843,983	277,341	1,121,324
5.3 Other marketable securities		17,609	64,444	82,053
VI. LOANS	(5)	726,318	1,465,192	2,191,510
6.1 Loans		726,318	1,465,192	2,191,510
6.2 Non-performing loans		30,642	2,888	33,530
6.3 Specific provisions (-)		(30,642)	(2,888)	(33,530)
VII. FACTORING RECEIVABLES		-	-	-
VIII. HELD TO MATURITY INVESTMENTS (Net)	(6)	-	-	-
8.1 Public sector debt securities		-	-	-
8.2 Other marketable securities		-	-	-
IX. INVESTMENTS IN ASSOCIATES (Net)	(7)	84,623	-	84,623
9.1 Accounted for under equity method		69,710	-	69,710
9.2 Unconsolidated associates		14,913	-	14,913
9.2.1 Financial investments		-	-	-
9.2.2 Non-financial investments		14,913	-	14,913
X. INVESTMENTS IN SUBSIDIARIES (Net)	(8)	319	-	319
10.1 Unconsolidated financial subsidiaries		-	-	-
10.2 Unconsolidated non-financial subsidiaries		319	-	319
XI. ENTITIES UNDER COMMON CONTROL (Net)	(9)	-	-	-
11.1 Consolidated under equity method		-	-	-
11.2 Unconsolidated		-	-	-
11.2.1 Financial subsidiaries		-	-	-
11.2.2 Non-financial subsidiaries		-	-	-
XII. LEASE RECEIVABLES (Net)	(10)	4,874	281,215	286,089
12.1 Finance lease receivables		6,049	331,163	337,212
12.2 Operating lease receivables		-	-	-
12.3 Other		-	-	-
12.4 Unearned income (-)		(1,175)	(49,948)	(51,123)
XIII. DERIVATIVE FINANCIAL ASSETS FOR HEDGING PURPOSES	(11)	-	-	-
13.1 Fair value hedge		-	-	-
13.2 Cash flow hedge		-	-	-
13.3 Hedge of net investment risks in foreign operations		-	-	-
XIV. TANGIBLE ASSETS (Net)	(12)	48,072	11	48,083
XV. INTANGIBLE ASSETS (Net)	(13)	843	-	843
15.1 Goodwill		366	-	366
15.2 Other		477	-	477
XVI. TAX ASSET	(14)	7,671	-	7,671
16.1 Current tax asset		6,300	-	6,300
16.2 Deferred tax asset		1,371	-	1,371
XVII. ASSETS HELD FOR SALE (Net)	(15)	-	-	-
XVIII. OTHER ASSETS	(16)	79,422	47,703	127,125
TOTAL ASSETS		1,927,296	2,235,717	4,163,013

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

CONSOLIDATED BALANCE SHEET

IN THOUSAND OF NEW TURKISH LIRA (TRY)

