

# **Türkiye Sınai Kalkınma Bankası Anonim Şirketi and Its Subsidiaries**

**Consolidated Financial Statements**  
**As of and for the Year Ended 31 December 2011**  
*(Convenience Translation of Consolidated  
Financial Statements and Related Disclosures and Footnotes  
Originally Issued in Turkish)*  
**With Independent Auditors' Report Thereon**

Akis Bağımsız Denetim ve Serbest  
Muhasebeci Mali Müşavirlik  
Anonim Şirketi

14 February 2012

*This report contains "Independent Auditors'  
Report" comprising 2 pages and; "Consolidated  
Financial Statements and Related Disclosures  
and Footnotes" comprising 101 pages.*

**Türkiye Sınai Kalkınma Bankası  
Anonim Şirketi and  
Its Subsidiaries**

**Consolidated Financial Statements  
As of and for the Year Ended 31 December 2011**  
*(Convenience Translation of Consolidated  
Financial Statements and Related Disclosures and Footnotes  
Originally Issued in Turkish)*  
**With Independent Auditors' Report Thereon**

Akis Bağımsız Denetim ve Serbest  
Muhasebeci Mali Müşavirlik  
Anonim Şirketi

14 February 2012

*This report contains "Independent Auditors'  
Report" comprising 2 pages and; "Consolidated  
Financial Statements and Related Disclosures  
and Footnotes" comprising 101 pages.*



**Akis Bağımsız Denetim ve Serbest  
Muhasebeci Mali Müşavirlik A.Ş.**

Kavacık Rüzgarlı Bahçe Mah.  
Kavak Sok. No: 3  
Beykoz 34805 İstanbul

Telephone +90 (216) 681 90 00  
Fax +90 (216) 681 90 90  
Internet www.kpmg.com.tr

**Convenience Translation of the Independent Auditors' Report  
Originally Prepared and Issued in Turkish**

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

We have audited the consolidated balance sheet of Türkiye Sınai Kalkınma Bankası A.Ş. ("the Bank") and its subsidiaries (collectively "the Group") as of 31 December 2011 and the related consolidated income statement, consolidated statement of cash flows and consolidated statement of changes in shareholders' equity for the year then ended, and a summary of significant accounting policies and other explanatory notes.

*The Board of Directors' Responsibility for the Financial Statements*

The Board of Directors of the Bank is responsible for the establishment of an internal control system, selection and application of appropriate accounting policies for the preparation and fair presentation of the consolidated financial statements in accordance with the "Regulation on the Procedures and Principles for Accounting Practices and Retention of Documents by Banks" published in the Official Gazette dated 1 November 2006 and numbered 26333 and Turkish Accounting Standards, Turkish Financial Reporting Standards and other regulations, explanations and circulars on accounting and financial reporting principles announced by the Banking Regulation and Supervision Agency (BRSA) and declarations by the Banking Regulation and Supervision Board, free of material misstatement, whether due to fraud or error, that could lead to false information within.

*Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the "Regulation on Authorization and Activities of Institutions to Perform Independent Audit at Banks" published on the Official Gazette dated 1 November 2006 and numbered 26333 and International Standards on Auditing. We planned and conducted our audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement. Our audit includes using the audit techniques for the purpose of obtaining evidence supporting the amounts and disclosures in the financial statements. The selection of the audit techniques made in accordance with our professional judgment by taking the effectiveness of the controls over financial reporting into and assessing the appropriateness of the applied accounting policies. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion expressed below.



*Opinion:*

In our opinion, based on our audit, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Türkiye Sınai Kalkınma Bankası A.Ş. as of 31 December 2011 and the consolidated results of its operations and its consolidated cash flows for the year then ended in accordance with the prevailing accounting principles and standards as per the Articles 37 and 38 of (Turkish) Banking Law No: 5411 and other regulations, explanations and circulars on accounting and financial reporting principles announced by BRSA.

Istanbul,  
14 February 2012

Akis Bağımsız Denetim ve Serbest  
Muhasebeci Mali Müşavirlik  
Anonim Şirketi

Orhan Akova  
*Partner*

**Additional paragraph for convenience translation to English:**

As explained in Section 3 Note I, the accompanying consolidated financial statements are not intended to present the financial position and results of operations in accordance with the accounting principles and practices generally accepted in countries and jurisdictions other than Turkey.



**THE CONSOLIDATED FINANCIAL REPORT OF  
TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. FOR THE YEAR ENDED  
DECEMBER 31, 2011**

E-Mail Address for Contact Person: [goktas@tskb.com.tr](mailto:goktas@tskb.com.tr)

The consolidated financial report for the year end includes the following sections in accordance with "Communiqué on the Financial Statements and Related Explanation and Notes that will be made Publicly Announced" as sanctioned by the Banking Regulation and Supervision Agency.

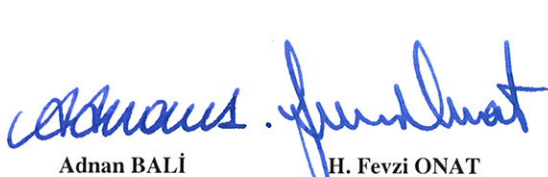
- GENERAL INFORMATION ABOUT THE PARENT BANK
- CONSOLIDATED FINANCIAL STATEMENTS OF THE PARENT BANK
- EXPLANATIONS ON THE CORRESPONDING ACCOUNTING POLICIES APPLIED IN THE RELATED PERIOD
- INFORMATION ON FINANCIAL STRUCTURE OF THE GROUP WHICH IS UNDER CONSOLIDATION
- EXPLANATORY DISCLOSURES AND FOOTNOTES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

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

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

The accompanying consolidated financial statements and the explanatory footnotes and disclosures for the year end, unless otherwise indicated, are prepared in thousands of Turkish Lira ("TRY"), in accordance with the Communiqué on Bank's Accounting Practice and Maintaining Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards, related communiqués and the Bank's records, and have been independently audited and presented as attached.

February 14, 2012



**Adnan BALI**  
Chairman of  
Board of Directors

**H. Fevzi ONAT**  
Member of Board of  
Directors and  
General Manager



**Ömer ERYILMAZ**  
Executive Vice President  
In Charge of Financial Reporting



**Mustafa GÖKTAŞ**  
Head of Financial  
Control Department



**Mustafa Baran TUNCER**  
Member of Audit Committee



**Kemal Serdar DİŞLİ**  
Member of Audit Committee



**Murat BİLGİÇ**  
Member of Audit Committee

Contact information of the personnel in charge for addressing questions about this financial report:

**Name-Surname / Title** : Mustafa Göktaş / Head of Financial Control Department  
**Telephone Number** : 0212 334 51 92

**SECTION ONE**

## General Information

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

**SECTION TWO**

## Consolidated Financial Statements

I.	Consolidated Balance Sheet (Statement of Financial Position) .....	4
II.	Consolidated Statement of Off Balance Sheet Items .....	6
III.	Consolidated Income Statement .....	7
IV.	Consolidated Statement of Comprehensive Income .....	8
V.	Consolidated Statement of Changes in Equity .....	9
VI.	Consolidated Statement of Cash Flows .....	10
VII.	Statement of Profit Distribution .....	11

**SECTION THREE**

## Accounting Policies

I.	Basis of Presentation .....	12
II.	Explanations on Usage Strategy of Financial Assets and Foreign Currency Transactions .....	13
III.	Information about the Parent Bank and its Subsidiaries subject to Consolidation .....	14
IV.	Explanations on Forward and Option Contracts and Derivative Instruments .....	15
V.	Explanations on Interest Income and Expenses .....	16
VI.	Explanations on Fees and Commission Income and Expenses .....	16
VII.	Explanations and Disclosures on Financial Assets .....	16
VIII.	Explanations on Impairment on Financial Assets .....	18
IX.	Offsetting of Financial Assets and Liabilities .....	20
X.	Explanations on Sales and Repurchase Agreements and Lending of Securities .....	20
XI.	Explanations on Assets Held For Selling Purpose and Discontinued Operations .....	20
XII.	Explanations on Goodwill and Other Intangible Assets .....	21
XIII.	Explanations on Tangible Assets .....	21
XIV.	Explanations on Investment Properties .....	22
XV.	Explanations on Leasing Transactions .....	22
XVI.	Explanations on Provisions and Contingent Liabilities .....	23
XVII.	Explanations on Liabilities Regarding Employee Benefits .....	23
XVIII.	Explanations on Taxation .....	25
XIX.	Additional Explanations on Borrowings .....	25
XX.	Explanations on Share Certificates Issued .....	26
XXI.	Explanations on Acceptances .....	26
XXII.	Explanations on Government Incentives .....	26
XXIII.	Explanations on Segment Reporting .....	26
XXIV.	Explanations on Other Matters .....	27

**SECTION FOUR**

## Information on Consolidated Financial Structure

I.	Explanations Related to the Consolidated Capital Adequacy Standard Ratio .....	28
II.	Explanations Related to the Consolidated Credit Risk .....	32
III.	Explanations Related to the Consolidated Market Risk .....	36
IV.	Explanations Related to the Consolidated Operational Risk .....	38
V.	Explanations Related to the Consolidated Currency Risk .....	38
VI.	Explanations Related to the Consolidated Interest Rate Risk .....	40
VII.	Explanations Related to the Consolidated Liquidity Risk .....	45
VIII.	Explanations Related to Presentation of Financial Assets and Liabilities by Fair Value .....	48
IX.	Explanations Related to Transactions Made on Behalf of Others and Fiduciary Transactions .....	49

**SECTION FIVE**

## Explanations and Disclosures on Consolidated Financial Statements

I.	Explanations Related to the Consolidated Assets .....	50
II.	Explanations Related to the Consolidated Liabilities .....	76
III.	Explanations Related to the Consolidated Off-Balance Sheet Contingencies and Commitments .....	84
IV.	Explanations Related to the Consolidated Income Statement .....	89
V.	Explanations Related to the Consolidated Changes in Shareholders' Equity .....	94
VI.	Explanations Related to the Consolidated Statement of Cash Flows .....	95
VII.	Explanations on the Risk Group of the Parent Bank .....	98
VIII.	Explanations on the Parent Bank's Domestic Branches, Agencies and Branches Abroad and Off-shore Branches .....	99

**SECTION SIX**

## Other Explanations

I.	Other Explanations Related to the Operations of the Group .....	100
II.	Explanations Related to Events after the Reporting Period .....	101

**SECTION SEVEN**

## Independent Auditors' Report

I.	Explanations on the Independent Auditors' Report .....	101
II.	Other Footnotes and Explanations Prepared by Independent Auditors .....	101

**TÜRKİYE SINAI KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

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

**SECTION ONE**

**GENERAL INFORMATION**

**I. The Parent Bank's Incorporation Date, Beginning Statute, Changes in the Existing Statute:**

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

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

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

Türkiye İş Bankası A.Ş. has the authority of managing and controlling power indirectly or directly, alone or together with other shareholders. Shareholders of the Bank are as follows:

<b>Current Period</b> <b>Name Surname/Commercial Title</b>	<b>Share Capital</b>	<b>Shareholding Rate (%)</b>	<b>Paid in Capital</b>	<b>Unpaid Capital</b>
T. İş Bankası A.Ş. Group	400.001	50,00	400.001	-
T. Vakıflar Bankası T.A.O.	67.020	8,38	67.020	-
Under Custody at Merkezi Kayıt Kuruluşu (Other Institutions and Individuals)	332.969	41,62	332.969	-
Physically Under Custody (Other Institutions and Individuals)	10	-	10	-
<b>Total</b>	<b>800.000</b>	<b>100,00</b>	<b>800.000</b>	<b>-</b>

<b>Prior Period</b> <b>Name Surname/Commercial Title</b>	<b>Share Capital</b>	<b>Shareholding Rate (%)</b>	<b>Paid in Capital</b>	<b>Unpaid Capital</b>
T. İş Bankası A.Ş. Group	350.451	50,06	350.451	-
T. Vakıflar Bankası T.A.O.	58.642	8,38	58.642	-
Under Custody at Merkezi Kayıt Kuruluşu (Other Institutions and Individuals)	290.894	41,56	290.894	-
Physically Under Custody (Other Institutions and Individuals)	13	-	13	-
<b>Total</b>	<b>700.000</b>	<b>100,00</b>	<b>700.000</b>	<b>-</b>

**TÜRKİYE SINAI KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

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

**SECTION ONE (Continued)**

**GENERAL INFORMATION (Continued)**

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

<u>Title (1)</u>	<u>Name and Surname</u>	<u>Academic Background</u>	<u>Task</u>	<u>Experience in Banking and Management Before Appointment</u>
Chairman of the Board of Directors	Adnan Bali (2)	Undergraduate		25 years
Vice Chairman of the Board of Directors	Mehmet Şencan (4)	Undergraduate		23 years
Members of the Board of Directors	Yavuz Canevi	Postgraduate		13 years
	Mustafa Baran Tuncer	Doctorate		28 years
	Ertan Burhanettin Kantar	Undergraduate		16 years
	Kemal Serdar Dışli	Undergraduate		19 years
	Murat Bilgiç	Postgraduate		15 years
	Yonca Koçak	Undergraduate		20 years
	Mehmet Coşkun Cangöz	Doctorate		10 years
Members of the Board of Directors and General Manager	Uygar Şafak Ögün	Postgraduate		15 years
	H. Fevzi Onat (5)	Undergraduate	General Manager	30 years
Members of Audit Committee	M. Baran Tuncer	Doctorate		28 years
	Kemal Serdar Dışli	Postgraduate		19 years
	Murat Bilgiç	Postgraduate		15 years
Senior Executive Vice Presidents	A.Orhan Beşkök (9)	Postgraduate	Technical Services and Financial Institutions	19 years
	Şeniz Yarcın (7)	Undergraduate	Treasury, Investment Banking and Foreign Relation	16 years
Vice Presidents	Burak Akgüç (10)	Undergraduate	Corporate Marketing	14 years
	Ömer Eryılmaz	Undergraduate	Financial Control and Securities	20 years
	Çiğdem İçel (6) (9)	Undergraduate	Treasury and Human Resources	17 years
	Ufuk Bala Yücel (10)	Undergraduate	Project Finance and Loans	20 years
Statutory Auditors	Volkan Kublay (3)	Undergraduate	Auditor	11 years
	Hamide Esmâ Uygun Çelikten (3)	Undergraduate	Auditor	14 years
<b><u>Changes</u></b>	<b><u>Resigned</u></b>	<b><u>Appointed</u></b>		
<b><u>Title</u></b>				
Chairman of the Board of Directors	Hakkı Ersin Özince (2)	Adnan Bali (2)		
Members of the Board of Directors and General Manager	Halil Eroğlu (5)	H. Fevzi Onat (5)		
Vice Chairman of the Board of Directors	Murat Vulkan (4)	Mehmet Şencan (4)		
Statutory Auditors	Mete Uluyurt	Hamide Esmâ Uygun Çelikten (3)		
Vice President	Şemseddin Arat (6)			

(1) The shares of above directors in the Bank are symbolic.

(2) Mr. Hakkı Ersin Özince, the Chairman of the Board of Directors, resigned from his duty of the Chairman of the Board of Directors on 15 April 2011 and Mr. Adnan Bali was elected as the Chairman of the Board of Directors within the frame of Turkish Commercial Law Article No.315. In the Board of Directors meeting held on 21 April 2011, Mr. Adnan Bali, the member of the Board Directors, was elected within the Articles of Association of Bank No:18 as the Chairman of the Board of Directors.

(3) In the General meeting held on 25 March 2011, Mr. Volkan Kublay and Mrs. Hamide Esmâ Uygun Çelikten were elected as Statutory Auditors for the year 2011.

(4) In the Board of Directors meeting numbered 2008 held on 7 June 2011, Murat Vulkan has resigned his duty of member of Board of Directors and Mehmet Şencan was elected and started his duty on 13 June 2011. Under the 18th Article of the main contract of the Bank, in the Board of Directors meeting with number 2011 held on 1 July 2011 Mehmet Şencan was elected as Vice Chairman of the Board of Directors and with the same Board of Directors meeting number, Mehmet Şencan was also elected as member of Corporate Board Committee.

(5) In the Board of Directors meeting numbered 2006 held on 30 May 2011, Halil Eroğlu resigned from his duties of the General Manager and member of Board of Directors (due to retirement) and H. Fevzi Onat was elected as member of Board of Directors within the frame of Turkish Commercial Law Article No.315. H.Fevzi Onat was also appointed as the General Manager. As of 13 June 2011 the legal procedures specified by the Banking Law was completed and H. Fevzi Onat started his duty as the General Manager.

(6) In the Board of Directors meeting numbered 2000 held on 28 April 2011, according to the organisation scheme, Şemseddin Arat resigned his duty of Information Technology and Human Resources (due to retirement) and Operation Executive President Çiğdem İçel was elected.

(7) In the Board of Directors meeting held on 27 December 2011 numbered 2033 Şeniz Yarcın, Treasury, Investment Banking and Foreign Relations Senior Vice President, was elected as General Manager of associate of the Bank, Yatırım Finansman Menkul Değerler A.Ş. as of 1 January 2012.

(8) In the Board of Directors meeting held on 27 December 2011 numbered 2033, Berat Gökhan Çanakpınar was elected to Vice President of General Manager responsible of Information Technology and Operation. He started his duty on 10 January 2012 after the legal procedures finished.

(9) According to circular 27 December 2011 dated, numbered 2011/06, Human Resources and Operation Vice Chairman of General Manager Çiğdem İçel's responsibly managements have changed as Treasury and Human Resources, and Technical Services Senior General Manager, Orhan Başkök's responsibly managements has changed as Technical Services and Financial Institutions.

(10) According to circular 27 December 2011 dated, numbered 2011/16, Burak Akgüç was elected to Corporate Marketing and Corporate Finance Vice Chairman of General Manager; Ufuk Bala Yücel was elected to Project Finance and Loans Vice Chairman of General Manager.



**TÜRKİYE SINAI KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

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

**SECTION ONE (Continued)**

**GENERAL INFORMATION (Continued)**

**IV. Information about the Persons and Institutions that have Qualified Shares in The Parent Bank**

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

<b>Current Period</b> <b>Name Surname/Commercial Title</b>	<b>Share Capital</b>	<b>Shareholding Rate (%)</b>	<b>Paid in Capital</b>	<b>Unpaid Capital</b>
T. İş Bankası A.Ş. Group	400.001	50,00	400.001	-
T. Vakıflar Bankası T.A.O.	67.020	8,38	67.020	-
Under Custody at Merkezi Kayıt Kuruluşu (Other Institutions and Individuals)	332.969	41,62	332.969	-
Physically Under Custody (Other Institutions and Individuals)	10	-	10	-
<b>Total</b>	<b>800.000</b>	<b>100,00</b>	<b>800.000</b>	<b>-</b>

<b>Prior Period</b> <b>Name Surname/Commercial Title</b>	<b>Share Capital</b>	<b>Shareholding Rate (%)</b>	<b>Paid in Capital</b>	<b>Unpaid Capital</b>
T. İş Bankası A.Ş. Group	350.451	50,06	350.451	350.451
T. Vakıflar Bankası T.A.O.	58.642	8,38	58.642	58.642
Under Custody at Merkezi Kayıt Kuruluşu (Other Institutions and Individuals)	290.894	41,56	290.894	290.894
Physically Under Custody (Other Institutions and Individuals)	13	-	13	13
<b>Total</b>	<b>700.000</b>	<b>100,00</b>	<b>700.000</b>	<b>-</b>

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

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

The Parent Bank, which operates as a non-deposit accepting bank, played a major role on manufacturing and finance sectors in every phase of the economic development of Turkey. The Parent Bank has supported the development of the private sector by extending medium-term loans to more than 4.000 firms. After 1960's the Parent Bank had continued to finance over 100 firms by investing in these entities as a shareholder. The Parent Bank has also participated in improvement of capital markets by organizing public offerings of some firms.

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

TSKB Bahrain Branch, is the only branch of TSKB in abroad, started its operations on 18 January 2005 after obtaining the off-shore banking license from Bahrain Central Bank (BMA) on 30 December 2004. The mission of the branch is to expand to the Middle East and exercise all activities including capital market transactions and giving foreign currency loans. In the Board of Directors meeting held on 25 January 2012; it was decided to close the Bahrain Branch of the Parent Bank and in this context, General Management was authorized for the required operations.

**TÜRKİYE SINAI KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)**

**AT 31 DECEMBER 2011**

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

		Audited Current Period 31 December 2011			Audited Prior Period 31 December 2010		
ASSETS	Note Ref.	TL	FC	Total	TL	FC	Total
<b>I. CASH AND BALANCES WITH THE CENTRAL BANK</b>	(1)	<b>5.457</b>	<b>115.652</b>	<b>121.109</b>	<b>5.143</b>	<b>59.407</b>	<b>64.550</b>
<b>II. FINANCIAL ASSETS AT F.V. THROUGH PROFIT AND LOSS (Net)</b>	(2)	<b>115.857</b>	<b>34.468</b>	<b>150.325</b>	<b>111.428</b>	<b>8.690</b>	<b>120.118</b>
2.1 Trading financial assets		115.857	34.468	150.325	111.428	8.690	120.118
2.1.1 Public sector debt securities		83.623	716	84.339	83.019	-	83.019
2.1.2 Share certificates		15.239	-	15.239	24.008	-	24.008
2.1.3 Derivative financial assets held for trading		11.601	33.752	45.353	2.571	8.690	11.261
2.1.4 Other marketable securities		5.394	-	5.394	1.830	-	1.830
2.2 Financial assets at fair value through profit and loss		-	-	-	-	-	-
2.2.1 Public sector debt securities		-	-	-	-	-	-
2.2.2 Share certificates		-	-	-	-	-	-
2.2.3 Other marketable securities		-	-	-	-	-	-
2.2.4 Loans		-	-	-	-	-	-
<b>III. BANKS</b>	(3)	<b>19.045</b>	<b>406.181</b>	<b>425.226</b>	<b>545.529</b>	<b>10.365</b>	<b>555.894</b>
<b>IV. MONEY MARKET PLACEMENTS</b>		<b>109.365</b>	<b>-</b>	<b>109.365</b>	<b>7.830</b>	<b>-</b>	<b>7.830</b>
4.1 Interbank money market placements		102.102	-	102.102	843	-	843
4.2 Istanbul Stock Exchange money market placements		335	-	335	385	-	385
4.3 Receivables from reverse repurchase agreements		6.928	-	6.928	6.602	-	6.602
<b>V. FINANCIAL ASSETS AVAILABLE FOR SALE (Net)</b>	(4)	<b>1.745.840</b>	<b>571.043</b>	<b>2.316.883</b>	<b>1.660.196</b>	<b>468.421</b>	<b>2.128.617</b>
5.1 Share certificates		23.575	2.957	26.532	32.010	2.957	34.967
5.2 Public sector debt securities		1.617.661	378.877	1.996.538	1.553.796	359.615	1.913.411
5.3 Other marketable securities		104.604	189.209	293.813	74.390	105.849	180.239
<b>VI. LOANS</b>	(5)	<b>1.793.408</b>	<b>4.473.548</b>	<b>6.266.956</b>	<b>1.588.141</b>	<b>3.038.809</b>	<b>4.626.950</b>
6.1 Loans		1.793.408	4.473.548	6.266.956	1.588.141	3.038.809	4.626.950
6.1.1 Loans to risk group of the Bank		85.465	99.149	184.614	59.853	138.516	198.369
6.1.2 Public sector debt securities		-	-	-	-	-	-
6.1.3 Other		1.707.943	4.374.399	6.082.342	1.528.288	2.900.293	4.428.581
6.2 Non-performing loans		12.989	14.709	27.698	11.989	14.496	26.485
6.3 Specific provisions (-)		(12.989)	(14.709)	(27.698)	(11.989)	(14.496)	(26.485)
<b>VII. FACTORING RECEIVABLES</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>VIII. HELD TO MATURITY INVESTMENTS (Net)</b>	(6)	<b>126.955</b>	<b>-</b>	<b>126.955</b>	<b>310.287</b>	<b>-</b>	<b>310.287</b>
8.1 Public sector debt securities		126.955	-	126.955	310.287	-	310.287
8.2 Other marketable securities		-	-	-	-	-	-
<b>IX. INVESTMENTS IN ASSOCIATES (Net)</b>	(7)	<b>191.563</b>	<b>-</b>	<b>191.563</b>	<b>174.284</b>	<b>-</b>	<b>174.284</b>
9.1 Accounted for under equity method		190.472	-	190.472	173.600	-	173.600
9.2 Unconsolidated associates		1.091	-	1.091	684	-	684
9.2.1 Financial investments		-	-	-	-	-	-
9.2.2 Non-financial investments		1.091	-	1.091	684	-	684
<b>X. INVESTMENTS IN SUBSIDIARIES (Net)</b>	(8)	<b>842</b>	<b>-</b>	<b>842</b>	<b>612</b>	<b>-</b>	<b>612</b>
10.1 Unconsolidated financial subsidiaries		-	-	-	-	-	-
10.2 Unconsolidated non-financial subsidiaries		842	-	842	612	-	612
<b>XI. ENTITIES UNDER COMMON CONTROL (JOINT VENT.) (Net)</b>	(9)	<b>10</b>	<b>-</b>	<b>10</b>	<b>-</b>	<b>-</b>	<b>-</b>
11.1 Consolidated under equity method		-	-	-	-	-	-
11.2 Unconsolidated		10	-	10	-	-	-
11.2.1 Financial subsidiaries		-	-	-	-	-	-
11.2.2 Non-financial subsidiaries		10	-	10	-	-	-
<b>XII. LEASE RECEIVABLES (Net)</b>	(10)	<b>-</b>	<b>28.400</b>	<b>28.400</b>	<b>-</b>	<b>70.088</b>	<b>70.088</b>
12.1 Finance lease receivables		-	29.577	29.577	-	72.344	72.344
12.2 Operating lease receivables		-	-	-	-	-	-
12.3 Other		-	-	-	-	-	-
12.4 Unearned income (-)		-	(1.177)	(1.177)	-	(2.256)	(2.256)
<b>XIII. DERIVATIVE FINANCIAL ASSETS FOR HEDGING PURPOSES</b>	(11)	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
13.1 Fair value hedge		-	-	-	-	-	-
13.2 Cash flow hedge		-	-	-	-	-	-
13.3 Hedge of net investment in foreign operations		-	-	-	-	-	-
<b>XIV. TANGIBLE ASSETS (Net)</b>	(12)	<b>24.222</b>	<b>2</b>	<b>24.224</b>	<b>24.898</b>	<b>1</b>	<b>24.899</b>
<b>XV. INTANGIBLE ASSETS (Net)</b>	(13)	<b>1.870</b>	<b>-</b>	<b>1.870</b>	<b>1.859</b>	<b>-</b>	<b>1.859</b>
15.1 Goodwill		1.005	-	1.005	1.005	-	1.005
15.2 Other		865	-	865	854	-	854
<b>XVI. INVESTMENT PROPERTY (Net)</b>	(14)	<b>226.805</b>	<b>-</b>	<b>226.805</b>	<b>213.281</b>	<b>-</b>	<b>213.281</b>
<b>XVII. TAX ASSET</b>	(15)	<b>17.332</b>	<b>-</b>	<b>17.332</b>	<b>17.747</b>	<b>-</b>	<b>17.747</b>
17.1 Current tax asset		1.668	-	1.668	401	-	401
17.2 Deferred tax asset		15.664	-	15.664	17.346	-	17.346
<b>XVIII. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)</b>	(16)	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
18.1 Assets held for sale		-	-	-	-	-	-
18.2 Assets of discontinued operations		-	-	-	-	-	-
<b>XIX. OTHER ASSETS</b>	(17)	<b>74.885</b>	<b>50.884</b>	<b>125.769</b>	<b>30.842</b>	<b>14.702</b>	<b>45.544</b>
<b>TOTAL ASSETS</b>		<b>4.453.456</b>	<b>5.680.178</b>	<b>10.133.634</b>	<b>4.692.077</b>	<b>3.670.483</b>	<b>8.362.560</b>

