

**TÜRKİYE SİNAİ KALKINMA  
BANKASI ANONİM ŞİRKETİ  
AND ITS SUBSIDIARIES**

**CONSOLIDATED FINANCIAL  
STATEMENTS FOR THE YEAR  
ENDED DECEMBER 31, 2009**



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

DRT Bağımsız Denetim ve  
Serbest Muhasebeci  
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İstanbul, Türkiye

## INDEPENDENT AUDITOR'S REPORT

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We have audited the accompanying consolidated financial statements of Türkiye Sınai Kalkınma Bankası A.Ş. (the "Bank") and its subsidiaries (together the "Group"), which comprise the consolidated balance sheet as at December 31, 2009 and the consolidated statements of income, comprehensive 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 Group's management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the 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 assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2009 and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards.

*DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.*  
DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.  
Member of **DELOITTE TOUCHE TOHMATSU**

İstanbul, March 30, 2010

## **INDEX**

	<b>Page No.</b>
Consolidated Balance Sheet	1
Consolidated Statement of Income	3
Consolidated Statement of Comprehensive Income	4
Consolidated Statement of Changes in Shareholders' Equity	5
Consolidated Statement of Cash Flows	6
Notes to the Consolidated Financial Statements	7-90

# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

## CONSOLIDATED BALANCE SHEET AS AT DECEMBER 31, 2009

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

### ASSETS

	Notes	December 31, 2009 TRY'000	December 31, 2008 TRY'000
Liquid Assets	5	297	297
Balances with the Central Bank	6	2,873	2,620
Balances with Banks	7	356,120	213,723
Interbank Money Market Placements		168	7,946
Funds Lent under Securities Resale Agreements		6,003	11,971
Financial Assets at Fair Value Through Profit and Loss	8	76,471	38,487
Derivative Financial Assets Held for Trading	27	11,283	21,055
Reserve Deposits at the Central Bank	6	17,966	40,735
Loans and Receivables	9	3,772,528	3,792,562
Financial Asset Available for Sale	10	2,159,934	1,770,288
Financial Asset Held to Maturity	10	289,106	6,514
Investments in Associates	11	151,252	110,588
Goodwill	12	383	383
Premises and Equipment	13	31,915	117,776
Investment Properties	14	205,291	5,415
Intangible Assets	15	907	740
Other Assets	16	114,112	159,090
Deferred Tax Asset	19	26,907	17,449
<b>Total Assets</b>		<b>7,223,516</b>	<b>6,317,639</b>

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

# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

## CONSOLIDATED BALANCE SHEET AS AT DECEMBER 31, 2009

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

### **LIABILITIES**

	Notes	December 31, 2009 TRY'000	December 31, 2008 TRY'000
Interbank Money Market Borrowings		98,949	13,834
Obligations under Repurchase Agreements	17	1,284,693	807,988
Funds Borrowed	18	4,399,100	4,451,251
Derivative Financial Liabilities Held for Trading	27	11,978	26,936
Obligations under Finance Leases		-	23
Corporate Tax	19	11,374	14,353
Provisions	20	8,510	9,113
Subordinated Loan	21	75,343	70,629
Other Liabilities		151,415	75,197
Total Liabilities		<u>6,041,362</u>	<u>5,469,324</u>
<b><u>Equity</u></b>	22		
Share Capital			
Nominal Paid in Capital		600,000	500,000
Inflation Adjustment to Capital		13,563	13,563
Total Capital		<u>613,563</u>	<u>513,563</u>
Premium in Excess of Par		23	13
Unrealized Gains/(Losses) on Financial Assets Available for Sale, Net of Tax		57,990	(28,278)
Retained Earnings		<u>481,931</u>	<u>338,997</u>
Equity attributable to Equity Holders of the Parent		<u>1,153,507</u>	<u>824,295</u>
Minority Interest		<u>28,647</u>	<u>24,020</u>
Total Equity		<u>1,182,154</u>	<u>848,315</u>
Total Liabilities And Shareholders' Equity		<u>7,223,516</u>	<u>6,317,639</u>

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

# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

## CONSOLIDATED STATEMENT OF INCOME FOR THE YEAR ENDED DECEMBER 31, 2009

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

		January 1 – December 31 2009 TRY'000	January 1- December 31 2008 TRY'000
	Notes		
Interest Income			
Interest on Loans		220,609	177,141
Interest on Interbank Money Market Placements		98	117
Interest on Securities		261,190	239,481
Interest Received from Banks		10,749	10,828
Interest Received from Reserve Deposits		152	652
Interest on Financial Leases		8,667	16,278
Other Interest Income		468	1,398
		<u>501,933</u>	<u>445,895</u>
Interest Expenses			
Interest on Interbank Money Market Borrowings		(98,206)	(105,040)
Interest on Funds Borrowed		(146,471)	(93,020)
Other Interest Expenses		(404)	(121)
		<u>(245,081)</u>	<u>(198,181)</u>
<b>Net Interest Income</b>		<b><u>256,852</u></b>	<b><u>247,714</u></b>
Fees and Commission Income		25,997	17,541
Fees and Commission Expenses		(1,627)	(1,525)
<b>Net Fee and Commission Income</b>		<b><u>24,370</u></b>	<b><u>16,016</u></b>
Net Foreign Currency (Losses)		(253)	(14,677)
Net Securities Trading Gains		16,154	(25,553)
<b>Total Trading Income / (Loss)</b>		<b><u>40,271</u></b>	<b><u>(24,214)</u></b>
(Provision for)/Recoveries and Releases from Impairment on Loans and Receivables		(25,276)	(31,609)
<b>Net Operating Income after Impairment Losses</b>		<b><u>271,847</u></b>	<b><u>191,891</u></b>
Other Operating Income	23	61,494	9,442
Other Operating Expenses	24	(73,512)	(70,727)
Income from Associates		33,762	28,402
<b>Income before Taxation</b>		<b><u>293,591</u></b>	<b><u>159,008</u></b>
Taxation	19	(36,628)	(28,722)
<b>Net Income</b>		<b><u>256,963</u></b>	<b><u>130,286</u></b>
<b>Net Income / (Loss) Attributable to:</b>			
Equity Holders of the Parent		247,185	135,041
Minority Interest		9,778	(4,755)
Weighted Number of Shares		600,000,000	600,000,000
<b>Earnings Per Share</b>	32	<b><u>0.4283</u></b>	<b><u>0.2171</u></b>

The accompanying policies and explanatory notes are integral part of these condensed consolidated financial statements.

# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2009

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

	January 1- December 31 2009 <u>TRY'000</u>	January 1- December 31 2008 <u>TRY'000</u>
<b>Profit for the period</b>	<b>256,963</b>	<b>130,286</b>
<b>Other comprehensive income</b>		
Unrealized gains / (losses) on financial assets available for sale	99,494	(46,128)
Other comprehensive income items related to tax benefit /charge	(16,996)	7,707
Net amount transfered to income	3,770	(3,943)
<b>Other comprehensive income for the period, net of tax</b>	<b>86,268</b>	<b>(42,364)</b>
<b>Total comprehensive income for the period</b>	<b>343,231</b>	<b>87,922</b>
Total comprehensive income attributable to Equity holders of the Parent	333,453	92,677
Minority Interest	9,778	(4,755)

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



**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**

**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY  
FOR THE YEAR ENDED DECEMBER 31, 2009**

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

	Share Capital TRY'000	Inflation Adjustment to Capital TRY'000	Premium in Excess of Par TRY'000	Unrealized Gains/(Losses) on Available For Sale Investments, Net of Tax TRY'000	Retained Earnings TRY'000	Equity Attributable to Equity Holders of the Parent TRY'000	Minority Interest TRY'000	Total Equity TRY'000
<b>At December 31, 2007</b>	<b>400,000</b>	<b>29,563</b>	<b>13</b>	<b>14,086</b>	<b>290,771</b>	<b>734,433</b>	<b>29,835</b>	<b>764,268</b>
Transfers to capital	100,000	(16,000)	-	-	(84,000)	-	-	-
Dividends paid	-	-	-	-	(2,815)	(2,815)	-	(2,815)
Change in minority interest	-	-	-	-	-	-	(1,060)	(1,060)
Total comprehensive income	-	-	-	(42,364)	135,041	92,677	(4,755)	87,922
<b>At December 31, 2008</b>	<b>500,000</b>	<b>13,563</b>	<b>13</b>	<b>(28,278)</b>	<b>338,997</b>	<b>824,295</b>	<b>24,020</b>	<b>848,315</b>
<b>At December 31, 2008</b>	<b>500,000</b>	<b>13,563</b>	<b>13</b>	<b>(28,278)</b>	<b>338,997</b>	<b>824,295</b>	<b>24,020</b>	<b>848,315</b>
Transfers to capital	100,000	-	-	-	(100,000)	-	-	-
Dividends paid	-	-	-	-	(2,700)	(2,700)	-	(2,700)
Increase / decrease related to merger	-	-	2	-	(1,551)	(1,549)	2,258	709
Total comprehensive income	-	-	-	86,268	247,185	333,453	9,778	343,231
Other	-	-	8	-	-	8	(7,409)	(7,401)
<b>At December 31, 2009</b>	<b>600,000</b>	<b>13,563</b>	<b>23</b>	<b>57,990</b>	<b>481,931</b>	<b>1,153,507</b>	<b>28,647</b>	<b>1,182,154</b>

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

# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2009

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

		January 1, – December 31, 2009	January 1, – December 31, 2008
		TRY'000	TRY'000
Cash Flows from Operating Activities:			
Net Profit for the Year	Notes	256,963	130,286
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:			
Depreciation of property and equipment booked in operating expenses	13	9,432	4,420
Amortization of intangible assets	15	309	213
Impairment losses on loans and receivables	9	25,276	31,609
Employment termination benefits / releases	20	611	564
Income from associates		(33,762)	(28,402)
Other provision expenses		(1,214)	1,077
Deferred tax (benefit) / charge	19	(27,110)	(2,790)
Gains / losses on sale of property, plant and equipment		(161)	-
Unrealized gains/losses		(23,690)	(88,318)
Income taxes paid		(66,717)	(28,377)
Minority interest	22	(9,778)	4,755
Operating profit before changes in operating assets / liabilities		130,159	25,037
Changes in Operating Assets and Liabilities:			
(Increase) / decrease loans and leasing receivables		(148,418)	(1,095,966)
(Increase) / decrease in other assets		68,130	(113,480)
Increase / (decrease) in other creditors, taxes & liabilities		104,929	56,693
Net Cash (Used in) Operating Activities		24,641	(1,152,753)
Cash Flows from Investing Activities:			
(Increase) / decrease in reserve requirements with the Central Bank		22,516	(3,892)
(Increase) / decrease in investments held for trading		(37,654)	65,249
(Increase) in investments		(577,711)	(82,709)
(Increase) / decrease in equity investment		(6,902)	4,269
(Purchase) / sale of premises and equipment and investment property		(74,769)	(31,280)
Purchase of intangible assets	15	(476)	(367)
Net cash (used in) / provided by investing activities		(674,996)	(48,730)
Cash Flow from Financing Activities:			
New borrowings		1,473,009	1,772,842
Repayment of borrowings		(813,797)	(423,077)
Increase in / (repayment of) obligations under finance lease		(23)	(457)
Dividends paid	28	(2,700)	(2,815)
Net cash (used in) / provided by financing activities		656,489	1,346,493
Net Increase / (Decrease) in Cash and Cash Equivalents		136,293	170,047
Cash and Cash Equivalents at the Beginning of the Year		221,928	51,881
Cash and Cash Equivalents at the End of the Year		358,221	221,928

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

# **TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009**

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

### **1. ACTIVITIES OF THE BANK AND THE GROUP**

Türkiye Sınai Kalkınma Bankası A.Ş. ("TSKB" or the "Bank") was established on May 31, 1950 with the support of the World Bank and the cooperation of the Government of the Republic of Turkey, the Central Bank of Turkey and the leading Turkish commercial banks of Turkey. TSKB is the first investment and development bank of Turkey. TSKB is operating with the mission of providing assistance to private sector enterprises in all sectors of the economy primarily in the industrial sector, encouraging and assisting the participation of private and foreign capital incorporations established and to be established in Turkey, and assisting the development of the capital markets in Turkey. TSKB and Sınai Yatırım Bankası A.Ş. (SYB), sister bank with similar mission, were merged pursuant to the decisions of the respective shareholders as sanctioned by the Banking Regulation and Supervision Agency (BRSA) decision no: 659 dated March 27, 2002, in accordance with Article 18 of the Banking Act no: 4389. The registered office of the Bank is at Meclisi Mebusan Cad. 161 Fındıklı, İstanbul, Turkey.

Ever since its foundation in 1950, TSKB has played an active role in every stage of Turkey's economic development. The Bank, through its support and extension of medium - term loans for more than 4,000 investment projects, has contributed significantly to the progress and development of the private sector. Over the past 35 years, the Bank provided financing through participating in the share capital of more than 100 companies. Furthermore, through offering the equity shares of such companies to the public, TSKB has been a significant milestone in this field and thus assumed a prominent and vital role in fostering the development of capital markets. The main shareholders of TSKB are T. İş Bankası Group and T. Vakıflar Bankası T.A.O. with the percentages of 50.12% and 8.38%, respectively (December 31, 2009: 50.10% and 8.38% respectively).

#### **Information about the Consolidated Subsidiaries**

##### **Yatırım Finansman Menkul Değerler A.Ş.:**

Yatırım Finansman Menkul Değerler A.Ş. was established and registered with İstanbul Trade Registry on October 15, 1976 and it was announced in the Turkish Trade Registry Gazette No: 81 on October 25, 1976. The Company's purpose is to perform capital market operations specified in the Company's main contract in accordance with the Capital Markets Board ("CMB") and the related legislation. The Company was merged with TSKB Menkul Değerler A.Ş. on December 29, 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 invest in capital market instruments linked to properties. The Company was established on February 3, 2006.

##### **Yatırım Finansman Yatırım Ortaklığı A.Ş.:**

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

# **TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009**

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

### **1. ACTIVITIES OF THE BANK AND THE GROUP (cont'd)**

#### **Information about the Consolidated Parent Bank and its Subsidiaries (cont'd)**

##### **Yatırım Finansman Yatırım Ortaklığı A.Ş. (cont'd):**

In the Board of Directors' meetings of the Parent Bank's associates TSKB Yatırım Ortaklığı A.Ş. and Yatırım Finansman Yatırım Ortaklığı A.Ş. held on September 24, 2008, it has been resolved that these two entities will be merged under TSKB Yatırım Ortaklığı A.Ş. according to the article 451 of Turkish Commercial Code, and 19th and 20th articles of Corporate Tax Law No: 5520. For this purpose, managements of these companies have been authorized to fulfill the required duties and transactions. In the Competition Board's meeting held on February 4, 2009 and 09/04/67-24 numbered, it has been permitted that these two entities could merge. TSKB Yatırım Ortaklığı A.Ş. and Yatırım Finansman Yatırım Ortaklığı A.Ş., associates of the Parent Bank, merged under TSKB Yatırım Ortaklığı A.Ş. on June 25, 2009 according to prior approval of the Capital Market Board on May 13, 2009 and resolution of extraordinary General Assembly, by ceasing all rights, receivables, liabilities and legal jurisdiction of Yatırım Finansman Yatırım Ortaklığı A.Ş.

##### **TSKB Yatırım Ortaklığı A.Ş.:**

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

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

##### **İş Finansal Kiralama A.Ş.:**

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

##### **İş Factoring Finansman Hizmetleri A.Ş.:**

İş Factoring Finansman Hizmetleri A.Ş., was incorporated in Turkey on July 4, 1993 and started its operations in October 1993. The Company's main operation is domestic and export factoring transactions. The Company is a Türkiye İş Bankası A.Ş. Group entity and its parent is İş Finansal Kiralama A.Ş. with 78.23% shareholding. The share of TSKB is 21.75%.

##### **İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.:**

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

# **TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009**

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

### **1. ACTIVITIES OF THE BANK AND THE GROUP (cont'd)**

#### **Approval of Financial Statements**

The Bank's statutory financial statements for the year ended December 31, 2009 have been approved at the Board of Directors Meeting held on February 10, 2010.

### **2. BASIS OF FINANCIAL STATEMENTS**

The accompanying consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), including International Accounting Standards ("IAS"). The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below:

#### **Basis of Presentation of Financial Statements**

The Bank maintains its books of account and prepares its financial statements in Turkish Lira, which is the currency of the primary economic environment in which the Bank operates, in accordance with the Banking Act, based on accounting principles regulated by the Banking Regulation and Supervision Agency ("BRSA"), the other relevant rules and regulations regulated by the Turkish Commercial Code and Turkish tax legislation and relevant accounting rules and regulations. The Bank's consolidated subsidiaries maintain their books of account and prepare their statutory financial statements in accordance with regulations prevailing in their area of specialization, commercial practice and tax legislation.

The accompanying financial statements are based on the statutory records which are maintained under the historical cost convention, except for those items measured at fair value, with adjustments and reclassifications for the purposes of fair presentation in accordance with IFRS. These financial statements are presented in Turkish Lira since that is the currency in which the majority of the Group's transactions are denominated.

The accompanying IFRS financial statements adopt the accounting principles and policies applied by the BRSA in the Bank's statutory financial statements wherever those do not conflict with IFRS.

The effects of the differences between IFRS and generally accepted accounting principles in other countries than Turkey have not been quantified in the accompanying notes to the financial statements. In the opinion of the Group's management, all adjustments necessary for a fair presentation of financial position, results of operations and cash flows for the year have been made in the accompanying financial statements.

Certain reclassifications have been made to prior year figures to comply with the current year presentation wherever required.

# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

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

### 2. BASIS OF FINANCIAL STATEMENTS (cont'd)

#### **Adoption of New and Revised Standards**

The following new and revised Standards and Interpretations have been adopted in the current period and have affected the amounts reported and disclosures in these financial statements.

#### Standards affecting presentation and disclosure in 2009 financial statements

IAS 1 (as revised in 2007)  
*Presentation of Financial  
Statements*

IAS 1(2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements. The Group presents in the consolidated statement changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income.

#### Standards and Interpretations affecting the reported results or financial position of 2009

Amendments to IAS 39 *Financial Instruments: Recognition and Measurement* and IFRS 7 *Financial Instruments: Disclosures regarding reclassifications of financial assets*

The amendments to IAS 39 permit an entity to reclassify non-derivative financial assets out of the 'fair value through profit or loss' (FVTPL) and 'available-for-sale' (AFS) categories in very limited circumstances. Such reclassifications are permitted from 1 July 2008. Reclassifications of financial assets made in periods beginning on or after 1 November 2008 take effect only from the date when the reclassification is made.

In the current period, the Bank reclassified a portion of its marketable securities in the AFS and FVTPL portfolio with a notional amount of TRY 283.050 Thousand and TRY 4.900 Thousand respectively to its Held-to-Maturity portfolio due to the change in the intention. The reclassification has been accounted for in accordance with the relevant transitional provisions and took effect only from the date of reclassification. The fair value of these securities was TRY 273.582 Thousand as of the transfer date. For the securities transferred from AFS portfolio, the positive valuation differences amounting to TRY 1.679 Thousand, recognized in other comprehensive income, will be amortized until the transfer date of these securities and transferred to profit/loss till the maturity of these securities. As of the balance sheet date, the positive valuation difference that remains in other comprehensive is TRY 1.059 Thousand (see not 10 for further details).

# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

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

### 2. BASIS OF FINANCIAL STATEMENTS (cont'd)

#### **Adoption of New and Revised Standards (cont'd)**

Standards and Interpretations that are effective in 2009 with no impact on the 2009 financial statements

The following new and revised Standards and Interpretations have also been adopted in these financial statements. Their adoption has not had any significant impact on the amounts reported in these financial statements but may impact the accounting for future transactions or arrangements.

*Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards and IAS 27 Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate:*

The amendments deal with the measurement of the cost of investments in subsidiaries, jointly controlled entities and associates when adopting IFRSs for the first time and with the recognition of dividend income from subsidiaries in a parent's separate financial statements. This does not impact the Group as it is not a first time IFRS adoption.

*Amendments to IFRS 2 Share-based Payment - Vesting Conditions and Cancellations:*

The amendments clarify the definition of vesting conditions for the purposes of IFRS 2, introduce the concept of 'non-vesting' conditions, and clarify the accounting treatment for cancellations.

*IAS 23 (as revised in 2007) Borrowing Costs:*

The principal change to the Standard was to eliminate the option to expense all borrowing costs when incurred. Since there is no qualifying asset of the Group, there is no impact on this change on the consolidated financial statements.

*IAS 32, "Financial Instruments: Presentation" and IAS 1, "Presentation of Financial Statements*

Amendment in IAS 32 resulted change in classification of liability / equity by allowing reclassification of financial instruments (or components of instruments) to be exchanged with third parties under proportionate liquidation of net assets as equity under certain circumstances.

*Amendments to IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items:*

The amendments provide clarification on two aspects of hedge accounting: identifying inflation as a hedged risk or portion, and hedging with options. The amendment does not have any impact on the consolidated financial statements of the Group.

*Embedded Derivatives (Amendments to IFRIC 9 and IAS 39):*

The amendments clarify the accounting for embedded derivatives in the case of a reclassification of a financial asset out of the 'fair value through profit or loss' category as permitted by the October 2008 amendments to IAS 39 *Financial Instruments: Recognition and Measurement* (see above). The amendment does not have any impact on the consolidated financial statements of the Group.

# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

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

### 2. BASIS OF FINANCIAL STATEMENTS (cont'd)

#### **Adoption of New and Revised Standards (cont'd)**

Standards and Interpretations that are effective in 2009 with no impact on the 2009 financial statements (cont'd)

##### *IFRIC 15 Agreements for the Construction of Real Estate:*

The Interpretation addresses how entities should determine whether an agreement for the construction of real estate is within the scope of IAS 11 *Construction Contracts* or IAS 18 *Revenue* and when revenue from the construction of real estate should be recognized. The Interpretation does not have any impact on the consolidated financial statements of the Group.

##### *IFRIC 16 Hedges of a Net Investment in a Foreign Operation:*

The Interpretation provides guidance on the detailed requirements for net investment hedging for certain hedge accounting designations. The Interpretation does not have any impact on the consolidated financial statements of the Group.

##### *IFRIC 18 Transfers of Assets from Customers (adopted in advance of effective date of transfers of assets from customers received on or after 1 July 2009):*

The Interpretation addresses the accounting by recipients for transfers of property, plant and equipment from 'customers' and concludes that when the item of property, plant and equipment transferred meets the definition of an asset from the perspective of the recipient, the recipient should recognize the asset at its fair value on the date of the transfer, with the credit recognized as revenue in accordance with IAS 18 *Revenue*. The Interpretation does not have any material impact on the consolidated financial statements of the Group.

##### *Improvements to IFRSs (2008)*

The improvements have led to a number of changes in the detail of the Group's accounting policies – some of which are changes in terminology only, and some of which are substantive but have had no material effect on amounts reported. The majority of these amendments are effective from 1 January 2009.

##### *IFRIC 13 Customer Loyalty Programmes:*

IFRIC 13 requires that such transactions be accounted for as 'multiple element revenue transactions' and that the consideration received in the initial sale transaction be allocated between the sale of equipment and the discount entitlements earned by the customer in that sale transaction. The Interpretation does not have any significant impact on the consolidated financial statements of the Group.

##### *Amendments to IAS 38 Intangible Assets:*

As part of Improvements to IFRSs (2008), IAS 38 has been amended to state that an entity is permitted to recognize a prepayment asset for advertising or promotional expenditure only up to the point at which the entity has the right to access the goods purchased or up to the point of receipt of services. The amendment does not have any impact on the consolidated financial statements of the Group.



# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

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

### 2. BASIS OF FINANCIAL STATEMENTS (cont'd)

#### **Adoption of New and Revised Standards (cont'd)**

Standards and Interpretations that are effective in 2009 with no impact on the 2009 financial statements (cont'd)

##### *Amendments to IAS 40 Investment Property:*

As part of Improvements to IFRSs (2008), IAS 40 has been amended to include within its scope investment property in the course of construction. This amendment does not have any impact on the consolidated financial statements of the Group.

##### *Amendments to IAS 20 Accounting for Government Grants and Disclosure of Government Assistance:*

As part of Improvements to IFRSs (2008), IAS 20 has been amended to require that the benefit of a government loan at a below-market rate of interest be treated as a government grant. This accounting treatment was not permitted prior to these amendments. The amendment does not have any impact on the consolidated financial statements of the Group.

##### *Amendments to IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures regarding reclassifications of financial assets:*

The amendments to IAS 39 permit an entity to reclassify non-derivative financial assets out of the 'fair value through profit or loss' (FVTPL) and 'available-for-sale' (AFS) categories in very limited circumstances. Such reclassifications are permitted from 1 July 2008. Reclassifications of financial assets made in periods beginning on or after 1 November 2008 take effect only from the date when the reclassification is made. The amendment does not have any impact on the consolidated financial statements of the Group.

##### *IFRS 8 Operating Segments:*

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance.

# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

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

### 2. BASIS OF FINANCIAL STATEMENTS (cont'd)

#### **Adoption of New and Revised Standards (cont'd)**

Standards and Interpretations that are issued but not yet effective in 2009 and have not been early adopted

##### *IFRS 3 (as revised in 2008) Business Combinations:*

IFRS 3 (2008) is effective for business combinations where the acquisition date is on or after the beginning of the first annual period beginning on or after 1 July 2009. The main impact of the adoption will be as follows:

- a) to allow a choice on a transaction-by-transaction basis for the measurement of non-controlling interests (previously referred to as 'minority' interests) either at fair value or at the non-controlling interests' share of the fair value of the identifiable net assets of the acquire.
- b) to change the recognition and subsequent accounting requirements for contingent consideration.
- c) to require that acquisition-related costs be accounted for separately from the business combination, generally leading to those costs being recognized as an expense in profit or loss as incurred.

The Group will apply IFRS 3 (revised) prospectively to all business combinations from 1 January 2010.

##### *IFRS 9 Financial Instruments: Classification and Measurement:*

In November 2009, the first part of IFRS 9 relating to the classification and measurement of financial assets was issued. IFRS 9 will ultimately replace IAS 39 Financial Instruments: Recognition and Measurement. The standard requires an entity to classify its financial assets on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset, and subsequently measure the financial assets as either at amortized cost or at fair value. The new standard is mandatory for annual periods beginning on or after 1 January 2013. The Group is considering the potential impact of the adoption of this standard as at the date of this report.

##### *IAS 24(Revised 2009) Related Party Disclosures:*

In November 2009, IAS 24 Related Party Disclosures was revised. The revision to the standard provides government-related entities with a partial exemption from the disclosure requirements of IAS 24. The revised standard is mandatory for annual periods beginning on or after 1 January 2011. The Group is considering the potential impact of the adoption of this standard as at the date of this report.

# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

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

### 2. BASIS OF FINANCIAL STATEMENTS (cont'd)

#### **Adoption of New and Revised Standards (cont'd)**

Standards and Interpretations that are issued but not yet effective in 2009 and have not been early adopted (cont'd)

*IAS 27 (as revised in 2008) Consolidated and Separate Financial Statements:*

IAS 27 (revised) is effective for annual periods beginning on or after 1 July 2009. The revisions to IAS 27 principally affect the accounting for transactions or events that result in a change in the Company's interests in its subsidiaries. The revised standard requires that ownership decreases or increases that do not result in change in control to be recorded in equity.

The Group will apply IAS 27 (revised) prospectively to transactions with non-controlling interests from 1 January 2010. The Group is considering the potential impact of the adoption of this standard as at the date of this report.

*IFRIC 17 Distributions of Non-cash Assets to Owners:*

IFRIC 17 is effective for annual periods beginning on or after 1 July 2009. The interpretation provides guidance on the appropriate accounting treatment when an entity distributes assets other than cash as dividends to its shareholders. The Group is considering the potential impact of the adoption of this standard as at the date of this report.

*IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments:*

IFRIC 19 is effective for annual periods beginning on or after 1 July 2010. IFRIC 19 addresses only the accounting by the entity that issues equity instruments in order to settle, in full or part, a financial liability. The Group is considering the potential impact of the adoption of this standard as at the date of this report.

*Amendments related to Annual Improvements to IFRS (2009):*

As part of the Annual Improvement project, in addition to the amendments mentioned above, other amendments were made to various standards and interpretations. These amendments are effective for annual periods beginning on or after 1 January 2010. The Group is considering the potential impact of the adoption of this standard as at the date of this report.

### 3. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the accompanying financial statements are as follows:

#### 3.1 Accounting Convention

The accompanying financial statements have been prepared in accordance with IFRS. The financial statements have been prepared on the historical cost convention, except for those assets and liabilities measured at fair value. Effect has been given in the financial statements to adjustments and reclassifications which have not been entered in the general books of account of the Bank and its subsidiaries maintained in conformity with accounting practices prevailing in Turkey as set out in note 2.

# **TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009**

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

### **3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

#### **3.2 Summary of Significant Accounting Policies, Judgments and Estimates**

##### **Judgments and Estimates**

The preparation of the financial statements in accordance with IFRS requires management to make estimates and assumptions that are reflected in the measurement of income and expenses in the profit and loss statement and in the carrying value of assets and liabilities in the balance sheet, and in the disclosure of information in the notes to the financial statements. Bank's management do exercise judgment and make use of information available at the date of the preparation of the financial statements in making these estimates. The actual future results from operations in respect of the areas where these judgments and estimates have been made may in reality be different than those estimates. This may have a material effect on the financial statements.

The judgments and estimates that may have a significant effect on amounts recognized in the financial statements are discussed in the relevant sections below.

##### **Functional and Presentation Currency**

##### **Functional and Presentation Currency for the Bank and Its Subsidiaries Which Operate in Turkey:**

Functional currency of the Bank and its subsidiaries, which operate in Turkey, is Turkish Lira (TRY). Until December 31, 2005, the date at which the Group considers that the qualitative and quantitative characteristics necessitating restatement pursuant to IAS 29 ("Financial Reporting in Hyperinflationary Economies") were no longer applicable, the financial statements of these companies were restated for the changes in the general purchasing power of TRY based on IAS 29, which requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the balance sheet date and the corresponding figures for previous periods be restated in the same terms.

#### **3.3 Basis of Consolidation**

The consolidated financial statements incorporate the financial statements of the Bank and entities controlled by the Bank (its subsidiaries). Control is achieved where the Bank has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

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

### 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### 3.3 Basis of Consolidation (cont'd)

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

The financial statements of the entities below have been consolidated with those of the Bank in the accompanying financial statements. The ownership percentages stated below comprise the total of the Bank's holdings:

<u>Entity</u>	<u>Sector</u>	<u>The Bank's Share (%)</u>
Yatırım Finansman Menkul Değerler A.Ş.	Financial	95.78
TSKB Gayrimenkul Yatırım Ortaklığı A.Ş.	Financial	96.00
TSKB Yatırım Ortaklığı A.Ş.	Financial	40.99

The financial statements of the companies below are accounted for under the equity method:

<u>Entity</u>	<u>Sector</u>	<u>The Bank's Share (%)</u>
İş Finansal Kiralama A.Ş.	Financial	28.71
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.	Financial	16.67
İş Factoring Finansman Hizmetleri A.Ş.	Financial	21.75

The following equity investments have been accounted at cost, not consolidated or accounted under the equity method: their consolidation would not have a material effect on income for the year or shareholder's equity.

<u>Entity</u>	<u>Sector</u>	<u>The Bank's Share (%)</u>
TSKB Gayrimenkul Değerleme A.Ş.	Real-Estate Appraiser	99.99
Gözlük Sanayi A.Ş.	Manufacturing	21.71

# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

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

### **3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

#### **3.4 Business Combinations**

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognized at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations, which are recognized and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognized as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognized. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognized immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognized.

#### **3.5 Investments in Associates**

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

As at the balance sheet date, the Group has investments in associates with a position to exercise significant influence as set out in note 3.3, through participation in the financial and operating policy decisions of the investee. Such investments have been accounted for under equity method in the accompanying consolidated financial statements.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognized at the date of acquisition is recognized as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

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

### 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### 3.6 Goodwill

Goodwill arising on the acquisition of a subsidiary represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary or jointly controlled entity recognized at the date of acquisition. Goodwill is initially recognized as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognized for goodwill is not reversed in a subsequent period.

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 Group's policy for goodwill arising on the acquisition of an associate is described under 'Investments in associates' above.

#### 3.7 Income and Expense Recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business. Interest and other income and expenses are recognized on an accrual basis, except for fees and commissions received from cash loans, that are not an integral part of the effective interest rate and commissions for various banking services rendered which are recognized as income when received. Dividend income from investments is recognized when the shareholders' rights to receive payment have been established.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. Interest income on overdue loans is recognized on a cash basis when collected. Income and expenses are recognized at fair value or amortized cost basis. For the purpose of convenience, certain income and expenses are recognized on a straight line basis wherever does not materially differ from fair value or amortized cost method.

# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

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

### 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### 3.8 Foreign Currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the accompanying financial statements, the results and financial position of each entity are expressed in Turkish Lira, which is the functional currency of the Group, and the presentation currency for the accompanying financial statements.

In order to hedge its exposure to certain foreign exchange risks, the Group enters into forward contracts, swaps and options (see below for details of the Group's accounting policies in respect of such derivative financial instruments).

As at December 31, 2009 and December 31, 2008 foreign currency assets and liabilities of the Group are mainly in US Dollar, Euro and Yen. As at December 31, 2009 and December 31, 2008 exchange rates of US Dollar, Euro and Yen are as follows:

	December 31, 2009	December 31, 2008
1 US Dollar	1.4970	1.5160
1 Euro	2.1599	2.1345
1 JPY	0.0163	0.0168

Average rates are as follows:

	2009	2008
1 US Dollar	1.5031	1.5361
1 Euro	2.1965	2.0737
1 JPY	0.0168	0.0169

#### 3.9 Financial Instruments

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments and available-for-sale financial assets. When financial assets are recognized initially, they are measured at fair value. The Group determines the classification of its financial assets at initial recognition.

The Group recognizes all regular way purchases and sales of financial assets on the settlement date i.e. the date that the asset is delivered. 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 i.e. for assets carried at cost or amortized cost, change in value is not recognized.

##### Financial assets at fair value through profit or loss

Financial assets classified as held-for-trading are included in this category. Trading securities are securities, which were either acquired for generating a profit from short term fluctuations in price or dealer's margin, or are securities included in a portfolio in which a pattern of short term profit taking exist. Derivatives are also classified as held-for-trading unless they are designated as effective hedging instruments. Gains or losses on investments held-for-trading are recognized in income.



# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

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

### 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### 3.9 Financial Instruments (cont'd)

##### Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Income is recognized on an effective interest basis for debt instruments other than those financial assets designated as at fair value through profit or loss.

##### Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity where management has both the intent and the ability to hold to maturity are classified as held-to-maturity. Investments intended to be held for an undefined period are not included in this classification. The Group follows the guidance of IAS 39 on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgments. In making this judgment, the Group evaluates its intention and ability to hold such investments to maturity. If the Group fails to keep these investments to maturity other than for the specific circumstances such as selling an insignificant amount close to maturity - it will be required to classify the entire class as available-for-sale. The investments would therefore be measured at fair value; not amortized cost.

Held-to-maturity investments are subsequently measured at amortized cost using the effective interest method, less any impairment in value. Amortized cost is calculated by taking into account all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. For investments carried at amortized cost, gains and losses are recognized in income when the investments are derecognized or impaired, as well as through the amortization process.

Interest earned whilst holding held to maturity securities is reflected in the income statement as interest income.

When financial assets are transferred to held-to-maturity category from available-for-sale portfolio, as a result of a change in intention the fair value carrying amount of the related financial assets becomes the new amortized cost. Any previous gain or losses on those assets that have been recognized in equity are amortized over the remaining life of the held-to-maturity investments using the effective interest method.

##### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. Such assets are carried at amortized cost using the effective interest method less any impairment in value. Gains and losses are recognized in income when the loans and receivables are derecognized or impaired, as well as through the amortization process. Interest earned on such loans and receivables is reported as interest income.

# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

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

### 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### 3.9 Financial Instruments (cont'd)

##### Available-for-sale financial assets

Quoted equity investments and quoted certain debt securities held by the Group that are traded in an active market are classified as being available-for-sale financial assets and are stated at fair value. The Group also has investments in unquoted equity investments that are not traded in an active market but are also classified as available-for-sale financial assets and stated at cost since their value can't be reliably measured. Gains and losses arising from changes in fair value are recognized in other comprehensive income and accumulated in the investments revaluation reserve with the exception of impairment losses, interest calculated using the effective interest method, and foreign exchange gains and losses on monetary assets, which are recognized in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

Dividends on available-for-sale equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established.

The fair value of available-for-sale monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. The foreign exchange gains and losses that are recognized in profit or loss are determined based on the amortised cost of the monetary asset. Other foreign exchange gains and losses are recognized in other comprehensive income.

##### Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

##### Financial liabilities and equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

##### Bank borrowings

Interest-bearing bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortized cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognized over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs.

# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

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

### 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### 3.9 Financial Instruments (cont'd)

##### Equity instruments

Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

##### Off balance sheet commitments and contingencies

The Group deals with off-balance sheet risk in the normal course of business such as letters of guarantee, letters of credit, prefinancing loans, etc. The Group's exposure to credit losses arising from these instruments is represented by the contractual amount of those instruments.

##### Derivative financial instruments

The Group's activities expose it primarily to the financial risks of changes in foreign exchange rates and interest rates. In the normal course of business, the Group enters into a variety of derivative transactions principally in the foreign exchange and interest rate markets. These are used to provide financial services to customers and to actively take, hedge and modify positions as part of trading activities. Derivatives are also used to hedge or modify risk exposures arising on the balance sheet from a variety of activities including placements, lending and securities investment. The majority of the counterparties in the Group's derivative transactions are banks and other financial institutions.

The Group uses derivative financial instruments (primarily foreign currency forward, future, swap and option contracts) to hedge its risks associated with foreign currency fluctuations relating to certain firm commitments and forecasted transactions. Most of these derivative transactions are considered as effective economic hedges under the Group's risk management policies; however, since they do not qualify for hedge accounting under the specific provisions in IAS 39, they are treated as derivatives held for trading. The significant interest rate risk arises from placements, securities invested, loans extended, deposits and bank borrowings.