LIABILITIES	Note	Audited CURRENT PERIOD (31.12.2006)		
		TRY	FC	Total
I. DEPOSITS	(1)	-	-	-
II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	(2)	10,248	1,452	11,700
III. FUNDS BORROWED	(3)	11,742	2,861,670	2,873,412
IV. MONEY MARKET BALANCES		402,803	77,441	480,244
4.1 Interbank money market takings		-	-	-
4.2 Istanbul Stock Exchange money market takings		16,482	-	16,482
4.3 Funds provided under repurchase agreements		386,321	77,441	463,762
V. MARKETABLE SECURITIES ISSUED (Net)		5,200	-	5,200
5.1 Bills		5,200	-	5,200
5.2 Asset backed securities		-	-	-
5.3 Bonds		-	-	-
VI. FUNDS		147	-	147
VII. SUNDRY CREDITORS		71,955	5,624	77,579
VIII. OTHER LIABILITIES	(4)	-	-	-
IX. FACTORING PAYABLES		-	-	-
X. FINANCE LEASE PAYABLES (Net)	(5)	436	444	880
10.1 Finance lease payables		486	471	957
10.2 Operating lease payables		-	-	-
10.3 Other		-	-	-
10.4 Deferred finance lease expenses (-)		(50)	(27)	(77)
XI. DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING PURPOSES	(6)	-	-	-
11.1 Fair value hedge		-	-	-
11.2 Cash flow hedge		-	-	-
11.3 Hedge of net investment in foreign operations		-	-	-
XII. PROVISIONS	(7)	20,361	-	20,361
12.1 General loan loss provisions		14,099	-	14,099
12.2 Restructuring provisions		-	-	-
12.3 Reserve for employee benefits		3,427	-	3,427
12.4 Insurance technical reserves (Net)		-	-	-
12.5 Other provisions		2,835	-	2,835
XIII. TAX LIABILITY	(8)	19,314	-	19,314
13.1 Current tax liability		19,314	-	19,314
13.2 Deferred tax liability		-	-	-
XIV. PAYABLES RELATED TO ASSETS HELD FOR SALE	(9)	-	-	-
XV. SUBORDINATED LOANS	(10)	-	73,199	73,199
XVI. SHAREHOLDERS' EQUITY	(11)	599,517	1,460	600,977
16.1 Paid-in capital		300,000	-	300,000
16.2 Capital reserves		52,753	1,460	54,213
16.2.1 Share premium		43	-	43
16.2.2 Share cancellation profits		-	-	-
16.2.3 Marketable securities value increase fund		(13,764)	1,460	(12,304)
16.2.4 Tangible assets revaluation reserve		-	-	-
16.2.5 Intangible assets revaluation reserve		-	-	-
16.2.6 Bonus shares obtained from associates, subsidiaries and jointly controlled entities		100	-	100
16.2.7 Hedging funds (Effective portion)		-	-	-
16.2.8 Value increase on assets held for sale		-	-	-
16.2.9 Other capital reserves		66,374	-	66,374
16.3 Profit reserves		76,329	-	76,329
16.3.1 Legal reserves		20,160	-	20,160
16.3.2 Statutory reserves		9,541	-	9,541
16.3.3 Extraordinary reserves		43,284	-	43,284
16.3.4 Other profit reserves		3,344	-	3,344
16.4 Profit or loss		142,862	-	142,862
16.4.1 Prior years' profit/losses		33,148	-	33,148
16.4.2 Current year profit/loss		109,714	-	109,714
16.5 Minority shares		27,573	-	27,573
TOTAL LIABILITIES AND EQUITY		1,141,723	3,021,290	4,163,013