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

**TÜRKİYE SINAI KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)**  
**AT 31 DECEMBER 2011**

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

		Audited Current Period 31 December 2011			Audited Prior Period 31 December 2010		
LIABILITIES	Note Ref.	TL	FC	Total	TL	FC	Total
<b>I. DEPOSITS</b>	(1)	-	-	-	-	-	-
1.1 Deposits from Risk Group of the Bank		-	-	-	-	-	-
1.2 Other		-	-	-	-	-	-
<b>DERIVATIVE FINANCIAL LIABILITIES HELD FOR</b>							
<b>II. TRADING</b>	(2)	6.470	42.273	48.743	2.760	7.594	10.354
<b>III. FUNDS BORROWED</b>	(3)	23.763	6.761.772	6.785.535	59.017	4.993.833	5.052.850
<b>IV. MONEY MARKET BALANCES</b>	(4)	1.190.401	177.962	1.368.363	1.291.434	142.299	1.433.733
4.1 Interbank money market takings		420.609	-	420.609	247.669	-	247.669
4.2 Istanbul Stock Exchange money market takings		-	-	-	-	-	-
4.3 Funds provided under repurchase agreements		769.792	177.962	947.754	1.043.765	142.299	1.186.064
<b>V. MARKETABLE SECURITIES ISSUED (Net)</b>		-	-	-	194.282	-	194.282
5.1 Bills		-	-	-	194.282	-	194.282
5.2 Asset backed securities		-	-	-	-	-	-
5.3 Bonds		-	-	-	-	-	-
<b>VI. FUNDS</b>		1.559	6.335	7.894	-	-	-
6.1 Borrower funds		1.559	6.335	7.894	-	-	-
6.2 Others		-	-	-	-	-	-
<b>VII. MISCELLANEOUS PAYABLES</b>		128.180	20.480	148.660	64.977	22.515	87.492
<b>VIII. OTHER LIABILITIES</b>	(5)	-	-	-	-	-	-
<b>IX. FACTORING PAYABLES</b>		-	-	-	-	-	-
<b>X. LEASE PAYABLES (Net)</b>	(6)	-	-	-	-	-	-
10.1 Finance lease payables		-	2	2	2	2	4
10.2 Operating lease payables		-	-	-	-	-	-
10.3 Other		-	-	-	-	-	-
10.4 Deferred finance lease expenses ( - )		-	(2)	(2)	(2)	(2)	(4)
<b>DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING</b>							
<b>XI. PURPOSES</b>	(7)	-	-	-	-	-	-
11.1 Fair value hedge		-	-	-	-	-	-
11.2 Cash flow hedge		-	-	-	-	-	-
11.3 Hedge of net investment in foreign operations		-	-	-	-	-	-
<b>XII. PROVISIONS</b>	(8)	104.670	-	104.670	90.760	-	90.760
12.1 General loan loss provisions		58.491	-	58.491	43.539	-	43.539
12.2 Restructuring provisions		-	-	-	-	-	-
12.3 Reserve for employee benefits		5.859	-	5.859	5.292	-	5.292
12.4 Insurance technical reserves (Net)		-	-	-	-	-	-
12.5 Other provisions		40.320	-	40.320	41.929	-	41.929
<b>XIII. TAX LIABILITY</b>	(10)	17.668	-	17.668	16.621	-	16.621
13.1 Current tax liability		17.668	-	17.668	16.621	-	16.621
13.2 Deferred tax liability		-	-	-	-	-	-
<b>XIV. PAYABLES RELATED TO ASSETS HELD FOR SALE AND</b>							
<b>DISCONTINUED OPERATIONS</b>	(11)	-	-	-	-	-	-
14.1 Held for sale		-	-	-	-	-	-
14.2 Discontinued operations		-	-	-	-	-	-
<b>XV. SUBORDINATED LOANS</b>	(9)	-	95.000	95.000	-	77.947	77.947
<b>XVI. SHAREHOLDERS' EQUITY</b>	(12)	1.537.095	20.006	1.557.101	1.366.232	32.289	1.398.521
16.1 Paid-in capital		800.000	-	800.000	700.000	-	700.000
16.2 Capital reserves		29.115	20.006	49.121	68.691	32.289	100.980
16.2.1 Share premium		413	-	413	413	-	413
16.2.2 Share cancellation profits		-	-	-	-	-	-
16.2.3 Marketable securities value increase fund	(15)	(2.846)	20.006	17.160	36.730	32.289	69.019
16.2.4 Tangible assets revaluation differences	(15)	31.174	-	31.174	31.174	-	31.174
16.2.5 Intangible assets revaluation differences		-	-	-	-	-	-
16.2.6 Investment property revaluation differences		-	-	-	-	-	-
16.2.7 Bonus shares obtained from associates, subsidiaries and jointly controlled entities (Joint Vent.)		-	-	-	-	-	-
16.2.8 Hedging funds (Effective portion)		-	-	-	-	-	-
16.2.9 Accumulated valuation differences from assets held for sale and from discontinued operations		-	-	-	-	-	-
16.2.10 Other capital reserves		374	-	374	374	-	374
16.3 Profit reserves		300.572	-	300.572	233.846	-	233.846
16.3.1 Legal reserves	(13)	97.975	-	97.975	75.558	-	75.558
16.3.2 Statutory reserves		47.510	-	47.510	36.929	-	36.929
16.3.3 Extraordinary reserves	(14)	152.167	-	152.167	118.439	-	118.439
16.3.4 Other profit reserves		2.920	-	2.920	2.920	-	2.920
16.4 Profit or loss		310.617	-	310.617	263.779	-	263.779
16.4.1 Prior years' income/losses		49.854	-	49.854	41.110	-	41.110
16.4.2 Current year income/loss		260.763	-	260.763	222.669	-	222.669
16.5 Minority interest	(16)	96.791	-	96.791	99.916	-	99.916
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>3.009.806</b>	<b>7.123.828</b>	<b>10.133.634</b>	<b>3.086.083</b>	<b>5.276.477</b>	<b>8.362.560</b>

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

**TÜRKİYE SINAI KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET ITEMS**  
**AT 31 DECEMBER 2011**  
(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

		Audited Current Period 31 December 2011			Audited Prior Period 31 December 2010		
	Note Ref.	TL	FC	TL	FC	TL	FC
<b>A. OFF BALANCE SHEET CONTINGENCIES AND COMMITMENTS (I+II+III)</b>		<b>2,992,808</b>	<b>7,744,816</b>	<b>10,737,624</b>	<b>1,704,995</b>	<b>4,212,043</b>	<b>5,917,038</b>
<b>I. GUARANTEES AND COLLATERALS</b>	<b>(1)</b>	<b>298,455</b>	<b>970,524</b>	<b>1,268,979</b>	<b>350,881</b>	<b>743,037</b>	<b>1,093,918</b>
1.1 Letters of guarantee		278.215	411.262	689.477	319.866	481.459	801.325
1.1.1 Guarantees subject to State Tender Law		-	-	-	-	-	-
1.1.2 Guarantees given for foreign trade operations		-	-	-	-	-	-
1.1.3 Other letters of guarantee		278.215	411.262	689.477	319.866	481.459	801.325
1.2 Bank loans		-	3.333	3.333	-	-	-
1.2.1 Import letters of acceptance		-	3.333	3.333	-	-	-
1.2.2 Other bank acceptances		-	-	-	-	-	-
1.3 Letters of credit		-	555.929	555.929	-	259.695	259.695
1.3.1 Documentary letters of credit		-	555.929	555.929	-	259.695	259.695
1.3.2 Other letters of credit		-	-	-	-	-	-
1.4 Prefinancing given as guarantee		-	-	-	-	-	-
1.5 Endorsements		-	-	-	-	-	-
1.5.1 Endorsements to the Central Bank of Turkey		-	-	-	-	-	-
1.5.2 Other endorsements		-	-	-	-	-	-
1.6 Securities issue purchase guarantees		-	-	-	-	-	-
1.7 Factoring guarantees		-	-	-	-	-	-
1.8 Other guarantees		20.240	-	20.240	31.015	1.883	32.898
1.9 Other collaterals		-	-	-	-	-	-
<b>II. COMMITMENTS</b>		<b>1,513,692</b>	<b>2,985,994</b>	<b>4,499,686</b>	<b>932,789</b>	<b>636,309</b>	<b>1,569,098</b>
2.1 Irrevocable commitments		468.568	146.519	615.087	483.762	93.960	577.722
2.1.1 Forward asset purchase and sales commitments		22.145	128.179	150.324	43.730	84.587	128.317
2.1.2 Forward deposit purchase and sales commitments		-	-	-	-	-	-
2.1.3 Share capital commitment to associates and subsidiaries		-	-	-	-	-	-
2.1.4 Loan granting commitments		-	6.968	6.968	-	-	-
2.1.5 Securities underwriting commitments		-	-	-	-	-	-
2.1.6 Commitments for reserve deposit requirements		-	-	-	-	-	-
2.1.7 Payment commitment for checks		-	-	-	-	-	-
2.1.8 Tax and fund liabilities from export commitments		-	-	-	-	-	-
2.1.9 Commitments for credit card expenditure limits		-	-	-	-	-	-
2.1.10 Commitments for promotions related with credit cards and banking activities		-	-	-	-	-	-
2.1.11 Receivables from short sale commitments		-	-	-	-	-	-
2.1.12 Payables for short sale commitments		-	-	-	-	-	-
2.1.13 Other irrevocable commitments		446.423	11.372	457.795	440.032	9.373	449.405
2.2 Revocable commitments		1.045.124	2.839.475	3.884.599	449.027	542.349	991.376
2.2.1 Revocable loan granting commitments		1.045.124	2.839.475	3.884.599	449.027	542.349	991.376
2.2.2 Other revocable commitments		-	-	-	-	-	-
<b>III. DERIVATIVE FINANCIAL INSTRUMENTS</b>	<b>(2)</b>	<b>1,180,661</b>	<b>3,788,298</b>	<b>4,968,959</b>	<b>421,325</b>	<b>2,832,697</b>	<b>3,254,022</b>
3.1 Derivative financial instruments for hedging purposes		-	-	-	-	-	-
3.1.1 Fair value hedge		-	-	-	-	-	-
3.1.2 Cash flow hedge		-	-	-	-	-	-
3.1.3 Hedge of net investment in foreign operations		-	-	-	-	-	-
3.2 Held for trading transactions		1.180.661	3.788.298	4.968.959	421.325	2.832.697	3.254.022
3.2.1 Forward foreign currency buy/sell transactions		361.494	873.353	1.234.847	17.825	18.191	36.016
3.2.1.1 Forward foreign currency transactions-buy		277.535	341.027	618.562	5.767	12.403	18.170
3.2.1.2 Forward foreign currency transactions-sell		83.959	532.326	616.285	12.058	5.788	17.846
3.2.2 Swap transactions related to f.c. and interest rates		172.378	2.092.041	2.264.419	109.495	622.047	731.542
3.2.2.1 Foreign currency swaps-buy		158.308	285.670	443.978	33.838	93.641	127.479
3.2.2.2 Foreign currency swaps-sell		14.070	429.455	443.525	75.657	46.808	122.465
3.2.2.3 Interest rate swaps-buy		-	688.458	688.458	-	240.799	240.799
3.2.2.4 Interest rate swaps-sell		-	688.458	688.458	-	240.799	240.799
3.2.3 Foreign currency, interest rate and securities options		644.850	822.904	1.467.754	259.564	536.750	796.314
3.2.3.1 Foreign currency options-buy		322.425	386.498	708.923	139.602	232.459	372.061
3.2.3.2 Foreign currency options-sell		322.425	386.498	708.923	119.962	247.627	367.589
3.2.3.3 Interest rate options-buy		-	24.954	24.954	-	28.332	28.332
3.2.3.4 Interest rate options-sell		-	24.954	24.954	-	28.332	28.332
3.2.3.5 Securities options-buy		-	-	-	-	-	-
3.2.3.6 Securities options-sell		-	-	-	-	-	-
3.2.4 Foreign currency futures		-	-	-	-	-	-
3.2.4.1 Foreign currency futures-buy		-	-	-	-	-	-
3.2.4.2 Foreign currency futures-sell		-	-	-	-	-	-
3.2.5 Interest rate futures		-	-	-	-	1.573.170	1.573.170
3.2.5.1 Interest rate futures-buy		-	-	-	-	-	-
3.2.5.2 Interest rate futures-sell		-	-	-	-	1.573.170	1.573.170
3.2.6 Other		1.939	-	1.939	34.441	82.539	116.980
<b>B. CUSTODY AND PLEDGED SECURITIES (IV+V+VI)</b>		<b>6,545,437</b>	<b>63,816,275</b>	<b>70,361,712</b>	<b>3,899,804</b>	<b>41,488,391</b>	<b>45,388,195</b>
<b>IV. ITEMS HELD IN CUSTODY</b>		<b>1,113,363</b>	<b>228,512</b>	<b>1,341,875</b>	<b>1,384,941</b>	<b>183,858</b>	<b>1,568,799</b>
4.1 Assets under management		31.722	-	31.722	33.930	122	34.052
4.2 Investment securities held in custody		311.484	228.512	539.996	296.260	183.736	479.996
4.3 Checks received for collection		-	-	-	76	-	76
4.4 Commercial notes received for collection		-	-	-	-	-	-
4.5 Other assets received for collection		-	-	-	-	-	-
4.6 Assets received for public offering		-	-	-	-	-	-
4.7 Other items under custody		18.402	-	18.402	18.101	-	18.101
4.8 Custodians		751.755	-	751.755	1.036.574	-	1.036.574
<b>V. PLEDGED ITEMS</b>		<b>4,489,581</b>	<b>38,583,829</b>	<b>43,073,410</b>	<b>1,777,664</b>	<b>24,563,974</b>	<b>26,341,638</b>
5.1 Marketable securities		2.931	1.282.865	1.285.796	2.277	749.703	751.980
5.2 Guarantee notes		67.993	1.574.739	1.642.732	69.093	1.600.660	1.669.753
5.3 Commodity		-	-	-	-	-	-
5.4 Warranty		-	-	-	-	-	-
5.5 Properties		112.594	6.912.897	7.025.491	81.510	3.931.945	4.013.455
5.6 Other pledged items		4.306.063	28.813.328	33.119.391	1.624.784	18.281.666	19.906.450
5.7 Pledged items-depository		-	-	-	-	-	-
<b>VI. ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES</b>		<b>942,493</b>	<b>25,003,934</b>	<b>25,946,427</b>	<b>737,199</b>	<b>16,740,559</b>	<b>17,477,758</b>
<b>TOTAL OFF BALANCE SHEET ITEMS (A+B)</b>		<b>9,538,245</b>	<b>71,561,091</b>	<b>81,099,336</b>	<b>5,604,799</b>	<b>45,700,434</b>	<b>51,395,233</b>

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

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**CONSOLIDATED INCOME STATEMENT**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**  
(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

	Note Ref.	Audited Current Period 1 January 2011 – 31 December 2011	Audited Prior Period 1 January 2010 – 31 December 2010
<b>I. INTEREST INCOME</b>	(1)	<b>534.704</b>	<b>458.918</b>
1.1 Interest on loans		288.562	187.823
1.2 Interest received from reserve deposits		-	59
1.3 Interest received from banks		31.249	36.657
1.4 Interest received from money market placements		3.959	1.601
1.5 Interest received from marketable securities portfolio		208.556	228.725
1.5.1 Financial assets held for trading		6.450	5.584
1.5.2 Financial assets at fair value through profit and loss		-	-
1.5.3 Available-for-sale financial assets		166.289	186.819
1.5.4 Investments held-to-maturity		35.817	36.322
1.6 Finance lease income		2.144	3.472
1.7 Other interest income		234	581
<b>II. INTEREST EXPENSES</b>	(2)	<b>(174.582)</b>	<b>(154.587)</b>
2.1 Interest on deposits		-	-
2.2 Interest on funds borrowed		(80.394)	(54.797)
2.3 Interest on money market borrowings		(90.231)	(94.110)
2.4 Interest on securities issued		(3.922)	(5.667)
2.5 Other interest expense		(35)	(13)
<b>III. NET INTEREST INCOME (I - II)</b>		<b>360.122</b>	<b>304.331</b>
<b>IV. NET FEES AND COMMISSIONS INCOME</b>		<b>28.252</b>	<b>35.548</b>
4.1 Fees and commissions received		30.350	42.951
4.1.1 Non-cash loans		5.617	5.459
4.1.2 Other	(12)	24.733	37.492
4.2 Fees and commissions paid		(2.098)	(7.403)
4.2.1 Non-cash loans		(3)	(3)
4.2.2 Other		(2.095)	(7.400)
<b>V. DIVIDEND INCOME</b>	(3)	<b>5.222</b>	<b>2.503</b>
<b>VI. NET TRADING INCOME</b>	(4)	<b>(20.025)</b>	<b>5.676</b>
6.1 Securities trading gains/ (losses)		(5.030)	3.311
6.2 Derivative financial instruments gains/losses		(54.430)	1.926
6.3 Foreign exchange gains/losses (net)		39.435	439
<b>VII. OTHER OPERATING INCOME</b>	(5)	<b>52.881</b>	<b>37.838</b>
<b>VIII. TOTAL OPERATING INCOME (III+IV+V+VI+VII)</b>		<b>426.452</b>	<b>385.896</b>
<b>IX. PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)</b>	(6)	<b>(32.234)</b>	<b>(25.901)</b>
<b>X. OTHER OPERATING EXPENSES (-)</b>	(7)	<b>(93.246)</b>	<b>(93.385)</b>
<b>XI. NET OPERATING INCOME/(LOSS) (VIII-IX-X)</b>		<b>300.972</b>	<b>266.610</b>
<b>XII. AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER</b>		-	-
<b>XIII. PROFIT / (LOSS) ON EQUITY METHOD</b>		<b>20.917</b>	<b>20.509</b>
<b>XIV. GAIN / (LOSS) ON NET MONETARY POSITION</b>		-	-
<b>PROFIT/(LOSS) FROM CONTINUED OPERATIONS BEFORE TAXES</b>		-	-
<b>XV. (XI+XII+XIII+XIV)</b>	(8)	<b>321.889</b>	<b>287.119</b>
<b>XVI. TAX PROVISION FOR CONTINUED OPERATIONS (±)</b>	(9)	<b>(63.269)</b>	<b>(59.364)</b>
16.1 Provision for current income taxes		(51.040)	(54.430)
16.2 Provision for deferred taxes		(12.229)	(4.934)
<b>XVII. NET PROFIT/(LOSS) FROM CONTINUED OPERATIONS (XV±XVI)</b>	(10)	<b>258.620</b>	<b>227.755</b>
<b>XVIII. INCOME ON DISCONTINUED OPERATIONS</b>		-	-
18.1 Income on assets held for sale		-	-
18.2 Income on sale of associates, subsidiaries and jointly controlled entities (Joint vent.)		-	-
18.3 Income on other discontinued operations		-	-
<b>XIX. LOSS FROM DISCONTINUED OPERATIONS (-)</b>		-	-
19.1 Loss from assets held for sale		-	-
19.2 Loss on sale of associates, subsidiaries and jointly controlled entities (Joint vent.)		-	-
19.3 Loss from other discontinued operations		-	-
<b>XX. PROFIT / (LOSS) ON DISCONTINUED OPERATIONS BEFORE TAXES</b>		-	-
<b>(XVIII-XIX)</b>		-	-
<b>XXI. TAX PROVISION FOR DISCONTINUED OPERATIONS(±)</b>		-	-
21.1 Provision for current income taxes		-	-
21.2 Provision for deferred taxes		-	-
<b>XXII. NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XX±XXI)</b>		-	-
<b>XXIII. NET PROFIT/LOSS (XVII+XXII)</b>	(11)	<b>258.620</b>	<b>227.755</b>
23.1 Group's profit / loss		260.763	222.669
23.2 Minority shares		(2.143)	5.086
Earnings / (losses) per share		0,3233	0,2847

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

**TÜRKİYE SINAI KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF COMPERHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

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

	Audited Current Period 1 January 2011 – 31 December 2011	Audited Prior Period 1 January 2010 – 31 December 2010
<b>PROFIT AND LOSS ITEMS ACCOUNTED FOR UNDER SHAREHOLDER'S EQUITY</b>		
<b>I. ADDITIONS TO MARKETABLE SECURITIES REVALUATION DIFFERENCES FOR AVAILABLE FOR SALE FINANCIAL ASSETS</b>	<b>59.347</b>	<b>18.280</b>
<b>II. TANGIBLE ASSETS REVALUATION DIFFERENCES</b>	-	-
<b>III. INTANGIBLE ASSETS REVALUATION DIFFERENCES</b>	-	-
<b>IV. TRANSLATION DIFFERENCES FOR TRANSACTIONS IN FOREIGN CURRENCIES</b>	-	-
<b>V. GAIN/LOSS ON DERIVATIVE FINANCIAL ASSETS HELD FOR CASH FLOW HEDGES</b>		
(effective portion of fair value differences)	-	-
<b>VI. GAIN/LOSS ON DERIVATIVE FINANCIAL ASSETS HELD FOR HEDGES OF NET INVESTMENT IN FOREIGN OPERATIONS</b>		
(effective portion)	-	-
<b>VII. EFFECTS OF CHANGES IN ACCOUNTING POLICIES AND CORRECTIONS OF ERRORS</b>	-	-
<b>VIII. OTHER PROFIT/LOSS ITEMS ACCOUNTED FOR UNDER SHAREHOLDERS' EQUITY AS PER TAS</b>	<b>(3.059)</b>	<b>1.451</b>
<b>IX. DEFERRED TAX OF VALUATION DIFFERENCES</b>	<b>10.547</b>	<b>(3.315)</b>
<b>X. NET PROFIT/LOSS ACCOUNTED FOR DIRECTLY UNDER SHAREHOLDERS' EQUITY (I+II+...+IX)</b>	<b>(51.859)</b>	<b>16.416</b>
<b>XI. CURRENT YEAR PROFIT/LOSS</b>	<b>258.620</b>	<b>227.755</b>
11.1 Net changes in fair value of securities (Recycled to Profit/Loss)	(1.770)	373
11.2 Reclassification of and recycling derivatives accounted for cash flow hedge purposes to Income Statement	-	-
11.3 Recycling hedge of net investments in foreign operations to Income Statement	-	-
11.4 Other	260.390	227.382
<b>XII. TOTAL PROFIT/LOSS ACCOUNTED FOR THE CURRENT PERIOD (X±XI)</b>	<b>206.761</b>	<b>244.171</b>

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



**TÜRKİYE SINAI KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**  
(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