Derivative financial instruments are initially measured at fair value on the contract date, and are remeasured to fair value at subsequent reporting dates, as estimated based on the available quoted market rates prevailing at the reporting date. All unrealized gains and losses on these instruments are included in the statement of income. Unrealized gains and losses on these instruments are not deductible for tax purposes.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognized in profit or loss as they arise.

# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

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

### 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### 3.9 Financial Instruments (cont'd)

##### Fair value considerations

Fair value is the amount for which an asset could be exchanged or a liability settled, between knowledgeable willing parties in an arms length transaction. Fair value is best evidenced by a market price, being the amount obtainable from the sale or payable on the acquisition, of a financial instrument in an active market, if one exists.

Various financial instruments are accounted for at fair value. Other financial instruments are accounted for at amortised cost but disclosure is required of fair value for comparison purposes, wherever practicable.

Due to economic conditions and volatility or low trading volumes in markets, the Group may be unable, in certain cases, to find a market price in an actively traded market. In such cases, other measures of fair value are considered. These include comparison with similar financial instruments that do have active markets and calculation of present values on an IRR basis. Where no reliable estimate of fair value is available, amortized cost is used as the carrying value. As there are a wide range of valuation techniques, it may be inappropriate to compare the Group's fair value information to independent markets or to other financial institutions' fair value information.

For certain financial assets and liabilities carried at cost, the fair values are assumed not to differ significantly from cost, due to the short-term nature of the items involved or because interest rates applicable to such items are variable at such short notice that interest income or expense on such items would never differ significantly from market rates.

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate that value.

Central Bank accounts and balances with banks: The carrying amount is a reasonable estimate of fair value.

Securities investments: Fair value is estimated using quoted market prices wherever applicable. For those where no market price is available, the carrying amounts in the books are estimated to be their fair values.

Loans: The major portion of the loans has interest rates that are subject to fluctuation at short notice in accordance with prevailing interest rates in the market. Management believes that the risk factors embedded in the entry value of interest rates and subsequent rate changes along with the related allowances for uncollectibility and assessment of risks associated with the loan book result in a fair valuation of loans.

Borrowings: Borrowings have interest rates that are fixed on an entry value basis but may be subject to fluctuation in accordance with prevailing interest rates in the market. Interest-bearing borrowings and overdrafts are recorded at the proceeds received. Interests on borrowings are accounted for on an accrual basis and are added to the carrying amount of instruments to the extent they are not settled in the period in which they arise.

# **TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009**

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

### **3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

#### **3.10 Investments under Resale or Repurchase Transactions**

Sales of investments under agreements of repurchase are short term and entirely involve debt (primarily government) securities. Sales of investments under agreements of repurchase ("Repos") are retained in the balance sheet and corresponding counterparty commitment is included separately under liabilities. The income and expenses on repo transactions are separately recognized as interest income accrued in accordance with its classification as investments held for trading, investments held to maturity or investments available for sale, and interest expense is accounted for on an accrual basis over the period of the transactions.

Purchases of securities under agreements of resale ("reverse repos") are separately disclosed under assets as "funds lent under securities resale agreements" and interest income on such transactions is accounted for on an accrual basis over the period of transactions.

#### **3.11 Recognition and Derecognition of Financial Instruments**

The Group recognizes a financial asset or financial liability in the balance sheet only when it becomes a party to the contractual provisions of the instrument.

The Group derecognizes a financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) when the rights to receive cash flows from the asset have expired; or while retaining the right to receive cash flows from the asset the Group has also assumed an obligation to pay them in full without material delay to a third party; or the Group has transferred its rights to receive cash flows from the asset and either has transferred substantially all the risks and rewards of the asset, or has transferred the control of the asset.

The Group does not have any assets where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset that is recognized to the extent of the Group's continuing involvement in the asset.

The Group derecognizes a financial liability when the obligation under the liability is discharged or cancelled or expires.

When an existing liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognizing of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

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

### 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### 3.12 Premises and Equipment

Premises and equipment are carried at cost less accumulated depreciation and any impairment in value. Premises and equipment, except land that is deemed to have indefinite life, are depreciated on a straight-line basis using the following main rates which write off the assets over their expected useful lives:

Buildings	2%
Vehicles	20%
Furniture and Fittings	20%
Computer Equipment and Software	20%
Leasehold and Leasehold Improvements	lease term or 20%

Leasehold improvements are depreciated based on the shorter of the rental period or useful life of the assets.

The costs of a major inspection or overhaul that are accounted as a separate asset component are capitalized. Subsequent expenditures incurred on the premises and equipments are added to the carrying amount of the asset when it is probable that the future economic benefits in excess of the originally assessed standard of performance of the asset will flow to the entity. All other subsequent expenditures and major inspection or overhaul costs that are embodied in the item of property and equipment are recognized as an expense when it is incurred.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the statement of income.

#### 3.13 Investment Property

Investment property, which is property held to earn rentals and/or for capital appreciation, is stated at its fair value at the balance sheet date. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

#### 3.14 Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

##### The Group as Lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases. Lease receivables are classified under loans in the accompanying balance sheet.

# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

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

### 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### 3.14 Leasing (cont'd)

##### **The Group as Lessor (cont'd)**

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

##### **The Group as Lessee**

Assets held under finance leases are recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Group's general policy on borrowing costs (see below).

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

#### 3.15 Impairment of Financial Assets

##### a) Assets carried at amortized cost

In determining whether an impairment loss should be recorded in the income statement, the Group makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated amounts recoverable from a portfolio of loans and individual loans or not. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Group about the following loss events:

- (a) significant financial difficulty of the issuer or obligor;
- (b) a breach of contract, such as a default or delinquency in interest or principal payments by more than 90 days;
- (c) the Group granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would not otherwise consider;
- (d) becoming probable that the borrower will enter bankruptcy or other financial reorganization;
- (e) the disappearance of an active market for that financial asset because of financial difficulties; or
- (f) observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:
  - (i) adverse changes in the payment status of borrowers; or
  - (ii) national or local economic conditions that correlate with defaults on the assets in the group.

# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

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

### 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### 3.15 Impairment of Financial Assets (cont'd)

##### a) Assets carried at amortized cost (cont'd)

All loans with principal and/or interest overdue for more than 90 days are considered as impaired and individually assessed.

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortized cost has been incurred, the amount of the loss is measured based on the difference between the carrying amount and the estimated recoverable amount of the asset, determined by the net present value of the expected future cash flows discounted at the loan's original effective interest rate. The estimated recoverable amount of a collateralized financial asset is measured based on the amount that is expected to be realized from foreclosure less costs for obtaining and selling the collateral, whether or not the foreclosure is probable. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognized in the income statement.

The Group first assesses whether objective evidence for impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence for impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account. Any subsequent reversal of impairment loss is recognized in income statement, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

A write off is made when all or part of a loan is deemed uncollectible or in the case of debt forgiveness. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Write offs are charged against previously established allowances and reduce the principal amount of a loan. Subsequent recoveries of amounts previously written off are included in income.

The methodology and assumptions used for estimating both the amount and timing of recoverable amounts are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

##### b) Assets carried at cost

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value since its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument has been incurred, the amount of the loss is measured as the difference between the carrying amount and the present value of the recoverable amount of the asset.



# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

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

### 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### 3.15 Impairment of Financial Assets (cont'd)

##### c) Available-for-sale financial assets

The Group determines that available-for-sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognized in profit or loss, is transferred from equity to the income statement. Reversals of impairment losses on debt instruments are reversed through profit or loss; if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognized in profit or loss.

##### d) Interest – Bearing Funds Borrowed

All borrowings are initially recognized at the fair value of consideration received less directly attributable transaction costs. After initial recognition interest- bearing funds borrowings are subsequently measured at amortized cost using the effective interest method. Gains or losses are recognized in the income statement when the liabilities are derecognized as well as through the amortization process.

#### 3.16 Provisions

Provisions are recognized when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

#### 3.17 Retirement Benefits

The Group has defined benefit plans as described below:

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee and his / her dependants will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

Under Turkish legislation as supplemented by union agreements, lump sum payments are made to all employees who retire or whose employment is terminated without due cause. Such payments are based on number of years' service, final salary at the date of retirement or leaving, turnover of employees and discount rate to be used.

A provision is maintained for the present value of the defined benefit obligation, in respect of service up to the balance sheet date, based on the projected unit credit method. The charge in the income statement comprises current service cost and interest on the obligation.

# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

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

### 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### 3.17 Retirement Benefits (cont'd)

“T. Sınai Kalkınma Bankası Memur ve Müstahdemleri Yardım ve Emekli Vakfı” and “T.Sınai Kalkınma Bankası A.Ş. Mensupları Munzam Sosyal Güvenlik ve Yardımlaşma Vakfı” (the “Pension Funds”), are separate legal entities and foundations recognized by an official decree, providing all qualified Bank employees with pension plan benefits. The Pension Funds are defined benefit plan under which the Bank pays fixed contributions as employer share of monthly premium contributions, and is not obliged to pay any other additional obligation.

The liability to be recognised in the balance sheet in respect of defined benefit plan is the present value of the defined benefit obligation at the balance sheet date less the fair value of assets. The Bank does not have the legal right to access the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan, and therefore, no assets are recognised in the accompanying balance sheet in respect of any surplus in the fund. The defined benefit obligation is calculated annually by independent actuaries. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using expected interest rates for Turkish Lira.

Paragraph 1 of the provisional Article 23 of the Banking Act (“Banking Act”) No: 5411 published in the Official Gazette No: 25983 on November 1, 2005 requires the transfer of banking funds to the Social Security Institution (SSI) within 3 years as of the enactment date of the Banking Act. Under the Banking Act, in order to account for obligations, actuarial calculations should be made considering the income and expenses of those funds by a commission consisting of representatives from various institutions, including the Ministry of Labor and Social Security. Such calculated obligation shall be settled in equal installments in maximum 15 years.

Accordingly, the Group calculated its obligations on the Pension Funds transferable to the SSI in accordance with the Council of Ministers Decree for the purposes of determining the principles and procedures for such transfer.

Nonetheless, the related Article of the Banking Law was vetoed by the President and upon the President’s litigation filed with the Constitutional Court this Article has been subsequently withdrawn by the Constitutional Court’s decision No: E. 2005/39 and K. 2008/33 dated March 22, 2007 that were published in the Official Gazette No: 26479 on March 31, 2007 as of the release of the related decision, the execution of this article was suspended as of the publication of the decision and the underlying reasoning of the decision for the cancellation of the related article was published in the Official Gazette No: 26731 on December 15, 2007.

After the publication of the reasoning of the cancellation decision of the Constitutional Court, the articles of the new Social Security Law numbered 5754 related with the transfer of banks’ pension fund participants to Social Security Institution within 3 years as of the enactment date were accepted by the Grand National Assembly of Turkey on April 17, 2008 and published in the Official Gazette No: 26870 on May 8, 2008.

# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

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

### 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### 3.17 Retirement Benefits (cont'd)

Present value for the liabilities of the transferees as of the transfer date would be calculated by a commission that involves representatives of Social Security Institution, Ministry of Finance, Turkish Treasury, State Planning Organization, BRSA, Savings Deposit Insurance Fund, banks and banks' pension fund institutions and technical interest rate, used in actuarial account, would be 9.80%. If salaries and benefits paid by the pension fund of banks and income and expenses of the pension funds in respect of the insurance branches, stated in the Law, exceeds the salaries and benefits paid under the regulations of Social Security Institution, such differences would be considered while calculating the present value for the liabilities of the transferees and the transfers are completed within 3 years beginning from January 1, 2008.

The Main Opposition Party has appealed to the Higher Court on June 19, 2008 for cancellation of some articles, including the first paragraph of 20th temporary article of the Law, and requested them to be ineffective until the case of revocatory action is finalized. As of the date of the publication of these financial statements, there is no decision announced by the Higher Court regarding the revocatory action.

Unmet social benefits and payments of the pension fund participants and other employees that receive monthly income although they are within the scope of the related settlement deeds would be met by pension funds and the institutions employ these participants after the transfer of pension funds to the Social Security Institution.

The present value of the liabilities, subject to the transfer to the Social Security Institution, of the Pension Fund as of December 31, 2009 has been calculated by an independent actuary in accordance with the actuarial assumptions in the Law and as per February 4, 2010 dated actuarial report, the liabilities, subject to the transfer to the Social Security Institution, are financed by the assets of the Pension Fund.

In addition, the Bank's management anticipates that any liability that may come out during the transfer period and after in the context expressed above, would be financed by the assets of the Pension Fund and would not result in any extra burden on the Bank.

#### 3.18 Taxation

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

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized.

# **TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009**

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

### **3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

#### **3.18 Taxation (cont'd)**

Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and 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 is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realized. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

#### **3.19 Operating Segments**

##### **Business Segments**

For management purposes, the Group is currently organized into two operating divisions – banking and stock broking and other. These divisions are the basis on which the Group reports its primary segment information.

Principal activities of the Group are as follows:

Banking: investment and development bank with all corporate and commercial banking activities excluding accepting customer deposits.

Stock broking and other: intermediary stock broking activities, portfolio management and investment management and real estate investment trust activities.

##### **Geographical Information**

The Group's operations are mainly located in Turkey.

# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

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

### **3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

#### **3.20 Netting of Financial Assets and Liabilities**

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

#### **3.21 Fiduciary Assets**

Client assets, held under custody, in fiduciary, agency or intermediary capacity are not recognized in the accompanying financial statements as customers have ownership of such assets.

#### **3.22 Borrowing Costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

#### **3.23 Internally-generated Intangible Assets**

##### Computer Software Development Costs:

The Group generally recognizes computer software development costs as expense in the period in which they are incurred. However, if it is probable that future economic benefits will flow to the Group, to the extent that assets created can be identified and create future economic benefit and expenditures can reliably be measured and attributable to the asset, development costs incurred are incorporated into the initial cost of computer software. All other subsequent expenditures associated with the maintenance of the existing computer software are recognized as expense in the period in which they are incurred.

Computer software development costs capitalized as assets are amortized on a straight line basis over their expected useful lives, generally five years.

# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

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

### 4. OPERATING SEGMENTS

STATEMENT OF INCOME					
Year ending December 31, 2009					
	Banking TRY'000	Securities Brokerage and Other TRY'000	Combined TRY'000	Eliminations TRY'000	Total TRY'000
Interest Income	497,945	11,541	509,486	(7,553)	501,933
Interest Expenses	(243,938)	(3,240)	(247,178)	2,097	(245,081)
Net Interest Income / (Expenses)	<u>254,007</u>	<u>8,301</u>	<u>262,308</u>	<u>(5,456)</u>	<u>256,852</u>
Net Fee and Commission Income / (Expense)	6,972	17,398	24,370	-	24,370
Net Foreign Currency Gains / (Losses)	(1,079)	826	(253)	-	(253)
Net Securities Trading Gains / (Losses)	3,313	12,841	16,154	-	16,154
Total Trading Income / (Loss)	<u>9,206</u>	<u>31,065</u>	<u>40,271</u>	<u>-</u>	<u>40,271</u>
(Provision for) / Recoveries from Impairment on Loans and Receivables, net	(25,276)	-	(25,276)	-	(25,276)
Net Operating Income / (Loss) after Impairment Losses	<u>237,937</u>	<u>39,366</u>	<u>277,303</u>	<u>(5,456)</u>	<u>271,847</u>
Other Operating Income	24,629	59,275	83,904	(22,410)	61,494
Other Operating Expenses	(54,889)	(21,537)	(76,426)	2,914	(73,512)
Income / (Loss) from Associates	-	-	-	33,762	33,762
Income / (Loss) before Taxation	<u>207,677</u>	<u>77,104</u>	<u>284,781</u>	<u>8,810</u>	<u>293,591</u>

# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

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

### 4. OPERATING SEGMENTS (cont'd)

STATEMENT OF INCOME Year ending December 31, 2008	Banking TRY'000	Securities Brokerage and Other TRY'000	Combined TRY'000	Eliminations TRY'000	Total TRY'000
Interest Income	438,610	9,466	448,076	(2,181)	445,895
Interest Expenses	(198,426)	(1,844)	(200,270)	2,089	(198,181)
Net Interest Income / (Loss)	<u>240,184</u>	<u>7,622</u>	<u>247,806</u>	<u>(92)</u>	<u>247,714</u>
Net Fee and Commission Income / (Expense)	3,842	12,174	16,016	-	16,016
Net Foreign Currency Gains / (Losses)	(6,736)	(7,941)	(14,677)	-	(14,677)
Net Securities Trading Gains / (Losses)	(20,898)	(4,655)	(25,553)	-	(25,553)
Total Trading Income / (Loss)	<u>(23,792)</u>	<u>(422)</u>	<u>(24,214)</u>	<u>-</u>	<u>(24,214)</u>
(Provision for) / Recoveries from Impairment on Loans and Receivables, net	(31,609)	-	(31,609)	-	(31,609)
Net Operating Income / (Loss) After Impairment	<u>184,783</u>	<u>7,200</u>	<u>191,983</u>	<u>(92)</u>	<u>191,891</u>
Other Operating Income	27,769	14,530	42,299	(32,857)	9,442
Other Operating Expenses	(51,748)	(23,259)	(75,007)	4,280	(70,727)
Income / (Loss) from Associates	-	-	-	28,402	28,402
Income / (Loss) before Taxation	<u>160,804</u>	<u>(1,529)</u>	<u>159,275</u>	<u>(267)</u>	<u>159,008</u>

# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

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

### 4. OPERATING SEGMENTS (cont'd)

#### BALANCE SHEET

At December 31, 2009

	Banking TRY'000	Securities Brokerage and other TRY'000	Combined TRY'000	Eliminations TRY'000	Total TRY'000
Total Assets	6,892,062	671,822	7,563,884	(340,368)	7,223,516
Liabilities	5,773,994	416,075	6,190,069	(148,707)	6,041,362
Shareholders' Equity Before Net Income	945,740	179,922	1,125,662	(200,471)	925,191
Net Income / (Loss)	172,328	75,825	248,153	8,810	256,963
Total Shareholders' Equity	1,118,068	255,747	1,373,815	(191,661)	1,182,154
Total Liabilities and Shareholders' Equity	6,892,062	671,822	7,563,884	(340,368)	7,223,516
At December 31, 2008					
Total Assets	6,225,214	330,640	6,555,854	(238,215)	6,317,639
Liabilities	5,394,827	151,023	5,545,850	(76,526)	5,469,324
Shareholders' Equity Before Net Income	698,051	181,400	879,451	(161,422)	718,029
Net Income / (Loss)	132,336	(1,783)	130,553	(267)	130,286
Total Shareholders' Equity	830,387	179,617	1,010,004	(161,689)	848,315
Total Liabilities and Shareholders' Equity	6,225,214	330,640	6,555,854	(238,215)	6,317,639



# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

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

### 5. LIQUID ASSETS

	December 31, 2009 TRY'000	December 31, 2008 TRY'000
Cash balances – Turkish Lira (“TRY”)	180	129
Cash balances – Foreign currencies (“FC”)	117	168
	<u>297</u>	<u>297</u>

### 6. BALANCES WITH THE CENTRAL BANK

#### a) Balances with the Central Bank

	December 31, 2009 TRY'000	December 31, 2008 TRY'000
Demand deposits – TRY	452	483
Demand deposits – FC	2,421	2,137
	<u>2,873</u>	<u>2,620</u>

#### b) Reserve Deposits at the Central Bank

	December 31, 2009 TRY'000	December 31, 2008 TRY'000
Foreign currency reserves	17,966	40,735
	<u>17,966</u>	<u>40,735</u>

Under the regulations of the Central Bank of Turkish Republic (“Central Bank”), banks are required to deposit with the Central Bank a proportion of all deposits taken from customers, other than domestic inter-bank deposits. These reserves are not available funds to finance the operations of the Bank. Due to a change in regulations, starting from December 2005, the Banks are not obliged to set a reserve on blocked Central Bank accounts on local currency deposits and liabilities.

# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

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

### 7. BALANCES WITH BANKS

	December 31, 2009 TRY'000	December 31, 2008 TRY'000
<u>Domestic Banks</u>		
Demand deposits – TRY	3,501	2,224
Time deposits – TRY	318,871	55,944
Demand deposits – FC	1,536	946
Time deposits – FC	4,320	11,209
	<u>328,228</u>	<u>70,323</u>
<u>Banks Abroad</u>		
Demand deposits – FC	8,453	26,000
Time deposits – FC	19,439	117,400
	<u>27,892</u>	<u>143,400</u>
Total	<u>356,120</u>	<u>213,723</u>

The time deposits above mature within 1 - 90 days and earn interest at rates ranging 0.18-0.4% for foreign currency balances and 5.95-10.75% for TRY balances as at the balance sheet date (December 31, 2008: Maturity: 1-84 days; interest rate 1.85-7.25% for foreign currency, 15.00 – 23.00% for TRY balances).

### 8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

	December 31, 2009 TRY'000	December 31, 2008 TRY'000
Government bonds and treasury bills in TRY	55,894	27,084
Investment funds	1,251	911
Equity shares	19,292	10,444
Government bonds and treasury bills in FC	34	48
Total	<u>76,471</u>	<u>38,487</u>

The above government bonds and treasury bills include those pledged under securities repurchase agreements with customers amounting to TRY 4,493 Thousand trading securities and also securities given as collateral or blocked amounting to TRY 2,099 Thousand as at the balance sheet date (December 31, 2008: TRY 1,640 Thousand and TRY 3,823 Thousand, respectively).

# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

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

### 9. LOANS AND RECEIVABLES

	December 31, 2009 TRY'000	December 31, 2008 TRY'000
Short-term loans	111,363	63,433
Long-term loans	3,576,625	3,535,023
Investment in direct finance leases, net	135,076	215,613
Total performing loans	3,823,064	3,814,069
Loans in arrears	21,675	25,428
Total loans	3,844,739	3,839,497
Less: Specific allowance for impairment losses on loans	(8,844)	(8,684)
Less: Portfolio allowance for impairment losses on loans	(63,367)	(38,251)
Total loans	3,772,528	3,792,562

Movements in the allowance for impairment losses on loans are as follows:

	2009 TRY'000	2008 TRY'000
Specific Allowance For Cash Loans:		
As of January 1,	8,684	5,690
Charge for the year	800	6,530
Allowance released and write offs	(640)	(3,536)
As of December 31,	8,844	8,684
Portfolio Allowance For Cash Loans:		
As of January 1,	38,251	9,636
Charge for the year	25,116	28,615
As of December 31,	63,367	38,251
Total Allowance	72,211	46,935

Loans can be further analyzed by customer groups, sector as follows:

<u>Sector</u>	December 31, 2009 TRY'000	December 31, 2008 TRY'000
Corporate customers	2,705,260	2,732,303
Small business	1,123,140	1,102,483
Other	16,339	4,711
	3,844,739	3,839,497

# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

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

### 9. LOANS AND RECEIVABLES (cont'd)

<u>Currency</u>	December 31, 2009 <u>TRY'000</u>	December 31, 2008 <u>TRY'000</u>
Euro	1,036,062	1,144,925
US Dollar	1,124,557	1,063,270
Foreign currency indexed TRY loans	1,468,183	1,505,898
Turkish Lira	201,037	79,196
Other currencies	14,900	46,208
Total	<u>3,844,739</u>	<u>3,839,497</u>

Foreign currency indexed loans represent loans extended in Turkish Lira but the related principal and interest are repaid at the Turkish Lira equivalent of the currency to which they are indexed.

Performing loans, receivables and arrears can be analyzed by sector as follows:

Sector	December 31, 2009			December 31, 2008		
	Long Term	Short Term	Arrears	Long Term	Short Term	Arrears
	<u>TRY'000</u>	<u>TRY'000</u>	<u>TRY'000</u>	<u>TRY'000</u>	<u>TRY'000</u>	<u>TRY'000</u>
Finance	966,155	60,367	5,904	1,013,193	-	5,343
Energy	1,085,733	587	-	821,723	-	-
Tourism	150,244	2,967	-	169,776	2,038	-
Textile	60,709	9,862	6,557	95,639	11,326	8,234
Chemical	126,423	239	-	148,700	4,558	-
Food and Beverages	137,469	-	1,316	148,096	-	1,609
Cement	136,737	836	-	121,708	27	-
Health Services	40,408	340	-	21,462	4,081	-
Metal	178,192	2,694	546	179,231	1,548	-
Plastics	59,180	503	1,850	68,216	996	3,216
Motor Vehicles	68,042	1,282	-	119,125	-	-
Construction	140,319	10,932	-	160,556	35,817	540
Machinery Production	19,472	-	298	27,253	608	298
Pulp and Paper	70,157	-	859	79,080	-	1,743
Ceramics	6,186	393	-	45,961	-	-
Lumber and Wood	37,250	335	-	44,319	140	-
Rubber & Tires	-	1,553	-	3,710	157	-
Education	25,138	-	-	36,264	-	-
Shipyard	-	-	-	-	10,843	-
Farming	938	-	4,158	27,773	-	4,256
Other	396,325	25,097	187	403,332	6,813	189
	<u>3,705,077</u>	<u>117,987</u>	<u>21,675</u>	<u>3,735,117</u>	<u>78,952</u>	<u>25,428</u>

Interest rates charged for short term loans are 7.75-9.75% for Turkish Lira loans, 1.97-7.45% for Euro loans and 2.03-5.71% for US Dollar loans per annum during the year (December 31, 2008: 14.90-24.11% for Turkish Lira loans, 5.00-8.57% for EURO loan and 4.29-9.02% for US Dollar loans).

# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

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

### 9. LOANS AND RECEIVABLES (cont'd)

The Bank mainly extends long term loans to customers. Interest rates ranges for long term loans are as follows:

	December 31, 2009	December 31, 2008
Euro	1.71-8.00%	3.77-10.14%
US Dollars	1.72-8.25%	2.85-8.50%
TRY	7.75-22.00%	14.50-22.00%
JPY	4.00-5.40%	4.00-5.40%

TRY 135,802 Thousand of the cash loans are extended to related parties. TSKB Group companies have TRY 117,748 Thousand non-cash loan risk as at the balance sheet date (December 31, 2008: TRY 122,942 Thousand and 141,990 Thousand; respectively).

The collaterals for the loans extended to the TSKB Group companies are TRY 24,500 Thousand as at the balance sheet date (December 31, 2008: TRY 125,070 Thousand).

Loans include finance lease receivables. Components of the lease contracts are as follows:

	December 31, 2009 TRY'000	December 31, 2008 TRY'000
Lease payments receivable	141,853	240,031
(Less): Unearned income	(6,777)	(24,418)
Investment in direct financing leases	<u>135,076</u>	<u>215,613</u>
Current maturity – net	15,929	23,405
Long - term portion – net	<u>119,147</u>	<u>192,208</u>
Investment in direct financing leases	<u>135,076</u>	<u>215,613</u>

For the period ended December 31, 2009, currency components of financial lease receivables are as follows (amounts in Thousand and original currencies)

	TRY	EURO	JPY	USD
2010	271	6,058	131,150	293
2011	-	17,667	55,779	4,794
2012	-	11,705	-	7,898
2013	-	3,670	-	1,122
2014	-	8,802	-	4,798
	<u>271</u>	<u>47,902</u>	<u>186,929</u>	<u>17,387</u>

# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

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

### 9. LOANS AND RECEIVABLES (cont'd)

For the period ended December 31, 2008, currency components of financial lease receivables are as follow:  
(amounts in Thousand and original currencies)

	TRY	EURO	JPY	USD
2009	911	5,530	97,338	1,186
2010	271	14,996	212,130	564
2011	-	29,123	81,570	7,464
2012	-	16,777	-	14,856
2013	-	2,579	-	1,085
2014	-	10,511	-	-
	<u>1,182</u>	<u>79,516</u>	<u>391,038</u>	<u>25,155</u>

For the period ended in December 31, 2009 the details of the loans is as follows:

	Corporate TRY'000	Small Business TRY'000	Other TRY'000	Portfolio Allowance TRY'000	Total TRY'000
Neither past due nor impaired	2,685,316	1,120,924	16,339	-	3,822,579
Past due not impaired	330	155	-	-	485
Individually impaired	19,609	2,066	-	-	21,675
Total gross	<u>2,705,255</u>	<u>1,123,145</u>	<u>16,339</u>	<u>-</u>	<u>3,844,739</u>
Less: allowance for individually impaired loans	(8,529)	(315)	-	-	(8,844)
Less: allowance for collectively impaired loans	-	-	-	(63,367)	(63,367)
Total allowance for impairment	<u>(8,529)</u>	<u>(315)</u>	<u>-</u>	<u>(63,367)</u>	<u>(72,211)</u>
Total net	<u>2,696,726</u>	<u>1,122,830</u>	<u>16,339</u>	<u>(63,367)</u>	<u>3,772,528</u>

# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

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

### 9. LOANS AND RECEIVABLES (cont'd)

For the period ended in December 31, 2008 the details of the other loans is as follows:

	Corporate TRY'000	Small Business TRY'000	Other TRY'000	Portfolio Allowance TRY'000	Total TRY'000
Neither past due nor impaired	2,707,182	1,100,159	4,711	-	3,812,052
Past due not impaired	1,482	535	-	-	2,017
Individually impaired	23,639	1,789	-	-	25,428
Total gross	<u>2,732,303</u>	<u>1,102,483</u>	<u>4,711</u>	<u>-</u>	<u>3,839,497</u>
Less: allowance for individually impaired loans	(8,404)	(280)	-	-	(8,684)
Less: allowance for collectively impaired loans	-	-	-	(38,251)	(38,251)
Total allowance for impairment	(8,404)	(280)	-	(38,251)	(46,935)
Total net	<u>2,723,899</u>	<u>1,102,203</u>	<u>4,711</u>	<u>(38,251)</u>	<u>3,792,562</u>

A reconciliation of the specific allowance for impairment losses and advances by classes is as follows;

	Corporate TRY'000	Small Business TRY'000	Total TRY'000
At January 1, 2009	8,404	280	8,684
Charge for the year	665	135	800
Recoveries, releases and write offs	(540)	(100)	(640)
At December 31, 2009	<u>(8,529)</u>	<u>(315)</u>	<u>8,844</u>
	Corporate TRY'000	Small Business TRY'000	Total TRY'000
At January 1, 2008	5,639	51	5,690
Charge for the year	6,250	280	6,530
Recoveries releases and write offs	(3,485)	(51)	(3,536)
At December 31, 2008	<u>8,404</u>	<u>280</u>	<u>8,684</u>

For the period ended by December 31, 2009 a breakdown of the specific allowance for impairment losses;

	Corporate TRY'000	Small Business TRY'000	Total TRY'000
Individual impairment	(8,529)	(315)	(8,844)
Gross amount of loans, individually determined to be impaired, before deducting any individually assessed impairment allowance	19,609	2,066	21,675

# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

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

### 9. LOANS AND RECEIVABLES (cont'd)

For the period ended by December 31, 2008 a breakdown of the specific allowance for impairment losses:

	Corporate TRY'000	Small Business TRY'000	Total TRY'000
Individual impairment	(8,404)	(280)	(8,684)
Gross amount of loans, individually determined to be impaired, before deducting any individually assessed impairment allowance	23,639	1,789	25,428

For the period ended December 31, 2009 the aging analysis of past due but not impaired loans per class of financial statements is as follows:

	Less than 30 days TRY'000	31-60 days TRY'000	61-90 days TRY'000	More than 91 days TRY'000	Total TRY'000
Loans and advances to customers					
Corporate lending	37	293	-	-	330
Small business lending	15	140	-	-	155
Total	52	433	-	-	485

For the period ended December 31, 2008 the aging analysis of past due but not impaired loans per class of financial statements is as follows:

	Less than 30 days TRY'000	31-60 days TRY'000	61-90 days TRY'000	More than 91 days TRY'000	Total TRY'000
Loans and advances to customers					
Corporate lending	657	825	-	-	1,482
Small business lending	101	237	197	-	535
Total	758	1,062	197	-	2,017

Of the total aggregate amount of gross past due but not yet impaired loans and other receivables, the fair value of collaterals, capped with the respective outstanding loan balances including those not past due, that the Bank held as at December 31, 2009 is TRY 44,109 Thousand (December 31, 2008: TRY 124,129 Thousand).

Loans and other receivables amounting to TRY 3,522,626 Thousand have floating interest rates (December 31, 2008: TRY 3,106,833 Thousand) and the remaining TRY 300,438 Thousand have fixed interest rates (December 31, 2008: TRY 707,236 Thousand).



# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

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

### 10. FINANCIAL ASSETS AVAILABLE FOR SALE AND HELD TO MATURITY

	December 31, 2009 TRY'000	December 31, 2008 TRY'000
Financial assets available for sale	2,159,934	1,770,288
	<u>2,159,934</u>	<u>1,770,288</u>
	December 31, 2009 TRY'000	December 31, 2008 TRY'000
<u>Financial assets available for sale:</u>		
Government bonds and treasury bills in TRY	1,614,947	1,289,072
Government bonds and treasury bills in FC	72,862	85,545
Eurobonds	278,085	290,649
Equity shares	33,112	32,864
Other	160,928	72,158
	<u>2,159,934</u>	<u>1,770,288</u>

The above government bonds and treasury bills include those pledged under securities repurchase agreements with customers amounting to TRY 1,075,796 Thousand as at the balance sheet date (December 31, 2008: TRY 868,758 Thousand).

	December 31, 2009 TRY'000	December 31, 2008 TRY'000
Financial assets held to maturity	289,106	6,514
	<u>289,106</u>	<u>6,514</u>

In the current period, the Bank reclassified a portion of its marketable securities in the AFS and FVTPL portfolio with a notional amount of TRY 283.050 Thousand and TRY 4.900 Thousand respectively to its Held-to-Maturity portfolio due to the change in the intention. The reclassification has been accounted for in accordance with the relevant transitional provisions and took effect only from the date of reclassification. The fair value of these securities was TRY 273.582 Thousand as of the transfer date. For the securities transferred from AFS portfolio, the positive valuation differences amounting to TRY 1.679 Thousand, recognized in other comprehensive income, will be amortized until the transfer date of these securities and transferred to profit/loss till the maturity of these securities. As of the balance sheet date, the positive valuation difference that remains in other comprehensive is TRY 1.059 Thousand

	December 31, 2009 TRY'000	December 31, 2008 TRY'000
<u>Financial assets held to maturity:</u>		
Government bonds and treasury bills in TRY	286,599	4,002
Bonds issued by private sector in TRY	2,507	2,512
	<u>289,106</u>	<u>6,514</u>

# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

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

### 10. FINANCIAL ASSETS AVAILABLE FOR SALE AND HELD TO MATURITY (cont'd)

The blocked securities kept in the Central Bank, the İstanbul Stock Exchange and İMKB Takas ve Saklama Bankası A.Ş. (stock exchange settlement bank) for the purposes of liquidity requirement and trading guarantee on interbank, bond, repurchase and reverse repurchase markets as at December 31, 2009 are as follows:

	2009 Nominal Value TRY'000	2009 Carrying Value TRY'000	2008 Nominal Value TRY'000	2008 Carrying Value TRY'000
<u>Government Bonds and Treasury Bills:</u>				
Central Bank- Interbank Market				
Guarantee	38,982	45,024	14,800	15,307
Central Bank- Open Market Operations	86,108	98,128	41,000	62,285
İstanbul Stock Exchange- Trading				
Guarantee	82,900	92,759	82,900	91,514
Central Bank – Foreign Currency				
Operations Guarantee	14,126	15,783	26,000	39,348
Clearing House – Blocked Securities	2,240	2,216	22,344	22,988
Other (International Bank) Foreign				
Currency	55,389	80,791	32,000	61,509
	<u>279,745</u>	<u>334,701</u>	<u>219,044</u>	<u>292,951</u>

The Group's available for sale equity investments are as follows:

<u>Investee</u>	<u>Ownership</u> %	December 31, 2009 Acquisition Cost TRY'000	December 31, 2008 Acquisition Cost TRY'000
İMKB Takas ve Saklama A.Ş.	6.8	14,642	14,642
Ünsa Ambalaj San. ve Tic. Ltd.Şti.	12.00	5,293	5,293
Senapa Plastik Ambalaj San. A.Ş.	6.95	2,290	2,290
Avrupa Yatırım Fonu	0.17	2,957	2,957
Cam Elyaf Sanayi A.Ş.	1.18	1,530	1,530
İş Portföy Yönetimi A.Ş.	9.90	2,043	2,043
Gözlük Sanayi A.Ş. (*)	21.71	407	407
TSKB Gayrimenkul Değerleme A.Ş. (*)	99.99	394	394
Terme Metal San. Ve Tic. A.Ş.	17.83	204	204
Vadeli İşlem ve Opsiyon Borsası A.Ş.	1.00	108	108
Gelişen İşlemler Piyasası A.Ş.	<1.00	50	50
Others	<1.00	3,194	2,946
		<u>33,112</u>	<u>32,864</u>

(\*) The investments in TSKB Gayrimenkul Değerleme A.Ş. and Gözlük Sanayi A.Ş. have not been consolidated since their effect on consolidated income and net assets is not significant.

# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

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

### 11. INVESTMENTS IN ASSOCIATES

As of December 31, 2009, in the accompanying financial statements, the following entities are accounted for under the equity method:

<u>Investee</u>	<u>Ownership</u> <u>%</u>	<u>Nominal</u> <u>TRY'000</u>	<u>December 31,</u> <u>2009</u> <u>TRY'000</u>	<u>December 31,</u> <u>2008</u> <u>TRY'000</u>
İş Finansal Kiralama A.Ş.	28.71	14.307	109,339	78,174
İş Factoring Finansman Hizm. A.Ş.	21.75	2,360	18,067	12,342
İş Girişim Serm. Yat. Ort. A.Ş.	16.67	3,750	23,846	20,072
		<u>20.417</u>	<u>151,252</u>	<u>110,588</u>

### 12. GOODWILL

<u>Cost</u>	<u>TRY'000</u>
At January 1, 2009	383
At December 31, 2009	383
<u>Impairment</u>	
At January 1, 2009	-
At December 31, 2009	-
<u>Carrying Amount</u>	
At December 31, 2009	383
At December 31, 2008	383

The above goodwill is attributable to Yatırım Finansman Menkul Değerler A.Ş.

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired.

The recoverable amounts of the investees are determined from cash flows projections the Banks's management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the investees. The growth rates are based on industry growth forecasts.