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET

CONTINGENCIES AND COMMITMENTS

IN THOUSAND OF NEW TURKISH LIRA (TRY)				
	Note	Audited CURRENT PERIOD (31.12.2006)		
		TRY	FC	Total
A. OFF-BALANCE SHEET CONTINGENCIES AND COMMITMENTS (I+II+III)		635,408	1,140,091	1,775,499
I. GUARANTEES AND COLLATERALS	(1), (2)	28,503	344,087	372,590
1.1. Letters of guarantee		28,495	246,177	274,672
1.1.1. Guarantees subject to State Tender Law		-	-	-
1.1.2. Guarantees given for foreign trade operations		-	-	-
1.1.3. Other letters of guarantee		28,495	246,177	274,672
1.2. Bank loans		-	-	-
1.2.1. Import letters of acceptance		-	-	-
1.2.2. Other bank acceptances		-	-	-
1.3. Letters of credit		-	97,910	97,910
1.3.1. Documentary letters of credit		-	97,910	97,910
1.3.2. Other letters of credit		-	-	-
1.4. Prefinancing given as guarantee		-	-	-
1.5. Endorsements		-	-	-
1.5.1. Endorsements to the Central Bank of Turkey		-	-	-
1.5.2. Other endorsements		-	-	-
1.6. Securities issue purchase guarantees		-	-	-
1.7. Factoring guarantees		-	-	-
1.8. Other guarantees		8	-	8
1.9. Other collaterals		-	-	-
II. COMMITMENTS	(1), (2)	249,298	321,236	570,534
2.1. Irrevocable commitments		30,795	73,182	103,977
2.1.1. Forward asset purchase commitments		2,867	26,898	29,765
2.1.2. Forward deposit purchase and sales commitments		-	46,284	46,284
2.1.3. Share capital commitment to associates and subsidiaries		-	-	-
2.1.4. Loan granting commitments		-	-	-
2.1.5. Securities underwriting commitments		-	-	-
2.1.6. Commitments for reserve deposit requirements		-	-	-
2.1.7. Payment commitment for checks		-	-	-
2.1.8. Tax and fund liabilities from export commitments		-	-	-
2.1.9. Commitments for credit card expenditure limits		-	-	-
2.1.10. Receivables from short sale commitments		-	-	-
2.1.11. Payables for short sale commitments		-	-	-
2.1.12. Other irrevocable commitments		27,928	-	27,928
2.2. Revocable commitments		218,503	248,054	466,557
2.2.1. Revocable loan granting commitments		218,503	245,609	464,112
2.2.2. Other revocable commitments		-	2,445	2,445
III. DERIVATIVE FINANCIAL INSTRUMENTS	(3)	357,607	474,768	832,375
3.1. Derivative financial instruments for hedging purposes		-	-	-
3.1.1. Fair value hedge		-	-	-
3.1.2. Cash flow hedge		-	-	-
3.1.3. Hedge of net investment in foreign operations		-	-	-
3.2. Held for trading transactions		357,607	474,768	832,375
3.2.1. Forward foreign currency buy/sell transactions		55,897	59,166	115,063
3.2.1.1. Forward foreign currency transactions-buy		55,897	1,839	57,736
3.2.1.2. Forward foreign currency transactions-sell		-	57,327	57,327
3.2.2. Swap transactions related to f.c. and interest rates		146,805	236,364	383,169
3.2.2.1. Foreign currency swaps-buy		-	191,588	191,588
3.2.2.2. Foreign currency swaps-sell		146,805	44,168	190,973
3.2.2.3. Interest rate swaps-buy		-	306	306
3.2.2.4. Interest rate swaps-sell		-	302	302

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET
CONTINGENCIES AND COMMITMENTS

IN THOUSAND OF NEW TURKISH LIRA (TRY)			
Note	Audited CURRENT PERIOD (31.12.2006)		
	TRY	FC	Total
3.2.3 Foreign currency, interest rate and securities options	90,822	86,010	176,832
3.2.3.1 Foreign currency options-buy	29,766	56,400	86,166
3.2.3.2 Foreign currency options-sell	61,056	29,610	90,666
3.2.3.3 Interest rate options-buy	-	-	-
3.2.3.4 Interest rate options-sell	-	-	-
3.2.3.5 Securities options-buy	-	-	-
3.2.3.6 Securities options-sell	-	-	-
3.2.4 Foreign currency futures	44,123	43,362	87,485
3.2.4.1 Foreign currency futures-buy	44,123	-	44,123
3.2.4.2 Foreign currency futures-sell	-	43,362	43,362
3.2.5 Interest rate futures	-	-	-
3.2.5.1 Interest rate futures-buy	-	-	-
3.2.5.2 Interest rate futures-sell	-	-	-
3.2.6 Other	19,960	49,866	69,826
B. CUSTODY AND PLEDGED SECURITIES (IV+V+VI)	2,814,914	3,514,194	6,329,108
IV. ITEMS HELD IN CUSTODY	2,596,215	228,869	2,825,084
4.1. Assets under management	10,500	24,171	34,671
4.2. Investment securities held in custody	1,558,831	204,698	1,763,529
4.3. Checks received for collection	-	-	-
4.4. Commercial notes received for collection	-	-	-
4.5. Other assets received for collection	-	-	-
4.6. Assets received for public offering	-	-	-
4.7. Other items under custody	446,032	-	446,032
4.8. Custodians	580,852	-	580,852
V. PLEDGED ITEMS	218,699	3,285,325	3,504,024
5.1. Marketable securities	307	17,860	18,167
5.2. Guarantee notes	25,687	1,236,796	1,262,483
5.3. Commodity	-	-	-
5.4. Warranty	-	-	-
5.5. Properties	97,994	1,709,784	1,807,778
5.6. Other pledged items	94,711	320,885	415,596
5.7. Pledged items-depository	-	-	-
VI. ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES	-	-	-
TOTAL OFF-BALANCE SHEET ACCOUNTS (A+B)	3,450,322	4,654,285	8,104,607