	Note Ref.	Paid in Capital	Effect of Inflation on Paid in Capital	Share Premiums	Share Certificate Cancellation Profits	Legal Reserves	Statutory Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Income / (Loss)	Prior Period Net Income / (Loss)	Marketable Securities Value Increase Fund	Tangible and Intangible Assets Revaluation Differences	Bonus Shares Obtained from Associates, Subs and Jointly Controlled Entities	Hedging Funds	Acc. Val. Diff. from Assets Held for sale and from Disc. Operations	Total Equity Attributable to Parent	Minority Shares	Total Shareholders' Equity
<b>CHANGES IN SHAREHOLDER'S EQUITY</b>																			
<b>I. Prior Period – 31 December 2010</b>		<b>600.000</b>	<b>374</b>	<b>22</b>	<b>-</b>	<b>57.395</b>	<b>28.184</b>	<b>107.238</b>	<b>2.920</b>	<b>-</b>	<b>236.540</b>	<b>52.603</b>	<b>28.378</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1.113.654</b>	<b>26.955</b>	<b>1.140.609</b>
<b>Opening Balance</b>																			
<b>Changes during the period</b>																			
<b>IV. Increase / Decrease related to merger</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>V. Marketable securities value increase fund</b>		-	-	-	-	-	-	-	-	-	-	<b>16.416</b>	-	-	-	-	<b>16.416</b>	-	<b>16.416</b>
<b>VI. Hedging (Effective portion)</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6.1 Cash-flow hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6.2 Hedge of net investment in foreign operations		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>VII. Tangible assets revaluation differences</b>		-	-	-	-	-	-	-	-	-	<b>(2.796)</b>	-	<b>2.796</b>	-	-	-	-	-	-
<b>VIII. Intangible assets revaluation differences</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>IX. Bonus shares obtained from associates, subsidiaries and jointly controlled entities (Joint Vent.)</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>X. Foreign exchange differences</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XI. Disposal of assets</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XII. Reclassification of assets</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XIII. Effect of change in equities of associates on bank's equity</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XIV. Capital increase</b>		<b>100.000</b>	-	-	-	-	-	<b>(15.000)</b>	-	-	<b>(85.000)</b>	-	-	-	-	-	-	-	-
14.1 Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14.2 Internal sources		<b>100.000</b>	-	-	-	-	-	<b>(15.000)</b>	-	-	<b>(85.000)</b>	-	-	-	-	-	-	-	-
<b>XV. Share issuance</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XVI. Share cancellation profits</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XVII. Effect of inflation on paid-in capital</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XVIII. Other</b>		-	-	<b>391</b>	-	<b>24</b>	-	<b>(1.662)</b>	-	-	<b>(18.735)</b>	-	-	-	-	-	<b>(19.982)</b>	<b>69.133</b>	<b>49.151</b>
<b>XIX. Period net income</b>		-	-	-	-	-	-	-	-	<b>222.669</b>	-	-	-	-	-	-	<b>222.669</b>	<b>5.086</b>	<b>227.755</b>
<b>XX. Profit distribution</b>		-	-	-	-	<b>18.139</b>	<b>8.745</b>	<b>27.863</b>	-	-	<b>(88.899)</b>	-	-	-	-	-	<b>(34.152)</b>	<b>(1.258)</b>	<b>(35.410)</b>
20.1 Dividends distributed		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	<b>(34.152)</b>	<b>(1.258)</b>	<b>(35.410)</b>
20.2 Transfers to reserves		-	-	-	-	<b>18.139</b>	<b>8.745</b>	<b>27.863</b>	-	-	<b>(54.747)</b>	-	-	-	-	-	-	-	-
20.3 Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Closing Balance</b>		<b>700.000</b>	<b>374</b>	<b>413</b>	<b>-</b>	<b>75.558</b>	<b>36.929</b>	<b>118.439</b>	<b>2.920</b>	<b>222.669</b>	<b>41.110</b>	<b>69.019</b>	<b>31.174</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1.298.605</b>	<b>99.916</b>	<b>1.398.521</b>
<b>Current Period – 31 December 2011</b>		<b>700.000</b>	<b>374</b>	<b>413</b>	<b>-</b>	<b>75.558</b>	<b>36.929</b>	<b>118.439</b>	<b>2.920</b>	<b>-</b>	<b>263.779</b>	<b>69.019</b>	<b>31.174</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1.298.605</b>	<b>99.916</b>	<b>1.398.521</b>
<b>I. Opening Balance</b>																			
<b>II. Increase / Decrease related to merger</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>III. Marketable securities value increase fund</b>		-	-	-	-	-	-	-	-	-	-	<b>(51.859)</b>	-	-	-	-	<b>(51.859)</b>	-	<b>(51.859)</b>
<b>IV. Hedging (Effective portion)</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.1 Cash-flow hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.2 Hedge of net investment in foreign operations		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>V. Tangible assets revaluation differences</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>VI. Intangible assets revaluation differences</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>VII. Bonus shares obtained from associates, subsidiaries and jointly controlled entities (Joint Vent.)</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>VIII. Foreign exchange differences</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>IX. Disposal of assets</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>X. Reclassification of assets</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XI. Effect of change in equities of associates on bank's equity</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XII. Capital increase</b>	(1)	<b>100.000</b>	-	-	-	-	-	-	-	-	<b>(100.000)</b>	-	-	-	-	-	-	-	-
12.1 Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2 Internal sources		<b>100.000</b>	-	-	-	-	-	-	-	-	<b>(100.000)</b>	-	-	-	-	-	-	-	-
<b>XIII. Share issuance</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XIV. Share cancellation profits</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XV. Effect of inflation on paid-in capital</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XVI. Other</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XVII. Period net income</b>		-	-	-	-	-	-	-	-	<b>260.763</b>	-	-	-	-	-	-	<b>260.763</b>	<b>(2.143)</b>	<b>258.620</b>
<b>XVIII. Profit distribution</b>		-	-	-	-	<b>22.417</b>	<b>10.581</b>	<b>33.728</b>	-	-	<b>(113.925)</b>	-	-	-	-	-	<b>(47.199)</b>	<b>(982)</b>	<b>(48.181)</b>
18.1 Dividends distributed		-	-	-	-	-	-	-	-	-	<b>(47.199)</b>	-	-	-	-	-	<b>(47.199)</b>	<b>(982)</b>	<b>(48.181)</b>
18.2 Transfers to reserves		-	-	-	-	<b>22.417</b>	<b>10.581</b>	<b>33.728</b>	-	-	<b>(66.726)</b>	-	-	-	-	-	-	-	-
18.3 Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Closing Balance</b>		<b>800.000</b>	<b>374</b>	<b>413</b>	<b>-</b>	<b>97.975</b>	<b>47.510</b>	<b>152.167</b>	<b>2.920</b>	<b>260.763</b>	<b>49.854</b>	<b>17.160</b>	<b>31.174</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1.460.310</b>	<b>96.791</b>	<b>1.557.101</b>

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

**TÜRKİYE SINAI KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

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

		<b>Audited Current Period 31 December 2011</b>	<b>Audited Prior Period 31 December 2010</b>
<b>A. CASH FLOWS FROM BANKING OPERATIONS</b>			
<b>1.1 Operating profit before changes in operating assets and liabilities</b>		<b>410.008</b>	<b>202.301</b>
1.1.1 Interest received		563.090	484.363
1.1.2 Interest paid		(175.115)	(177.573)
1.1.3 Dividends received		4.487	1.976
1.1.4 Fees and commissions received		30.350	43.045
1.1.5 Other income	(1)	75.511	43.149
1.1.6 Collections from previously written off loans		6.990	522
1.1.7 Payments to personnel and service suppliers		(69.558)	(64.505)
1.1.8 Taxes paid		(50.461)	(50.579)
1.1.9 Others	(1)	24.714	(78.097)
<b>1.2 Changes in operating assets and liabilities</b>		<b>(189.544)</b>	<b>(242.232)</b>
1.2.1 Net (increase) decrease in financial assets		9.397	(35.688)
1.2.2 Net (increase) decrease in financial assets at fair value through profit or loss		-	-
1.2.3 Net (increase) decrease in due from banks and other financial institutions		-	-
1.2.4 Net (increase) decrease in loans		(1.840.478)	(907.976)
1.2.5 Net (increase) decrease in other assets	(1)	(53.518)	(69.026)
1.2.6 Net increase (decrease) in bank deposits		-	-
1.2.7 Net increase (decrease) in other deposits		-	-
1.2.8 Net increase (decrease) in funds borrowed		1.804.649	693.296
1.2.9 Net increase (decrease) in matured payables		-	-
1.2.10 Net increase (decrease) in other liabilities	(1)	(109.594)	77.162
<b>I. Net cash provided by/(used in) banking operations</b>		<b>220.464</b>	<b>(39.931)</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>II. Net cash provided by/(used in) investing activities</b>		<b>(21.876)</b>	<b>17.154</b>
2.1 Cash paid for purchase of entities under common control, associates and subsidiaries	(2)	(1.040)	(234)
2.2 Cash obtained from sale of entities under common control, associates and subsidiaries	(3)	392	7.598
2.3 Fixed asset purchases	(2)	(6.384)	(1.576)
2.4 Fixed asset sales	(3)	17.995	5.214
2.5 Cash paid for purchase of financial assets available for sale		(215.408)	17.332
2.6 Cash obtained from sale of financial assets available for sale		-	-
2.7 Cash paid for purchase of investment securities		-	(14.136)
2.8 Cash obtained from sale of investment securities (*)		182.973	3.146
2.9 Others		(404)	(190)
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>III. Net cash provided by/(used in) financing activities</b>		<b>(238.925)</b>	<b>215.504</b>
3.1 Cash obtained from funds borrowed and securities issued		-	198.315
3.2 Cash used for repayment of funds borrowed and securities issued		(190.744)	-
3.3 Capital increase		-	-
3.4 Dividends paid		(48.181)	(35.311)
3.5 Payments for finance leases		-	-
3.6 Other		-	52.500
<b>IV. Effect of change in foreign exchange rate on cash and cash equivalents</b>	(1)	<b>10.380</b>	<b>7.700</b>
<b>V. Net increase / (decrease) in cash and cash equivalents</b>		<b>(29.957)</b>	<b>200.427</b>
<b>VI. Cash and cash equivalents at beginning of the period</b>	(4)	<b>564.646</b>	<b>364.219</b>
<b>VII. Cash and cash equivalents at end of the period</b>	(4)	<b>534.689</b>	<b>564.646</b>

(\*) TL 177.795 of the amount mentioned above comprises redemption of held to maturity investments on 11 May 2011 and 3 August 2011.

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

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**  
**STATEMENT OF PROFIT DISTRIBUTION**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

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

	Audited Current Period 31 December 2011 (*)	Audited Prior Period 31 December 2010
<b>I. DISTRIBUTION OF CURRENT YEAR INCOME</b>		
1.1 CURRENT YEAR INCOME	317.715	268.466
1.2 TAXES AND DUTIES PAYABLE	(62.373)	(56.837)
1.2.1 Corporate Tax (Income tax)	(49.194)	(51.821)
1.2.2 Income withholding tax	-	-
1.2.3 Other taxes and duties	(13.179)	(5.016)
<b>A. NET INCOME FOR THE YEAR (1.1-1.2)</b>	<b>255.342</b>	<b>211.629</b>
1.3 PRIOR YEARS LOSSES (-)(*)	-	-
1.4 FIRST LEGAL RESERVES (-)	-	10.581
1.5 OTHER STATUTORY RESERVES (-)	-	10.581
<b>B. NET PROFIT AVAILABLE FOR DISTRIBUTION [(A-(1.3+1.4+1.5)]</b>	<b>255.342</b>	<b>190.467</b>
1.6 FIRST DIVIDEND TO SHAREHOLDERS (-)	-	42.000
1.6.1 To owners of ordinary shares	-	42.000
1.6.2 To owners of preferred shares	-	-
1.6.3 To owners of preferred shares (pre-emptive rights)	-	-
1.6.4 To profit sharing bonds	-	-
1.6.5 To holders of profit and loss sharing certificates	-	-
1.7 DIVIDENDS TO PERSONNEL (-)	-	4.457
1.8 DIVIDENDS TO BOARD OF DIRECTORS (-)	-	742
1.9 SECOND DIVIDEND TO SHAREHOLDERS (-)	-	100.000
1.9.1 To owners of ordinary shares	-	100.000
1.9.2 To owners of preferred shares	-	-
1.9.3 To owners of preferred shares (pre-emptive rights)	-	-
1.9.4 To profit sharing bonds	-	-
1.9.5 To holders of profit and loss sharing certificates	-	-
1.10 SECOND LEGAL RESERVES (-)	-	11.221
1.11 STATUTORY RESERVES (-)	-	-
1.12 GENERAL RESERVES	-	32.047
1.13 OTHER RESERVES	-	-
1.14 SPECIAL FUNDS	-	-
<b>II. DISTRIBUTION OF RESERVES</b>		
2.1 APPROPRIATED RESERVES	-	-
2.2 SECOND LEGAL RESERVES (-)	-	-
2.3 DIVIDENDS TO SHAREHOLDERS (-)	-	-
2.3.1 To owners of ordinary shares	-	-
2.3.2 To owners of preferred shares	-	-
2.3.3 To owners of preferred shares (pre-emptive rights)	-	-
2.3.4 To profit sharing bonds	-	-
2.3.5 To holders of profit and loss sharing certificates	-	-
2.4 DIVIDENDS TO PERSONNEL (-)	-	-
2.5 DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
<b>III. EARNINGS PER SHARE</b>		
3.1 TO OWNERS OF ORDINARY SHARES	255,342	211.629
3.2 TO OWNERS OF ORDINARY SHARES (%)	31,92	30,23
3.3 TO OWNERS OF PRIVILEGED SHARES	-	-
3.4 TO OWNERS OF PRIVILEGED SHARES (%)	-	-
<b>IV. DIVIDEND PER SHARE</b>		
4.1 TO OWNERS OF ORDINARY SHARES	-	142.000
4.2 TO OWNERS OF ORDINARY SHARES (%)	-	20,29
4.3 TO OWNERS OF PRIVILEGED SHARES	-	-
4.4 TO OWNERS OF PRIVILEGED SHARES ( % )	-	-

(\*) Since the Board of Directors has not yet prepared any proposal for profit distribution relating to the year 2011, profit distribution for the year 2011 was presented only.

The accompanying notes are an integral part of these consolidated financial statements

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

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

**SECTION THREE**

**ACCOUNTING POLICIES**

**I. Basis of presentation**

**I.a Presentation of consolidated financial statements and notes to the consolidated financial statements according to Turkish Accounting Standards and Banking Accounting Regulations and Safeguarding of Documents**

As prescribed in the Articles 37 and 38 of the Banking Act No. 5411, banks shall, in line with the principles and procedures to be established by the Banking Regulation and Supervision Agency ("BRSA") upon consulting the associations of financial institutions and the Turkish Accounting Standards Board taking into consideration international standards, ensure uniformity in their accounting systems; correctly record all their transactions; and timely and accurately prepare their financial reports in a style and format that will meet disclosure requirements, clearly reliable and comparable, and suitable for auditing, analysis and interpretation.

The Parent Bank prepares its financial statements and underlying documents in accordance with the "Regulation on the Procedures and Principles for Accounting Practices and Retention of Documents by Banks" and Turkish Accounting Standards, Turkish Financial Reporting Standards promulgated by Turkish Accounting Standards Board ("TASB") and other regulations, explanations and circulars on accounting and financial reporting principles announced by the BRSA.

Per decree No 660 published in the Official Gazette dated 2 November 2011 and became effective, additional article No:1 of the 2499 numbered Law on establishment of TASB has been abrogated and establishment of Public Oversight, Accounting and Auditing Standards Association ("the Board") has been decided by the Council of Ministers. In accordance with this additional temporary article no 1 of the decree, current regulations will prevail until related standards and regulations will be issued by the Board become effective.

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

**Additional paragraph for convenience translation to English**

The differences between accounting principles, as described in the preceding paragraphs, and the accounting principles generally accepted in countries, in which the accompanying financial statements are to be distributed, and International Financial Reporting Standards ("IFRS"), may have significant influence on the accompanying consolidated financial statements. Accordingly, the accompanying consolidated financial statements are not intended to present the consolidated financial position and consolidated results of operations in accordance with the accounting principles generally accepted in such countries and IFRS.

**I.b The valuation principles used in the preparation of the consolidated financial statements:**

The accounting rules and the valuation principles used in the preparation of the financial statements were implemented as stated in the Turkish Accounting Standards, Turkish Financials Reporting Standards and related regulations, explanations and circulars on accounting and financial reporting principles announced by the BRSA. These accounting policies and valuation principles are explained in the below notes through II to XXIV.

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

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

**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

**II. Explanations on usage strategy of financial assets and foreign currency transactions**

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

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

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

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

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

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

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

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

The hedging strategies for other foreign exchange risk exposures:

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

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

**TÜRKİYE SINAI KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

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

**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

**III. Information about the Parent Bank and its subsidiaries subject to consolidation**

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

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

When there are differences between the accounting policies of the subsidiaries and the Parent Bank, the financial statements are adjusted in accordance with the principle of materiality. The financial statements of the subsidiaries are prepared as of 31 December 2011.

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

**TSKB Yatırım Ortaklığı A.Ş.:**

The Company was established under the title of Sınai Yatırım Bankası Yatırım Ortaklığı A.Ş. on 10 November 2000. The Company’s title, Sınai Yatırım Bankası Yatırım Ortaklığı A.Ş., was changed into TSKB Yatırım Ortaklığı A.Ş. on 17 April 2003 since its parent Sınai Yatırım Bankası A.Ş. ceased to operate and merged with Türkiye Sınai Kalkınma Bankası A.Ş. The title change was published in the Turkish Trade Registry Gazette No: 5784 on 24 April 2003. The Company’s headquarters is in Istanbul.

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.

TSKB Yatırım Ortaklığı A.Ş. and Yatırım Finansman Yatırım Ortaklığı A.Ş. merged under TSKB Yatırım Ortaklığı A.Ş. on 25 June 2009 according to prior approval of the Capital Market Board on 13 May 2009 and resolution of the Extraordinary General Assembly, by ceasing all rights, receivables, liabilities and legal jurisdiction of Yatırım Finansman Yatırım Ortaklığı A.Ş.

In the Board of Directors meeting of the subsidiary of the Parent Bank, TSKB Yatırım Ortaklığı Anonim Şirketi, held on 14 December 2011 numbered 230, it was decided to merge with İş Yatırım Ortaklığı Anonim Şirketi registered on Istanbul Trade Register Office with registration numbered 367835, within the Turkish Commercial Code 451 and 19 and 20<sup>th</sup> clauses of Corporate Tax Law numbered 5520. Management of TSKB Yatırım Ortaklığı A.Ş. is authorized for all the required issues.



**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

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

**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

**III. Information about the Parent Bank and its subsidiaries subject to consolidation (Continued)**

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

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

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

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

**İş Finansal Kiralama A.Ş.:**

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

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

İş Factoring Finansman Hizmetleri A.Ş., was incorporated in Turkey on 4 July 1993 and started its operations in October 1993. The Company's main operation is domestic and export factoring transactions. The Company is a Türkiye İş Bankası A.Ş. Group entity and the parent is İş Finansal Kiralama A.Ş. with 78,23% shareholding. The direct share of Türkiye Sınai Kalkınma Bankası A.Ş. 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 companies existing 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, Istanbul.

**IV. Explanations on forward and option contracts and derivative instruments**

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

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

The derivative instruments are accounted for at their fair values as of the date of the agreements entered into and subsequently valued at fair value. Some of the derivative instruments, although economic hedges, are accounted for as trading transactions since they are not qualified to be hedging instruments as per "Financial Instruments: Recognition and Measurement" ("TAS 39"). Realized gains or losses are reflected in the income statement on these derivative instruments.

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

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

**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

**IV. Explanations on forward and option contracts and derivative instruments (continued)**

According to Capital Markets Board legislation, Intermediary Institution warrants are capital market instruments that give the holder the right, but not the obligation, to buy or to sell an underlying asset at a specified price on or before a predetermined date where such right is exercised by registered deliver or cash settlement and these warrants are called securitized derivative transactions. In this context, the Bank that issued warrants on foreign currencies, has accounted the costs of issued warrant on liabilities. Warrants are valued on a daily basis over the market value created by the market maker and valuation differences are recorded in the income statement. On withdrawal of the issued warrants, the balance is netted-off with the cost on the liabilities and gain/losses are associated with the income statement. On the other hand, issued warrant is recorded on the statement of off-balance sheet with its nominal value.

**V. Explanations on interest income and expenses**

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

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

**VI. Explanations on fees and commission income and expenses**

Fees and commissions received from cash loans, that are not an integral part of the effective interest rate, and fees for various banking services are recorded as income when collected. Fees and commissions paid for the funds borrowed, which are not integral parts of the effective interest rate of the funds borrowed, are recorded as expense on the date of the payment. All other income and expenses, fee and commission income and expenses, including commissions received from non-cash loans are recorded on an accrual basis.

**VII. Explanations on financial assets**

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

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

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

**TÜRKİYE SINAI KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

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

**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

**VII. Explanations on financial assets (continued)**

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place. Changes in fair value of assets to be received during the period between the trade date and the settlement date are accounted for in the same way as the acquired assets.

Fair value differences are not accounted for assets presented at cost or amortized cost; gain or loss of financial assets at fair value through profit and loss are reflected in the income statement, gain or loss of available for sale assets are accounted for under the shareholders' equity.

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

*Cash, Banks and Other Financial Institutions:*

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

*Marketable Securities:*

The Group classifies its marketable securities in three groups:

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

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

Any gains or losses resulting from such valuation are recorded in the profit and loss accounts. As per the explanations of the Uniform Code of Accounts (UCA), any positive difference between the historical cost and amortized cost of financial assets are booked under the "Interest Income" account, and in case the fair value of the asset is over the amortized cost, the positive difference is booked under the "Gains on Securities Trading" account. If the fair value is under the amortized cost, the negative difference is booked under the "Losses on Securities Trading" account. Any profit or loss resulting from the disposal of those assets before their maturity date is recognized within the framework of the same principles.

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

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

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

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

**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

**VII. Explanations on financial assets (continued)**

Available for sale financial assets are initially recognized at cost including the transaction costs. The interest income related to securities with fixed and variable interest under available for sale financial assets are recorded in interest income. After the initial recognition, available for sale securities are measured at fair value and the unrealized gain/loss originating from the difference between the amortized cost and the fair value is recorded in “Marketable Securities Value Increase Fund” under the equity. All unquoted available for sale stocks are recorded by considering impairment, since respective fair values cannot be reliably measured. At the disposal of available for sale financial assets, value increases/decreases that are recorded in the securities value increase fund under equity are transferred to income statement.

*Loans:*

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

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

Turkish Lira (“TL”) cash loans are composed of foreign currency indexed loans, loans for marketable securities purchased by customers, and working capital loans; foreign currency (“FC”) cash loans are composed of investment loans, export financing loans and working capital loans.

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

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

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

**VIII. Explanations on impairment on financial assets**

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

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

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

**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

**VIII. Explanations on impairment on financial assets (continued)**

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

Loans are classified and followed in line with the provisions of the “Regulation on Identification of Loans and Other Receivables and Provisioning against Them”, published on the Official Gazette No: 26333 dated 1 November 2006. Specific provision is allocated for the total amount of loans and other receivables, which is deemed non-performing, without being restricted by the minimum legal requirements stated in the related regulation, and such specific provisions are recognized in the income statement. The provisions, which are released within the same year, are credited to the “Provision Expenses” account and the released parts of the provisions from the previous years are transferred to and recognized in the “Other Operating Income” account.

Other than specific provision, the Parent Bank provides “general provision” for loans and other receivables classified in accordance with the Regulation on Identification of and Provision against Non-Performing Loans and Other Receivables. The Parent Bank was providing 0,5% general provision for cash loans and other receivables; 0,1% general provision for non-cash loans until 1 November 2006. With the changes in the regulation on “Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves” published in the Official Gazette No: 26333 dated 1 November 2006, the Parent Bank started to provide general provision as follows: after 31 October 2006, if standard cash loans and other receivables increased; for the increased part, the provision is 1%; for the account of 31 October 2006 it is 0,5%; after 31 October 2006, if there is an increase in non-cash loans, for the increased part it is 0,2%; and for the account of 31 October 2006 it is 0,1%.

Subsequent to the change in the regulation on “Change in the Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves” published in the Official Gazette No. 27947 dated 28 May 2011; in case of the extension of the payment plan of the loans which are followed under loans and receivables, the general loan loss provision ratio for standard and for the first group loans and receivables should not be less than 5% and for the second group loans and receivables should not be less than 2,5%.

As a consequence of the regulation published in Official Gazette No. 27968 dated 18 June 2011 amending the “Change in the Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves”, for the banks, of which the consumer loans exceed 20% of total loans, general loan loss provision ratio is 4% for consumer loans which are followed under standard loans and receivables except car and housing loans; and is 8% for the loans under close monitoring except car and housing loans. Since the consumer loans of the Parent Bank are composed of personnel loans as of 31 December 2011 and do not exceed the ratios mentioned above, additional general loan loss provision has not been calculated.

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

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

**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

**IX. Explanations on offsetting of financial assets and liabilities**

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

**X. Explanations on sales and repurchase agreements and lending of securities**

Funds provided under repurchase agreements are accounted under “Funds Provided under Repurchase Agreements-TL” and “Funds Provided under Repurchase Agreements-FC” accounts.

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

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

**XI. Explanations on assets held for sale and discontinued operations**

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

If such delay arises from any events and conditions beyond the control of the entity and if there is sufficient evidence that the entity has an ongoing disposal plan for these assets, such assets (or else group of assets) are continued to be classified as assets held for sale (or else group of assets).

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



**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

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

**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

**XII. Explanations on goodwill and other intangible assets**

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

Intangible assets that are acquired prior to 1 January 2005 are carried at restated historical cost as of 31 December 2004; and those acquired subsequently are carried at cost less accumulated amortization, and any impairment. Intangible assets are depreciated over their expected useful lives. Depreciation method and period are reviewed periodically at the end of each year. Intangible assets are mainly composed of rights and they are depreciated principally on a straight-line basis between 1-15 years.

**XIII. Explanations on tangible assets**

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

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

Normal maintenance and repair expenditures are expensed.

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

**TÜRKİYE SINAI KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

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

**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

**XIII. Explanations on tangible assets (continued)**

Tangible assets are depreciated with straight-line method and their useful lives are determined in accordance with the Turkish Accounting Standards

Depreciation rates and estimated useful lives of tangible assets are as follows:

<b>Tangible Assets</b>	<b>Expected Useful Lives (Years)</b>	<b>Depreciation Rate (%)</b>
Buildings	50	2
Cashboxes	4-50	2-25
Vehicles	5	20
Other Tangible Assets	1-50	2-100

**XIV. Explanations on investment properties**

**i) Operating investment property**

Operating investment properties are those which are held either to earn rental income or for capital appreciation or for both. Investment properties are recognized when it is probable that the future economic benefits that are associated with them will flow to the Group and the cost of them can be measured reliably. Fair value model was chosen in the measurement of the investment properties. Gains and losses arising from changes in the fair values of investment properties are recognized in profit or loss for the period in which it arises.

**ii) Investment property under construction**

Investment properties under construction are those which are held either to earn rental income or for capital appreciation or for both, in the future. When the fair values of such properties cannot be determined reliably until the construction is completed, the Group accounts for such investment property under construction using the cost model until the date the construction is completed. All costs directly associated with the purchase and construction of an investment property, and all subsequent capital expenditures for the development qualifying as acquisition costs are capitalized. Borrowing costs are capitalized if they are directly attributable to the investment property under construction. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Capitalization of borrowing costs may continue until the assets are substantially ready for their intended use.

**XV. Explanations on leasing transactions**

*The Group as Lessor*

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

**TÜRKİYE SINAI KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

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

**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

**XV. Explanations on leasing transactions (continued)**

*The Group as Lessee*

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

**XVI. Explanations on provisions and contingent liabilities**

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

Contingent assets consist of unplanned or other unexpected events that usually cause a possible inflow of economic benefits to the Bank. Since showing the contingent assets in the financial statements may result in the accounting of an income, which will never be generated, the related assets are not included in the financial statements, but on the other hand, if the inflow of the economic benefits of these assets to the Bank is probable, an explanation is made thereon in the footnotes of the financial statements. Nevertheless, the developments related to the contingent assets are constantly evaluated and in case the inflow of the economic benefit to the Bank is almost certain, the related asset and the respective income are shown in the financial statements of the period in which the change occurred.

**XVII. Explanations on liabilities regarding employee benefits**

Under Turkish law and union agreements, lump sum payments are made to employees retiring or involuntarily leaving the Group. In retirement and involuntarily leaving, the Group records the present value of the defined benefit obligation. There is no indemnity obligations related to the employees who are employed with contract of limited duration exceeding 12 month period. Employees of the Parent Bank are members of "Türkiye Sınai Kalkınma Bankası Anonim Şirketi Memur ve Müstahdemleri Yardım ve Emekli Vakfı" and "Türkiye Sınai Kalkınma Bankası A.Ş. Mensupları Munzam Sosyal Güvenlik ve Yardımlaşma Vakfı" ("the Pension Fund"). Technical financial statements of those funds are subject to audit in accordance with the Insurance Law and provisions of "Regulations on Actuaries" issued based on the related law by an actuary registered in the Actuarial Registry.