At December 31, 2009, the recoverable amount of the investee is higher than the amount of goodwill; therefore, no impairment on goodwill is realized.

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

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

**13. PREMISES AND EQUIPMENT**

TRY'000

<u>Acquisition Cost</u>	<u>Land</u>	<u>Leasehold Improvements</u>	<u>Buildings</u>	<u>Machinery and Equipment</u>	<u>Vehicles</u>	<u>Furniture and Fixture</u>	<u>Total</u>
Opening Balance, January 1, 2009	44,044	37,826	35,640	11,189	933	8,219	137,851
Transfer	1,756	2,344	12,947	3,857	-	(268)	20,636
Additions	-	281	2,606	561	355	407	4,210
Disposals	(1,850)	-	(2,330)	(15)	(100)	(14)	(4,309)
Transferred to Investment property	(40,390)	(36,025)	-	-	-	-	(76,415)
Closing Balance, December 31, 2009	3,560	4,426	48,863	15,592	1,188	8,341	81,973
<u>Accumulated Depreciation</u>							
Opening Balance, January 1, 2009	-	(3,809)	(4,930)	(4,075)	(503)	(6,758)	(20,075)
Transfer	(756)	-	(15,046)	(4,822)	11	(23)	(20,636)
Charge for the year	-	(176)	(5,978)	(2,249)	(156)	(385)	(8,944)
Impairment during the period	(160)	-	(328)	-	-	-	(488)
Disposal	-	-	-	15	56	14	84
Closing Balance, December 31, 2009	(916)	(3,985)	(26,282)	(11,131)	(592)	(7,149)	(50,058)
Net Book Value at December 31, 2009	2,644	441	22,581	4,461	596	1,192	31,915

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

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

**13. PREMISES AND EQUIPMENT (cont'd)**

TRY'000

<u>Acquisition Cost</u>	<u>Land</u>	<u>Leasehold Improvements</u>	<u>Buildings</u>	<u>Equipment</u>	<u>Vehicles</u>	<u>Fixture</u>	<u>Total</u>
Opening Balance, January 1, 2008	43,003	7,417	28,720	9,684	675	7,032	96,531
Additions	297	30,409	-	1,505	258	1,340	33,809
Disposals	(1,646)	-	(1,200)	-	-	(153)	(2,999)
Transferred from held for sale	2,390	-	8,120	-	-	-	10,510
Closing Balance, December 31, 2008	<u>44,044</u>	<u>37,826</u>	<u>35,640</u>	<u>11,189</u>	<u>933</u>	<u>8,219</u>	<u>137,851</u>
<u>Accumulated Depreciation</u>							
Opening Balance, January 1, 2008	-	(3,604)	(3,472)	(1,758)	(434)	(6,387)	(15,655)
Charge for the year	-	(205)	(133)	(103)	(69)	(371)	(881)
Impairment during the period	-	-	(1,325)	(2,214)	-	-	(3,539)
Closing Balance, December 31, 2008	<u>-</u>	<u>(3,809)</u>	<u>(4,930)</u>	<u>(4,075)</u>	<u>(503)</u>	<u>(6,758)</u>	<u>(20,075)</u>
Net Book Value at December 31, 2008	<u>44,044</u>	<u>34,017</u>	<u>30,710</u>	<u>7,114</u>	<u>430</u>	<u>1,461</u>	<u>117,776</u>

# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

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

### 14. INVESTMENT PROPERTIES

	December 31, 2009 TRY'000	December 31, 2008 TRY'000
Fair value of investment properties	205,291	5,415
	<u>205,291</u>	<u>5,415</u>

The Group's investment properties are held under freehold interests.

The Group's investment properties belong to the Bank's subsidiary operating in the real-estate investment trust sector. The fair values of the investment properties are determined in reports issued on December 23, 2009, December 28, 2009, and December 28, 2009 by companies listed on CMB's List of Real Estate Appraisal Companies as TRY 11,636 Thousand, TRY 5,885 Thousand and TRY 187,770 Thousand respectively. TRY 48,529 Thousand of fair value difference is recognized under the other operating income in the accompanying financial statements (December 31, 2008: TRY 5,415 Thousand net book value, TRY 1,764 Thousand fair value difference, date of expert is December 26, 2008).

The total external rent income earned by the Group from its investment properties is TRY 302 Thousand in the current period (December 31, 2008: 178 Thousand). The management states that there is no material operating expenses arising on its investment properties for the year.

Investment Properties Movement table as of December 31, 2009 is as below:

<u>Current Period</u>	Closing Balance of Prior Period	Transfer from Tangible Assets	Additions	Disposals	Change in Fair Value	Closing Balance of Current Period
Tahir Han	5,415	-	-	-	470	5,885
Pendorya AVM	-	65,030	76,439	(2,514)	48,815	187,770
Adana Land Project Development	-	11,695	697	-	(756)	11,636
Total	<u>5,415</u>	<u>76,725</u>	<u>77,136</u>	<u>(2,514)</u>	<u>48,529</u>	<u>205,291</u>
<u>Prior Period</u>	Closing Balance of Prior Period	Transfer from Tangible Assets	Additions	Disposals	Change in Fair Value	Closing Balance of Current Period
Tahir Han	4,945	-	-	-	470	5,415
Total	<u>4,945</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>470</u>	<u>5,415</u>

# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

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

### 15. INTANGIBLE ASSETS

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

	<u>2009</u> <u>TRY'000</u>	<u>2008</u> <u>TRY'000</u>
<u>Acquisition cost</u>		
Opening balance, January 1,	2,874	2,507
Additions	476	367
Closing balance, December 31,	<u>3,350</u>	<u>2,874</u>
<u>Accumulated amortization</u>		
Opening balance, January 1,	(2,134)	(1,921)
Charge for the year	(309)	(213)
Closing balance, December 31,	<u>(2,443)</u>	<u>(2,134)</u>
Net Book Value, as of December 31,	<u>907</u>	<u>740</u>

### 16. OTHER ASSETS

	<u>December 31,</u> <u>2009</u> <u>TRY'000</u>	<u>December 31,</u> <u>2008</u> <u>TRY'000</u>
Cash guarantees given	1,765	106,894
Receivables from brokerage customers	79,905	33,362
Prepaid expenses	5,406	3,484
VAT carried forward	13,900	2,146
Advances given	259	7,578
Receivables from personnel	394	225
Other	12,483	5,401
	<u>114,112</u>	<u>159,090</u>

### 17. OBLIGATIONS UNDER REPURCHASE AGREEMENTS

The securities sold under repurchase agreements and corresponding obligations are as follows:

	<u>2009</u> <u>Carrying</u> <u>Value of</u> <u>Underlying</u> <u>Securities</u> <u>TRY'000</u>	<u>2009</u> <u>Carrying</u> <u>Value of</u> <u>Corresponding</u> <u>Liability</u> <u>TRY'000</u>	<u>2009</u> <u>Repurchase</u> <u>Value</u> <u>TRY'000</u>
Financial assets at fair value through profit and loss	4,493	4,000	4,003
Financial assets available for sale	1,075,796	1,054,693	1,059,719
Financial assets held to maturity	275,934	226,000	226,175
	<u>1,356,223</u>	<u>1,284,693</u>	<u>1,289,897</u>

## TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

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

#### 17. OBLIGATIONS UNDER REPURCHASE AGREEMENTS (cont'd)

	2008 Carrying Value of Underlying Securities TRY'000	2008 Carrying Value of Corresponding Liability TRY'000	2008 Repurchase Value TRY'000
Financial assets at fair value through profit and loss	1,640	1,592	1,600
Financial assets available for sale	868,758	806,396	808,054
	<u>870,398</u>	<u>807,988</u>	<u>809,654</u>

The repurchase agreements have maturity periods of four days to one year. The Group has applied interest rates of 0.35%-1.5% for foreign currency, 5.5%-17.6% for domestic currency agreements (December 31, 2008: of 0.75%-4.82% for foreign currency, 13.75%-16.35% for domestic currency). Included in the carrying value of the obligations under repurchase agreements, the interest accrued is amounting to TRY 3,934 Thousand (2008: TRY 598 Thousand).

#### 18. FUNDS BORROWED

	December 31, 2009 TRY'000	December 31, 2008 TRY'000
Short-term	351,068	572,002
Medium and long-term	4,048,032	3,879,249
Total	<u>4,399,100</u>	<u>4,451,251</u>
Current portion of medium and long-term borrowings	<u>327,040</u>	<u>373,612</u>

  

	December 31, 2009 TRY'000	December 31, 2008 TRY'000
Foreign currencies	4,311,434	4,369,038
Turkish Lira	87,666	82,213
Total	<u>4,399,100</u>	<u>4,451,251</u>



# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

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

### 18. FUNDS BORROWED (cont'd)

Sources of current portion of medium and long-term borrowings comprise the following:

	December 31, 2009 TRY'000	December 31, 2008 TRY'000
European Investment Bank (EIB)	187,346	169,120
Cash borrowings through promissory notes	-	93,134
Japan Bank of International Cooperation (JBIC)	38,998	40,054
Kreditanstalt Für Wiederaufbau (KfW)	29,346	37,118
Export Finance Intermediation Loan (EFIL) II	25,751	-
Council of European Development Bank (CEB)	21,541	-
Bank Austria Creditanstalt	-	25,893
Association of French Development (AFD)	14,276	6,670
Export Finance Intermediation Loan (EFIL) III	3,444	-
Export Finance Intermediation Loan (EFIL) IV	1,856	-
Instituto de Credito Oficial	1,295	1,279
International Bank for Reconstruction and Development (IBRD)	3,187	333
Treasury Originated Funds	-	11
	<u>327,040</u>	<u>373,612</u>

	December 31, 2009 TRY'000	December 31, 2008 TRY'000
<u>Foreign Currency Borrowings</u>		
International Bank for Reconstruction and Development (IBRD)		
-Export Finance Intermediation Loan (EFIL) II	456,676	456,404
-Export Finance Intermediation Loan (EFIL) III	478,007	477,674
-Export Finance Intermediation Loan (EFIL) IV	386,289	139,353
-IBRD-Renewable Energy Loan (REL)	358,978	225,293
-IBRD-Small Medium Enterprises (SME)	149,806	102,259
	<u>1,829,756</u>	<u>1,400,983</u>

# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

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

### 18. FUNDS BORROWED (cont'd)

	December 31, 2009 TRY'000	December 31, 2008 TRY'000
<u>Foreign Currency Borrowings (cont'd)</u>		
European Investment Bank (EIB)	1,397,165	1,557,798
Syndicated Loan	-	221,630
Kreditanstalt Für Wiederaufbau (KFW)	201,300	144,210
Council of European Development Bank (CEB)	355,367	336,332
Japan Bank of International Cooperation (JBIC)	38,998	80,510
Association of French Development (AFD)	210,015	213,528
Instituto de Credito Oficial	3,898	5,237
Barclays Bank	54,432	54,194
Bank Austria Creditanstalt	-	26,717
Cash borrowings through promissory notes	85,421	218,567
Domestic bank borrowings	14,863	87,069
Foreign bank borrowings	120,219	22,263
	<u>2,481,678</u>	<u>2,968,055</u>
Total foreign currency borrowings	<u>4,311,434</u>	<u>4,369,038</u>
	December 31, 2009 TRY'000	December 31, 2008 TRY'000
<u>Turkish Lira Borrowings</u>		
EIB-Venture Capital	4,155	4,155
Domestic bank borrowings	83,511	78,047
Treasury originated funds	-	11
Total Turkish Lira borrowings	<u>87,666</u>	<u>82,213</u>
Total	<u>4,399,100</u>	<u>4,451,251</u>

#### IBRD EFIL II:

- Variable interest rate 1.22% for USD (December 31, 2008: 3.37% for USD), repayable in scheduled installments up to January 15, 2020.

#### IBRD EFIL III:

- Variable interest rate 1.22% for USD (December 31, 2008: 3.37% for USD) and variable interest rate 1.49% for EUR (December 31, 2008 : 5.41% for EUR), repayable in scheduled installments up to January 15, 2021.

#### IBRD EFIL IV:

- Variable interest rate 1.02% for USD (December 31, 2008: 3.17%) and variable interest rate 1.29% for EUR (December 31, 2008 : 5.21%), repayable in scheduled installments up to July 15, 2036.

#### IBRD REL:

- Variable interest rate 1.18% for USD (December 31, 2008: 3.33% for USD), repayable in scheduled installments up to September 15, 2020.

# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

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

### 18. FUNDS BORROWED (cont'd)

#### IBRD REL 2:

- Variable interest rate 0.65% for USD (December 31, 2008: N/A) and variable interest rate 1.00%, for EUR (December 31, 2008: N/A) repayable in scheduled installments up to March 15, 2039.

#### IBRD CTF REL 2:

- Variable interest rate 0.75% for USD (December 31, 2008: N/A), repayable in scheduled installments up to March 15, 2029.

#### IBRD SME:

- Variable interest rate 0.73% for USD (December 31, 2008: 3.13% for USD), and variable interest rate 1.10% for EUR (December 31, 2008: 5.24% for EUR), repayable in scheduled installments up to March 15, 2021.

#### EIB APEX GLOBAL LOAN:

-Interest rates of 0.97-1.12% for EUR (December 31, 2008: 3.48-3.63% for EUR), repayable in scheduled installments up to May 31, 2016.

#### EIB (Pollution Fund):

-Interest rates of 1.77-2.58% for EUR (December 31, 2008: 1.77-2.56% for EUR), repayable in scheduled installments up to April 15, 2013.

#### EIB SME 2:

-Interest rates of 0.86% for EUR (December 31, 2008: 3.48% for EUR), repayable in scheduled installments up to June 15, 2010.

#### EIB SME 1.2:

-Interest rates of 0.65-1.11% for EUR (December 31, 2008: 2.30% for EUR), repayable in scheduled installments up to June 15, 2012.

#### EIB SME DEVELOPMENT GLOBAL LOAN:

-Interest rates of 0.78-1.13% for EUR (December 31, 2008: 3.19-5.27% for EUR), repayable in scheduled installments up to September 15, 2019.

#### EIB DEPREM 2A:

-Interest rates of 0.86% for EUR (December 31, 2008: 3.48% for EUR), repayable in scheduled installments up to December 15, 2010.

#### EIB DEPREM 2B:

-Interest rates of 1.17% for EUR (December 31, 2008: 3.63-3.73% for EUR), repayable in scheduled installments up to September 15, 2011.

# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

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

### 18. FUNDS BORROWED (cont'd)

#### EİB SANAYİ SEKTÖRÜ II

-Interest rates of 0.55-1.01% for EUR (December 31, 2008: 2.30-3.63% for EUR), repayable in scheduled installments up to June 15, 2013.

#### EİB SANAYİ III

-Interest rates of 0.65-1.11% for EUR (December 31, 2008: 2.30-3.63% for EUR), repayable in scheduled installments up to March 15, 2015.

#### EİB SANAYİ IV

-Interest rates of 0.50-1.11% for EUR (December 31, 2008: 2.15-3.63% for EUR), repayable in scheduled installments up to December 15, 2015.

#### EİB SANAYİ V

-Interest rates of 0.50-0.96% for EUR (December 31, 2008: 2.15-3.48% for EUR), repayable in scheduled installments up to September 15, 2017.

#### EİB OTOPRODÜKTÖR

-Interest rates of 0.86% for EUR; 0.40% for USD (December 31, 2008: 3.48% for EUR; 2.15% for USD), repayable in scheduled installments up to September 15, 2017 for EUR; September 15, 2016 for USD.

#### EİB REL

-Interest rates of 0.71-1.21% for EUR (December 31, 2008: 2.79-4.42% for EUR), repayable in scheduled installments up to November 15, 2023.

#### Syndicated Loan:

-The Parent Bank has not attended syndicated loan as of December 31, 2009. The Parent Bank had attended the two different syndicated agreements that were named as Syndicated V and Syndicated VI through December 31, 2008. Variable interest rate of 3.44-3.52% for Syndicated Loan V, VI USD, repayable on January 15, 2009 and May 5, 2009; respectively.

#### KFW:

-Interest rates of 0.98% for EUR (December 31, 2008: 3.86% for EUR), repayable in scheduled installments up to November 31, 2016.

#### KFW SME:

- Interest rates of 2.00% for EUR (December 31, 2008: 2.00% for EUR), repayable in scheduled installments up to December 30, 2032.

## **TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009**

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

#### **18. FUNDS BORROWED (cont'd)**

KFW (Pollution Fund):

- Fixed interest rate 2.00% for EUR (December 31, 2008: 2.00% for EUR), repayable in installments up to December 30, 2032.

KFW (1<sup>st</sup> Trance):

- Interest rates of 0.35% for USD (December 31, 2008: N/A), repayable in scheduled installments up to June 30, 2020.

KFW (2<sup>nd</sup> Trance):

- Interest rates of 0.69% for USD (December 31, 2008: N/A), repayable in scheduled installments up to June 30, 2020.

CEB:

- Variable interest rates of 0.91-1.68% for EUR (December 31, 2008: 3.44-5.68% for EUR), repayable in scheduled installments up to October 15, 2019.

JBIC:

- Interest rates of 1.65% - 2.40% for JPY (December 31, 2008: 1.65% - 2.40% for JPY), repayable in scheduled installments up to September 28, 2010.

AFD 1:

- Variable interest rate of 1.55% for EUR (December 31, 2008: 5.19% for EUR), repayable in scheduled installments up to January 31, 2017.

AFD 2:

- Variable interest rate of 1.19% for EUR, (December 31, 2008: 4.13%) repayable in scheduled installments up to November 30, 2018.

Instituto de Credito Oficial:

- Interest rate of 4.00% for USD (December 31, 2008: 4.00% for USD), repayable in scheduled installments up to April 17, 2013.

Barclays Bank:

- Variable interest rate of 4.00% for USD, (December 31, 2008: 3.37%) for USD repayable in scheduled installments up to January 15, 2010 (December 31, 2008: January 16, 2009).

Bank Austria Creditanstalt 1:

- The Parent Bank has not no borrowing from Bank Austria Creditanstalt 1 as of December 31, 2009 (December 31, 2008: 5.56%; repayable in scheduled installments up to May 20, 2009).

# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

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

### 18. FUNDS BORROWED (cont'd)

Bank Austria Creditanstalt 2:

- The Parent Bank has no borrowing from Bank Austria Creditanstalt 2 as of December 31, 2009 (December 31, 2008: 5.96%; repayable in scheduled installments up to July 4, 2009).

Bank Austria Creditanstalt 3:

- The Parent Bank has no borrowing from Bank Austria Creditanstalt 3 as of December 31, 2009 (December 31, 2008: 4.20%; repayable in scheduled installments up to June 2, 2009).

Cash Borrowings through Promissory Notes:

- Variable interest rate of 5.87-6.09% for EUR, (December 31, 2008: 5.83-7.35%) repayable in scheduled installments up to March 16, 2010 (December 31, 2008: September 18, 2009). The Parent Bank has not issued promissory notes for USD as of December 31, 2009 (December 31, 2008: Variable interest rate of 3.17-6.77% for USD, repayable in scheduled installments up to July 27, 2009).

Treasury Originated Funds:

- The Parent Bank has not been used loan from Treasury Originated Funds as of December 31, 2009 (December 31, 2008: Interest rate of 16.00%, repayable in scheduled installments up to June 1, 2009).