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

CHANGES IN SHAREHOLDERS' EQUITY	Note	Paid in Capital	Effect of Inflation Accounting on Paid in Capital	Share Premiums	Share certificate cancellation profits	Legal Reserves	Statutory Reserves
CURRENT PERIOD							
Audited							
(01.01.2006-31.12.2006)							
I. Prior Period Balance		200,000	109,153	13	-	9,695	4,540
Changes in period							
II. Increase/Decrease related to merger		-	-	-	-	-	-
III. Investments securities available for sale		-	-	-	-	-	-
IV. Hedging Transactions		-	-	-	-	-	-
4.1 Cash-flow hedge		-	-	-	-	-	-
4.2 Hedge of net investment in foreign operations		-	-	-	-	-	-
Transfers							
V. Investments securities available for sale		-	-	-	-	-	-
VI. Hedging transactions		-	-	-	-	-	-
6.1 Cash-flow hedge		-	-	-	-	-	-
6.2 Hedge of net investment in foreign operations		-	-	-	-	-	-
VII. Period net income/(loss)		-	-	-	-	-	-
VIII. Profit distribution		-	-	-	-	10,465	5,001
8.1 Dividends distributed		-	-	-	-	-	-
8.2 Transfers to reserves		-	-	-	10,465	5,001	31,304
8.3 Other		-	-	-	-	-	-
IX. Capital increase		100,000	(42,779)	30	-	-	-
9.1 Cash		-	-	-	-	-	-
9.2 Tangible assets revaluation surplus		-	-	-	-	-	-
9.3 Bonus shares from associates, subsidiaries and jointly controlled entities		-	-	-	-	-	-
9.4 Marketable securities value increase fund		-	-	-	-	-	-
9.5 Inflation adjustment to paid-in capital		42,779	(42,779)	-	-	-	-
9.6 Issuance of share certificates		55,000	-	-	-	-	-
9.7 Foreign exchange differences		-	-	-	-	-	-
9.8 Other		2,221	-	30	-	-	-
X. The disposal of assets		-	-	-	-	-	-
XI. The reclassification of assets		-	-	-	-	-	-
XII. Primary subordinated loans		-	-	-	-	-	-
XIII. Secondary subordinated loans		-	-	-	-	-	-
XIV. Other		-	-	-	-	-	-
CLOSING BALANCE (I+II+III+...+XII+XIII+XIV)		300,000	66,374	43	-	20,160	9,541

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

IN THOUSAND OF NEW TURKISH LIRA (TRY)

Extraordinary Reserves	Other Reserves	Current Period Net Income / (Loss)	Prior Period Net Income / (Loss)	Revaluation Funds	Value Increase Fund	Marketable Securities Value Increase Fund	Total Equity Attributable to the Parent	Minority Rights	Total Shareholders' Equity
11,980	2,926		137,889	2,221	100	14,346	492,863	21,649	514,512
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	(26,650)	(26,650)	-	(26,650)
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	109,714	-	-	-	-	109,714	705	110,419
31,304	418	-	(49,741)	-	-	-	(2,553)	26	(2,527)
-	-	-	(2,527)	-	-	-	(2,527)	-	(2,527)
418	-	(47,214)	-	-	-	(26)	26	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	(55,000)	(2,221)	-	-	30	-	30
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	(55,000)	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	(2,221)	-	-	30	-	30
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	5,193	5,193
43,284	3,344	109,714	33,148	-	100	(12,304)	573,404	27,573	600,977