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

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

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

**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

**XVII. Explanations on liabilities regarding employee benefits (continued)**

Nonetheless, the related Article of the Banking Law was annulled by the Constitutional Court's decision No: E. 2005/39 and K. 2007/33 dated 31 March 2007 that were published in the Official Gazette No: 26479 on 31 March 2007 as of the release of the related decision, and the execution of this article was cancelled as of its publication of the decision and the underlying reasoning for the cancellation of the related article was published in the Official Gazette No: 26731 on 15 December 2007.

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

According to the provisional Article 20 of 73th article of Law No. 5754 dated 17 April 2008, has become effective on 8 May 2008 and was published in the Official Gazette No: 26870, transfer of Pension Funds to Social Security Institution in three years has been anticipated. Related resolution of the Council of Ministers related to two-year extension was published in the Official Gazette dated 9 April 2011. Accordingly, the three-year period, expired on 8 May 2011, has been extended to 8 May 2013 by the resolution of the Council of Ministers. The principles and practices will be determined in the forthcoming Council of Ministers Decree.

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, SDIF, 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 1 January 2008.

The Main Opposition Party has appealed to the Constitutional Court on 19 June 2008 for cancellation of some articles, including the first paragraph of 20. Temporary article of the Law, and requested them to be ineffective until the case of revocatory action is finalized. The application of the Main Opposition Party was rejected by the Higher Court with the resolution dated 30 March 2011.

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 31 December 2011 has been calculated by an independent actuary in accordance with the actuarial assumptions in the Law and as per actuarial report dated February 2012, the liabilities, subject to the transfer to the Social Security Institution, are financed by the assets of the Pension Fund.

In addition, the Parent 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 cause any extra burden on the Parent Bank.

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

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

**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

**XVIII. Explanations on taxation**

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

The current tax liability is calculated over 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 and it further excludes items that are never taxable or deductible. Liability for current tax is calculated using tax rates that have been enacted by the reporting date.

Deferred tax asset or liability 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 accounting for using the balance sheet liability method.

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

The carrying amount of deferred tax assets is reviewed at each reporting date. Deferred tax is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized and reflected in the income statement as expense or income. Moreover, if the deferred tax is related with items directly recorded under the equity in the same or different period, deferred tax is also associated directly with equity. Deferred tax assets and liabilities are also offset.

According to the second paragraph of the Article 53 of the Banking Act No 5411 dated 19 October 2005, all specific reserves for loans and other receivables are considered as deductible expense for determining corporate tax base.

Banks in Bahrain are not subject to tax according to the regulations of that country.

***Transfer pricing***

Transfer pricing is regulated through article 13 of Corporate Tax Law titled “Transfer Pricing through camouflage of earnings”. Detailed information for the practice regarding the subject is found in the “General Communiqué Regarding Camouflage of Earnings Through Transfer Pricing”. According to the aforementioned regulations, in the case of making purchase or sales of goods or services with relevant persons/corporations at a price that is determined against “arm’s length principle”, the gain is considered to be distributed implicitly through transfer pricing and such distribution of gains is not subject to deductions in means of corporate tax.

**XIX. Additional explanations on borrowings**

Borrowings are recognized at initial cost on transaction date and carried at amortized cost using effective interest method. In the accompanying financial statements, foreign currency debt instruments are valued using foreign exchange rates of the Bank as of the period end and interest expense amounts of related period arising from borrowings are reflected in the financial statements.

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

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

**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

**XIX. Additional explanations on borrowings (continued)**

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

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

**XX. Explanations on share certificates issued**

In the current period, the Parent Bank's share capital has increased by TL 100.000. In the meeting of the General Assembly held on 25 March 2011; it has been resolved that, paid-in capital of the Parent Bank will be increased from TL 700.000 to TL 800.000 by TL 100.000. In respect of the resolution of the General Assembly, TL 100.000 of this increase will be incorporated from the profit of the year 2010. The increase in paid-in capital was approved by the BRSA on 15 April 2011. It has not been published in the Turkish Trade Registry Gazette as of the report date. and has been published in the Turkish Trade Registry Gazette No: 7824 on 27 May 2011.

In the prior period, the Parent Bank's share capital has increased by TL 100.000. In the meeting of the General Assembly held on 25 March 2010, it has been resolved that, paid-in capital of the Parent Bank will be increased from TL 600.000 to TL 700.000 by TL 100.000. In respect of the resolution of the General Assembly, TL 85.000 of this increase will be incorporated from the profit of the year 2009 and TL 15.000 from extraordinary reserves. The increase in paid-in capital was approved by the BRSA on 27 April 2010 and has been published in the Turkish Trade Registry Gazette No: 7576 on 2 June 2010.

**XXI. Explanations on acceptances**

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

**XXII. Explanations on government incentives**

The Parent Bank does not use government incentives.

**XXIII. Explanations on segment reporting**

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

Corporate Marketing Management operations are included in the corporate banking. The corporate banking is serving financial solutions and banking services for its large-scale corporate customers. Among the services given to corporate customers are; TL and foreign exchange operating loans, investment credits, project financing, letters of credit and letters of guarantees.

The activities of investment banking are; the operations of Treasury, Corporate Finance, Research, Financial Institutions and Marketable Securities and Portfolio Management departments. Under the investment banking activities, portfolio management for corporate and individual customers, marketable securities intermediary activities, cash flow management and all types of corporate finance services is provided.

Information about consolidated associates and subsidiaries for segment reporting is shown as "Other".



**TÜRKİYE SINAI KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

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

**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

**XXIII. Explanations on segment reporting (continued)**

The segmental allocation of the Group's net profit, total assets and total liabilities are shown below.

<b>Current Period</b>	<b>Corporate Banking</b>	<b>Investment Banking</b>	<b>Other</b>	<b>Total</b>
Net Interest Income	212.926	151.398	(4.202)	360.122
Net Fees and Commission Income	5.029	4.128	19.095	28.252
Other Income	14.389	48	64.583	79.020
Other Expense	(57.232)	(26.924)	(61.349)	(145.505)
Profit Before Tax	175.112	128.650	18.127	321.889
Tax Provision				(63.269)
<b>Net Profit</b>				<b>258.620</b>
Group's profit / loss				260.763
Non-controlling interest				(2.143)
<b>Current Period</b>				
Segment Assets	6.295.356	3.249.863	396.000	9.941.219
Investment in Associates and Subsidiaries	-	-	192.415	192.415
<b>Total Assets</b>	<b>6.295.356</b>	<b>3.249.863</b>	<b>588.415</b>	<b>10.133.634</b>
Segment Liabilities	6.490.125	1.807.516	278.892	8.576.533
Shareholder's Equity	-	-	1.557.101	1.557.101
<b>Total Liabilities</b>	<b>6.490.125</b>	<b>1.807.516</b>	<b>1.835.993</b>	<b>10.133.634</b>

<b>Prior Period</b>	<b>Corporate Banking</b>	<b>Investment Banking</b>	<b>Other</b>	<b>Total</b>
Net Interest Income	150.398	153.933	-	304.331
Net Fees and Commission Income	5.533	28.983	1.032	35.548
Other Income	20.090	23.701	27.694	71.485
Other Expense	(42.879)	(60.860)	(20.506)	(124.245)
Profit Before Tax	133.142	145.757	8.220	287.119
Tax Provision				(59.364)
<b>Net Profit</b>				<b>227.755</b>
Group's profit / loss				222.669
Non-controlling interest				5.086
<b>Prior Period</b>	<b>Corporate Banking</b>	<b>Investment Banking</b>	<b>Other</b>	<b>Total</b>
Segment Assets	4.697.038	3.187.296	303.330	8.187.664
Investment in Associates and Subsidiaries	-	-	174.896	174.896
<b>Total Assets</b>	<b>4.697.038</b>	<b>3.187.296</b>	<b>478.226</b>	<b>8.362.560</b>
Segment Liabilities	4.740.387	2.028.779	194.873	6.964.039
Shareholder's Equity	-	-	1.398.521	1.398.521
<b>Total Liabilities</b>	<b>4.740.387</b>	<b>2.028.779</b>	<b>1.593.394</b>	<b>8.362.560</b>

**XXIV. Explanations on other matters**

None.

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

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

**SECTION FOUR**

**INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE**

**I. Explanations related to the consolidated capital adequacy standard ratio**

The capital adequacy ratio is 18,17 % as of 31 December 2011 (31 December 2010: 21,62 %). Related to the calculation of the capital adequacy ratio, the risk weighted assets, the obligations, non-cash loans are classified according to the collateral groups and evaluated within the particular risk group.

**Information related to the capital adequacy ratio:**

Amounts Subject to Credit Risk	Risk Weight (*)						
	Parent Bank						
	0%	10%	20%	50%	100%	150%	200%
<b>Balance Sheet items (Net)</b>	<b>262.273</b>	-	<b>532.434</b>	<b>1.314.118</b>	<b>4.921.253</b>	<b>8</b>	<b>9</b>
Cash	280	-	-	-	-	-	-
Matured Marketable Securities	-	-	-	-	-	-	-
Due From Central Bank of Turkey	7.853	-	-	-	-	-	-
Due From Domestic Banks, Foreign Banks, Branches and Head Office Abroad	-	-	59.553	-	-	-	-
Interbank Money Market Placements	-	-	-	-	-	-	-
Receivables from Reverse Repo Transactions	-	-	-	-	-	-	-
Reserve Deposits	112.909	-	-	-	-	-	-
Loans	-	-	423.756	1.199.369	4.390.187	8	9
Non-performing Loans (Net)	-	-	-	-	-	-	-
Financial Lease Receivables	-	-	5.609	5.779	17.012	-	-
Available-for-Sale Financial Assets	-	-	-	-	-	-	-
Held to Maturity Investments	95.787	-	-	-	-	-	-
Receivables from Instalment Sales of Assets	-	-	-	-	-	-	-
Miscellaneous Payables	-	-	34.441	-	3.282	-	-
Interest and Income Accruals	31.168	-	9.075	108.970	236.974	-	-
Subsidiaries, Associates and Entities Under Common Control (Joint Vent.) (Net)	-	-	-	-	248.367	-	-
Tangible Assets	-	-	-	-	8.387	-	-
Other Assets	14.276	-	-	-	17.044	-	-
<b>Off-Balance Sheet Items</b>	<b>21.853</b>	-	<b>250.530</b>	<b>62.844</b>	<b>1.018.391</b>	-	-
Guarantees and Commitments	21.853	-	201.387	62.844	995.532	-	-
Derivative Financial Instruments	-	-	49.143	-	22.859	-	-
<b>Non Risk Weighted Accounts</b>	-	-	-	-	-	-	-
<b>Total Risk Weighted Assets</b>	<b>284.126</b>	-	<b>782.964</b>	<b>1.376.962</b>	<b>5.939.644</b>	<b>8</b>	<b>9</b>

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

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

**SECTION FOUR (Continued)**

**INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (Continued)**

**I. Explanations related to the consolidated capital adequacy standard ratio (continued)**

Amounts Subject to Credit Risk	Risk Weight (*)						
	Consolidated						
	0%	10%	20%	50%	100%	150%	200%
<b>Balance Sheet items (Net)</b>	<b>388.237</b>	<b>-</b>	<b>898.422</b>	<b>1.199.157</b>	<b>4.987.350</b>	<b>8</b>	<b>9</b>
Cash	347	-	-	-	-	-	-
Matured Marketable Securities	-	-	-	-	-	-	-
Due From Central Bank of Turkey	7.853	-	-	-	-	-	-
Due From Domestic Banks, Foreign Banks, Branches and Head Office Abroad	-	-	424.272	-	-	-	-
Interbank Money Market Placements	102.437	-	-	-	-	-	-
Receivables from Reverse Repo Transactions	6.925	-	-	-	-	-	-
Reserve Deposits	112.909	-	-	-	-	-	-
Loans	-	-	423.756	1.110.339	4.405.055	8	9
Non-performing Loans (Net)	-	-	-	-	-	-	-
Financial Lease Receivables	-	-	5.609	5.779	17.012	-	-
Available-for-Sale Financial Assets	-	-	-	-	-	-	-
Held to Maturity Investments	95.787	-	-	-	-	-	-
Receivables from Instalment Sales of Assets	-	-	-	-	-	-	-
Miscellaneous Payables	-	-	34.758	-	58.772	-	-
Interest and Income Accruals	31.171	-	10.027	83.039	236.974	-	-
Subsidiaries, Associates and Entities Under Common Control (Joint Vent.) (Net)	-	-	-	-	1.943	-	-
Tangible Assets	-	-	-	-	250.128	-	-
Other Assets	30.808	-	-	-	17.466	-	-
<b>Off-Balance Sheet Items</b>	<b>21.853</b>	<b>-</b>	<b>675.721</b>	<b>62.844</b>	<b>1.023.588</b>	<b>-</b>	<b>-</b>
Guarantees and Commitments	21.853	-	619.992	62.844	1.001.125	-	-
Derivative Financial Instruments	-	-	55.729	-	22.463	-	-
<b>Non Risk Weighted Accounts</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Risk Weighted Assets</b>	<b>410.090</b>	<b>-</b>	<b>1.574.143</b>	<b>1.262.001</b>	<b>6.010.938</b>	<b>8</b>	<b>9</b>

(\*)The Group has no 10% risk weighted assets and liabilities.

**Summary information related to the capital adequacy ratio:**

	Parent Bank	Consolidated	Parent Bank	Consolidated
	Current Period	Current Period	Prior Period	Prior Period
Total Risk Weighted Assets (TRWA)	6.784.748	6.956.797	4.836.490	4.889.346
Amount Subject to Market Risk (ASMR)	541.813	642.238	551.125	652.375
Amount Subject to Operational Risk (ASOR)	533.236	590.624	411.926	436.557
Shareholders' Equity	1.499.272	1.488.311	1.318.425	1.292.292
<b>Shareholders' Equity / (TRWA + ASMR + ASOR)</b>	<b>19,08</b>	<b>18,17</b>	<b>22,73</b>	<b>21,62</b>

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

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

**SECTION FOUR (Continued)**

**INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (Continued)**

**I. Explanations related to the consolidated capital adequacy standard ratio (continued)**

**Information related to the components of shareholders' equity:**

	Parent Bank	Consolidated	Parent Bank	Consolidated
	Current Period	Current Period	Prior Period	Prior Period
<b>CORE CAPITAL</b>				
Paid-in capital	800.000	800.000	700.000	700.000
Nominal capital	800.000	800.000	700.000	700.000
Capital commitments (-)	-	-	-	-
Inflation adjustment to share capital	374	374	374	374
Share premium	-	413	-	413
Share cancellation profits	-	-	-	-
Legal reserves	95.361	97.975	73.559	75.558
First legal reserve (Turkish Commercial Code	47.510	49.750	36.928	38.583
Second legal reserve (Turkish Commercial	47.851	48.174	36.631	36.924
Other legal reserve per special legislation	-	51	-	51
Statutory reserves	47.510	47.510	36.929	36.929
Extraordinary reserves	143.295	155.087	111.248	121.359
Reserves allocated by the General Assembly	140.375	152.167	108.328	118.439
Retained earnings	2.920	2.920	2.920	2.920
Accumulated losses	-	-	-	-
Foreign currency share capital exchange	-	-	-	-
Inflation adjustment on legal reserves, statutory reserves and extraordinary reserves	-	-	-	-
Profit	255.342	310.617	211.629	263.779
Current period profit	255.342	260.763	211.629	222.669
Prior years' profits	-	49.854	-	41.110
Provisions for possible losses up to 25% of core	-	-	-	-
Gains on sale of associates and subsidiaries and properties to be added to capital	31.174	31.174	31.174	31.174
Primary subordinated loans up to 15% of the Core Capital	-	-	-	-
Minority shares	-	96.791	-	99.916
Losses that cannot be covered by reserves (-)	-	-	-	-
Net current period loss	-	-	-	-
Prior years' losses	-	-	-	-
Leasehold improvements (-)	(229)	(506)	(313)	(717)
Prepaid expenses (-) (*)	-	-	(5.779)	(5.875)
Intangible assets (-)	(452)	(865)	(414)	(854)
Deferred tax asset exceeding 10% of the Core Capital	-	-	-	-
Excess amount as per the Article 56, Clause 3 of the Banking Law	-	-	-	-
Goodwill (Net) (-)	-	(1.005)	-	(1.005)
<b>Total Core Capital</b>	<b>1.372.375</b>	<b>1.537.565</b>	<b>1.158.407</b>	<b>1.321.051</b>

(\*) According to the "Regulation on the Amendment of the Regulation Pertaining to the Equity Capital of Banks" published in the Official Gazette numbered 27870 dated 10 March 2011, prepaid expenses are excluded from shareholders' equity calculation and included in calculation of credit risk

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

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

**SECTION FOUR (Continued)**

**INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (Continued)**

**I. Explanations related to the consolidated capital adequacy standard ratio (continued)**

**Information related to the components of shareholders' equity (continued)**

	Current Period		Prior Period	
	Parent Bank	Consolidated	Parent Bank	Consolidated
<b>SUPPLEMENTARY CAPITAL</b>				
General Loan Loss Provisions	64.564	58.491	45.084	43.539
45% of the revaluation reserve for movable fixed assets	-	-	-	-
45% of the of revaluation reserve for properties	-	-	-	-
Bonus shares obtained from associates, subsidiaries and entities under common control	-	-	-	-
Primary subordinated loans excluded in the calculation of the Core	-	-	-	-
Secondary subordinated loans (**)	75.400	75.400	77.500	77.500
Marketable securities value increase fund (*)	(12.672)	7.722	44.691	31.059
Associates and subsidiaries	(17.070)	1.206	16.224	2.234
Available for sale securities	4.398	6.516	28.467	28.825
Indexation differences for capital reserves, profit reserves and retained earnings (Except indexation differences for legal reserves, statutory reserves and extraordinary reserves)	-	-	-	-
Total supplementary capital	127.292	141.613	167.275	152.098
<b>TIER III CAPITAL</b>				
<b>CAPITAL</b>	<b>1.499.667</b>	<b>1.679.178</b>	<b>1.325.682</b>	<b>1.473.149</b>
<b>DEDUCTIONS FROM THE CAPITAL</b>	<b>(395)</b>	<b>(190.867)</b>	<b>(7.257)</b>	<b>(180.857)</b>
Shareholdings in non-consolidated banks and financial institutions	-	-	-	-
Loans extended to banks, financial institutions (domestic and abroad) and qualified shareholders, like secondary subordinated loan and debt instruments purchased from these institutions issued, like primary and secondary subordinated loan	-	-	-	-
Banks and financial institutions to which are accounted for under equity method, but, are not consolidated	-	(190.472)	-	(173.600)
Loans extended being non-compliant with articles 50 and 51 of the law	-	-	-	-
The net book value of properties exceeding fifty percent of equity and properties held for sale and properties and commodity to be disposed, acquired in exchange of loans and receivables according to the Article 57 of the Banking Law and have not been disposed yet after 5 years after foreclosure	(395)	(395)	(7.257)	(7.257)
Other	-	-	-	-
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>1.499.272</b>	<b>1.488.311</b>	<b>1.318.425</b>	<b>1.292.292</b>

(\*) 45% of marketable securities value increase fund is included in computation if marketable securities value increase fund is positive, 100% is included if negative.

(\*\*) According to BRSA's "Regulation on Equity of Banks", 80 % amount of the Parent Bank's Subordinated Loan is included in the calculation of supplementary capital if the maturity of the subordinated loan is less than 5 years.

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

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

**SECTION FOUR (Continued)**

**INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (Continued)**

**II. Explanations related to consolidated credit risk**

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

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

The credit monitoring department screens the creditworthiness of loan customers once every six months regularly. The debtors' creditworthiness 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 Parent Bank takes enough collateral for the loans and other receivables extended. The collaterals obtained consist of personal surety ship, 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 Parent Bank reduces the total risk by using, exercising or selling forward transactions and other similar contracts.

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

Rescheduled loans are monitored within the Parent 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 Parent Bank monitors and investigates the maturity concentration and the risks which are different than their normal pattern.

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

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

The first 100 largest cash loans constitute 84,47% of the total cash loans portfolio of the Parent Bank (31 December 2010: 85,17 %).

The first 100 largest non cash loans constitute 100% of the total non cash loans portfolio of the Parent Bank (31 December 2010: 100%).

The first 100 largest cash and non cash loans constitute 84,59% of the total on and off balance sheet accounts (31 December 2010: 83,94%).

The Parent Bank calculated the general loan loss provision of TL 58.491 Thousand in accordance with the Communiqué on "Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves" (31 December 2010: TL 43.539).

**TÜRKİYE SINAI KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

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

**SECTION FOUR (Continued)**

**INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (Continued)**

**II. Explanations related to consolidated credit risk (continued)**

**Credit risk by types of borrowers and geographical concentration:**

	Loans to Real Persons and Legal Entities		Loans to Banks and Other Financial Institutions		Marketable Securities		Other Loans (*)	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Loans according to borrowers								
Private Sector	5.274.175	3.514.324	597.858	507.376	204.794	108.280	220.815	244.984
Public Sector	-	-	-	-	2.207.832	2.306.593	-	-
Banks	-	-	375.020	569.515	94.413	73.913	534.591	563.724
Retail Customers	19.903	35.735	-	-	-	-	-	-
Share Certificates	-	-	-	-	41.771	58.975	-	-
<b>Total</b>	<b>5.294.078</b>	<b>3.550.059</b>	<b>972.878</b>	<b>1.076.891</b>	<b>2.548.810</b>	<b>2.547.761</b>	<b>755.406</b>	<b>808.708</b>
Information according to								
Domestic	5.282.079	3.550.059	963.412	995.268	2.356.644	2.438.956	712.225	802.016
European Union Countries	266	-	-	40.275	87.969	88.921	6.207	662
OECD Countries (**)	-	-	-	-	-	-	1.652	1.200
Off-Shore Banking Regions	461	-	-	41.348	104.197	19.884	114	50
USA, Canada	-	-	-	-	-	-	35.208	4.780
Other Countries	11.272	-	9.466	-	-	-	-	-
<b>Total</b>	<b>5.294.078</b>	<b>3.550.059</b>	<b>972.878</b>	<b>1.076.891</b>	<b>2.548.810</b>	<b>2.547.761</b>	<b>755.406</b>	<b>808.708</b>

(\*) Includes the on balance sheet transactions classified in the Uniform Chart of Accounts except the ones in the first three categories and the transactions defined as loan in the Article 48 of the Banking Act No: 5411.

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

**Information according to geographical concentration:**

	Assets	Liabilities(**)	Non-Cash Loans	Equity Investments(***)	Net Income
<b>Current Period</b>					
Domestic	9.637.107	1.802.750	1.268.979	231.229	265.965
European Union Countries	91.486	3.724.864	-	2.957	-
OECD Countries (*)	1.652	-	-	-	-
Off-Shore Banking Regions	104.774	45.259	-	-	(7.345)
USA, Canada	43.691	3.005.803	-	-	-
Other Countries	20.738	-	-	-	-
<b>Total</b>	<b>9.899.448</b>	<b>8.578.676</b>	<b>1.268.979</b>	<b>234.186</b>	<b>258.620</b>
<b>Prior Period</b>					
Domestic	7.934.180	1.944.807	1.093.918	230.914	221.513
European Union Countries	127.247	2.808.819	-	2.957	-
OECD Countries (*)	1.200	-	-	-	-
Off-shore Banking Regions	61.282	53.187	-	-	6.242
USA, Canada	4.780	2.157.226	-	-	-
Other Countries	-	-	-	-	-
<b>Total</b>	<b>8.128.689</b>	<b>6.964.039</b>	<b>1.093.918</b>	<b>233.871</b>	<b>227.755</b>

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

(\*\*) Shareholders' equity is not included in "liabilities" column.

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

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

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

**SECTION FOUR (Continued)**

**INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (Continued)**

**II. Explanations related to consolidated credit risk (continued)**

**Sector concentration for cash loans**

	Current Period				Prior Period			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
Agricultural	19.069	1	-	-	3.472	-	-	-
Farming and Raising Livestock	19.069	1	-	-	3.472	-	-	-
Forestry, Wood and Paper	-	-	-	-	-	-	-	-
Fishing	-	-	-	-	-	-	-	-
Manufacturing	1.032.339	58	3.033.768	67	886.762	56	1.732.094	56
Mining and Petroleum	-	-	-	-	5.980	-	14.414	-
Production	381.852	21	1.169.537	26	406.686	26	586.763	19
Electricity, Gas and Water	650.487	37	1.864.231	41	474.096	30	1.130.917	37
Construction	23.880	1	233.673	5	19.354	1	175.455	6
Services	695.703	39	1.228.265	28	635.584	40	1.192.551	38
Wholesale and Retail Trade	25.488	1	-	-	830	-	1.331	-
Hotel, Tourism, Food and Beverage Services	17.992	1	205.643	5	24.282	2	179.332	6
Transportation and Communication	27.518	2	488.923	11	50.527	3	360.458	12
Financial Institutions	580.526	33	392.352	9	507.377	32	569.515	17
Real Estate and Renting Services	10.312	1	95.431	2	25.522	2	47.967	2
Self-Employment Services	5.691	-	-	-	9.990	-	-	-
Education Services	25.911	1	5.406	-	14.180	1	3.220	-
Health and Social Services	2.265	-	40.510	1	2.876	-	30.728	1
Other	22.417	1	6.242	-	42.969	3	8.797	-
<b>Total</b>	<b>1.793.408</b>	<b>100</b>	<b>4.501.948</b>	<b>100</b>	<b>1.588.141</b>	<b>100</b>	<b>3.108.897</b>	<b>100</b>

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

Gross Maximum Exposure	Current Period	Prior Period
Cash, Banks	546.335	620.444
Financial Assets at Fair Value Through Profit and Loss	150.325	120.118
Money Market Placements	109.365	7.830
Loans, Lease Receivables	6.295.356	4.697.038
Financial Assets Available for Sale	2.316.883	2.128.617
Held to Maturity Investments	126.955	310.287
<b>Total</b>	<b>9.545.219</b>	<b>7.884.334</b>
Derivatives Financials Instruments	78.192	34.629
Contingent Liabilities	637.007	209.912
Non Cash Loans and Commitments	1.068.807	646.737
<b>Total</b>	<b>1.784.006</b>	<b>891.278</b>
<b>Total Credit Risk Exposure</b>	<b>11.329.225</b>	<b>8.775.612</b>

Cash credit quality per class of financial assets as of 31 December 2011 is as follows;

Current Period	Neither past due nor impaired	Past due or individually impaired	Total
Loans			
Corporate Loans	5.375.507	1.176	5.376.683
Loans to SME	870.370	-	870.370
Consumer Loans	182	-	182
Other	19.721	-	19.721
Receivables from Leasing Transactions	28.399	1	28.400
<b>Total</b>	<b>6.294.179</b>	<b>1.177</b>	<b>6.295.356</b>



**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

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

**SECTION FOUR (Continued)**

**INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (Continued)**

**II. Explanations related to consolidated credit risk (continued)**

Cash credit quality per class of financial assets as of 31 December 2010 is as follows;

Prior Period	Neither past due nor impaired	Past due or individually impaired	Total
Loans			
Corporate Loans	3.190.772	50.629	3.241.401
Loans to SME	1.335.949	6.631	1.342.580
Consumer Loans	281	-	281
Other	42.688	-	42.688
Receivables from Leasing Transactions	69.998	90	70.088
<b>Total</b>	<b>4.639.688</b>	<b>57.350</b>	<b>4.697.038</b>

Credit risk is evaluated according to the Parent Bank's internal rating. Non financial services customers included in credit portfolio are rated with respect to Bank's internal rating and ratings of the financial services customers, which are rated by external rating firms, are matched to the Bank's internal ratings. 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 rating model.