### 19. TAXATION

#### Corporate Tax

The Bank and its subsidiaries are subject to Turkish corporation taxes. Provision is made in the accompanying financial statements for the estimated charge based on the Group's results for the year. Tax legislation in Turkey does not allow companies file their tax returns on a consolidated basis but on a stand alone basis. Accordingly, the corporation tax in the accompanying financial statements is calculated on the results of each consolidated entity separately.

Corporation tax is applied on taxable corporate income, which is calculated from the statutory accounting profit by adding back non-deductible expenses, and by deducting dividends received from resident companies, other exempt income and investment incentives utilized.

The effective rates of tax are as follows: in 20% in 2009 and 2008

In Turkey, advance tax returns are filed on a quarterly basis. The advance corporate income tax rate was decreased to 20% for 2009 (2008: 20%).

Losses can be carried forward for offset against future taxable income for up to 5 years. Losses cannot be carried back for offset against profits from previous periods.

In Turkey there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns by 1-25 April in the next year following the close of the accounting year to which they relate. Tax authorities may, however, examine such returns and the underlying accounting records and may revise assessments within five years.

# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

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

### 19. TAXATION (cont'd)

#### Income Withholding Tax

In addition to corporate taxes, companies should also calculate income withholding taxes and funds surcharge on any dividends distributed, except for companies receiving dividends who are Turkish residents and Turkish branches of foreign companies. Income withholding tax applied in between 24 April 2003 – 22 July 2006 is 10% and commencing from 23 July 2006, this rate has been changed to 15% upon the Council of Ministers' Resolution No: 2006/10731. Undistributed dividends incorporated in share capital are not subject to income withholding tax.

#### Investment Incentives

The application of investment incentives is revoked commencing from 1 January 2006. However, companies are allowed to offset their carried forward outstanding allowances as of 31 December 2005 against the 2006, 2007 and 2008's taxable income in cases where they have insufficient taxable profits. Non-deductible investment incentives from the 2008's taxable income cannot be carried forward to following years.

Upon the resolution made by the Constitutional Court on 15 October 2009, the legal arrangement, which proposes to eliminate the vested rights was revoked on the basis of being contradictory to the constitution. Deadline of the investment incentive period is, thereby, ceased as of the reporting date. The related resolution was published in the Official Gazette on 8 January 2010.

The corporate tax rate of 20% has been applied as the Group has no future plan to use investment incentive.

#### Deferred Tax

The Group recognizes deferred tax assets and liabilities based upon temporary differences arising between its financial statements as reported for IFRS purposes and its statutory tax financial statements. These differences usually result in the recognition of revenue and expenses in different reporting periods for IFRS and tax purposes.

#### a) Balance sheet:

	December 31, 2009	December 31, 2008
	TRY'000	TRY'000
Corporate tax	63,738	31,512
Advance income tax	(52,364)	(17,159)
	<u>11,374</u>	<u>14,353</u>

#### b) Income statement

	December 31, 2009	December 31, 2008
	TRY'000	TRY'000
Corporate tax charge	63,738	31,512
Deferred tax charge / (benefit)	(27,110)	(2,790)
	<u>36,628</u>	<u>28,722</u>

# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

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

### 19. TAXATION (cont'd)

In addition, TRY 11,443 Thousand deferred tax, which is calculated over the fair value differences on financial assets available for sale, is offset against the "unrealized gains / losses on available for sale financial assets" item under equity (December 31, 2008: TRY 5,553 Thousand).

In Turkey, the companies cannot declare a consolidated tax return, therefore subsidiaries that have deferred tax assets position were not netted off against subsidiaries that have deferred tax liabilities position and disclosed separately.

The deferred taxes on major temporary differences as at the balance sheet are as follows:

	December 31, 2009 TRY'000	December 31, 2008 TRY'000
Useful life differences on premises and equipment	1,056	1,006
Retirement pay and unused vacation provision	887	765
Finance lease receivables	4,262	1,608
Accruals on derivative financial instruments	(257)	554
Other provisions	12,167	7,425
Loan commissions accrual adjustment	5,336	2,496
Others	3,456	3,595
Deferred tax asset / (liability)	26,907	17,449
Less: Valuation allowance	-	-
Net deferred tax	26,907	17,449
Reflected as:		
	December 31, 2009 TRY'000	December 31, 2008 TRY'000
Deferred tax asset	26,907	17,449
Deferred tax liability	-	-

Taxation can be reconciled to the profit per the statement of income as follows:

<u>Reconciliation of Taxation</u>	December 31, 2009 TRY'000	December 31, 2008 TRY'000
Income / (loss) before taxation	293,591	159,008
Tax at the statutory income tax rate of 20%	(58,718)	(31,802)
Tax effect of income that is deductible in determining taxable income	23,958	6,453
Tax effect of undeductable expenses	(5,327)	(5,683)
Tax effect of reversal of provisions	-	32
Tax effect of dividend income	3,588	2,818
Tax effect of other deductions	(129)	(540)
Net tax (expense) / benefit	(36,628)	(28,722)



# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

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

### 20. PROVISIONS

	2009 TRY'000	2008 TRY'000
<u>Movement of Provision for Retirement Pay</u>		
At January 1,	3,142	3,122
Provision for the year	1,016	716
Provision released	-	(152)
Indemnities paid	(660)	(544)
At December 31,	3,498	3,142
	December 31, 2009 TRY'000	December 31, 2008 TRY'000
<u>Provision for Other Liabilities</u>		
Provision for unused vacations	939	684
Provision for premium pay	-	-
Other provisions	4,073	5,287
	5,012	5,971
Total Provisions	8,510	9,113

#### a) Pension scheme

The Group has established two pension schemes, which are funded defined benefit plans covering substantially all employees. The assets of the plan are held independently of the Group's assets in the Pension Funds. These schemes are valued by independent actuaries every year. As per the latest actuarial valuation carried out as of December 31, 2009, the Bank has no obligation to book any provision for the Pension Funds. For additional information, please see note 3.17 Retirement Benefits.

#### b) Retirement pay provision

A provision is recognized in the balance sheet for the present value of the defined benefit obligation. The provision is calculated based on the amount that would have been payable had all employees been terminated at the balance sheet date, discounted to reflect the time period until the expected retirement date of each employee and reduced by a factor to reflect the fact that some employees will resign from the Group and will therefore forfeit their right to such payments. As the maximum liability is revised semi annually, the maximum amount of TRY 2,427 Thousand effective from January 1, 2010 has been taken into consideration in calculation of provision for employment termination benefits.

The principal assumptions used for the purpose of the calculations are as follows:

	2009	2008
Interest rate	11.00%	12.00%
Expected rate of increase in salaries and eligible ceiling	4.80%	5.40%
Discount rate	5.92%	6.26%

# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

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

### 21. SUBORDINATED LOAN

The Bank has used a subordinated loan amounting USD 50,000 Thousand (TRY 75,343 Thousand with accrual amount) from International Finance Corporation through direct financing (December 31, 2008: TRY 70,629 Thousand).

The date of the loan contract is September 21, 2004 and the first usage date was November 5, 2004. The interest rate of the subordinated loan is Libor + 2.5%; which corresponds to 3.096% as of the balance sheet date. In the first five years, there is no repayment of principal and the principal repayment of the loan will be paid on October 15, 2016 as a whole.

### 22. EQUITY

#### Share Capital

As at December 31, 2009, the authorized and issued capital consists of 600,000,000 shares of 1 Turkish Lira each as reflected in the statutory financial statements. Ordinary shares carry voting rights in proportion to their nominal value.

<u>December 31, 2009</u>		Authorized Capital TRY'000	Paid-Up Capital TRY'000
<u>Shareholders</u>	<u>%</u>		
T. İş Bankası A.Ş.	50.12	300,720	300,720
T. Vakıflar Bankası T.A.O.	8.38	50,265	50,265
Under Custody at Merkezi Kayıt Kuruluşu (Other Institutions and Individuals)	41.50	249,002	249,002
Physically Under Custody (Other Institutions and Individuals)	0.00	13	13
Total	100.00	600,000	600,000

#### Components of Capital:

Nominal capital	600,000	600,000
Effect of inflation	13,563	13,563
	613,563	613,563

<u>December 31, 2008</u>		Authorized Capital TRY'000	Paid-Up Capital TRY'000
<u>Shareholders</u>	<u>%</u>		
T. İş Bankası A.Ş.	50.10	250,489	250,489
T. Vakıflar Bankası T.A.O.	8.38	41,888	41,888
Under Custody at Merkezi Kayıt Kuruluşu (National Custody Institution)	41.52	207,612	207,612
Physically Under Custody (Other Institutions and Individuals)	0.00	11	11
	100.00	500,000	500,000

#### Components of Capital:

Nominal capital	500,000	500,000
Effect of inflation	13,563	13,563
	513,563	513,563

# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

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

### 22. EQUITY (cont'd)

The Bank has increased its nominal capital in the current period. The sources of the increase are, TRY 96,000 Thousand incorporated from previous year's income and TRY 4,000 Thousand from extraordinary reserves.

#### Minority interest:

In accordance with the revised standards of IFRS, minority interest is a separate component of the equity. As at the balance sheet date the minority interest is as follows:

	December 31, 2009 TRY'000	December 31, 2008 TRY'000
Capital	29,589	26,723
Premium in excess of par	25	30
Unrealized gains/(losses) on available for sale investments, net of tax	60	(28)
Retained earnings / (accumulated losses)	(5,654)	2,050
Current period net income / (loss)	9,778	(4,755)
Increase / decrease related to merger	5,151	-
	<u>28,647</u>	<u>24,020</u>

### 23. OTHER OPERATING INCOME

	January 1- December 31, 2009 TRY'000	January 1- December 31, 2008 TRY'000
Dividend income	5,084	2,263
Gain on sale of assets	3,956	3,962
Increase in value of investment properties	48,529	1,764
Other	3,925	1,453
	<u>61,494</u>	<u>9,442</u>

### 24. OTHER OPERATING EXPENSES

	January 1- December 31, 2009 TRY'000	January 1- December 31, 2008 TRY'000
Personnel expenses	44,075	41,475
Depreciation and amortization	9,253	1,094
Taxes and dues other than on income	14	322
Marketing expenses	1,280	1,046
Other administrative expenses	14,799	17,179
Other	4,091	9,611
	<u>73,512</u>	<u>70,727</u>

# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

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

### 25. RELATED PARTY TRANSACTIONS AND BALANCES

For the purposes of the accompanying financial statements shareholders of the Group and related companies, consolidated and non consolidated equity participations and related companies, directors and key management personnel together with their families and related companies are referred to as "Related Parties" in this report. During the conduct of its business the Group had various significant transactions and balances with Related Parties during the year.

The accompanying financial statements include the following balances due from or due to related parties:

	December 31, 2009 TRY'000	December 31, 2008 TRY'000
<u>Balances with related parties</u>		
Loans and advances to customers	135,802	122,942
Non-cash loans	117,748	141,990
Due from other banks	1,053	2,705
Other assets	6,682	9,352
Other liabilities	337	1,999

	January 1- December 31, 2009 TRY'000	January 1- December 31, 2008 TRY'000
<u>Transactions with related parties</u>		
Interest and similar income	2,647	6,123
Interest expenses and similar charges	-	(339)
Dividend income	2,924	1,540
Income / loss from associates	33,762	28,402
Foreign exchange gain (loss)-net	2,223	(21,346)
Net fee and commission income	390	529
Other income	152	823

### Compensation of Key Management Personnel of the Grup

Benefits provided to key management personnel in the current period is amounting to TRY 6,980 Thousand (December 31, 2008: TRY 6,310 Thousand).

# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

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

### 26. COMMITMENTS AND CONTINGENCIES

	December 31, 2009 TRY'000	December 31, 2008 TRY'000
Letters of guarantee	357,761	299,282
Revocable and irrevocable commitments	860,388	795,605
Letters of credit	180,321	260,512
Swap and forward agreements	254,193	433,996
Option agreements	380,556	259,433
Futures agreements	1,643,661	514,422
Other commitments	246,556	94,652
	<u>3,923,436</u>	<u>2,657,902</u>

#### Fiduciary Activities

The Group provides custody, investment management and advisory services to third parties. Those assets that are held in a fiduciary capacity are not included in the accompanying financial statements.

The nominal values of the assets held by the Group in agency or custodian capacities and financial assets under portfolio management amounted to TRY 6,225,246 Thousand as at December 31, 2009 (December 31, 2008: TRY 2,273,824 Thousand). As of December 31, 2009, securities at custody with market value amounted to TRY 1,762,730 Thousand (December 31, 2008: TRY 1,284,137 Thousand).

#### Securities Blocked and Letters of Guarantee Given to Istanbul Stock Exchange (ISE) as Collateral for Trading on Markets

As of December 31, 2009, according to the general requirements of the ISE, letters of guarantee amounting to TRY 9,373 Thousand (December 31, 2008: TRY 9,583 Thousand) had been obtained from various local banks and were provided to ISE for bond and stock market transactions. Also, as of December 31, 2009 according to the general requirements, letters of guarantee amounting to TRY 1,270 Thousand (December 31, 2008: TRY 902 Thousand), were given to the Capital Markets Board.

The Group's trading securities given as collateral or blocked amounted to TRY 2,099 Thousand at the balance sheet date (December 31, 2008: TRY 3,823 Thousand).

#### Litigation

In the normal course of its operations, the Group can be constantly faced with legal disputes, claims and complaints. The necessary provision, if any, for those cases are provided based on management estimates and professional advice.

#### Other

The Group's 3 head offices and 13 branches, including branches of subsidiaries, are subject to operational leasing. The lease periods vary between 1 and 5 years and there are no restrictions placed upon the lessee by entering into these leases (31 December 2008: 4 head offices and 14 branches).

# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

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

### 27. DERIVATIVE FINANCIAL INSTRUMENTS

	2009 Assets TRY'000	2009 Liabilities TRY'000	2008 Assets TRY'000	2008 Liabilities TRY'000
Currency swaps	6,708	7,492	19,345	18,410
Options	1,819	1,819	1,633	8,508
Forward foreign exchange contracts	-	-	57	-
Interest rate swaps	2,756	2,667	20	18
	<u>11,283</u>	<u>11,978</u>	<u>21,055</u>	<u>26,936</u>

The Group is party to a variety of foreign currency forward contracts, swaps and options in the management of its exchange rate exposures. The instruments purchased are primarily denominated in the currencies of the Group's principal markets.

At the balance sheet date, notional the total amounts of outstanding derivatives to which the Group is committed are as follows:

	December 31, 2009 TRY'000	December 31, 2008 TRY'000
Forward foreign exchange contracts – buy	-	1,708
Forward foreign exchange contracts – sell	-	1,765
Futures – buy	-	-
Futures – sell	1,643,661	514,422
Currency swaps – buy	125,829	216,350
Currency swaps – sell	123,815	213,762
Interest rate swaps – buy	2,238	203
Interest rate swaps – sell	2,311	208
Currency option – buy	161,203	91,996
Currency option – sell	161,203	98,475
Interest option – buy	29,075	34,481
Interest option – sell	29,075	34,481
Other	68,255	86,683

# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

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

### 28. DIVIDENDS

In March 2009, TRY 2,700 Thousand dividends were paid to shareholders. In March 2008, the dividends paid were TRY 2,815 Thousand.

### 29. RISK MANAGEMENT

Through its normal operations, the Group is exposed to a number of risks, the most significant of which are liquidity, credit, operational and market risk. The risk management group exercises its functions according to the International Regulations of the Risk Management Group, and directly reports to the Board of Directors. Responsibility for the management of these risks rests with the Board of Directors, which delegates the operational responsibility to the Group's general management and appropriate sub-committees.

#### Liquidity risk

Liquidity risk is a substantial risk in Turkish markets, which exhibit significant volatility. The Group is exposed to a certain degree of mismatch between the maturities of its assets and liabilities.

In order to manage this risk, the Group measures and manages its cash flow commitments on a daily basis, and maintains liquid assets which it judges sufficient to meet its commitments.

The Group uses various methods, including predictions of daily cash positions, to monitor and manage its liquidity risk to avoid undue concentration of funding requirements at any point in time or from any particular source.

The liquidity position is assessed and managed under a variety of scenarios, giving due consideration to stress factors relating to both the market in general and specifically to the Bank. The most important of these is to maintain limits on the ratio of net liquid assets to customer liabilities, set to reflect market conditions. The ratio during the year was as follows;

	December 31, 2009 %	December 31, 2008 %
Average during the period	157.21	152.16
Highest	182.29	186.81
Lowest	135.88	124.14

# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

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

### 29. RISK MANAGEMENT (cont'd)

#### Liquidity risk (cont'd)

As at December 31, 2009 the estimated maturity analysis for certain assets and liabilities is as follows:

	Up to 3 Months TRY'000	3 to 12 Months TRY'000	Over 1 Year TRY'000	No Maturity TRY'000	Total TRY'000
<b>ASSETS</b>					
Liquid assets	-	-	-	297	297
Balances with the Central Bank	-	-	-	2,873	2,873
Balances with banks	342,629	-	-	13,491	356,120
Interbank money market placements	168	-	-	-	168
Funds lent under securities resale agreements	6,003	-	-	-	6,003
Financial assets at fair value through profit and loss	943	39,172	15,813	20,543	76,471
Derivative financial assets held for trading	2,259	3,675	5,349	-	11,283
Reserve deposits at the Central Bank	-	-	-	17,966	17,966
Loans and receivables	415,898	587,453	2,752,838	16,339	3,772,528
Financial asset available for sale	270,706	356,664	1,496,001	36,563	2,159,934
Financial asset held to maturity	284	2,878	285,944	-	289,106
Investments in associates	-	-	-	151,252	151,252
Goodwill	-	-	-	383	383
Premises and equipment	-	-	-	31,915	31,915
Investment properties	-	-	-	205,291	205,291
Intangible assets	-	-	-	907	907
Other assets	87,395	249	-	26,468	114,112
Deferred tax asset	-	-	-	26,907	26,907
Total	<u>1,126,285</u>	<u>990,091</u>	<u>4,555,945</u>	<u>551,195</u>	<u>7,223,516</u>
<b>LIABILITIES</b>					
Interbank money market borrowings	98,949	-	-	-	98,949
Obligations under repurchase agreements	1,226,353	58,340	-	-	1,284,693
Funds borrowed and subordinated loan	434,115	225,848	3,814,480	-	4,474,443
Derivative financial liabilities held for trading	3,030	2,347	6,601	-	11,978
Corporate tax	-	-	-	11,374	11,374
Provisions	-	-	-	8,510	8,510
Other liabilities	72,091	-	-	79,324	151,415
Equity attributable to equity holders of the parent	-	-	-	1,153,507	1,153,507
Minority interest	-	-	-	28,647	28,647
Total	<u>1,834,538</u>	<u>286,535</u>	<u>3,821,081</u>	<u>1,281,362</u>	<u>7,223,516</u>

The maturity analysis for certain asset and liability items is estimated.



# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

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

### 29. RISK MANAGEMENT (cont'd)

#### Liquidity risk (cont'd)

As at December 31, 2008 the estimated maturity analysis for certain assets and liabilities is as follows:

	Up to 3 Months TRY'000	3 to 12 Months TRY'000	Over 1 Year TRY'000	No Maturity TRY'000	Total TRY'000
<b>ASSETS</b>					
Liquid assets	-	-	-	297	297
Balance with the Central Bank	-	-	-	2,620	2,620
Balances with banks	184,398	-	-	29,325	213,723
Funds lent under securities resale agreements	7,946	-	-	-	7,946
Interbank money market placements	11,971	-	-	-	11,971
Financial assets at fair value through profit and loss	6,376	7,004	13,751	11,356	38,487
Derivative financial assets held for trading	3,886	8,501	8,668	-	21,055
Reserve deposits at the Central Bank	-	-	-	40,735	40,735
Loans and receivables	378,137	624,762	2,784,952	4,711	3,792,562
Financial asset available for sale	10,419	462,283	1,261,980	35,606	1,770,288
Investments in associates	-	614	5,900	-	6,514
Goodwill	-	-	-	110,588	110,588
Premises and equipment	-	-	-	383	383
Investment properties	-	-	-	117,776	117,776
Intangible assets	-	-	-	5,415	5,415
Assets classified as held for sale	-	-	-	740	740
Other assets	-	225	-	158,865	159,090
Deferred tax asset	-	-	-	17,449	17,449
<b>Total</b>	<b>603,133</b>	<b>1,103,389</b>	<b>4,075,251</b>	<b>535,866</b>	<b>6,317,639</b>
<b>LIABILITIES</b>					
Interbank money market borrowings	13,834	-	-	-	13,834
Obligations under repurchase agreements	807,338	650	-	-	807,988
Funds borrowed and subordinated loans	360,566	581,573	3,579,741	-	4,521,880
Derivative financial liabilities held for trading	12,142	10,354	4,440	-	26,936
Obligations under finance leases	-	23	-	-	23
Corporate tax	-	-	-	14,353	14,353
Provisions	-	-	-	9,113	9,113
Other liabilities	26,702	-	-	48,495	75,197
Equity attributable to equity holders of the parent	-	-	-	824,295	824,295
Minority interest	-	-	-	24,020	24,020
<b>Total</b>	<b>1,220,582</b>	<b>592,600</b>	<b>3,584,181</b>	<b>920,276</b>	<b>6,317,639</b>

The maturity analysis for certain asset and liability items is estimated.

# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

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

### 29. RISK MANAGEMENT (cont'd)

Analysis of financial liabilities by remaining contractual maturities;

	Up to 1 Month TRY'000	1-3 Months TRY'00	3-12 Months TRY'000	1-5 years TRY'000	Over 5 years TRY'000	Adjustments TRY'000	Total TRY'000
As of December 31, 2009							
<b>Liabilities</b>							
Interbank money market borrowings	98,949	-	-	-	-	-	98,949
Funds borrowed and subordinated loan	219,400	182,387	255,742	1,741,980	2,329,542	(254,608)	4,474,443
Obligations under repurchase agreements	1,223,887	2,591	63,515	-	-	(5,300)	1,284,693
Total	<u>1,542,236</u>	<u>184,978</u>	<u>319,257</u>	<u>1,741,980</u>	<u>2,329,542</u>	<u>(259,908)</u>	<u>5,858,085</u>

	Up to 1 Month TRY'000	1-3 Months TRY'000	3-12 Months TRY'000	1-5 years TRY'000	Over 5 years TRY'000	Adjustments TRY'000	Total TRY'000
As of December 31, 2008							
<b>Liabilities</b>							
Interbank money market borrowings	-	13,834	-	-	-	-	13,834
Funds borrowed and subordinated loan	287,190	126,980	698,715	1,425,097	2,960,284	(976,386)	4,521,880
Obligations under repurchase agreements	807,570	1,332	654	-	-	(1,568)	807,988
Obligations under finance leases	-	-	23	-	-	-	23
Total	<u>1,094,760</u>	<u>142,146</u>	<u>699,392</u>	<u>1,425,097</u>	<u>2,960,284</u>	<u>(977,954)</u>	<u>5,343,725</u>

Analysis of contractual expiry by maturity of the Bank's derivative financial instruments;

	Up to 1 Month TRY'000	1-3 Months TRY'000	3-12 Months TRY'000	1-5 years TRY'000	Over 5 years TRY'000	Adjustments TRY'000	Total TRY'000
As of December 31, 2009							
<b>Gross settled:</b>							
Swap agreements	59,584	2,837	132,047	125,266	-	(65,541)	254,193
Future Contracts	-	-	1,123,134	520,527	-	-	1,643,661
Options	43,679	40,761	237,967	58,149	-	-	380,556
Others	-	25,840	-	42,415	-	-	68,255
Total	<u>103,263</u>	<u>69,438</u>	<u>1,493,148</u>	<u>746,357</u>	<u>-</u>	<u>(65,541)</u>	<u>2,346,665</u>

# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

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

### 29. RISK MANAGEMENT (cont'd)

As of December 31, 2008	Up to 1 Month <u>TRY'000</u>	1-3 Months <u>TRY'000</u>	3-12 Months <u>TRY'000</u>	1-5 years <u>TRY'000</u>	Over 5 years <u>TRY'000</u>	Adjustments <u>TRY'000</u>	Total <u>TRY'000</u>
Gross settled:							
Swap agreements	111,612	57,211	166,931	135,409	-	(40,640)	430,523
Forward Contracts	3,473	-	-	-	-	-	3,473
Future Contracts	-	514,422	-	-	-	-	514,422
Options	91,695	15,488	83,286	-	68,964	-	259,433
Others	-	43,983	-	42,700	-	-	86,683
Total	<u>206,780</u>	<u>631,104</u>	<u>250,217</u>	<u>178,109</u>	<u>68,964</u>	<u>(40,640)</u>	<u>1,294,534</u>

#### Credit risk

Credit risk arises where the possibility exists of a counterparty defaulting on its obligations. The most important step in managing this risk is the initial decision whether or not to extend credit. The granting of credit is authorized at the Board level or at appropriate levels of management depending on the size of the proposed commitment, and in accordance with banking regulations in Turkey. The Group places strong emphasis on obtaining sufficient collateral from borrowers including, wherever possible, mortgages or security over other assets.

The credit portfolio is monitored according to the overall composition and quality of the credit portfolio considering factors such as loan loss reserves, existence and quality of collateral or guarantees according to the standards and limits set legally and internally. The Bank has also an internal credit risk rating system in managing the credit risk, which takes into account various financial and nonfinancial indicators for the evaluation of corporate and also guarantees.

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

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.

# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

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

### 29. RISK MANAGEMENT (cont'd)

#### Credit risk (cont'd)

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 degree of credit risk when evaluated with the financial operations of other financial institutions.

The credit portfolio is also monitored according to various criteria including industry sector, geographical area and risk categories. Credit risk by types of borrowers is as follows:

TRY'000	Loans to Real Persons and Legal Entities		Loans to Banks and Other Financial Institutions		Marketable Securities		Banks	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
<u>Loans according to borrowers</u>								
Private Sector	2,735,190	2,807,125	542,170	598,348	140,366	72,708	-	-
Public Sector	-	-	-	-	2,308,420	1,696,400	-	-
Banks	-	-	470,745	380,016	24,319	2,873	356,120	213,723
Retail Customers	24,453	7,073	-	-	-	-	-	-
Share Certificates	-	-	-	-	52,406	43,308	-	-
<b>Total</b>	<b>2,759,643</b>	<b>2,814,198</b>	<b>1,012,915</b>	<b>978,364</b>	<b>2,525,511</b>	<b>1,815,289</b>	<b>356,120</b>	<b>213,723</b>
<u>Loans according to geographical concentration</u>								
Domestic	2,759,313	2,814,046	949,949	973,460	2,382,622	1,760,428	328,228	70,323
European Union Countries	330	152	10,687	-	92,855	29,494	22,930	140,192
OECD Countries (*)	-	-	-	-	-	-	1,847	1,547
Off-Shore Banking Regions	-	-	52,279	-	25,452	-	101	100
USA, Canada	-	-	-	-	24,582	25,367	3,014	1,561
Other Countries	-	-	-	4,904	-	-	-	-
<b>Total</b>	<b>2,759,643</b>	<b>2,814,198</b>	<b>1,012,915</b>	<b>978,364</b>	<b>2,525,511</b>	<b>1,815,289</b>	<b>356,120</b>	<b>213,723</b>

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

# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

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

### 29. RISK MANAGEMENT (cont'd)

#### Credit risk (cont'd)

The geographical concentration of assets, liabilities and other credit related commitments are as follows:

	Total Assets	%	Total Liabilities And Equity	%	Other Credit Related Commitments	%
<u>December 31, 2009</u>	<u>TRY'000</u>		<u>TRY'000</u>		<u>TRY'000</u>	
Turkey	6,988,662	97	2,966,271	41	3,923,436	100
Euro Zone	127,371	2	2,229,164	31	-	-
Offshore	78,470	1	94,019	1	-	-
USA, Canada	27,380	-	1,895,245	26	-	-
OECD Countries (*)	1,633	-	38,811	1	-	-
Other	-	-	6	-	-	-
	<u>7,223,516</u>		<u>7,223,516</u>		<u>3,923,436</u>	

	Total Assets	%	Total Liabilities And Equity	%	Other Credit Related Commitments	%
<u>December 31, 2008</u>	<u>TRY'000</u>		<u>TRY'000</u>		<u>TRY'000</u>	
Turkey	6,104,283	97	1,831,392	30	2,657,902	100
Euro Zone	169,770	3	2,657,636	43	-	-
Offshore	5,010	-	212,200	3	-	-
USA , Canada	26,928	-	1,480,529	23	-	-
OECD Countries (*)	1,547	-	80,107	1	-	-
Other	10,101	-	55,775	-	-	-
	<u>6,317,639</u>		<u>6,317,639</u>		<u>2,657,902</u>	

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

## TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

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

#### 29. RISK MANAGEMENT (cont'd)

##### Credit risk (cont'd)

The table below shows the maximum exposure to credit risk for the components of the balance sheet;

	December 31, 2009 TRY'000	December 31, 2008 TRY'000
Gross maximum exposure		
Liquid assets, balances and reserve deposit at the Central Bank and other banks	377,256	257,375
Interbank money market placement	168	7,946
Funds lent under securities resale agreements	6,003	11,971
Financial assets at fair value through profit or loss	76,471	38,487
Derivative financial assets held for trading	11,283	21,055
Loans and receivables	3,772,528	3,792,562
Financial assets held to maturity	289,106	6,514
Financial assets available for sale	2,159,934	1,770,288
Total	<u>6,692,749</u>	<u>5,906,198</u>
Commitments and contingencies (Note 26)	<u>3,923,436</u>	<u>2,657,902</u>
Total credit risk exposure	<u>10,616,185</u>	<u>8,564,100</u>

# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

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

### 29. RISK MANAGEMENT (cont'd)

#### Credit risk (cont'd)

Credit quality per class of financial assets as of December 31, 2009 is as follows;

	Neither past due nor impaired TRY'000	Past due not impaired and individually impaired TRY'000	Specific allowance for impairment losses on loans TRY'000	Portfolio allowance for impairment losses on loans TRY'000	Total TRY'000
Due from banks	356,120	-	-	-	356,120
Loans and advances to customers	3,822,579	22,160	(8,844)	(63,367)	3,772,528
Corporate lending	2,685,317	19,939	(8,529)	(44,777)	2,651,950
Small business lending	1,120,923	2,221	(315)	(18,590)	1,104,239
Other	16,339	-	-	-	16,339
Total	<u>4,178,699</u>	<u>22,160</u>	<u>(8,844)</u>	<u>(63,367)</u>	<u>4,128,648</u>

Credit quality per class of financial assets as of December 31, 2008 is as follows;

	Neither past due nor impaired TRY'000	Past due not impaired and individually impaired TRY'000	Specific allowance for impairment losses on loans TRY'000	Portfolio allowance for impairment losses on loans TRY'000	Total TRY'000
Due from banks	213,723	-	-	-	213,723
Loans and advances to customers	3,812,052	27,445	(8,684)	(38,251)	3,792,562
Corporate lending	2,707,182	25,121	(8,404)	(27,245)	2,696,654
Small business lending	1,100,159	2,324	(280)	(11,006)	1,091,197
Other	4,711	-	-	-	4,711
Total	<u>4,025,775</u>	<u>27,445</u>	<u>(8,684)</u>	<u>(38,251)</u>	<u>4,006,285</u>

# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

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

### 29. RISK MANAGEMENT (cont'd)

#### Credit risk (cont'd)

Carrying amount per class of financial assets whose terms have been renegotiated:

	December 31, 2009 TRY'000	December 31, 2008 TRY'000
Loans and advances to customers		
Corporate lending	46,024	5,813
Small business lending	44,844	6,808
Total	<u>90,868</u>	<u>12,621</u>

Credit risk is evaluated according to the Parent Bank's internal rating. The loans rated according to the possibility of being in default are classified from the highest grade (top grade) to the lowest (below average) as below; at the bottom of the table there are credits in default (impaired) according to new rating model.

	December 31, 2009 TRY'000	December 31, 2008 TRY'000
<u>Basic Loan Quality Categories</u>		
Top Grade	230,593	89,196
High Grade	1,798,091	2,095,549
Average Grade	1,709,338	1,678,925
Below Average Grade	697,303	505,063
Impaired	16,330	20,087
Total	<u>4,451,655</u>	<u>4,388,820</u>

Category "top" shows that the debtor has a very strong financial structure, "high" shows that the debtor has a strong financial structure "average" shows the debtor's financial structure is good enough while "below average" category shows that debtor's financial structure is under risk in the short and medium term.

As of balance sheet date, the total of the Group's cash and non-cash loans and financial lease receivables (gross amount including the non performing loans, excluding the specific provisions) is TRY 4,561,122 Thousand; and TRY 109,467 Thousand of these customers have not been rated. Guaranties of the amount of TRY 76,549 Thousand, issued by Parent Bank, appearing in other Guaranties and Collaterals and given for "100% Capital Guaranteed and 10% Income Guaranteed Funds" are shown in the non-rated section as they are not in the scope of the internal rating (December 31, 2008: TRY 4,407,260 Thousand; TRY 18,440 Thousand).



## TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

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

#### **29. RISK MANAGEMENT (cont'd)**

##### Market risk

Market risk is the risk that changes in the level of interest rates, foreign exchange rates or the price of financial assets and other financial contracts will have an adverse financial impact. The primary risks within the Group's activities are interest rate and exchange rate risk. Turkish interest rates can be volatile, and a substantial part of the Group's balance sheet is denominated in currencies other than the Turkish Lira (principally the US dollar and Euro-zone currencies).

The Group's management of its exposure to market risk is performed through the Asset and Liability Committee, comprising members of senior management, and through limits on the positions which can be taken by the Group's treasury and financial assets trading divisions.

The Group benefits from VAR methods, stress testing and scenario analysis for measuring market risk. VAR calculations are made by choosing the 90, 95, and 99% confidence intervals, 1 day/10 days holding periods.

##### Interest Rate Risk

The Group is exposed to interest rate risk either through market value fluctuations of balance sheet items, i.e. price risk, or the impact of rate changes on interest sensitive assets and liabilities. In Turkey, interest rates are highly volatile and this may result in significant changes in prices of financial instruments including government bonds and treasury bills. The major sources of funding are borrowings. Interest rate sensitivity of the assets, liabilities and off-balance sheet items are managed by the Group. Progressive forecasting is determined with simulation reports, interest rate fluctuation effects are identified with sensitivity reports and scenario analyses.

# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

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

### 29. RISK MANAGEMENT (cont'd)

#### Interest Rate Risk (cont'd)

The below table summarizes the Group's exposure to interest rate risks as at December 31, 2009:

	Up to 3 Months TRY'000	3 to 12 Months TRY'000	Over 1 Year TRY'000	No Interest Rate TRY'000	Total TRY'000
<b>ASSETS</b>					
Liquid assets	-	-	-	297	297
Balance with the Central Bank	-	-	-	2,873	2,873
Balances with banks	342,630	-	-	13,490	356,120
Interbank money market placements	168	-	-	-	168
Funds lent under securities resale agreements	6,003	-	-	-	6,003
Financial assets at fair value through profit and loss	943	39,172	15,814	20,542	76,471
Derivative financial assets held for trading	2,259	3,675	5,349	-	11,283
Reserve deposits at the Central Bank	-	-	-	17,966	17,966
Loans and receivables	2,776,227	786,115	193,847	16,339	3,772,528
Financial asset available for sale	1,049,191	392,751	681,429	36,563	2,159,934
Financial asset held to maturity	104,289	2,508	182,309	-	289,106
Investments in associates	-	-	-	151,252	151,252
Goodwill	-	-	-	383	383
Premises and equipment	-	-	-	31,915	31,915
Investment properties	-	-	-	205,291	205,291
Intangible assets	-	-	-	907	907
Other assets	87,394	249	-	26,469	114,112
Deferred tax asset	-	-	-	26,907	26,907
<b>Total</b>	<b>4,369,104</b>	<b>1,224,470</b>	<b>1,078,748</b>	<b>551,194</b>	<b>7,223,516</b>
<b>LIABILITIES</b>					
Interbank money market borrowings	98,949	-	-	-	98,949
Obligations under repurchase agreements	1,226,353	58,340	-	-	1,284,693
Funds borrowed and subordinated loans	3,614,520	758,174	101,749	-	4,474,443
Derivative financial liabilities held for trading	3,030	2,347	6,601	-	11,978
Corporate tax	-	-	-	11,374	11,374
Provisions	-	-	-	8,510	8,510
Other liabilities	72,091	-	-	79,324	151,415
Equity attributable to equity holders of the parent	-	-	-	1,153,507	1,153,507
Minority interest	-	-	-	28,647	28,647
<b>Total</b>	<b>5,014,943</b>	<b>818,861</b>	<b>108,350</b>	<b>1,281,362</b>	<b>7,223,516</b>

# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

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

### 29. RISK MANAGEMENT (cont'd)

#### Interest Rate Risk (cont'd)

The below table summarises the Group's exposure to interest rate risks as at December 31, 2008:

	Up to 3 Months TRY'000	3 to 12 Months TRY'000	Over 1 Year TRY'000	No Interest Rate TRY'000	Total TRY'000
<b>ASSETS</b>					
Liquid assets	-	-	-	297	297
Balance with the Central Bank	-	-	-	2,620	2,620
Balances with banks	184,398	-	-	29,325	213,723
Interbank money market placements	7,946	-	-	-	7,946
Funds lent under securities resale agreements	11,971	-	-	-	11,971
Financial assets at fair value through profit and loss	6,376	7,004	13,751	11,356	38,487
Derivative financial assets held for trading	3,886	8,501	8,668	-	21,055
Reserve deposits at the Central Bank	-	-	-	40,735	40,735
Loans and receivables	2,694,144	868,416	225,291	4,711	3,792,562
Investment securities	510,393	636,653	587,634	35,608	1,770,288
Financial asset available for sale	-	614	5,900	-	6,514
Goodwill	-	-	-	110,588	110,588
Premises and equipment	-	-	-	383	383
Investment properties	-	-	-	117,776	117,776
Intangible assets	-	-	-	5,415	5,415
Assets classified as held for sale	-	-	-	740	740
Other assets	-	225	-	158,865	159,090
Deferred tax asset	-	-	-	17,449	17,449
<b>Total</b>	<b>3,419,114</b>	<b>1,521,413</b>	<b>841,244</b>	<b>535,868</b>	<b>6,317,639</b>
<b>LIABILITIES</b>					
Interbank money market borrowings	13,834	-	-	-	13,834
Obligations under repurchase agreements	807,338	650	-	-	807,988
Funds borrowed and subordinated loans	3,297,605	1,079,251	145,024	-	4,521,880
Derivative financial liabilities	12,142	10,354	4,440	-	26,936
Obligations under finance leases	-	23	-	-	23
Corporate tax	-	-	-	14,353	14,353
Provisions	-	-	-	9,113	9,113
Other liabilities	26,702	-	-	48,495	75,197
Equity attributable to equity holders of the parent	-	-	-	824,295	824,295
Minority interest	-	-	-	24,020	24,020
<b>Total</b>	<b>4,157,621</b>	<b>1,090,278</b>	<b>149,464</b>	<b>920,276</b>	<b>6,317,639</b>

## TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

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

#### 29. RISK MANAGEMENT (cont'd)

##### Interest Rate Sensitivity (cont'd)

As at December 31, 2009, a summary of average interest rates for different assets and liabilities are as follows:

	TRY %	Euro %	US Dollar %	JPY %
<u>Assets</u>				
Balances with the Central Bank & banks	6.43	0.22	-	-
Loans	14.94	3.97	3.45	4.88
Leasing receivables	16.29	3.76	5.67	5.06
Financial assets at fair value through profit and loss	10.16	-	4.81	-
Interbank money market placements	6.36	-	-	-
Financial assets available for sale	11.79	4.01	5.89	-
Financial assets held to maturity	11.61	-	-	-
<u>Liabilities</u>				
Interbank money market borrowings	7.32	1.01	1.02	-
Funds borrowed	11.06	1.89	1.37	1.96

As at December 31, 2008, a summary of average interest rates for different assets and liabilities are as follows:

	TRY %	Euro %	US Dollar %	JPY %
<u>Assets</u>				
Balances with the Central Bank & banks	20.70	1.89	3.71	-
Loans	20.27	6.75	5.25	4.88
Leasing receivables	16.43	6.41	6.67	4.70
Financial assets at fair value through profit and loss	17.46	-	5.39	-
Interbank money market placements	15.09	-	2.00	-
Financial assets available for sale	18.32	5.29	7.12	-
Financial assets held to maturity	20.20	-	-	-
<u>Liabilities</u>				
Interbank money market borrowings	15.33	1.86	1.38	-
Funds borrowed	16.00	4.45	3.48	1.96

The Parent Bank's interest rate sensitivity is calculated according to the market risk related to assets and liabilities. In this context, at the balance sheet date, if interest rates had been 3 points higher for TRY, 1 point higher for foreign currency and all other variables were held constant, the net decrease on the profit and shareholders' equity would calculate as TRY (49.894) Thousand (As of December 31, 2008 there would be TRY (54,848) Thousand) and if interest rates had been 3 points lower for TRY, 0.5 point lower for foreign currency, the net increase on the profit and shareholders' equity change would calculate as 40,717 Thousand TRY (As of December 31, 2008 there would be TRY 45,281 Thousand).

# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

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

### 29. RISK MANAGEMENT (cont'd)

#### Interest Rate Sensitivity (cont'd)

The nominal and market value of the Group's current period's portfolio available for sale is 16% and 22% higher, respectively, than those in the previous period. In addition to this, foreign exchange assets in the Group's portfolio are 23% of the portfolio in the current period while this ratio was 24% in the prior period in terms of fair value.

#### **Other Price Risks**

The Group is exposed to equity price risks arising from equity investments. Equity investments are held for strategic purposes rather than trading purposes. The Group does not actively trade these investments.

#### Equity price sensitivity

The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date.

If the inputs (equity prices) to the valuation model had been 20% higher/lower while all other variables were held constant:

- Group is exposed to equity price risks arising from equity investments of firms traded in Istanbul Stock Exchange. Since these investments are classified as financial assets held for trading, only the net profit/loss will be affected.
- As of the reporting date, equity price sensitivity of the firm has been analyzed. The analysis has been based on the assumption that the inputs (equity prices) to the valuation model is 20% higher/lower while all other variables are constant. According to the analysis results under these assumptions; profit/loss will show TRY 3,861 Thousand increase/decrease (December 31, 2008: TRY 480 Thousand marketable securities value increase fund increase/decrease)

When calculating the equity price sensitivity of the available for sale portfolio, the Bank's subsidiaries in the portfolio are excluded as they are not quoted on the stock exchange.

#### Currency risk

Assets and liabilities denominated in foreign currencies together with purchase and sale commitments give rise to foreign currency exposure. The Group is closely controlling its exposure to foreign exchange risk, short or long position, because of uncertainties and volatility of the markets.

# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

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

### 29. RISK MANAGEMENT (cont'd)

#### Currency risk (cont'd)

The below table summarizes the foreign currency position of the Group as at December 31, 2009:

	TRY'000				
	EURO	USD	Yen	Other Foreign Currencies	Total
Assets					
Liquid assets including Central Bank	2,350	185		3	2,538
Balances with banks	27,186	4,506	757	1,299	33,748
Derivative financial assets held for trading	1,420	2,842	-	-	4,262
Financial assets at fair value through profit and loss	-	34	-	-	34
Loans and receivables	1,982,572	1,766,016	24,235	-	3,772,823
Reserve deposits at the Central Bank	17,966	-	-	-	17,966
Financial assets available for sale	100,659	393,176	-	-	493,835
Premises and equipment	-	-	-	1	1
Other assets	5,240	3,522	-	8	8,770
Total Assets	2,137,393	2,170,281	24,992	1,311	4,333,977
Liabilities					
Funds borrowed and subordinated loan	2,230,490	2,116,806	38,998	483	4,386,777
Obligations under repurchase agreements	19,150	27,259	-	-	46,409
Derivative financial liabilities held for trading	1,249	2,735	2	-	3,986
Other liabilities	4,363	14,118		17	18,498
Total Liabilities	2,255,252	2,160,918	39,000	500	4,455,670
Net Balance Sheet Position	(117,859)	9,363	(14,008)	811	(121,693)
Off Balance Sheet Position					
Derivatives to sell	136,332	94,404	24,487	-	255,223
Derivatives to buy	(100,682)	(132,989)	(10,986)	-	(244,657)
	35,650	(38,585)	13,501	-	10,566
Net Position	(82,209)	(29,222)	(507)	811	(111,127)

# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

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

### 29. RISK MANAGEMENT (cont'd)

#### Currency risk (cont'd)

The below table summarizes the foreign currency position of the Group as at December 31, 2008:

	TRY'000				
	EURO	USD	Yen	Other Foreign Currencies	Total
<b>Assets</b>					
Liquid assets including Central Bank Balances with banks	2,236	65	-	4	2,305
Interbank money market placements	140,033	13,368	691	1,463	155,555
Derivative financial assets held for trading	-	7,584	-	-	7,584
Financial assets at fair value through profit and loss	1,045	1,255	-	-	2,300
Loans and receivables	-	48	-	-	48
Reserve deposits at the Central Bank	1,990,867	1,711,528	57,907	-	3,760,302
Financial assets available for sale	40,735	-	-	-	40,735
Premises and equipment	68,803	362,252	-	-	431,055
Other assets	-	-	-	5	5
<b>Total Assets</b>	2,344	110,494	-	36	112,874
<b>Liabilities</b>	2,246,063	2,206,594	58,598	1,508	4,512,763
Funds borrowed and subordinated loan	(2,274,447)	(2,090,050)	(80,510)	(1,974)	(4,446,981)
Obligations under repurchase agreements	(5,965)	(35,283)	-	-	(41,248)
Derivative financial liabilities held for trading	(1,043)	(7,953)	(26)	-	(9,022)
<b>Other liabilities</b>	(2,504)	(10,512)	-	(304)	(13,320)
<b>Total Liabilities</b>	(2,283,959)	(2,143,798)	(80,536)	(2,278)	(4,510,571)
<b>Net Balance Sheet Position</b>	(37,896)	62,796	(21,938)	(770)	2,192
<b>Off Balance Sheet Position</b>					
Derivatives to sell	74,701	100,179	21,878	1,708	198,466
Derivatives to buy	(45,019)	(188,802)	-	-	(233,821)
	29,682	(88,623)	21,878	1,708	(35,355)
<b>Net Position</b>	(8,214)	(25,827)	(60)	938	(33,163)

# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

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

### 29. RISK MANAGEMENT (cont'd)

#### Foreign currency sensitivity

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 Group's top management.

Thus, foreign currency risk is closely monitored. Foreign currency risk, as a part of general market risk, is also taken into consideration in the calculation of Capital Adequacy Standard Ratio.

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

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

The Group is mostly exposed to EURO, US Dollars, JPY currencies.

The following table details the Group's sensitivity to 10% increase/decrease in the TRY against US Dollars, EURO and JPY.

TRY'000	% Increase in foreign currency rate	Effect on profit or loss		Effect on equity	
		December 31, 2009	December 31, 2008	December 31, 2008	December 31, 2008
USD	10%	(4,071)	(195)	1.149	(2,388)
EUR	10%	(8,408)	(205)	187	(616)
JPY	10%	(51)	(6)	-	-
Others	10%	81	94	-	-

TRY'000	% Decrease in foreign currency rate	Effect on profit or loss		Effect on equity	
		December 31, 2008	December 31, 2009	December 31, 2008	December 31, 2008
USD	10%	4,071	195	1.149	2,388
EUR	10%	8,408	205	187	616
JPY	10%	51	6	-	-
Others	10%	81	94	-	-

The Group's sensitivity to foreign currency has increased during the current period mainly due to the change in currency position.



## TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

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

#### **29. RISK MANAGEMENT (cont'd)**

##### Capital Adequacy

To monitor the adequacy of its capital, the Group uses ratios established by BRSA. The minimum ratio is 8%. This ratio measures capital adequacy by comparing the Group's eligible capital with its balance sheet assets, off-balance sheet commitments and market and other risk positions at weighted amounts to reflect their relative risk. As of December 31, 2009, its capital adequacy ratio on an unconsolidated basis is 24.91% (December 31, 2008 – 21.11%). The Group's consolidated capital adequacy ratio as of December 31, 2009 is 23.22% (2008 – 19.70%).

##### Operational risk

Operational risk arises from the potential for financial loss as a result of inadequate systems (including systems breakdown), errors, poor management and breaches of internal controls, fraud or external events. The Risk Management Group manages this risk through appropriate risk controls and loss mitigation actions. These actions include a balance of policies, procedures, internal controls and business continuity arrangements.

## TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

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

#### 30. FAIR VALUES OF FINANCIAL INSTRUMENTS

As at December 31, 2009 and December 31, 2008, fair values of financial assets and liabilities are as follows:

	December 31, 2009		December 31, 2008	
	Carrying Value TRY'000	Fair Value TRY'000	Carrying Value TRY'000	Fair Value TRY'000
Interbank money market placements	168	168	7,946	7,946
Funds lent under securities resale agreements	6,003	6,003	11,971	11,971
Financial assets at fair value through profit and loss	76,471	76,471	38,487	38,487
Derivative financial assets held for trading	11,283	11,283	21,055	21,055
Loans and receivables	3,772,528	3,773,497	3,792,562	3,863,664
Financial assets available for sale	2,159,934	2,159,934	1,770,288	1,770,288
Financial assets held to maturity	289,106	314,320	6,514	6,592
Other assets	114,112	114,112	159,090	159,090
Interbank money market borrowings	98,949	98,949	13,834	13,834
Obligations under repurchase agreements	1,284,693	1,284,693	807,988	807,988
Funds borrowed and subordinated loans	4,474,443	4,474,443	4,521,880	4,521,880
Derivative financial liabilities held for trading	11,978	11,978	26,936	26,936
Obligations under financial leases	-	-	23	23
Other liabilities	151,415	151,415	75,197	75,197

#### Loans and Receivables

Loans and receivables are net of provisions for impairment. The estimated fair value of loans and receivables represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

#### Investment Securities Held-to-Maturity

Fair value for investments held-to-maturity is based on market prices or broker/dealer price quotations. Where this information is not available, fair value has been estimated using quoted market prices for securities with similar credit, maturity and yield characteristics.

# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

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

### 30. FAIR VALUES OF FINANCIAL INSTRUMENTS (cont'd)

#### Funds Borrowed

The estimated fair value of fixed interest bearing funds borrowed without quoted market price is based on discounted cash flows using interest rates for new deposits and debts with similar remaining maturity.

Fair values of remaining financial assets and liabilities carried at amortized cost, including balances with Central banks and other banks and other financial institutions, other money market placements are considered to approximate their respective carrying values due to their short-term nature.

The following table shows an analysis of financial instruments recorded at fair value, between those whose fair value is recorded on quoted market prices, those involving valuation techniques where all model inputs are observable in the market and, those where the valuation techniques involves the use of non observable inputs.

December 31, 2009	Quoted market TRY'000	Valuation techniques – market observable TRY'000	Valuation techniques – non market observable TRY'000
<b>Financial Assets</b>			
Interbank money market placements	-	168	-
Funds lent under securities resale agreements	-	6,003	-
Financial assets at fair value through profit and loss	-	76,471	-
Derivative financial assets held for trading	-	11,283	-
Financial assets available for sale	1,692,119	300,827	166,988
Financial assets held to maturity	314,320	-	-
Loans and receivables	-	3,773,497	-
Other assets	-	-	114,112
<b>Financial Liabilities</b>			
Interbank money market borrowings	-	98,949	-
Obligations under repurchase agreements	-	1,284,693	-
Funds borrowed and subordinated loan	-	4,474,443	-
Derivative financial liabilities held for trading	-	11,978	-
Other liabilities	-	-	151,415

# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

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

### 30. FAIR VALUES OF FINANCIAL INSTRUMENTS (cont'd)

December 31, 2008	Quoted market TRY'000	Valuation techniques – market observable TRY'000	Valuation techniques – non market observable TRY'000
<b>Financial Assets</b>			
Interbank money market placements	-	7,946	-
Funds lent under securities resale agreements	-	11,971	-
Financial assets at fair value through profit and loss	-	38,487	-
Derivative financial assets held for trading	-	21,055	-
Financial assets available for sale	1,388,326	290,726	91,236
Financial assets held to maturity	6,592	-	-
Loans and receivables	-	3,863,664	-
Other assets	-	-	159,090
<b>Financial Liabilities</b>			
Interbank money market borrowings	-	13,834	-
Obligations under repurchase agreements	-	807,988	-
Funds borrowed and subordinated loan	-	4,521,880	-
Derivative financial liabilities held for trading	-	26,936	-
Obligations under financial leases	-	23	-
Other liabilities	-	-	75,197

The fair values of financial assets and financial liabilities are determined and grouped as follows:

- Level 1: the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices;
- Level 2: the fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions; and
- Level 3: the fair value of the financial assets and financial liabilities where there is no observable market data. The fair value of derivative instruments, are calculated using quoted prices. Where such prices are not available, estimate is made based on discounted cash flow analysis using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

The consolidated financial statements include holdings in unlisted shares which are measured at its historical costs as fair values could not be determined reliably.

# TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

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

### 30. FAIR VALUES OF FINANCIAL INSTRUMENTS (cont'd)

Based on the fair value hierarchy, the Group's financial assets and liabilities are categorized as follow:

Financial Assets	December 31, 2009	Level 1	Level 2	Level 3
Financial Assets at Fair Value Through Profit and Loss	76,471	76,471	-	-
<i>Government bond and Treasury bills</i>	55,928	55,928	-	-
<i>Equity shares</i>	19,292	19,292	-	-
<i>Investment fund</i>	1,251	1,251	-	-
Derivative Financial Assets Held for Trading	11,283	11,283	-	-
Financial assets available for sale	2,159,934	1,992,946	-	166,988
<i>Government bond and Treasury bills</i>	1,687,809	1,687,809	-	-
<i>Eurobonds</i>	278,085	278,085	-	-
<i>Equity shares</i>	33,112	-	-	33,112
<i>Other</i>	160,928	27,052	-	133,876
Financial Liabilities				
Derivative Financial Liabilities Held for Trading	11,978	11,978	-	-

Financial Assets	December 31, 2008	Level 1	Level 2	Level 3
Financial Assets at Fair Value Through Profit and Loss	38,487	38,487	-	-
<i>Government bond and treasury bills</i>	27,132	27,132	-	-
<i>Equity shares</i>	10,444	10,444	-	-
<i>Investment fund</i>	911	911	-	-
Derivative Financial Assets Held for Trading	21,055	21,055	-	-
Financial assets available for sale	1,770,288	1,679,052	-	91,236
<i>Government bond and Treasury bills</i>	1,374,617	1,374,617	-	-
<i>Eurobonds</i>	290,649	290,649	-	-
<i>Equity shares</i>	32,864	2,398	-	30,466
<i>Other</i>	72,158	11,388	-	60,770
Financial Liabilities				
Derivative Financial Liabilities Held for Trading	26,936	26,936	-	-

## TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

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

#### 31. EARNINGS PER SHARE

Earnings per share disclosed in the accompanying consolidated statements of operations are calculated by dividing the net earnings (loss) attribute to ordinary shareholders by the weighted average number of shares outstanding during the period concerned.

A summary of the weighted average number of shares outstanding for the periods ended December 31, 2009 and 2008 and the basic earnings per share calculation is as follows (assuming that the cash increases did not involve a bonus element):

	2009	2008
Number of shares outstanding at January 1,	500,000,000	400,000,000
New shares issued		
Conversion of existing reserves	100,000,000	200,000,000
Number of shares outstanding at the period end	600,000,000	600,000,000
Weighted average number of shares during the period	600,000,000	600,000,000
Net profit (TRY Thousand)	256,963	130,286
Basic earnings per share (in full TRY)	0.4283	0.2171

#### 32. EVENTS AFTER THE BALANCE SHEET DATE

At the Bank's Board of Directors meeting held on February 2, 2010, it has been indicated that the efforts on valuation and initial public offering of TSKB Gayrimenkul Yatırım Ortaklığı A.Ş., one of the subsidiaries of TSKB, are still carried on and it has been reached to the stage for applying to Capital Market Board and İstanbul Stock Exchange for registration to the board and being quoted in the stock exchange market. It has been resolved that the current TRY 100 Million paid in capital of TSKB Gayrimenkul Yatırım Ortaklığı A.Ş. to be increased to TRY 150 Million within the registered capital ceiling of TRY 200 Million and of that TRY 50 Million capital increase to be offered to public restricting the privilege rights of the current shareholders.

At the Parent Bank's Board of Directors meeting held on February 5, 2010, it has been resolved on the Bank's participation with a share of 96% and capital of TRY 48 Thousand to "TSKB Gayrimenkul Aracılık Hizmetleri A.Ş." to be established with a capital of TRY 50 Thousand.

The Parent Bank's share capital has increased by TRY 100,000 Thousand. In the meeting of the General Assembly held on March 25, 2010; it has been resolved that, paid-in capital of the Parent Bank will be increased from TRY 600,000 Thousand to TRY 700,000 Thousand. In respect of the resolution of the General Assembly, TRY 85,000 Thousand of this increase will be incorporated from the profit of the year 2009 and TRY 15,000 Thousand from extraordinary reserves.

In respect of the resolution of the General Assembly held on March 25, 2010, gross TRY 30,000 Thousand of the profit of the year 2009 will be distributed to the shareholders.