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

CONSOLIDATED STATEMENT OF INCOME

IN THOUSAND OF NEW TURKISH LIRA (TRY)		
		Audited
		CURRENT PERIOD
		(01.01.2006-31.12.2006)
INCOME STATEMENT	Note	
I. INTEREST INCOME	(1)	311,643
1.1 Interest on loans		141,185
1.2 Interest received from reserve deposits		776
1.3 Interest received from banks		9,406
1.4 Interest received from money market placements		1,464
1.5 Interest received from marketable securities portfolio		137,597
1.5.1 Held-for-trading financial assets		1,701
1.5.2 Financial assets at fair value through profit and loss		-
1.5.3 Available-for-sale financial assets		135,829
1.5.4 Investments held-to-maturity		67
1.6 Finance lease income		17,048
1.7 Other interest income		4,167
II. INTEREST EXPENSES	(2)	(172,156)
2.1 Interest on deposits		-
2.2 Interest on funds borrowed		(136,386)
2.3 Interest on money market borrowings		(3,309)
2.4 Interest on securities issued		-
2.5 Other interest expense		(32,461)
III. NET INTEREST INCOME (I - II)		139,487
IV. NET FEES AND COMMISSIONS INCOME		31,886
4.1 Fees and commissions received		35,424
4.1.1 Cash loans		9,873
4.1.2 Non-cash loans		3,082
4.1.3 Other		22,469
4.2 Fees and commissions paid		(3,538)
4.2.1 Cash loans		(2,060)
4.2.2 Non-cash loans		(3)
4.2.3 Other		(1,475)
V. DIVIDEND INCOME	(3)	3,441
VI. NET TRADING INCOME	(4)	(52,858)
6.1 Profit/losses on securities trading (net)		(689)
6.2 Foreign exchange gains/losses (net)		(52,169)
VII. OTHER OPERATING INCOME	(5)	77,611
VIII. TOTAL OPERATING INCOME (III+IV+V+VI+VII)		199,567
IX. PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)	(6)	(7,242)
X. OTHER OPERATING EXPENSES (-)	(7)	(65,258)
XI. NET OPERATING INCOME/(LOSS) (VIII-IX-X)		127,067
XII. AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER		-
XIII. GAIN / (LOSS) ON EQUITY METHOD		8,139
XIV. GAIN / (LOSS) ON NET MONETARY POSITION		-
XV. INCOME/(LOSS) BEFORE TAXES (XI+XII+XIII+XIV)	(8)	135,206
XVI. PROVISION FOR TAXES ON INCOME (±)	(9)	(24,787)
16.1 Provision for current income taxes		(17,453)
16.2 Provision for deferred taxes		(7,334)
XVII. NET OPERATING INCOME AFTER TAXES (XV±XVI)	(10)	110,419
17.1 Discontinued operations		-
17.2 Other		110,419
XVIII. NET PROFIT/(LOSS)	(11)	110,419
18.1 Attributable to the equity holders of the parent		109,714
18.2 Minority shares		705
Earnings/(losses) per share		0.368

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

CONSOLIDATED STATEMENT OF CASH FLOWS

IN THOUSAND OF NEW TURKISH LIRA (TRY)		
		Audited
		CURRENT PERIOD
	Note Ref.	(01.01.2006-31.12.2006)
INCOME STATEMENT		
A. CASH FLOWS FROM BANKING OPERATIONS		
1.1 Operating profit before changes in operating assets and liabilities		55,768
1.1.1 Interest received		217,862
1.1.2 Interest paid		(129,474)
1.1.3 Dividends received		3,442
1.1.4 Fees and commissions received		31,967
1.1.5 Other income		769
1.1.6 Collections from previously written off loans		1,160
1.1.7 Payments to personnel and service suppliers		(45,427)
1.1.8 Taxes paid		(20,385)
1.1.9 Others	(1)	(4,145)
1.2 Changes in operating assets and liabilities		23,426
1.2.1 Net (increase) decrease in financial assets		8,860
1.2.2 Net (increase) decrease in financial assets at fair value through profit or loss		-
1.2.3 Net (increase) decrease in due from banks and other financial institutions		-
1.2.4 Net (increase) decrease in loans		(608,260)
1.2.5 Net (increase) decrease in other assets		(71,933)
1.2.6 Net increase (decrease) in bank deposits		-
1.2.7 Net increase (decrease) in other deposits		-
1.2.8 Net increase (decrease) in funds borrowed		665,361
1.2.9 Net increase (decrease) in matured payables		-
1.2.10 Net increase (decrease) in other liabilities	(1)	29,398
I. Net cash provided from banking operations		79,194
B. CASH FLOWS FROM INVESTING ACTIVITIES		
II. Net cash provided from investing activities		(120,225)
2.1 Cash paid for purchase of entities under common control, associates and subsidiaries		(10,696)
2.2 Cash obtained from sale of entities under common control, associates and subsidiaries		50
2.3 Fixed assets purchases		(6,156)
2.4 Fixed assets sales		2,208
2.5 Cash paid for purchase of financial assets available for sale		(105,630)
2.6 Cash obtained from sale of financial assets available for sale		-
2.7 Cash paid for purchase of investment securities		-
2.8 Cash obtained from sale of investment securities		-
2.9 Others	(1)	-
C. CASH FLOWS FROM FINANCING ACTIVITIES		
III. Net cash provided from financing activities		20,834
3.1 Cash obtained from funds borrowed and securities issued		-
3.2 Cash used for repayment of funds borrowed and securities issued		-
3.3 Capital increase		-
3.4 Dividends paid		(2,527)
3.5 Payments for finance leases		163
3.6 Other	(1)	23,198
IV. Effect of change in foreign exchange rate on cash and cash equivalents	(1)	(5,913)
V. Net increase / (decrease) in cash and cash equivalents		(26,110)
VI. Cash and cash equivalents at beginning of the period	(2)	140,149
VII. Cash and cash equivalents at end of the period	(3)	114,039