Basic Loan Quality Categories	Current Period	Prior Period
Top Grade	362.285	528.085
High Grade	2.475.919	2.271.426
Average Grade	3.867.001	2.282.012
Below Average Grade	803.916	618.810
Impaired	20.330	20.166
<b>Total</b>	<b>7.529.451</b>	<b>5.720.499</b>

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 the reporting 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 TL 7.592.033; and TL 62.582 of these customers have not been rated (31 December 2010: TL 5.817.441; TL 96.942).

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

	Current Period	Prior Period
Banks	-	-
Financial Assets at Fair Value Through Profit and Loss	-	-
Loans	62.198	213.875
Corporate Loans	56.458	76.538
Loans to SME	759	129.616
Consumer Loans	-	-
Other	4.981	7.721
<b>Total</b>	<b>62.198</b>	<b>213.875</b>

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

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

**SECTION FOUR (Continued)**

**INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (Continued)**

**III. Explanations related to consolidated market risk**

In order to avoid the market risk and restrict the risks carried, the Board of Directors determines the limits on market risk. Risk, nominal and proportional limitation systems are used and the related reports are presented to Board of Directors, relevant committees and top management.

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

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

The market risk table is as follows:

	<b>Amount</b>
(I) Capital Requirement to be Employed for General Market Risk - Standard Method	28.161
Resulting from Financial Instruments related to Interest Income	24.588
Resulting from Positions in Share Certificates, Investment Fund and Participation Certificates	3.573
(II) Capital Requirement to be Employed for Specific Risk - Standard Method	14.122
Resulting from Financial Instruments related to Interest Income	10.626
Resulting from Positions in Share Certificates, Investment Fund and Participation Certificates	3.496
III) Capital Requirement to be Employed for Currency Risk - Standard Method	9.096
Capital Requirement	9.096
Capital Requirement Calculated for Options Subject to Foreign Currency Risk	-
(IV) Capital Requirement to be Employed for Commodity Risk - Standard Method	-
(V) Capital Requirement to be Employed for Settlement Risk - Standard Method	-
(VI) Total Capital Requirement to be Employed for Market Risk Resulting From Options - Standard Method	-
(VII) Total Capital Requirement to be Employed for Market Risk in Banks Using Risk Measurement Model	-
(VIII) Total Capital Requirement to be Employed for Market Risk (I+II+III+IV+V+VI+VII)	51.379
<b>(IX) Amount Subject to Market Risk (12,5 x VIII) or (12,5 x VII)</b>	<b>642.238</b>

Risk information given above includes the period between January – December of the related years, and represents the amounts calculated under the “Regulation on Measurement and Assessment of the Capital Adequacy of the Banks” published on 1 November 2006.

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

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

**SECTION FOUR (Continued)**

**INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (Continued)**

**III. Explanations related to consolidated market risk (continued)**

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

	Current Period			Prior Period		
	Average	Maximum	Minimum	Average	Maximum	Minimum
Interest Rate Risk	426.534	491.238	367.925	385.938	416.613	344.438
Common Stock Risk	121.103	151.050	88.363	139.441	187.938	56.963
Currency Risk	123.850	160.263	109.638	130.366	173.638	102.588
Commodity Risk	-	-	-	-	-	-
Settlement Risk	-	-	-	-	-	-
Option Risk	159	288	-	213	538	-
<b>Total Value At Risk</b>	<b>671.646</b>	<b>802.839</b>	<b>565.926</b>	<b>655.958</b>	<b>778.727</b>	<b>503.989</b>

Risk information given above includes the period between January – December of the related years, and represents the amounts calculated under the “Regulation on Measurement and Assessment of the Capital Adequacy of the Banks” published on 1 November 2006.

**Other price risks**

The Parent Bank is exposed to equity price risks arising from equity investments. Equity investments are mostly held for trading purposes. The Parent Bank does not actively trade these investments.

**Equity Price Sensitivity**

The sensitivity analysis below has been determined based on the exposure to stock 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:

- The Group classify its equity investments both as held for trading and available for sale investments. Therefore, the net profit/loss is not affected as long as the Group does not sell its equity investments classified as available for sale investments.
- According to the analysis results under these assumptions; profit/loss will increase/decrease by TL 955 (31 December 2010: TL 2.939), marketable securities classified as financial assets held for trading would decrease/increase by TL 2.307 (31 December 2010: TL 4.485 marketable securities value increase fund increase/decrease).

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

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

**SECTION FOUR (Continued)**

**INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (Continued)**

**IV. Explanations related to consolidated operational risk**

The Bank calculated the value at operational risk in accordance with the 4th section of the “Measurement of the Base Amount of Operational Risk” being effective on 1 June 2007, of the “Regulation on Measurement and Assessment of Capital Adequacy of Banks” issued on the Official Gazette dated 1 November 2006 numbered 26233.

The Bank calculated the value at operational risk, using gross profit of the last three years 2010, 2009 and 2008. The amount calculated as TL 47.249,92 as at 31 December 2011 represents the operational risk that the Bank may be exposed to and the amount of minimum capital requirement to eliminate this risk. Amount of operational risk stated in this section footnote I is 12,5 times of operational risk amounting to TL 590.624.

**V. Explanations related to consolidated currency risk**

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

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

The Parent Bank has no hedging transactions through derivative instruments for its foreign currency borrowings and net foreign currency investments.

Announced current foreign exchange buying rates of the Parent Bank as at reporting date and the previous five working days in US Dollar, Euro and Yen are as follows:

	<b>1 US Dollar</b>	<b>1Euro</b>	<b>1 Yen</b>
<b>A. Bank “Foreign Exchange Valuation Rate”</b>			
31 December 2011	1,8850	2,4411	0,0243
<b><u>Prior Five Workdays:</u></b>			
30 December 2011	1,8850	2,4411	0,0243
29 December 2011	1,9000	2,4565	0,0244
28 December 2011	1,8780	2,4532	0,0241
27 December 2011	1,8750	2,4506	0,0241
26 December 2011	1,8780	2,4514	0,0241

Simple arithmetic thirty-day averages of the US Dollar, Euro and Yen buying rates of the Parent Bank before the reporting date are TL 1,8468, 2,4335 and TL 0,0237; respectively.

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

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

**SECTION FOUR (Continued)**

**INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (Continued)**

**V. Explanations related to consolidated currency risk (continued)**

**Information on the Bank's consolidated foreign currency risk: foreign currencies**

	Euro	US Dollar	Yen	Other FC	Total
<b>Current Period</b>					
<b>Assets</b>					
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Checks Purchased, Precious Metals) and Balances with the Central Bank of Turkey.	82.567	33.077	-	8	115.652
Banks	6.528	397.328	184	2.141	406.181
Financial Assets at Fair Value Through Profit and Loss (*)	15.457	11.380	-	-	26.837
Money Market Placements	-	-	-	-	-
Available-For-Sale Financial Assets	38.501	532.542	-	-	571.043
Loans (**)	2.742.143	3.392.297	215	-	6.134.655
Subsidiaries, Associates and Entities Under Common Control (Joint Vent.)	-	-	-	-	-
Held-To-Maturity Investments	-	-	-	-	-
Derivative Financial Assets for Hedging Purposes	-	-	-	-	-
Tangible Assets	-	-	-	2	2
Intangible Assets	-	-	-	-	-
Other Assets (***)	26.827	43.211	-	3	70.041
<b>Total Assets</b>	<b>2.912.023</b>	<b>4.409.835</b>	<b>399</b>	<b>2.154</b>	<b>7.324.411</b>
<b>Liabilities</b>					
Bank Deposits	-	-	-	-	-
Foreign Currency Deposits	-	-	-	-	-
Money Market Borrowings	41.637	136.028	-	297	177.962
Funds Provided From Other Financial Institutions	3.163.717	3.693.055	-	-	6.856.772
Marketable Securities Issued					
Miscellaneous Payables	4.800	15.311	-	369	20.480
Derivative Financial Liabilities for Hedging Purposes					
Other Liabilities (****)	16.126	18.661	-	340	35.127
<b>Total Liabilities</b>	<b>3.226.280</b>	<b>3.863.055</b>	<b>-</b>	<b>1.006</b>	<b>7.090.341</b>
<b>Net Balance Sheet Position</b>	<b>(314.257)</b>	<b>546.780</b>	<b>399</b>	<b>1.148</b>	<b>234.070</b>
<b>Net Off-Balance Sheet Position</b>	<b>225.591</b>	<b>(559.302)</b>	<b>(321)</b>	<b>-</b>	<b>(334.032)</b>
Financial Derivative Assets	747.673	327.183	568	2.386	1.077.810
Financial Derivative Liabilities	(522.082)	(886.485)	(889)	(2.386)	(1.411.842)
Non-Cash Loans (****)	255.130	715.394	-	-	970.524
<b>Prior Period</b>					
Total Assets	2.373.460	2.701.169	3.180	1.373	5.079.182
Total Liabilities	2.453.642	2.789.489	-	1.012	5.244.143
<b>Net Balance Sheet Position</b>	<b>(80.182)</b>	<b>(88.320)</b>	<b>3.180</b>	<b>361</b>	<b>(164.961)</b>
<b>Net Off-Balance Sheet Position</b>	<b>(9.509)</b>	<b>89.739</b>	<b>(3.611)</b>	<b>-</b>	<b>76.619</b>
Financial Derivative Assets	125.430	265.787	8.749	-	399.966
Financial Derivative Liabilities	(134.939)	(176.048)	(12.360)	-	(323.347)
Non-Cash Loans (****)	138.580	604.457	-	-	743.037

(\*) Exchange rate differences arising from derivative transactions amounting to TL 7.631 is deducted from "Financial Assets at Fair Value Through Profit and Loss".

(\*\*) Loans extended include TL 1.661.107 foreign currency indexed loans.

(\*\*\*) Prepaid expenses amounting to TL 9.243 have not been included in other assets.

(\*\*\*\*) Marketable securities valuation increase fund amounting to TL 20.006 and exchange rate differences arising from derivative transactions amounting to TL 13.481 has not been included in other liabilities. Borrower funds amounting TL 6.335 based on foreign currencies have been included in "Other Liabilities".

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

**TÜRKİYE SINAI KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

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

**SECTION FOUR (Continued)**

**INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (Continued)**

**V. Explanations related to consolidated currency risk (continued)**

The Group is mostly exposed to Euro, US Dollars, Yen currencies.

The following tables detail the Group's sensitivity to 10% increase/decrease in the TL against US Dollar, Euro, Yen.

	Increase in Currency Rate	Effect on Profit / Loss (*)		Effect on Equity(**)	
		Current Period	Prior Period	Current Period	Prior Period
US Dollar	10	(3.250)	(2.861)	1.998	3.003
Euro	10	(8.869)	(9.195)	3	226
Yen	10	8	(43)	-	-
Other	10	115	36	-	-

	Decrease in Currency Rate	Effect on Profit / Loss(*)		Effect on Equity(**)	
		Current Period	Prior Period	Current Period	Prior Period
US Dollar	10	3.250	2.861	(1.998)	(3.003)
Euro	10	8.869	9.195	(3)	(226)
Yen	10	(8)	43	-	-
Other	10	(115)	(36)	-	-

(\*) Values expressed are before the tax effect.

(\*\*) Effect on equity does not include effect on profit/loss.

**Forward foreign exchange contracts**

The Group does not have forward foreign exchange contracts to hedge the risk exposure from payments and collections in any foreign exchange.

**VI. Explanations related to consolidated interest rate risk**

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

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

The amount of local borrowings is very low considering the total liabilities of the Parent Bank. As the Parent Bank is a development and investment bank, it obtains most of the funding from abroad.

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

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

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

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

**SECTION FOUR (Continued)**

**INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (Continued)**

**VI. Explanations related to consolidated interest rate risk (continued)**

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

Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-interest bearing (*)	Total
<b>Assets</b>							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Checks Purchased) and Balances with the Central Bank of Turkey.	-	-	-	-	-	121.109	121.109
Banks	314.190	58.582	-	-	-	52.454	425.226
Financial Assets at Fair Value Through Profit and Loss	9.015	19.646	52.006	51.754	1.617	16.287	150.325
Money Market Placements	109.365	-	-	-	-	-	109.365
Available-for-Sale Financial Assets	772.132	497.600	304.502	429.135	286.982	26.532	2.316.883
Loans	1.272.101	2.389.602	2.155.005	366.888	68.492	14.868	6.266.956
Held-to-Maturity Investments	-	126.955	-	-	-	-	126.955
Other Assets (**)	57.908	16.781	6.549	1.138	-	534.439	616.815
<b>Total Assets</b>	<b>2.534.711</b>	<b>3.109.166</b>	<b>2.518.062</b>	<b>848.915</b>	<b>357.091</b>	<b>765.689</b>	<b>10.133.634</b>
<b>Liabilities</b>							
Bank Deposits	-	-	-	-	-	-	-
Other Deposits	-	-	-	-	-	-	-
Money Market Borrowings	1.307.841	59.464	1.058	-	-	-	1.368.363
Miscellaneous Payables	43.136	-	-	-	-	105.524	148.660
Marketable Securities Issued	-	-	-	-	-	-	-
Funds Provided from Other Financial Institutions	2.369.459	2.852.263	1.393.950	36.657	228.206	-	6.880.535
Other Liabilities (***)	20.260	11.490	12.480	6.323	6.084	1.679.439	1.736.076
<b>Total Liabilities</b>	<b>3.740.696</b>	<b>2.923.217</b>	<b>1.407.488</b>	<b>42.980</b>	<b>234.290</b>	<b>1.784.963</b>	<b>10.133.634</b>
Balance Sheet Long Position	-	185.949	1.110.574	805.935	122.801	-	2.225.259
Balance Sheet Short Position	(1.205.985)	-	-	-	-	(1.019.274)	(2.225.259)
Off-Balance Sheet Long Position	-	-	389.766	-	117.601	-	507.367
Off-Balance Sheet Short Position	(123.097)	(223.479)	-	(158.060)	-	-	(504.636)
<b>Total Position</b>	<b>(1.329.082)</b>	<b>(37.530)</b>	<b>1.500.340</b>	<b>647.875</b>	<b>240.402</b>	<b>(1.019.274)</b>	<b>2.731</b>

(\*) Amounts in investments in associates and subsidiaries, entities under common control, deferred tax asset, investment property, tangible and intangible assets, other assets and shareholders' equity, provisions and tax liability are presented in non-interest bearing column, in order to reconcile the total assets and liabilities on the balance sheet.

(\*\*) Finance lease receivables amounting to TL 28.400 are presented in "Other Assets" on the basis of related maturities.

(\*\*\*) Borrower funds amounting to TL 7.894 are presented in "Other Liabilities" within 1-month maturity column.

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

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

**SECTION FOUR (Continued)**

**INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (Continued)**

**VI. Explanations related to consolidated interest rate risk (continued)**

**Average interest rates applied to monetary financial instruments: %**

	<b>Euro</b>	<b>US Dollar</b>	<b>Yen</b>	<b>TL</b>
<b>Current Period</b>				
<b>Assets</b>				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Checks Purchased) and Balances with the Central Bank of Turkey	-	-	-	-
Banks	-	5,38	-	11,55
Financial Assets at Fair Value Through Profit and Loss	-	-	-	8,81
Money Market Placements	-	-	-	11,26
Available-for-Sale Financial Assets	6,03	5,79	-	9,09
Loans	4,88	4,05	4,96	13,07
Held-to-Maturity Investments	-	-	-	35,10
<b>Liabilities</b>				
Bank Deposits	-	-	-	-
Other Deposits	-	-	-	-
Money Market Borrowings	1,02	1,78	-	7,99
Miscellaneous Payables	-	-	-	-
Marketable Securities Issued	-	-	-	-
Funds	1,00	1,00	-	6,50
Funds Provided From Other Financial Institutions	2,11	0,88	-	10,30



**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

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

**SECTION FOUR (Continued)**

**INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (Continued)**

**VI. Explanations related to consolidated interest rate risk (continued)**

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

Prior Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-interest bearing (*)	Total
<b>Assets</b>							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Checks Purchased) and Balances with the Central Bank of Turkey.	-	-	-	-	-	64.550	64.550
Banks	369.323	21.542	150.133	-	-	14.896	555.894
Financial Assets at Fair Value Through Profit and Loss	4.171	5.347	16.739	64.628	3.776	25.457	120.118
Money Market Placements	7.830	-	-	-	-	-	7.830
Available-for-Sale Financial Assets	700.593	604.502	184.116	317.418	283.018	38.970	2.128.617
Loans	1.280.865	1.799.961	1.280.116	189.806	54.098	22.104	4.626.950
Held-to-Maturity Investments	2.120	113.017	195.150	-	-	-	310.287
Other Assets (**)	12.927	42.976	20.044	2.978	-	469.389	548.314
<b>Total Assets</b>	<b>2.377.829</b>	<b>2.587.345</b>	<b>1.846.298</b>	<b>574.830</b>	<b>340.892</b>	<b>635.366</b>	<b>8.362.560</b>
<b>Liabilities</b>							
Bank Deposits	-	-	-	-	-	-	-
Other Deposits	-	-	-	-	-	-	-
Money Market Borrowings	1.323.192	107.781	2.760	-	-	-	1.433.733
Miscellaneous Payables	1.180	-	-	-	-	86.312	87.492
Marketable Securities Issued	-	149.447	44.835	-	-	-	194.282
Funds Provided from Other Financial Institutions	1.891.396	2.174.993	976.918	18.340	69.150	-	5.130.797
Other Liabilities	2.180	834	7.351	768	80	1.505.043	1.516.256
<b>Total Liabilities</b>	<b>3.217.948</b>	<b>2.433.055</b>	<b>1.031.864</b>	<b>19.108</b>	<b>69.230</b>	<b>1.591.355</b>	<b>8.362.560</b>
Balance Sheet Long Position	-	154.290	814.434	555.722	271.662	-	1.796.108
Balance Sheet Short Position	(840.119)	-	-	-	-	(955.989)	(1.796.108)
Off-Balance Sheet Long Position	-	-	-	152.364	45.208	-	197.572
Off-Balance Sheet Short Position (***)	(1.588.888)	(10.282)	(161.469)	-	-	-	(1.760.639)
<b>Total Position</b>	<b>(2.429.007)</b>	<b>144.008</b>	<b>652.965</b>	<b>708.086</b>	<b>316.870</b>	<b>(955.989)</b>	<b>(1.563.067)</b>

(\*) Amounts in investments in associates and subsidiaries, deferred tax asset, tangible and intangible assets, other assets and shareholders' equity, provisions and tax liability are presented in non-interest bearing column, in order to reconcile the total assets and liabilities on the balance sheet.

(\*\*) Finance lease receivables amounting to TL 70.088 are presented in "Other Assets" on the basis of related maturities.

(\*\*\*) TL 1.573.170 of this amount is interest rate futures – buy with maturities between 1-5 years and which are shown at nominal value. This balance is showed under "Up to 1 month" column since these transactions are under daily interest exposure.

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

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

**SECTION FOUR (Continued)**

**INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (Continued)**

**VI. Explanations related to consolidated interest rate risk (continued)**

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

	<b>Euro</b>	<b>US Dollar</b>	<b>Yen</b>	<b>TL</b>
<b>Prior Period</b>				
<b>Assets</b>				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Checks Purchased) and Balances with the Central Bank of Turkey	-	-	-	-
Banks	-	-	-	8,74
Financial Assets at Fair Value Through Profit and Loss	-	-	-	7,97
Money Market Placements	-	-	-	6,85
Available-for-Sale Financial Assets	5,49	5,83	-	9,49
Loans	3,93	3,41	4,96	9,72
Held-to-Maturity Investments	-	-	-	13,59
<b>Liabilities</b>				
Bank Deposits	-	-	-	-
Other Deposits	-	-	-	-
Money Market Borrowings	1,00	1,03	-	6,78
Miscellaneous Payables	-	-	-	-
Marketable Securities Issued	-	-	-	8,34
Funds	-	-	-	-
Funds Provided from Other Financial Institutions	1,40	1,03	-	6,10

**Interest rate sensitivity**

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

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

The Bank's interest rate sensitivity is calculated according to the market risk related to assets and liabilities. In this context, at the reporting date, if interest rates had been 1 bp higher for TL and foreign currency and all other variables were held constant, the net decrease on the profit and shareholders' equity would have been TL (40.210) and if interest rates had been 1 bp lower for TL and foreign currencies, the net increase on the profit and shareholders' equity change would have been TL 40.166.

The Group's available for sale portfolio in the current period increased approximately 14% relatively to prior period and the market value increased approximately 9% . In addition to this, foreign exchange assets in the Group's portfolio are approximately 25% of the portfolio in the current period while this ratio was 22% in the prior period in terms of fair value.

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

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

**SECTION FOUR (Continued)**

**INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (Continued)**

**VII. Explanations related to the consolidated liquidity risk**

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

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

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

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

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

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 Parent Bank. For the purposes of monitoring and assessing the liquidity position of the Parent Bank's assets and liabilities, the liquidity rate is weekly calculated. The ratio during the year was as follows:

	<b>First Maturity Segment (Weekly)</b>		<b>Second Maturity Segment (Monthly)</b>	
<b>Current Period</b>	<b>FC</b>	<b>FC + TL</b>	<b>FC</b>	<b>FC + TL</b>
Average (%)	146,75	168,10	137,27	157,67
Maximum (%)	210,21	249,04	178,81	179,65
Minimum (%)	101,33	139,09	109,42	137,36

	<b>First Maturity Segment (Weekly)</b>		<b>Second Maturity Segment (Monthly)</b>	
<b>Prior Period</b>	<b>FC</b>	<b>FC + TL</b>	<b>FC</b>	<b>FC + TL</b>
Average (%)	186,60	176,10	177,47	173,37
Maximum (%)	295,99	237,57	265,54	216,79
Minimum (%)	110,07	139,43	118,41	124,49

**TÜRKİYE SINAI KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

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

**SECTION FOUR (Continued)**

**INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (Continued)**

**VII. Explanations related to the consolidated liquidity risk (continued)**

**Presentation of assets and liabilities according to their remaining maturities**

	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Undistributed (*)	Total
<b>Current Period</b>								
<b>Assets</b>								
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Checks Purchased) and Balances with the Central Bank of Turkey	8.200	79.920	-	-	32.989	-	-	121.109
Banks	52.454	314.190	58.582	-	-	-	-	425.226
Financial Assets at Fair Value Through Profit and Loss	16.287	3.916	13.063	39.371	63.306	14.382	-	150.325
Money Market Placements	-	109.365	-	-	-	-	-	109.365
Financial Assets Available-for-Sale	-	61.371	11.730	219.187	1.331.017	667.046	26.532	2.316.883
Loans	14.868	255.270	182.559	882.310	3.685.775	1.246.174	-	6.266.956
Held-to-Maturity Investments	-	-	126.955	-	-	-	-	126.955
Other Assets (**)	-	54.331	5.219	13.227	9.885	-	534.153	616.815
<b>Total Assets</b>	<b>91.809</b>	<b>878.363</b>	<b>398.108</b>	<b>1.154.095</b>	<b>5.122.972</b>	<b>1.927.602</b>	<b>560.685</b>	<b>10.133.634</b>
<b>Liabilities</b>								
Bank Deposits	-	-	-	-	-	-	-	-
Other Deposits	-	-	-	-	-	-	-	-
Funds Provided from Other Financial Institutions	-	381.411	118.394	555.781	2.454.718	3.370.231	-	6.880.535
Money Market Borrowings	-	1.307.841	59.464	1.058	-	-	-	1.368.363
Securities Issued	-	-	-	-	-	-	-	-
Miscellaneous Payables	13.675	43.136	-	-	-	-	91.849	148.660
Other Liabilities (***)	7	20.244	11.499	12.480	6.323	6.084	1.679.439	1.736.076
<b>Total Liabilities</b>	<b>13.682</b>	<b>1.752.632</b>	<b>189.357</b>	<b>569.319</b>	<b>2.461.041</b>	<b>3.376.315</b>	<b>1.771.288</b>	<b>10.133.634</b>
<b>Liquidity Gap</b>	<b>78.127</b>	<b>(874.269)</b>	<b>208.751</b>	<b>584.776</b>	<b>2.661.931</b>	<b>(1.448.713)</b>	<b>(1.210.603)</b>	<b>-</b>
<b>Prior Period</b>								
Total Assets	81.525	695.798	489.716	1.211.734	4.044.685	1.336.630	502.472	8.362.560
Total Liabilities	10.122	1.620.922	341.496	466.331	1.779.204	2.563.303	1.581.182	8.362.560
<b>Liquidity Gap</b>	<b>71.403</b>	<b>(925.124)</b>	<b>148.220</b>	<b>745.403</b>	<b>2.265.481</b>	<b>(1.226.673)</b>	<b>(1.078.710)</b>	<b>-</b>

(\*) Other assets and shareholders' equity, provisions and tax liability, which are necessary and cannot be converted into cash in the near future for the Bank's ongoing activities, such as tangible and intangible assets, investments in subsidiaries and associates, entities under common control, office supply inventory, prepaid expenses and non-performing loans are classified under "undistributed" column.

(\*\*) Finance lease receivables amounting to TL 28.400 are presented in "Other Assets" on the basis of related maturities.

(\*\*\*) Borrower funds amounting to TL 7.894 are presented in "Other Liabilities" within 1-month maturity column.

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

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

**SECTION FOUR (Continued)**

**INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (Continued)**

**VII. Explanations related to consolidated liquidity risk (continued)**

**Analysis of financial liabilities by remaining contractual maturities :**

In compliance with the Turkish Financial Reporting Standard No.7, the following table indicates the maturities of the Bank's major financial liabilities which are not qualified as derivatives. The following tables have been prepared by referencing the earliest dates of capital outflows without discounting the financial liabilities.