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. EXPLANATIONS FOR CONSOLIDATION

Since the Bank is a subsidiary of Türkiye İş Bankası A.Ş., it was not subject to prepare consolidated financial statements in accordance with the prevailing legislation previously. As of 31 December 2006, the Bank is a first time adopter 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.

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 and associated are prepared as of 31 December 2006.

Assets, liabilities, income, expense and off-balance sheet items of subsidiaries consolidated line by line are combined with corresponding assets, liabilities, income, expense and off-balance sheet items of parent bank. The net equity of subsidiaries in the Group consolidated with line by line method is netted mutually with the corresponding share in equity of the subsidiary owned by the parent bank. All transactions and balances of these transactions are reciprocally eliminated for the financial companies consolidated with line by line method. The minority rights in the net income of fully consolidated financial subsidiaries are calculated separately from the Group and eliminated from the net income of the financial subsidiary. The minority rights in the shareholders' equity of the financial companies consolidated with line by line method are presented in the consolidated balance sheet separately from the liabilities and shareholders' equity. Minority rights are also separately presented in the income statement.

The equity method is a method of accounting whereby the investment is recorded at cost and adjusted thereafter for the post acquisition change in the investor's share of net assets of the investee. The income statement reflects the investor's share of the results of operations of the investee.

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. EXPLANATIONS FOR CONSOLIDATION

Fully consolidated financial subsidiaries:

Yatırım Finansman Menkul Değerler A.Ş.:

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.

TSKB Yatırım Ortaklığı A.Ş.:

The purpose of TSKB Yatırım Ortaklığı A.Ş., which was established on 10 November 2000, 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.

Yatırım Finansman Yatırım Ortaklığı A.Ş.:

Yatırım Finansman Yatırım Ortaklığı A.Ş., was established on 31 December 1998. 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.

Financial associates consolidated as per the equity method;

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.

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.

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.

Brief information is presented in the pages 34 and 35 of Annual Report for fully consolidated financial subsidiaries.

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. EVALUATION OF PRINCIPAL CONSOLIDATED FIGURES

The consolidated assets size of TSKB has reached to YTL 4.163 million as of 31 December 2006. Consolidated accounting equity is realized as YTL 601 million whereas consolidated equity used in the calculation of capital adequacy ratio is YTL 597 million and the capital adequacy ratio of 30.33% as of year end is one of the highest ratios in the banking sector.

The net income of the consolidated Group, excluding minority rights, is YTL 109.7 million whereas the net income of the parent bank is YTL 106.4 million. The net income of the consolidated Group is composed by 94.5 of net income of TSKB, 4.5% of net income of Yatırım Finansman Menkul Değerler A.Ş. and the rest is net income of other consolidated subsidiaries.