<b>Current Period</b>	<b>Up to 1 Month</b>	<b>1-3 Months</b>	<b>3-12 Months</b>	<b>1-5 Years</b>	<b>Over 5 Years</b>	<b>Adjustments</b>	<b>Total</b>
Funds Provided from Other Financial Institutions	283.801	131.635	620.640	2.731.497	3.585.072	(472.110)	6.880.535
Money Market Borrowings	1.363.554	7.192	1.060	-	-	(3.443)	1.368.363
Marketable Securities Issued	7.894	-	-	-	-	-	7.894
<b>Total</b>	<b>1.655.249</b>	<b>138.827</b>	<b>621.700</b>	<b>2.731.497</b>	<b>3.585.072</b>	<b>(475.553)</b>	<b>8.256.792</b>

<b>Prior Period</b>	<b>Up to 1 Month</b>	<b>1-3 Months</b>	<b>3-12 Months</b>	<b>1-5 Years</b>	<b>Over 5 Years</b>	<b>Adjustments</b>	<b>Total</b>
Funds Provided from Other Financial Institutions	235.519	97.834	234.505	2.152.598	2.687.831	(277.490)	5.130.797
Money Market Borrowings	1.327.619	109.124	7.685	-	-	(10.695)	1.433.733
Marketable Securities Issued	-	151.001	47.256	-	-	(3.975)	194.282
<b>Total</b>	<b>1.563.138</b>	<b>357.959</b>	<b>289.446</b>	<b>2.152.598</b>	<b>2.687.831</b>	<b>(292.160)</b>	<b>6.758.812</b>

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

<b>Current Period</b>	<b>Up to 1 Month</b>	<b>1-3 Months</b>	<b>3-12 Months</b>	<b>1-5 Years</b>	<b>Over 5 Years</b>	<b>Adjustments</b>	<b>Total</b>
Swap Contract	730.420	123.785	96.597	867.689	484.799	(38.871)	2.264.419
Forward Contract	345.062	244.870	534.851	110.064	-	-	1.234.847
Futures Transactions	-	-	-	-	-	-	-
Options	407.930	620.790	389.130	49.904	-	-	1.467.754
Other	1.939	-	-	-	-	-	1.939
<b>Total</b>	<b>1.485.351</b>	<b>989.445</b>	<b>1.020.578</b>	<b>1.027.657</b>	<b>484.799</b>	<b>(38.871)</b>	<b>4.968.959</b>
<b>Prior Period</b>	<b>Up to 1 Month</b>	<b>1-3 Months</b>	<b>3-12 Months</b>	<b>1-5 Years</b>	<b>Over 5 Years</b>	<b>Adjustments</b>	<b>Total</b>
Swap Contract	62.476	(2.224)	135.223	438.408	90.452	7.207	731.542
Forward Contract	24.461	-	-	11.555	-	-	36.016
Futures Transactions	-	498.205	1.074.965	-	-	-	1.573.170
Options	127.313	86.321	510.212	72.468	-	-	796.314
Other	-	34.441	-	-	82.539	-	116.980
<b>Total</b>	<b>214.250</b>	<b>616.743</b>	<b>1.720.400</b>	<b>522.431</b>	<b>172.991</b>	<b>7.207</b>	<b>3.254.022</b>

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

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

**SECTION FOUR (Continued)**

**INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (Continued)**

**VIII. Explanations related to presentation of financial assets and liabilities at fair value**

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

	Carrying Value		Fair Value	
	Current Period	Prior Period	Current Period	Prior Period
<b>Financial Assets</b>	<b>9.424.110</b>	<b>7.749.696</b>	<b>9.476.815</b>	<b>7.785.254</b>
Banks	425.226	555.894	425.226	555.894
Trading Financial Assets	150.325	120.118	150.325	120.118
Money Market Placements	109.365	7.830	109.365	7.830
Available-For-Sale Financial Assets	2.316.883	2.128.617	2.316.883	2.128.617
Loans (*)	6.295.356	4.626.950	6.342.406	4.636.383
Held-To-Maturity Investments	126.955	310.287	132.610	336.412
<b>Financial Liabilities</b>	<b>8.454.195</b>	<b>6.856.658</b>	<b>8.454.195</b>	<b>6.857.312</b>
Bank Deposits	-	-	-	-
Other Deposits	-	-	-	-
Derivative Financial Liabilities Held For Trading	48.743	10.354	48.743	10.354
Money Market Borrowings	1.368.363	1.433.733	1.368.363	1.433.733
Funds Provided From Other Financial Institutions	6.880.535	5.130.797	6.880.535	5.130.797
Marketable Securities Issued	-	194.282	-	194.936
Funds	7.894	-	7.894	-
Miscellaneous Payables	148.660	87.492	148.660	87.492

(\*)Loans include financial lease receivables.

The methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the financial statements.

i- For the fair value calculation of loans, the prevailing interest rates as of the reporting date were used.

ii- For the fair value calculation of the balances with banks, the prevailing interest rates as of the reporting date was used.

iii- For the fair value calculation of held-to-maturity investments, quoted prices as of the reporting date was used.

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

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

**SECTION FOUR (Continued)**

**INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (Continued)**

**VIII. Explanations related to presentation of financial assets and liabilities by fair value: (continued)**

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.

The table below analyses financial instruments carried at fair value, by valuation method:

- a) Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- b) Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2);
- c) Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Current Period	Level I	Level II	Level III
<b>Financial Assets</b>			
Financial Assets held for Trading	104.972	45.353	-
Financial Assets Available For Sale	1.730.483	343.673	242.727
<b>Financial Liabilities</b>			
Derivative Financial Liabilities Held For Trading	-	48.743	-

Prior Period	Level I	Level II	Level III
<b>Financial Assets</b>			
Financial Assets held for Trading	108.857	11.261	-
Financial Assets Available For Sale	1.643.934	341.279	143.434
<b>Financial Liabilities</b>			
Derivative Financial Liabilities Held For Trading	-	10.354	-

**IX. Explanations related to transactions made on behalf of others and fiduciary transactions:**

The Parent Bank performs trading transactions on behalf of its customers, and gives custody, administration and consultancy services. The Parent Bank does not deal with fiduciary transactions.

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

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

**SECTION FIVE**

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS**

**I. Explanations related to the consolidated assets**

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash in TL/Foreign Currency	190	157	195	188
Balances with the Central Bank of Turkey	5.267	115.495	4.948	59.219
Other	-	-	-	-
<b>Total</b>	<b>5.457</b>	<b>115.652</b>	<b>5.143</b>	<b>59.407</b>

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Unrestricted demand deposits	5.267	2.586	4.948	2.189
Unrestricted time deposits	-	-	-	-
Restricted time deposits	-	-	-	-
Other (*)	-	112.909	-	57.030
<b>Total</b>	<b>5.267</b>	<b>115.495</b>	<b>4.948</b>	<b>59.219</b>

(\*) Deposits at Central Bank of Turkey held as reserve requirement.

In accordance with the “Communiqué Regarding the Reserve Requirements no. 2005/1”, banks operating in Turkey are required to maintain reserves in CBRT in TL for TL liabilities and in USD or Euro for foreign currency liabilities. With the changes made in the “Communiqué Regarding the Reserve Requirements”, up to 40% of the reserve requirement amount for TL liabilities can be held as foreign currency, the reserve requirement amount for precious metal account in foreign currency liabilities can be held as standard gold and up to 10% of the reserve requirement amount for foreign currency liabilities except precious metal accounts can be held as standard gold among CBRT.

The reserve rates for TL liabilities are between 5% and 11% for TL deposits according to their maturities as of 31 December 2011 (31 December 2010: 6% for all TL liabilities). The reserve rates for foreign currency liabilities are between 6% and 11% for all foreign currency liabilities according to their maturities as of 31 December 2011 (31 December 2010: 11% for all foreign currency liabilities).

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

**2.a.1 Trading securities**

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

As of the reporting date, the Group’s trading securities given as collateral or blocked amounted to TL 6.905 (31 December 2010: TL 4.909).

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

As of the reporting date, the Group’s trading securities subject to repurchase agreements amounted to TL 273 (31 December 2010: TL 441).



**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

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

**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)**

**I. Explanations related to the consolidated assets (continued)**

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

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

As of the reporting date, the Group has no financial assets designated at fair value through profit and loss given as collateral or blocked (31 December 2010: None).

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

As of the reporting date, the Group has no financial assets designated at fair value through profit and loss subject to repurchase agreements (31 December 2010: None).

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

Derivative Instruments Held for Trading	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	6.507	7.458	373	-
Swap Transactions	5.094	8.354	1.722	3.798
Futures Transactions	-	-	-	-
Options	-	17.940	352	4.892
Other	-	-	124	-
<b>Total</b>	<b>11.601</b>	<b>33.752</b>	<b>2.571</b>	<b>8.690</b>

**3.a Information on Banks:**

	Current Period		Prior Period	
	TL	FC	TL	FC
<b>Banks</b>				
Domestic	19.045	363.000	545.529	3.673
Foreign	-	43.181	-	6.692
Branches and head office abroad	-	-	-	-
<b>Total</b>	<b>19.045</b>	<b>406.181</b>	<b>545.529</b>	<b>10.365</b>

**3.b Information on foreign bank accounts:**

	Unrestricted Amount		Restricted Amount	
	Current Period	Prior Period	Current Period	Prior Period
EU Countries	6.207	662	-	-
USA, Canada	35.208	4.780	-	-
OECD Countries (*)	1.652	1.200	-	-
Off-Shore Banking Regions	114	50	-	-
Other	-	-	-	-
<b>Total</b>	<b>43.181</b>	<b>6.692</b>	<b>-</b>	<b>-</b>

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

**TÜRKİYE SINAI KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

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

**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)**

**I. Explanations related to the consolidated assets (continued)**

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

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Government bonds	642.410	55.757	861.837	47.296
Treasury bills	-	-	-	-
Other public sector debt securities	-	144.927	-	117.454
Bank bonds and bank guaranteed bonds	-	-	-	-
Asset backed securities	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>642.410</b>	<b>200.684</b>	<b>861.837</b>	<b>164.750</b>

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

All financial assets available for sale given as collateral comprise of financial assets are issued by the Turkish Treasury. The carrying value of those assets is TL 523.691 (31 December 2010: TL 342.225).

	Current Period		Prior Period	
	TL	FC	TL	FC
Share certificates	-	-	-	-
Bond, Treasury bill and similar investment securities	444.429	79.532	266.543	75.682
Other	-	-	-	-
<b>Total</b>	<b>444.429</b>	<b>79.532</b>	<b>266.543</b>	<b>75.682</b>

**4.b Major types of available for sale financial assets:**

Available for sale financial assets comprise government bonds 72,29 %, Eurobonds 13,89 %, and shares and other securities 13,82 % (31 December 2010: government bonds 75,21 %, Eurobonds 14,67 % and shares and other securities 10,12 %).

Financial and non-financial investments, to which the Bank has invested between 0,35 % to 7,00 % are classified in available-for-sale financial assets.

**4.c Information on financial assets available for sale portfolio:**

	Current Period	Prior Period
Debt securities	2.304.272	2.092.933
Quoted on a stock exchange	1.791.047	1.674.765
Unquoted	513.225	418.168
Share certificates	38.639	44.677
Quoted on a stock exchange	8.093	15.617
Unquoted	30.546	29.060
Impairment provision(-)	(26.028)	(12.996)
Other	-	4.003
<b>Total</b>	<b>2.316.883</b>	<b>2.128.617</b>

Net book value of unquoted available for sale share certificates are TL 21.756 (31 December 2010: TL 20.270).

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

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

**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)**

**I. Explanations related to the consolidated assets (continued)**

**5. Information on loans**

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

	Current Period		Prior Period	
	Cash Loans	Non-Cash Loans	Cash Loans	Non-Cash Loans
Direct loans granted to shareholders	101.924	117.413	98.978	117.413
Corporate shareholders	101.924	117.413	98.978	117.413
Real person shareholders	-	-	-	-
Indirect loans granted to shareholders	-	-	-	-
Loans granted to employees	182	-	281	-
<b>Total</b>	<b>102.106</b>	<b>117.413</b>	<b>99.259</b>	<b>117.413</b>

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

Cash Loans	Standard Loans and Other Receivables		Loans and Other Receivables Under Close Monitoring	
	Loans and Other Receivables	Restructured or Rescheduled	Loans and Other Receivables	Restructured or Rescheduled
Non-specialized loans	6.202.885	-	35.405	13.798
Discount notes	-	-	-	-
Export loans	123.841	-	-	-
Import loans	-	-	-	-
Investment loans	3.759.157	-	24.689	11.928
Loans given to financial sector	819.351	-	-	-
Foreign loans	21.465	-	-	-
Consumer loans	182	-	-	-
Credit cards	-	-	-	-
Precious metals loans	-	-	-	-
Other	1.478.889	-	10.716	1.870
Specialized loans	-	-	-	-
Other receivables	14.868	-	-	-
<b>Total</b>	<b>6.217.753</b>	<b>-</b>	<b>35.405</b>	<b>13.798</b>

(\*)The Parent Bank's finance lease receivables are TL 28.400 (31 December 2010: TL 70.088) and TL 3.748 (31 December 2010: TL 15.032) of the finance lease receivables are closed monitored.

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

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

**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)**

**I. Explanations related to the consolidated assets (continued)**

**5. Information on loans (continued)**

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

	Standard Loans and Other Receivables		Loans and Other Receivables Under Close Monitoring	
	Loans and Other Receivables	Restructured or Rescheduled	Loans and Other Receivables	Restructured or Rescheduled
Short-term loans and other receivables	279.271	-	-	-
Non-specialized loans	264.403	-	-	-
Specialized loans	-	-	-	-
Other receivables	14.868	-	-	-
Medium and Long-term loans	5.938.482	-	35.405	13.798
Non-specialized loans	5.938.482	-	35.405	13.798
Specialized loans	-	-	-	-
Other receivables	-	-	-	-

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

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

**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)**

**I. Explanations related to the consolidated assets (continued)**

**5. Information on loans (continued)**

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

	Short Term	Medium and Long Term	Total
Consumer Loans-TL	-	-	-
Housing Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Consumer Loans –Indexed to FC	-	-	-
Housing Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Consumer Loans-FC	-	-	-
Housing Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Individual Credit Cards-TL	-	-	-
With Instalments	-	-	-
Without Instalments	-	-	-
Individual Credit Cards-FC	-	-	-
With Instalments	-	-	-
Without Instalments	-	-	-
Personnel Loans-TL	153	29	182
Housing Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	153	29	182
Personnel Loans- Indexed to FC	-	-	-
Housing Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Personnel Loans-FC	-	-	-
Housing Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Personnel Credit Cards-TL	-	-	-
With Instalments	-	-	-
Without Instalments	-	-	-
Personnel Credit Cards-FC	-	-	-
With Instalments	-	-	-
Without Instalments	-	-	-
Overdraft Accounts-TL (Real Persons)	-	-	-
Overdraft Accounts-FC (Real Persons)	-	-	-
<b>Total</b>	<b>153</b>	<b>29</b>	<b>182</b>

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

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

**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)**

**I. Explanations related to the consolidated assets (continued)**

**5.e Information on commercial loans with instalments and corporate credit cards:**

The Parent Bank has not granted any commercial loans with instalments and corporate credit cards as of the reporting date (31 December 2010: None).

**5.f Loans according to borrowers:**

	Current Period	Prior Period
Public	-	-
Private	6.266.956	4.626.950
<b>Total</b>	<b>6.266.956</b>	<b>4.626.950</b>

**5.g Domestic and foreign loans:**

	Current Period	Prior Period
Domestic Loans	6.245.491	4.626.601
Foreign Loans	21.465	349
<b>Total</b>	<b>6.266.956</b>	<b>4.626.950</b>

**5.h Loans granted to subsidiaries and associates:**

	Current Period	Prior Period
Direct loans granted to subsidiaries and associates	85.465	59.853
Indirect loans granted to subsidiaries and associates	-	-
<b>Total</b>	<b>85.465</b>	<b>59.853</b>

**5.i Specific provisions provided against loans:**

	Current Period	Prior Period
Loans and receivables with limited collectability	5.313	8.778
Loans and receivables with doubtful collectability	5.978	-
Uncollectible loans and receivables	16.407	17.707
<b>Total</b>	<b>27.698</b>	<b>26.485</b>

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

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

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

**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)**

**I. Explanations related to the consolidated assets (continued)**

**5. Information on loans (continued)**

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

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

	III. Group	IV. Group	V. Group
	Loans and Receivables With Limited Collectability	Loans and Receivables With Doubtful Collectability	Uncollectible Loans and Receivables
<b>Current Period</b>			
(Gross amounts before provisions)	-	5.977	4.576
Restructured loans and other receivables	-	-	-
Rescheduled loans and other receivables	-	5.977	4.576
<b>Prior Period</b>			
(Gross amounts before provisions)	8.778	-	5.057
Restructured loans and other receivables	-	-	-
Rescheduled loans and other receivables	8.778	-	5.057

**5.j.2 Movement of non-performing loans:**

	III. Group	IV. Group	V. Group
	Loans and Receivables With Limited Collectability	Loans and Receivables With Doubtful Collectability	Uncollectible Loans and Receivables
<b>Prior Period End Balance</b>	8.778	-	17.707
Additions (+)	6.713	1	1.489
Transfers from Other Categories of Non-performing Loans (+)	-	8.778	-
Transfers to Other Categories of Non-performing Loans (-)	(8.778)	-	-
Collections (-)	(1.400)	(2.801)	(2.789)
Write-offs (-)	-	-	-
Corporate and Commercial Loans	-	-	-
Retail Loans	-	-	-
Credit Cards	-	-	-
Other	-	-	-
<b>Current Period Ending Balance</b>	<b>5.313</b>	<b>5.978</b>	<b>16.407</b>
Specific Provisions (-)	(5.313)	(5.978)	(16.407)
<b>Net Balance on Balance Sheet</b>	<b>-</b>	<b>-</b>	<b>-</b>

**TÜRKİYE SINAI KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

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

**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)**

**I. Explanations related to the consolidated assets (continued)**

**5. Information on loans (continued)**

**5.j Information on non-performing loans (net) (continued)**

**5.j.3 Information on foreign currency non-performing loans and other receivables:**

	<b>III. Group</b>	<b>IV. Group</b>	<b>V. Group</b>
	<b>Loans and Receivables with Limited Collectability</b>	<b>Loans and Receivables with Doubtful Collectability</b>	<b>Uncollectible Loans and Receivables</b>
<b>Current Period</b>			
Period End Balance	3.306	5.977	5.426
Specific Provision (-)	(3.306)	(5.977)	(5.426)
<b>Net Balance on Balance Sheet</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Prior Period</b>			
Period End Balance	8.767	-	5.729
Specific Provision (-)	(8.767)	-	(5.729)
<b>Net Balance on Balance Sheet</b>	<b>-</b>	<b>-</b>	<b>-</b>

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

	<b>III. Group</b>	<b>IV. Group</b>	<b>V. Group</b>
	<b>Loans and Receivables with Limited Collectability</b>	<b>Loans and Receivables with Doubtful Collectability</b>	<b>Uncollectible Loans and Receivables</b>
<b>Current Period (Net)</b>			
Loans to Real Persons and Legal Entities (Gross)	5.313	5.978	10.522
Specific Provision Amount (-)	(5.313)	(5.978)	(10.522)
Loans to Real Persons and Legal Entities (Net)			
Banks (Gross)	-	-	-
Specific Provision Amount (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	5.885
Specific Provision Amount (-)	-	-	(5.885)
Other Loans and Receivables (Net)	-	-	-
<b>Prior Period (Net)</b>	<b>-</b>	<b>-</b>	
Loans to Real Persons and Legal Entities (Gross)	8.778	-	12.364
Specific Provision Amount (-)	(8.778)	-	(12.364)
Loans to Real Persons and Legal Entities (Net)	-	-	-
Banks (Gross)	-	-	-
Specific Provision Amount (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	5.343
Specific Provision Amount (-)	-	-	(5.343)
Other Loans and Receivables (Net)	-	-	-



**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

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

**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)**

**I. Explanations related to the consolidated assets (continued)**

**5. Information on loans (continued)**

**5.k Main principles of liquidating non performing loans and receivables:**

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

In cases of no collaterals, several financial investigations are made to determine whether any property holdings are subsequently acquired by applying legal procedures, even if there is evidence of insolvency for the debtor.

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

**5.l Explanations about the write-off policies from the assets:**

If there is no collateral against uncollectible loans and receivables and if the receivable amount is less than the cost; tax, fee, and other expenses, made for the legal actions, the receivable is written off from the assets upon the request of the Credit Monitoring Department and the approval of the General Management.

However, if there is a collateral against the receivable and after all the costs of legal actions are fulfilled, and if there is still a part of receivables not collected, the receivables are written off after getting of pledge shortage and evidence of insolvency subsequently.

**5.m Other explanations and disclosures:**

<b>Current Period</b>	<b>Corporate</b>	<b>SME</b>	<b>Consumer</b>	<b>Other</b>	<b>Total</b>
Neither past due nor impaired loans	5.375.507	870.370	182	19.721	6.265.780
Past due not impaired loans	1.176	-	-	-	1.176
Individually impaired loans	13.014	13.236	-	1.448	27.698
<b>Total</b>	<b>5.389.697</b>	<b>883.606</b>	<b>182</b>	<b>21.169</b>	<b>6.294.654</b>
Less: allowance for individually impaired loans	(13.014)	(13.236)	-	(1.448)	(27.698)
Total allowance for impairment	(13.014)	(13.236)	-	(1.448)	(27.698)
<b>Total Net</b>	<b>5.376.683</b>	<b>870.370</b>	<b>182</b>	<b>19.721</b>	<b>6.266.956</b>

<b>Prior Period</b>	<b>Corporate</b>	<b>SME</b>	<b>Consumer</b>	<b>Other</b>	<b>Total</b>
Neither past due nor impaired loans	3.190.675	1.336.046	281	42.688	4.569.690
Past due not impaired loans	50.629	6.631	-	-	57.260
Individually impaired loans	14.860	10.649	-	976	26.485
<b>Total</b>	<b>3.256.164</b>	<b>1.353.326</b>	<b>281</b>	<b>43.664</b>	<b>4.653.435</b>
Less: allowance for individually impaired loans	(14.860)	(10.649)	-	(976)	(26.485)
Total allowance for impairment	(14.860)	(10.649)	-	(976)	(26.485)
<b>Total Net</b>	<b>3.241.304</b>	<b>1.342.677</b>	<b>281</b>	<b>42.688</b>	<b>4.626.950</b>

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

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

**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)**

**I. Explanations related to the consolidated assets (continued)**

**5. Information on loans (continued)**

**5.m Other explanations and disclosures (continued):**

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

	Corporate	SME	Consumer	Other	Total
<b>At 1 January 2011</b>	<b>(14.860)</b>	<b>(10.649)</b>	-	<b>(976)</b>	<b>(26.485)</b>
Charge for the year	(754)	(6.802)	-	(647)	(8.203)
Recoveries	2.600	4.215	-	175	6.990
Amounts written off	-	-	-	-	-
Interest accrued on impaired loans and other receivables	-	-	-	-	-
<b>At 31 December 2011</b>	<b>(13.014)</b>	<b>(13.236)</b>	-	<b>(1.448)</b>	<b>(27.698)</b>

	Corporate	SME	Consumer	Other	Total
<b>At 1 January 2010</b>	<b>(19.609)</b>	<b>(2.066)</b>	-	-	<b>(21.675)</b>
Charge for the year	(67)	(8.801)	-	(976)	(9.844)
Recoveries	4.816	218	-	-	5.034
Amounts written off	-	-	-	-	-
Interest accrued on impaired loans and other receivables	-	-	-	-	-
<b>At 31 December 2010</b>	<b>(14.860)</b>	<b>(10.649)</b>	-	<b>(976)</b>	<b>(26.485)</b>

A breakdown of the allowance for impairment losses is given below;

<b>Current Period</b>	Corporate	SME	Consumer	Other	Total
Individual impairment	(13.014)	(13.236)	-	(1.448)	(27.698)
Gross amount of loans, individually determined to be impaired (before deducting any individually assessed impairment allowance)	13.014	13.236	-	1.448	27.698
<b>Prior Period</b>	Corporate	SME	Consumer	Other	Total
Individual impairment	(14.860)	(10.649)	-	(976)	(26.485)
Gross amount of loans, individually determined to be impaired (before deducting any individually assessed impairment allowance)	14.860	10.649	-	976	26.485

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

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

**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)**

**I. Explanations related to the consolidated assets (continued)**

**5. Information on loans (continued)**

**5.m Other explanations and disclosures (continued)**

Movements in the allowance for impairment losses and advances are as follows:

	<b>Current Period</b>	<b>Prior Period</b>
<b>At 1 January</b>	<b>26.485</b>	<b>21.675</b>
Charge for the year	8.203	9.844
Recoveries	(6.990)	(5.034)
Amounts written off	-	-
Interest accrued on impaired loans and other receivables	-	-
<b>At 31 December</b>	<b>27.698</b>	<b>26.485</b>
Individual impairment	(27.698)	(26.485)
Gross amount of loans, individually determined to be impaired (before deducting any individually assessed impairment allowance)	27.698	26.485

Aging analysis of past due but not impaired financial assets per class of financial statements:

<b>Current Period</b>	<b>Less than 30 Days</b>	<b>31- 60 Days</b>	<b>61- 90 Days</b>	<b>More than 91 Days</b>	<b>Total</b>
Loans and Receivables					
Institutional Loans	1.176	-	-	-	1.176
SME Loans	-	-	-	-	-
Consumer Loans	-	-	-	-	-
Other	1	-	-	-	1
<b>Total</b>	<b>1.177</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1.177</b>

<b>Prior Period</b>	<b>Less than 30 Days</b>	<b>31- 60 Days</b>	<b>61- 90 Days</b>	<b>More than 91 Days</b>	<b>Total</b>
Loans and Receivables					
Institutional Loans	50.629	-	-	-	50.629
SME Loans	-	6.631	-	-	6.631
Consumer Loans	-	-	-	-	-
Other	90	-	-	-	90
<b>Total</b>	<b>50.719</b>	<b>6.631</b>	<b>-</b>	<b>-</b>	<b>57.350</b>

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 balance as of 31 December 2011:

	<b>Current Period</b>	<b>Prior Period</b>
Residential, commercial and industrial property	-	6.927
Financial assets	1.163	3.491
Other (bailment, pledge and charge on ship and vehicle)	-	39.874
<b>Total</b>	<b>1.163</b>	<b>50.292</b>

Loans and other receivables amounting to TL 5.605.242 have floating interest rates (31 December 2010: TL 4.209.035) and the remaining TL 661.714 have fixed interest rates (31 December 2010: TL 417.915).

**TÜRKİYE SINAI KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

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

**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)**

**I. Explanations related to the consolidated assets (continued)**

**6. Information on held-to-maturity investments**

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

**6.a.1** As of the reporting date, the Group has no collateral or blocked held-to-maturity investments (31 December 2010: TL 202.925).

**6.a.2** As of the reporting date, the Group has TL 124.046 of investment securities held-to-maturity subject to repurchase transactions (31 December 2010: TL 5.496).

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

As of the reporting date, the Group has TL 126.955 of investment securities held-to-maturity (31 December 2010: TL 310.287).

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

	Current Period	Prior Period
Debt Securities	126.955	310.287
Quoted on a stock Exchange	126.955	310.287
Unquoted	-	-
Impairment provision (-)	-	-
<b>Total</b>	<b>126.955</b>	<b>310.287</b>

**6.d Movement of held to maturity investments:**

	Current Period	Prior Period
Beginning balance	278.760	281.906
Foreign currency differences on monetary assets	-	-
Purchases during year	-	-
Disposals through sales and redemptions (*)	(182.973)	(3.146)
Impairment provision (-)	-	-
<b>Balance at period end</b>	<b>95.787</b>	<b>278.760</b>
Interest and Income Accruals and Discount	31.168	31.527
<b>Total</b>	<b>126.955</b>	<b>310.287</b>

(\*) TL 177.795 of the amount comprises of the Parent Bank's held to maturity investment that was redeemed on 11 May 2011 and on 3 August 2011.

**7. Information on investments in associates (net):**

**7.a.1 Information on unconsolidated associates:**

	Title	Address (City/ Country)	Bank's share percentage-If different voting percentage (%)	Bank's risk group share percentage (%)
1	Terme Metal Sanayi ve Ticaret A.Ş. (Terme)	Istanbul/Turkey	17,83	18,76
2	Ege Tarım Ürünleri Lisanslı Depoculuk A.Ş. (Ege Tarım)	Izmir/Turkey	10,00	10,00

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

**TÜRKİYE SINAI KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

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

**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)**

**I. Explanations related to the consolidated assets (continued)**

**7.a.1 Information on unconsolidated associates (continued):**

	Total Assets	Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities Portfolio	Current Period Profit /Loss	Prior Period Profit/Loss	Fair Value
Terme (1)	18.576	3.673	731	306	-	651	674	-
Ege Tarım (2)	8.430	8.032	4.809	378	-	152	-	-

- (1) Represent un-audited 30 September 2011 financial statements. Prior year profit/loss is obtained from un-audited 31 December 2010 financial statements.  
(2) Represent un-audited 31 December 2011 financial statements. Ege Tarım Ürünleri Lisanslı Depoculuk A.Ş. was established on 4 January 2011 and there are no financial statements as of the prior period.

**7.a.2 Information on the consolidated associates:**

	Title	Address (City/ Country)	Bank's share percentage-If different voting percentage (%)	Bank's risk group share percentage (%)
1	İş Factoring Finansman Hizmetleri A.Ş. (İş Factoring)	Istanbul/Turkey	21,75	100,00
2	İş Finansal Kiralama A.Ş. (İş Finansal)	Istanbul/Turkey	28,56	56,46
3	İş Girişim Sermayesi Yatırım Ortaklığı A.Ş. (İş Girişim)	Istanbul/Turkey	16,67	57,67

	Total Assets	Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss	Fair Value
İş Factoring (1)	332.314	52.973	672	38.027	11	8.236	5.361	-
İş Finansal (2)	1.826.246	483.650	1.223	119.257	976	46.030	63.702	110.373
İş Girişim (3)	176.411	172.441	240	-	-	37.995	12.255	16.464

- (1) Represent audited 31 December 2011 financial statements. Prior year profit/loss is obtained from audited 31 December 2010 financial statements.  
(2) Represent audited 31 December 2011 financial statements. Prior year profit/loss is obtained from audited 31 December 2010 financial statements. Fair value is presented as of 31 December 2011.  
(3) Represent un-reviewed 30 September 2011 consolidated financial statements. Prior year profit/loss is obtained from audited 31 December 2010 financial statements. Fair value is presented as of 31 December 2011.

	Current Period	Prior Period
<b>Balance at the Beginning of the Period</b>	<b>173.600</b>	<b>150.798</b>
<b>Movements During the Period</b>	<b>16.872</b>	<b>22.802</b>
Purchases (*)	-	68
Bonus Shares Received	-	-
Current Year Share of Profit	20.917	20.508
Sales	(986)	-
Revaluation Increase	-	2.226
Provision for Impairment	(3.059)	-
<b>Balance at the End of the Period</b>	<b>190.472</b>	<b>173.600</b>
Capital Commitments	-	-
Share Percentage at the End of the Period (%)	-	-

(\*)Purchases represents classification of stocks amounts of İş Finansal Kiralama A.Ş. from available for sale portfolio to associates.

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

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

**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)**

**I. Explanations related to the consolidated assets (continued)**

**7. Information on investments in associates (net) (continued):**

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

	Current Period	Prior Period
Banks	-	-
Insurance Companies	-	-
Factoring Companies	23.370	21.983
Leasing Companies	138.305	127.090
Financial Service Companies	-	-
Other Associates	29.888	25.211

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

	Current Period	Prior Period
Associates Quoted on Domestic Stock Markets	167.102	151.617
Associates Quoted on Foreign Stock Markets	-	-

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

In the current period, publicly held shares of İş Finansal Kiralama A.Ş. amounting to TL 986 has been sold. In the current period, the Parent Bank has sold Gözlük Sanayi A.Ş., with a non-controlling interest of 21,71% and net book value of TL 329, to other real person shareholders with a nominal value of TL 0,002 per each 1 share amounting to TL 231 in total and all of the sales amount was paid in advance.

In the prior period, the Board of Directors have authorised the General Management on the meeting held on 25 March 2010 with the resolution numbered 1930 for the sale of all shares of Senapa Stampa Ambalaj Sanayi ve Ticaret A.Ş., an associate which the Parent Bank had acquired its shares through venture capital funds of the European Investment Bank ("EIB"). The sale transaction was realized on 11 May 2010 and proceeds from the sale have been transferred to EIB as agreed. The Board of Directors have authorised the General Manager on the meeting held on 28 June 2010 with the resolution numbered 1951 for the sale of all shares of Ünsa Ambalaj Sanayi ve Ticaret A.Ş., associate which the Parent Bank had acquired its shares through venture capital funds of the European Investment Bank ("EIB"). The sale transaction was realized on 13 August 2010 and the sale amount was transferred to EIB on 14 December 2010 as agreed.

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

In the Board of Directors meeting dated 6 May 2010, the Parent Bank decided to invest in 10% of Ege Tarım Ürünleri Lisanslı Depoculuk A.Ş., which would be established in İzmir with TL 8.000 share capital, at an amount of TL 800. The decision was published in the Turkish Trade Registry Gazette No: 7729 on 13 January 2011.

In the prior period, the Parent Bank has obtained bonus shares of İş Finansal Kiralama A.Ş. amounting to TL 12.852 with capital increase of TL 45.000.

**TÜRKİYE SINAI KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

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

**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)**

**I. Explanations related to the consolidated assets (continued)**

**8. Information related to subsidiaries (net):**

**8.a.1 Information related to unconsolidated subsidiaries**

	Title	Address (City/ Country)	Bank's share percentage- If different voting percentage (%)	Bank's risk group share percentage (%)
1	TSKB Gayrimenkul Değerleme A.Ş. (TSKB GMD)	Istanbul/Turkey	99,99	99,99
2	TSKB Gayrimenkul Aracılık Hizmetleri A.Ş.	Istanbul/Turkey	96,00	100,00
3	TSKB Gayrimenkul Danışmanlık Hizmetleri A.Ş.	Istanbul/Turkey	1,00	100,00
4	Sürdürülebilir Danışmanlık A.Ş.	Istanbul/Turkey	-	96,00

	Total Assets	Shareholders' Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss	Fair Value
TSKB GMD (1)	6.958	5.150	1.445	-	-	1.739	1.362	-
TG A.Ş. (2)	933	781	45	-	-	449	93	-
TGD A.Ş. (3)	424	351	31	-	-	32	79	-
SD A.Ş. (4)	314	276	7	-	-	36	-	-

- (1) Represents un-audited 31 December 2011 financial statements. Prior year profit/loss is obtained from 31 December 2010 financial statements.  
(2) Represents un-audited 31 December 2011 financial statements. Prior year profit/loss is obtained from 31 December 2010 financial statements.  
(3) Represents un-audited 31 December 2011 financial statements. Prior year profit/loss is obtained from 31 December 2010 financial statements.  
(4) Represents un-audited 31 December 2011 financial statements. Sürdürülebilir Danışmanlık A.Ş. was established on 14 April 2011 and there are no financial statements as of the prior period.

**8.a.2 Information related to consolidated subsidiaries**

	Title	Address (City/ Country)	Bank's share percentage- If different voting percentage (%)	Bank's risk group share percentage (%)
1	TSKB Yatırım Ortaklığı A.Ş. (TSKB Y.O.)	Istanbul/Turkey	22,53	58,62
2	Yatırım Finansman Menkul Değerler A.Ş.(YFMEN.DEĞ.)	Istanbul/Turkey	95,78	98,51
3	TSKB Gayrimenkul Yatırım Ortaklığı A.Ş. (TSKB GYO)	Istanbul/Turkey	59,00	65,81

	Total Assets	Shareholders' Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss	Fair Value
TSKB Y.O. (1)	38.736	38.650	-	85	982	(3.527)	5.633	4.649
YF MEN.DEĞ. (2)	554.617	65.055	1.302	24.909	1.077	5.918	9.561	-
TSKB GYO (3)	340.564	218.096	309.935	1.639	-	2.838	6.208	53.100

- (1) Represents audited 31 December 2011 financial statements. Prior year profit/loss is obtained from audited 31 December 2010 financial statements. Fair value is presented as of 31 December 2011.  
(2) Represents audited 31 December 2011 financial statements. Prior year profit/loss is obtained from audited 31 December 2010 financial statements.  
(3) Represents audited 31 December 2011 financial statements. Prior year profit/loss is obtained from audited 31 December 2010 financial statements. Fair value is presented as of 31 December 2011.

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

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

**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)**

**I. Explanations related to the consolidated assets (continued)**

**8. Information related to subsidiaries (net) (continued)**

**8.a.2 Information related to consolidated subsidiaries (continued)**

	<b>Current Period</b>	<b>Prior Period</b>
<b>Balance at the Beginning of the Period</b>	<b>187.772</b>	<b>179.509</b>
Movements During the Period	7.662	8.263
Purchases (*)	-	9.058
Bonus Shares Obtained	7.662	6.705
Current Year Shares of Profit	-	-
Sales (**)	-	(7.500)
Revaluation Increase	-	-
Provision for Impairment	-	-
<b>Balance At the End of the Period</b>	<b>195.434</b>	<b>187.772</b>
Capital Commitments	-	-
Share Percentage at the End of the Period (%)	-	-

(\*) Purchases represents classification of TSKB Yatırım Ortaklığı A.Ş. and TSKB GYO A.Ş. from available for sale portfolio to associates.

(\*\*) In the prior period, TSKB GYO amounting to TL 7.500 were sold from the Parent Bank's portfolio, during public offering.

According to the principles of consolidation accounting, the cost values of the consolidated subsidiaries have been eliminated from the accompanying consolidated financial statements.

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

	<b>Current Period</b>	<b>Prior Period</b>
Subsidiaries		
Banks	-	-
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	-	-
Financial Service Companies	-	-
Other Subsidiaries	196.276	188.456

**8.a.4 Subsidiaries quoted on stock exchange**

As of 31 December 2011, the fair value of the Group's subsidiaries quoted on the stock exchange is TL 57.749 (31 December 2010: TL 89.214).

**8.a.5 Subsidiaries sold in the current period**

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

In the Board of Directors meeting of the subsidiary of the Parent Bank, TSKB Yatırım Ortaklığı Anonim Şirketi, held on 14 December 2011 numbered 230, it was decided to merge with İş Yatırım Ortaklığı Anonim Şirketi registered on Istanbul Trade Register Office with registration numbered 367835, within the Turkish Commercial Code 451 and 19 and 20<sup>th</sup> clauses of Corporate Tax Law numbered 5520. Management of TSKB Yatırım Ortaklığı A.Ş. is authorized for all the required issues.

The Bank has not sold any subsidiary in the prior period. One of the Bank's subsidiary, TSKB GYO, has been offered to public with a rate of 33%, by increasing its capital to TL 150.000 from TL 100.000. Since demand collected exceeded the issuance amount, during the initial public offering the Bank has sold some shares that it owned prior to the public offering amounting to TL 7.500.



**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

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

**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)**

**I. Explanations related to the consolidated assets (continued)**

**8. Information related to subsidiaries (net) (continued)**

**8.a.6 Subsidiaries purchased in the current period:**

In the Board of Directors meeting of Yatırım Finansman Menkul Değerler A.Ş., one of the subsidiaries of the Parent Bank, held on 18 March 2011, it has been decided to participate to a company operating in evaluation of renewable energy projects, sustainable environmental management and environmental analysis called “Sürdürülebilir Danışmanlık A.Ş.” with an ownership of 96% and TL 230,4 ownership of the TL 240 full capital and required procedures have been completed on 14 April 2011.

In the current period, the Parent Bank has obtained bonus shares of Yatırım Finansman Menkul Değerler A.Ş., amounting to TL 7.662 with a capital increase of TL 8.000.

In the current period, the Parent Bank has obtained TL 6.705 bonus shares which comes from capital increase of Yatırım Finansman Menkul Değerler A.Ş., amounting to TL 7.000. In order to increase capital and meet cash requirements of TSKB Gayrimenkul Aracılık Hizmetleri A.Ş. that was established on 10 February 2010 with the 96% participation of the Parent Bank with a capital amounting to TL 48 and TSKB Gayrimenkul Danışmanlık Hizmetleri A.Ş. that was established on 10 February 2010 with 1% participation of the Parent Bank with a capital amounting to TL 0.5, it has been decided to make a General Assembly. The capitals for both of the companies have been decided to be increased by TL 50 from TL 190 to TL 240 separately, and the decision has been published in the Turkish Gazette on 21 June 2010. After the capital increase the Parent Bank’s share at these companies did not change. TL 182.4 of increased capital TSKB Gayrimenkul Aracılık Hizmetleri A.Ş and TL 1.9 of increased capital at TSKB Gayrimenkul Danışmanlık Hizmetleri A.Ş. are paid by the Parent Bank.

**9. Information on entities under joint control**

In the current period, TSKB GYO, one of the subsidiaries of the Parent Bank, established a joint venture with Bilici Yatırım Sanayi ve Ticaret A.Ş. in Adana under the name of Adana Otel Projesi Adi Ortaklığı (“Adana Hotel Project”) on 26 May 2011. The main operations of Adana Otel Projesi Adi Ortaklığı is to start, execute and complete the hotel project which will be operated by Palmira Turizm Ticaret A.Ş.. The capital structure of the joint venture is designated as 50% of participation for Bilici Yatırım Sanayi ve Ticaret AŞ and 50% of participation for the Company. The nominal paid-in capital of Adana Otel Projesi Adi Ortaklığı comprises 20.000 shares of TL 1 for each amounting to TL 20 in total. TSKB GYO has paid TL 10 in cash for the 50% ownership in Adana Otel Projesi Adi Ortaklığı (31 December 2010: None).

**9.a.1 Information on entities under joint control**

	Total Assets	Equity	Total Fixed Assets	Interest Income	Securities Income	Current Year Profit /Loss	Prior Year Profit /Loss	Fair Value
Adana Hotel Project	5.494	(48)	4.708	-	-	(68)	-	-

(1) Represents un-audited 31 December 2011 financial statements. The company was established on 26 May 2011 and there are no prior year profit/loss is obtained.

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

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

**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)**

**I. Explanations related to the consolidated assets (continued)**

**10. Information on finance lease receivables (net)**

**10.a Maturities of investments on finance leases**

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 year	726	711	27.040	26.768
Between 1- 4 years	28.851	27.689	45.304	43.320
More than 4 years	-	-	-	-
<b>Total</b>	<b>29.577</b>	<b>28.400</b>	<b>72.344</b>	<b>70.088</b>

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

	Current Period	Prior Period
<b>Gross investments in finance leases</b>	<b>29.577</b>	<b>72.344</b>
Unearned revenue from finance leases (-)	(1.177)	(2.256)
Cancelled finance leases (-)	-	-
<b>Net investments in finance leases</b>	<b>28.400</b>	<b>70.088</b>

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

Finance lease agreements are made in accordance with the related articles of the Financial Leasing Law No. 3226. There are no restructuring or restrictions having material effect on financial statements (31 December 2010: None).

**11. Information on derivative financial assets for hedging purposes**

The Group has no derivative financial assets for hedging purposes as of the reporting date (31 December 2010: None).

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

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

**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)**

**I. Explanations related to the consolidated assets (continued)**

**12. Information on tangible assets (net)**

<b>Current Period</b>	<b>Prior Period End</b>	<b>Additions</b>	<b>Disposals</b>	<b>Adjustment</b>	<b>Current Period End</b>
Cost					
Land and buildings (*)	34.504	432	-	4.497	39.433
Assets Held under Finance Leases	5.003	-	-	203	5.206
Vehicles	1.369	-	(89)	33	1.313
Assets for Resale	17.222	363	(16.145)	-	1.440
Other	19.048	994	-	(2.014)	18.028
<b>Total</b>	<b>77.146</b>	<b>1.789</b>	<b>(16.234)</b>	<b>2.719</b>	<b>65.420</b>
Accumulated Depreciation					
Land and buildings (*)	(24.014)	(814)	-	4.914	(19.914)
Assets Held under Finance Leases	(3.673)	(342)	-	(783)	(4.798)
Vehicles	(624)	(223)	85	(22)	(784)
Assets for Resale	(6.155)	(588)	6.738	-	(5)
Other	(14.225)	(1.033)	-	-	(15.258)
<b>Total Accumulated Depreciation</b>	<b>(48.691)</b>	<b>(3.000)</b>	<b>6.823</b>	<b>4.109</b>	<b>(40.759)</b>
Impairment Provision					
Land and buildings (*)	-	-	-	-	-
Assets Held under Finance Leases	-	-	-	-	-
Vehicles	-	-	-	-	-
Assets for Resale	(3.556)	(50)	3.169	-	(437)
Other	-	-	-	-	-
<b>Total Impairment Provision</b>	<b>(3.556)</b>	<b>(50)</b>	<b>3.169</b>	<b>-</b>	<b>(437)</b>
<b>Net Book Value</b>	<b>24.899</b>	<b>(1.261)</b>	<b>(6.242)</b>	<b>6.828</b>	<b>24.224</b>

(\*)Land and buildings also include lands and buildings held under finance leases.

**TÜRKİYE SINAI KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

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

**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)**

**I. Explanations related to the consolidated assets (continued)**

**12. Information on tangible assets (net) (continued):**

Prior Period	Prior Period End	Additions	Disposals	Transfer	Period End
Cost					
Land and buildings (*)	35.306	34	-	(836)	34.504
Assets Held under Finance Leases	5.021	-	(18)	-	5.003
Vehicles	1.140	402	(173)	-	1.369
Assets for Resale	22.614	-	(5.392)	-	17.222
Other	17.101	1.140	(29)	836	19.048
<b>Total</b>	<b>81.182</b>	<b>1.576</b>	<b>(5.612)</b>	<b>-</b>	<b>77.146</b>
Accumulated Depreciation					
Land and buildings (*)	(23.726)	(974)	-	686	(24.014)
Assets Held under Finance Leases	(3.277)	(396)	-	-	(3.673)
Vehicles	(568)	(223)	167	-	(624)
Assets for Resale	(5.355)	(1.162)	362	-	(6.155)
Other	(12.624)	(917)	2	(686)	(14.225)
<b>Total Accumulated Depreciation</b>	<b>(45.550)</b>	<b>(3.672)</b>	<b>531</b>	<b>-</b>	<b>(48.691)</b>
Impairment Provision					
Land and buildings (*)	-	-	-	-	-
Assets Held under Finance Leases	-	-	-	-	-
Vehicles	-	-	-	-	-
Assets for Resale	(3.761)	(40)	245	-	(3.556)
Other	-	-	-	-	-
<b>Total Impairment Provision</b>	<b>(3.761)</b>	<b>(40)</b>	<b>245</b>	<b>-</b>	<b>(3.556)</b>
<b>Net Book Value</b>	<b>31.871</b>	<b>(2.136)</b>	<b>(4.836)</b>	<b>-</b>	<b>24.899</b>

(\*)Land and buildings also include lands and buildings held under finance leases.

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

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

The Parent Bank recorded 5% impairment provision per year for asset held for sale and tangible assets that are not depreciated.

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

The impairment amount recorded as at the reporting date is TL 50 and impairment reversed is TL 3.169 (31 December 2010: impairment recorded is TL 40, impairment reversed is TL 245).

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

There is no impairment provision on individual asset set or cancelled in the current period, other than impairment on properties referred to above. (31 December 2010: None)

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

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

**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)**

**I. Explanations related to the consolidated assets (continued)**

**13. Information on intangible assets**

**13.a Useful lives and amortization rates used**

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

Tangible assets are depreciated with straight-line method and their useful lives are determined in accordance with the Turkish Accounting Standards.

**13.b Amortization methods used**

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

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

Current Period	Period Beginning		Period End	
	Gross Book Value	Accumulated Amortization	Gross Book Value	Accumulated Amortization
Software	3.546	(2.692)	3.949	(3.084)
Goodwill	1.005	-	1.005	-

Prior Period	Period Beginning		Period End	
	Gross Book Value	Accumulated Amortization	Gross Book Value	Accumulated Amortization
Software	3.269	(2.365)	3.546	(2.692)
Goodwill	1.005	-	1.005	-

**13.d Movement of cost and accumulated amortization for the period**

Current Period	Closing Balance of Prior Period	Current Year Additions	Current Year Disposals	Other	Closing Balance of Current Period
Cost					
Software	3.546	403	-	-	3.949
Goodwill	1.005	-	-	-	1.005
<b>Total Cost</b>	<b>4.551</b>	<b>403</b>	<b>-</b>	<b>-</b>	<b>4.954</b>
Accumulated Amortization					
Software	(2.692)	(392)	-	-	(3.084)
Goodwill	-	-	-	-	-
<b>Total Accumulated Amortization</b>	<b>(2.692)</b>	<b>(392)</b>	<b>-</b>	<b>-</b>	<b>(3.084)</b>
Impairment Provision					
Software	-	-	-	-	-
<b>Total Impairment Provision</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Book Value</b>	<b>1.859</b>	<b>11</b>	<b>-</b>	<b>-</b>	<b>1.870</b>

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

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

**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)**

**I. Explanations related to the consolidated assets (continued)**

**13. Information on intangible assets (continued)**

**13.d Movement of cost and accumulated amortization for the period (continued)**

Prior Period	Closing Balance of Prior Period	Current Year Additions	Current Year Disposals	Other	Closing Balance of Current Period
Cost					
Software	3.269	277	-	-	3.546
Goodwill	1.005	-	-	-	1.005
<b>Total Cost</b>	<b>4.274</b>	<b>277</b>	<b>-</b>	<b>-</b>	<b>4.551</b>
Accumulated Amortization					
Software	(2.365)	(327)	-	-	(2.692)
Goodwill	-	-	-	-	-
<b>Total Accumulated Amortization</b>	<b>(2.365)</b>	<b>(327)</b>	<b>-</b>	<b>-</b>	<b>(2.692)</b>
Impairment Provision					
Software	-	-	-	-	-
<b>Total Impairment Provision</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Book Value</b>	<b>1.909</b>	<b>(50)</b>			<b>1.859</b>

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

As of the reporting date, the Group has no individual intangible asset which is material to the financial statements as a whole (31 December 2010: None).

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

As of the reporting date, the Group has no intangible assets acquired through government grants (31 December 2010: None).

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

As of the reporting date, the Group has no intangible assets acquired with government incentives (31 December 2010: None).

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

As of the reporting date, the Group has no intangible assets with restricted use or pledged (31 December 2010: None).

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

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

**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)**

**I. Explanations related to the consolidated assets (continued)**

**13 Information on intangible assets (continued)**

**13.i Amount of purchase commitments for intangible assets**

As of the reporting date, the Group has no purchase commitments for intangible assets (31 December 2010: None).

**13.j Information on revalued intangible assets according to their types**

The Group did not revalue its intangible assets as at the reporting date (31 December 2010: None).

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

The Group has no research and development costs expensed in the current period (31 December 2010: None).

**13.l Information on goodwill**

Goodwill on Consolidation	Share Rate %	Carrying Amount
Yatırım Finansman Yatırım Ortaklığı A.Ş.	95,78	1.005

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

	Current Period	Prior Period
<b>Net Value at the Beginning of the Period</b>	1.005	1.005
Changes in the Period:	-	-
Additional Goodwill	-	-
Restatements Arising from Changes in Assets and Liabilities	-	-
Goodwill Written off due to Discontinued Operations or Partial/Full Derecognizing of an Asset (-)	-	-
Impairment Loss (-)	-	-
Reversal of Impairment loss (-)	-	-
Changes in Carrying Value	-	-
<b>Net Value at the End of Period</b>	<b>1.005</b>	<b>1.005</b>

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

As of the reporting date, the Group has no negative goodwill in the accompanying financial statements (31 December 2010: None).

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

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

**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)**

**I. Explanations related to the consolidated assets (continued)**

**14. Information on investment properties**

In the current period, the Parent Bank has investment properties with a net book value of TL 226.805 belonging to the Parent Bank's subsidiary operating in the real-estate investment trust sector. The fair values of the investment properties are determined as TL 15.600, TL 7.360 and TL 203.845 based on two independent appraisals reports by a CMB registered real-estate appraiser company issued on 12 December 2011, 6 December 2011 and 13 December 2011, respectively. As of 31 December 2011, TL 9.218 of fair value (31 December 2010: TL 2.312) difference is recognized under other operating income in the accompanying financial statements.

Investment Properties Movement table as of 31 December 2011 and 31 December 2010 is as below:

Current Period	Closing Balance of Prior Period	Transfer from Tangible Assets	Additions	Disposals	Change in Fair Value	Closing Balance of Current Period
Tahir Han	6.265	-	-	-	1.095	7.360
Pendorya AVM	195.290	-	1.027	(3)	7.531	203.845
Adana Land Project	11.726	-	3.568	(286)	592	15.600
<b>Total</b>	<b>213.281</b>	<b>-</b>	<b>4.595</b>	<b>(289)</b>	<b>9.218</b>	<b>226.805</b>

Prior Period	Closing Balance of Prior Period	Transfer from Tangible Assets	Additions	Disposals	Change in Fair Value	Closing Balance of Prior Period
Tahir Han	5.885	-	-	-	380	6.265
Pendorya AVM	187.770	-	5.806	(102)	1.816	195.290
Adana Land Project Development	11.636	-	839	(865)	116	11.726
<b>Total</b>	<b>205.291</b>	<b>-</b>	<b>6.645</b>	<b>(967)</b>	<b>2.312</b>	<b>213.281</b>



**TÜRKİYE SINAI KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

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

**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)**

**I. Explanations related to the consolidated assets (continued)**

**15. Information on deferred tax assets**

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

The Group has computed deferred tax asset or liability on temporary differences arising from carrying values of assets and liabilities in the accompanying financial statements and their tax bases.

<b>Deferred tax asset:</b>	<b>Current period</b>	<b>Prior period</b>
Loan commissions accrual adjustment	12.090	9.081
Other provisions	8.174	8.477
Employee benefit provision	1.172	1.058
Valuation of marketable securities	1.131	5.011
Useful life difference of fixed assets	-	1.044
Other	1.642	210
<b>Total Deferred Tax Asset</b>	<b>24.209</b>	<b>24.881</b>
<b>Deferred tax liabilities:</b>		
Valuation of marketable securities	(4.902)	(6.098)
Borrowing commissions accrual adjustment	(1.832)	(887)
Derivative instrument accruals	(1.076)	(203)
Useful life difference of fixed assets	(735)	-
Other	-	(347)
<b>Total Deferred Tax Liability</b>	<b>(8.545)</b>	<b>(7.535)</b>
<b>Net Deferred Tax Asset</b>	<b>15.664</b>	<b>17.346</b>

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

The Group has no deductible temporary differences that are not included in calculation of deferred tax asset and not reflected to financial statements in prior periods (31 December 2010: TL None).

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

As of the reporting date, the Group has no allowance for deferred tax and deferred tax assets from reversal of allowance (31 December 2010: TL None).

**16. Information on assets held for sale**

In the current period, the Bank has no assets held for sale (31 December 2010: None).

**17. Information about Other Assets**

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

Other assets are not exceeding 10 % of total assets, excluding off-balance sheet commitments (31 December 2010: None).

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

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

**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)**

**II. Explanations related to the consolidated liabilities**

**1. Information on maturity structure of deposits**

**1.a.1 Maturity structure of deposits**

The Parent Bank is not authorized to accept deposits.

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

The Parent Bank is not authorized to accept deposits.

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

The Parent Bank is not authorized to accept deposits.

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

The Parent Bank is not authorized to accept deposits

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

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

Derivative financial liabilities held for trading	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	6.119	6.451	200	-
Swap Transactions	351	17.882	2.128	2.694
Futures Transactions	-	-	-	-
Options	-	17.940	352	4.900
Other	-	-	80	-
<b>Total</b>	<b>6.470</b>	<b>42.273</b>	<b>2.760</b>	<b>7.594</b>

**3. Information on funds borrowed**

**3.a Information on banks and other financial institutions:**

	Current Period		Prior Period	
	TL	FC	TL	FC
From Central Bank of Turkey	-	-	-	-
From Domestic Banks and Institutions	10.006	232.836	59.017	155.851
From Foreign Banks, Institutions and Funds	13.757	6.528.936	-	4.837.982
<b>Total</b>	<b>23.763</b>	<b>6.761.772</b>	<b>59.017</b>	<b>4.993.833</b>

**3.b Maturity analysis of funds borrowed:**

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term	23.763	533.785	59.017	390.131
Medium and long-term	-	6.227.987	-	4.603.702
<b>Total</b>	<b>23.763</b>	<b>6.761.772</b>	<b>59.017</b>	<b>4.993.833</b>

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

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

**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)**

**II. Explanations related to the consolidated liabilities (continued)**

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

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

**4. Information relating to funds provided under repurchase agreements**

	Current Period		Prior Period	
	TL	FC	TL	FC
From Domestic Transactions	769.607	61.654	1.041.044	62.963
Financial institutions and organizations	736.039	-	990.378	-
Other institutions and organizations	18.090	52.161	18.953	43.787
Real persons	15.478	9.493	31.713	19.176
From Foreign Transactions	185	116.308	2.721	79.336
Financial institutions and organizations	19	115.309	6	78.298
Other institutions and organizations	-	-	47	359
Real persons	166	999	2.668	679
<b>Total</b>	<b>769.792</b>	<b>177.962</b>	<b>1.043.765</b>	<b>142.299</b>

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

There are no other liabilities which exceed 10% of the balance sheet total (31 December 2010: None).

**6. Explanations on financial lease obligations (net)**

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

The Parent Bank entered into the financial lease transactions with its associate, İş Finansal The Parent Bank entered into financial lease transactions with Vakıf Finansal Kiralama A.Ş and the Bank's associate İş Finansal Kiralama A.Ş. The lease agreements are paid in equal instalments. There are no issues in these agreements which would cause significant liabilities to the Parent Bank.

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

There are no changes in financial leasing contracts.

**6.c Explanations on finance lease payables:**

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 year	-	-	2	-
Between 1- 4 years	2	-	2	-
More than 4 years	-	-	-	-
<b>Total</b>	<b>2</b>	<b>-</b>	<b>4</b>	<b>-</b>

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

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

**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)**

**II. Explanations related to the consolidated liabilities (continued)**

**6.d Explanations regarding operational leases**

As of the reporting date, the Parent Bank's 1 head office and 13 branches are subject to operational leasing. Additionally, 27 cars are within the context of operational leasing. The Group has no liability for operational leases as of the reporting date (31 December 2010: 1 head office, 13 branches and 20 cars are subject to financial leasing).

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

The Group has no sale and lease back transactions as of the reporting date (31 December 2010: None)

**7. Information on derivative financial liabilities for hedging purposes**

The Group has no derivative financial liabilities for hedging purposes as of the reporting date (31 December 2010: None).

**8. Information on Provisions**

**8.a Information on general loan loss provisions:**

	Current Period	Prior Period
General Loan Loss Provisions	<b>58.491</b>	<b>43.539</b>
Provisions for First Group Loans and Receivables	51.699	35.819
Provisions for Second Group Loans and Receivables	994	1.761
Provisions for non-Cash Loans	2.220	1.870
Other	3.578	4.089

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

As of the reporting date, the Group's foreign exchange losses on the foreign currency indexed loans amount to TL 1.199 (31 December 2010: TL 12.462). The foreign exchange losses on the foreign currency indexed loans are netted off from the loans in the financial statements.

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

The Parent Bank has TL 4 of specific provisions provided for unindemnified non cash loans as of the reporting date (31 December 2010: TL 4).

**8.d Information on employee termination benefits and unused vacation accrual:**

The Group has calculated reserve for employee termination benefits by using actuarial valuations as set out in the Turkish Accounting Standard No:19 and reflected the calculated amount to the financial statements.

As of 31 December 2011, TL 10.344 (31 December 2010: TL 7.799) reserve for employee termination benefits was provided against a total undiscounted liability of TL 4.752 (31 December 2010: TL 4.146). The ratio of provisions of this benefit to undiscounted total liability is 45,94%. (31 December 2010: 53,16%)

As of 31 December 2011, the Group provided a reserve of TL 1.107 (31 December 2010: TL 1.146) for the unused vacations. This balance is classified under reserve for employee benefits in the financial statements.

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

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

**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)**

**II. Explanations related to the consolidated liabilities (continued)**

**8. Information on provisions (continued)**

**8.d.1 Movement employee termination benefits**

	<b>Current Period</b>	<b>Prior Period</b>
As of 1 January	4.146	3.498
Payments during the period	(654)	(422)
Arising during the period	1.260	1.070
<b>Total</b>	<b>4.752</b>	<b>4.146</b>

**8.e Information related to other provisions:**

**8.e.1 Provisions for possible losses**

	<b>Current Period</b>	<b>Prior Period</b>
Provision for Possible Losses	-	-

**8.e.2 If other provisions exceeds 10% of total provisions, the name and amount of sub-accounts**

	<b>Current Period</b>	<b>Prior Period</b>
Provision for Possible Losses	-	-
Provision for Dividend Received from Subsidiaries	-	-
Other (*)	40.320	41.929
<b>Total</b>	<b>40.320</b>	<b>41.929</b>

(\*) Other provision account includes TL 40.000 of provision for possible risks on credit portfolio in the future (31 December 2010: TL 41.808).

**8.f. Liabilities on pension rights**

As explained on the Section Three, Accounting Policies, XVII. Explanations on Liabilities Regarding Employee Benefits as of 31 December 2011, the Group has no obligations on pension rights (31 December 2010: None).

**8.f.1. Liabilities for pension funds established in accordance with Social Security Institution**

None (31 December 2010: None).

**8.f.2. Liabilities resulting from all kinds of pension funds, foundations etc. which provide post retirement benefits for the employees:**

The present value of the liabilities, subject to transfer to the Social Security Institution, of the Pension Fund as of 31 December 2011 has been calculated by an independent actuary in accordance with the actuarial assumptions in the Law and as per February 2012 dated actuarial report, the liabilities, subject to transfer to the Social Security Institution, are financed by the assets of the Pension Fund.

Accordingly, as of 31 December 2011 the Bank has no requirements for the benefits transferable to the fund and for other benefits not transferable to the fund and arising from other social rights and payments covered by the existing trust indenture of the Fund and medical benefits provided for employees in accordance to the law explained in Note 3.15, the accounting policies related with “employee benefits.

**TÜRKİYE SINAI KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

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

**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)**

**II. Explanations related to the consolidated liabilities (continued)**

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

The Parent Bank has signed an agreement with the International Finance Corporation, for a subordinated loan of USD 50 Million (TL 94.250). The interest accrued on this loan is TL 750 as of the reporting date.

The first agreement date of the loan was 21 September 2004. The first usage date was 5 November 2004. The interest rate is variable; at the reporting date it is (0,59+3,25 spread) 3,84%. Principal of the loan will be repaid on 15 October 2016 as a whole.

**9.a Information on subordinated loans:**

	Current Period		Prior Period	
	TL	FC	TL	FC
From Domestic Banks	-	-	-	-
From Other Domestic Institutions	-	-	-	-
From Foreign Banks	-	-	-	-
From Other Foreign Institutions	-	95.000	-	77.947
<b>Total</b>	<b>-</b>	<b>95.000</b>	<b>-</b>	<b>77.947</b>

**10. Information on Taxes Payable:**

	Current Period		Prior Period	
	TL	FC	TL	FC
Corporate Taxes and Deferred Taxes				
Corporate Taxes Payable (*)	13.583	-	12.588	-
Deferred Tax Liability	-	-	-	-
<b>Total</b>	<b>13.583</b>	<b>-</b>	<b>12.588</b>	<b>-</b>

(\*) In the current period, Corporate Tax Provision is TL 49.201 and netted off from Prepaid Tax of TL 35.618 (31 December 2010: Corporate Tax Provision is TL 51.821 and netted off from Prepaid Tax of TL 39.233).

**10.a Information on deferred taxes liabilities**

As of the reporting date, the Group has no deferred tax liability (31 December 2010: None).

**10.a.1 Information on taxes payable:**

	Current Period	Prior Period
Corporate Taxes Payable	13.583	12.588
Taxation of Securities	1.276	632
Property Tax	-	-
Banking and Insurance Transaction Tax (BITT)	1.073	813
Foreign Exchange Transaction Tax	-	-
Value Added Tax Payable	112	240
Other	1.391	2.149
<b>Total</b>	<b>17.435</b>	<b>16.422</b>

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

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

**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)**

**II. Explanations related to the consolidated liabilities (continued)**

**10.a.2 Information on premiums:**

	Current Period	Prior Period
Social Security Premiums-Employee	80	67
Social Security Premiums-Employer	84	69
Bank Social Aid Pension Fund Premium-Employee	-	-
Bank Social Aid Pension Fund Premium-Employer	-	-
Pension Fund Membership Fees and Provisions-Employee	-	-
Pension Fund Membership Fees and Provisions-Employer	-	-
Unemployment Insurance-Employee	23	20
Unemployment Insurance-Employer	46	41
Other	-	2
<b>Total</b>	<b>233</b>	<b>199</b>

**11. Information on liabilities regarding assets held for sale**

None (31 December 2010: None).

**12. Information on shareholders' equity**

**12.a Presentation of paid-in capital:**

	Current Period	Prior Period
Common Stock	800.000	700.000
Preferred Stock	-	-

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

Capital System	Paid-in Capital	Ceiling
Registered Capital System	800.000	1.000.000

It is accepted to increase the Parent Bank's registered capital from TL 1.000.000 to TL 2.500.000 and in this context it is accepted to change the 5<sup>th</sup> clause of the Bank's main agreement. According to Banking Regulation and Supervision Agency's article dated 19 January 2012, numbered 1468 and in accordance with Capital Market Law's 11<sup>th</sup> article numbered 2499, the registered capital increase request of the Parent Bank is approved by Capital Markets Board of Turkey, the process is continuing.

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

In the current period, the Parent Bank's share capital has increased by TL 100.000. In the meeting of the General Assembly held on 25 March 2011; it has been resolved that, paid-in capital of the Parent Bank will be increased from TL 700.000 to TL 800.000 by TL 100.000. In respect of the resolution of the General Assembly, TL 100.000 of this increase will be incorporated from the profit of the year 2010. The increase in paid-in capital was approved by the BRSA on 12 May 2011 and has been published in the Turkish Trade Registry Gazette No: 7824 on 27 May 2011.

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

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

**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)**

**II. Explanations related to the consolidated liabilities (continued)**

**12. Information on shareholders' equity (continued)**

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

In the prior period, the Parent Bank's share capital has increased by TL 100.000. In the meeting of the General Assembly held on 25 March 2010, it has been resolved that, paid-in capital of the Parent Bank will be increased from TL 600.000 to TL 700.000 by TL 100.000. In respect of the resolution of the General Assembly, TL 85.000 of this increase will be incorporated from the profit of the year 2009 and TL 15.000 from extraordinary reserves. The increase in paid-in capital was approved by the BRSA on 18 May 2010 and has been published in the Turkish Trade Registry Gazette No: 7576 on 2 June 2010.

**12.d Information on share capital increases from capital reserves:**

In the current period there is no share capital increases from capital reserve (31 December 2010: None).

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

There is no capital commitments of the Parent Bank in the last fiscal year and at the end of the following period (31 December 2010: TL 675).

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

The prior period income, profitability and liquidity of the Parent Bank and their trends in the successive periods are followed by Financial Control Department by considering the outcomes of the potential changes in the foreign exchange rate, interest rate and maturity alterations on profitability and liquidity under several different scenario analyses. The Parent Bank operations are profitable, and the Parent Bank keeps the major part of its profit by capital increases or capital reserves within the shareholders equity.

**12.g Information on preferred shares:**

The Parent Bank has no preferred shares.

**12.h Information on marketable securities value increase fund:**

	Current Period		Prior Period	
	TL	FC	TL	FC
From Associates, Subsidiaries, and Entities Under Common Control	2.680	-	5.739	-
Valuation Differences	(5.526)	20.006	30.991	32.289
Foreign Exchange Difference	-	-	-	-
<b>Total</b>	<b>(2.846)</b>	<b>20.006</b>	<b>36.730</b>	<b>32.289</b>

**13. Information on legal reserves:**

	Current Period	Prior Period
First legal reserve	49.750	38.583
Second legal reserve	48.174	36.924
Other Legal Reserves Appropriated In Accordance with Special Legislation	51	51
<b>Total</b>	<b>97.975</b>	<b>75.558</b>



**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

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

**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)**

**II. Explanations related to the consolidated liabilities (continued)**

**14. Information on Extraordinary Reserves:**

	<b>Current Period</b>	<b>Prior Period</b>
Reserves Appropriated by the General Assembly	152.167	118.439
Retained Earnings	2.920	2.920
Accumulated Losses	-	-
Foreign Currency Share Capital Exchange Differences	-	-
<b>Total</b>	<b>155.087</b>	<b>121.359</b>

**15. Explanations related to equity:**

Movement of Equity Reserves during the period:

	<b>Value Increase Funds of Marketable Securities from Available for Sale</b>	<b>Value Increase Funds of Marketable Securities from Subsidiaries and Associates</b>	<b>Revaluation value increase Subsidiaries and Associates</b>	<b>Others Equity Reserves</b>	<b>Total</b>
As of 1 January	63.280	5.739	31.174	374	100.567
Value increase of available for sale investments recognized directly under equity	(57.577)	(3.059)	-	-	(60.636)
Profit on disposal of available for sale investments recycled to income statement from equity	(1.770)	-	-	-	(1.770)
Tax effect of gains on available for sale investments	10.547	-	-	-	10.547
Transfer to equity	-	-	-	-	-
Other	-	-	-	-	-
<b>As of 31 December</b>	<b>14.480</b>	<b>2.680</b>	<b>31.174</b>	<b>374</b>	<b>48.708</b>

In the prior period, according to the Turkish Corporate Tax Code 5-(I)/e, 75% of the gain on sale of the building amounting to TL 3.727 in the tax purpose financial statements amounting to TL 2.796 exempt from corporate income tax and for the five years following 2009, until the profit distribution process has completed, gains are agreed to be kept in a special fund account under equity and within the specified period, except the share capital, gains are not allowed to transfer into another account. The Bank has transferred such gains to the related equity accounts.

**16. Information on minority shares**

	<b>Current Period</b>	<b>Prior Period</b>
Paid-in-Capital	68.461	68.125
Share Premium	228	228
Securities Value Increase Fund	-	4
Legal Reserves	897	713
Extraordinary Reserves	7.121	5.545
Other Profit Reserves	-	-
Retained Earnings / Accumulated Losses	22.227	20.215
Net Profit or Loss	(2.143)	5.086
<b>Total</b>	<b>96.791</b>	<b>99.916</b>

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

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

**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)**

**III. Explanations related to the consolidated off-balance sheet contingencies and commitments**

**1. Information on off-balance sheet liabilities**

**1.a Nature and amount of irrevocable loan commitments:**

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

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

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

As of the reporting date, total letter of credits is TL 555.929 (31 December 2010: TL 259.695).

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

As of the reporting date, total letters of guarantee is TL 689.477 (31 December 2010: TL 801.325).

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

	<b>Current Period</b>	<b>Prior Period</b>
Non-cash Loans Given Against Achieving Cash Loans	-	-
With Maturity of One Year or Less than One Year	-	-
With Maturity of More than One Year	-	-
Other Non-Cash Loans	1.268.979	1.093.918
<b>Total</b>	<b>1.268.979</b>	<b>1.093.918</b>

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

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

**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)**

**III. Explanations related to the consolidated off-balance sheet contingencies and commitments (continued)**

**1. Information on off-balance sheet liabilities (continued)**

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

	Current Period				Prior Period			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
Agriculture	-	-	-	-	-	-	10.728	1
Farming and stockbreeding	-	-	-	-	-	-	10.728	1
Forestry	-	-	-	-	-	-	-	-
Fishing	-	-	-	-	-	-	-	-
Industry	151.208	51	948.748	97	178.606	51	660.506	89
Mining	-	-	-	-	1.174	1	-	-
Manufacturing Industry	4.391	1	272.765	28	1.082	-	103.193	14
Electricity, Gas, Water	146.817	50	675.983	69	176.350	50	557.313	75
Construction	4.785	2	4.882	1	19.183	5	27.493	-
Services	138.454	46	16.894	2	153.085	44	44.310	6
Wholesale and Retail Trade	-	-	-	-	-	-	29.263	4
Hotel, Food and Beverage Services	-	-	-	-	-	-	-	-
Transportation and Communication	-	-	-	-	-	-	-	-
Financial Institutions	138.131	46	16.400	2	148.907	43	14.648	2
Real Estate and Leasing Services	323	-	494	-	178	-	399	-
Self-employment Services	-	-	-	-	4.000	1	-	-
Education Services	-	-	-	-	-	-	-	-
Health and Social Services	-	-	-	-	-	-	-	-
Other	4.008	1	-	-	7	-	-	-
<b>Total</b>	<b>298.455</b>	<b>100</b>	<b>970.524</b>	<b>100</b>	<b>350.881</b>	<b>100</b>	<b>743.037</b>	<b>100</b>

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

	Ist Group				IInd Group			
	Current Period		Prior Period		Current Period		Prior Period	
	TL	FC	TL	FC	TL	FC	TL	FC
Non-cash Loans	<b>298.455</b>	<b>970.524</b>	<b>350.841</b>	<b>743.037</b>	-	-	<b>40</b>	-
Letters of Guarantee	278.215	411.262	319.826	481.459	-	-	40	-
Bank Acceptances	-	3.333	-	-	-	-	-	-
Letters of Credit	-	555.929	-	259.695	-	-	-	-
Endorsements	-	-	-	-	-	-	-	-
Purchase Guarantees on Issuance of Securities	-	-	-	-	-	-	-	-
Factoring Guarantees	-	-	-	-	-	-	-	-
Other	20.240	-	31.015	1.883	-	-	-	-

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

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

**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)**

**III. Explanations related to the consolidated off-balance sheet contingencies and commitments (continued)**

**2. Information related to derivative financial instruments**

	Current Period	Prior Period
Trading derivative transactions		
Foreign currency related derivative transactions (I)	3.540.196	1.025.610
Forward transactions	1.234.847	36.016
Swap transactions	887.503	249.944
Futures transactions	-	-
Option transactions	1.417.846	739.650
Interest related derivative transactions (II)	1.426.824	2.111.432
Interest rate swap transactions	1.376.916	481.598
Interest option transactions	49.908	56.664
Futures interest transactions	-	1.573.170
Other trading derivative transactions (III)	1.939	116.980
A. Total trading derivative transactions (I+II+III)	4.968.959	3.254.022
Types of hedging transactions	-	-
Fair value hedges	-	-
Cash flow hedges	-	-
Net investment hedges	-	-
B. Total hedging related derivatives	-	-
<b>Total Derivative Transactions (A+B)</b>	<b>4.968.959</b>	<b>3.254.022</b>

As of 31 December 2011, the breakdown of the Group's foreign currency forward and swap transactions based on currencies are disclosed below in their TL equivalents:

	Forward Buy	Forward Sell	Swap Buy	Swap Sell	Option Buy	Option Sell	Futures Buy	Futures Sell	Other Buy	Other Sell
<b>Current Period</b>										
TL	277.535	83.959	158.308	14.070	322.425	322.425	-	-	-	1.939
US Dollar	145.624	307.833	369.504	775.506	124.239	124.239	-	-	-	-
Euro	195.403	224.493	604.056	341.518	284.827	284.827	-	-	-	-
Other	-	-	568	889	2.386	2.386	-	-	-	-
<b>Total</b>	<b>618.562</b>	<b>616.285</b>	<b>1.132.436</b>	<b>1.131.983</b>	<b>733.877</b>	<b>733.877</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1.939</b>

	Forward Buy	Forward Sell	Swap Buy	Swap Sell	Option Buy	Option Sell	Futures Buy	Futures Sell	Other Buy	Other Sell
<b>Prior Period</b>										
TL	5.767	12.058	33.838	75.657	139.602	119.962	-	-	17.241	17.200
US Dollar	-	-	186.783	135.099	136.823	137.521	-	-	-	-
Euro	12.403	5.788	147.657	148.897	115.221	129.691	-	1.573.170	41.269	41.270
Other	-	-	-	3.611	8.747	8.747	-	-	-	-
<b>Total</b>	<b>18.170</b>	<b>17.846</b>	<b>368.278</b>	<b>363.264</b>	<b>400.393</b>	<b>395.921</b>	<b>-</b>	<b>1.573.170</b>	<b>58.510</b>	<b>58.470</b>

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

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

**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)**

**III. Explanations related to the consolidated off-balance sheet contingencies and commitments (continued)**

**2. Information related to derivative financial instruments (continued)**

Derivative Financial Liabilities Held For Trading	Current Period			Prior Period		
	Fair value assets	Fair value liabilities	Contractual Derivative Transactions TL Amount	Fair value assets	Fair value liabilities	Contractual Derivative Transactions TL Amount
Swap Transactions	5.362	(7.959)	887.503	1.861	(2.251)	249.944
Interest Rate Swap Transactions	8.086	(10.274)	1.376.916	3.659	(2.571)	481.598
Forward Transactions	13.965	(12.570)	1.234.847	373	(200)	36.016
Futures Transactions	-	-	-	-	-	1.573.170
Option Transactions	17.940	(17.940)	1.467.754	4.892	(4.899)	796.314
Other	-	-	1.939	476	(433)	116.980
<b>Total</b>	<b>45.353</b>	<b>(48.743)</b>	<b>4.968.959</b>	<b>11.261</b>	<b>(10.354)</b>	<b>3.254.022</b>

**Fair value hedges**

For the year ended 31 December 2011 the Group does not have any items to hedge financial risks (31 December 2010: None).

**Hedging from the cash-flow risk:**

As of 31 December 2011 the Group has no cash-flow hedging transactions (31 December 2010: None).

**3. Explanations on contingent liabilities and assets**

There are 18 legal cases against the Group which are amounting to TL 399 as of the reporting date (31 December 2010: TL 277, 19 legal cases).

There is a lawsuit for the cancellation of the licence of construction dated 16 July 2008 numbered 1120 given for the Pendorya Mall of TSKB GYO registered in Pendik, Doğu District, plot 105, map 865, parcel 64 and related zoning plan dated 6 November 2007 scaled 1/1000 and for motion for stay of execution against Pendik Mayoralty. TSKB GYO is also involved in the instant case and Istanbul 9th Administrative Court ordered the cancellation of the licence and zoning plan with a right of appeal. As a result of the appeal, Council of State also approved the resolution of the Court on 1 December 2011.

In addition, seeking the cancellation of the 1/1000 scaled zoning plan dated 6 November 2007 by the decision of 9th Administrative Court, the plaintiff also filed a lawsuit against Pendik Municipality on the Istanbul 3rd Administrative Court ("the Court") in order to demand grant a stay of execution suspending the cancellation of the construction and occupancy permits dated 4 December 2009 numbered 101 and 14 December 2009 dated 104 numbered given for Pendorya Mall. The Court issued a stay of execution on 31 December 2010 regarding related occupancy permits and the Court decided on 22 September 2011 to set aside the decision of the case on the basis of that cancellation of the construction licence dated 16 July 2008 numbered 1120 given to TSKB GYO for Pendorya Mall with 4 November 2010 dated resolution is due to the cancellation of 1/1000 scaled Zoning Plan. TSKB GYO, involved in the position to demand the motion for stay of execution of the mentioned cancellation resolution of the Court and has presented the petition of appeal to the Council of State on 4 November 2011.

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

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

**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)**

**III. Explanations related to the consolidated off-balance sheet contingencies and commitments (continued)**

**3. Explanations on contingent liabilities and assets (continued)**

Development functions and construction conditions of the real estates (land use decisions) are permitted by the Zoning Plan. New 1/5000 scaled, 25 December 2010 dated Zoning Plan for the area where Pendorya Shopping Mall is located, has become effective. According to the New 1/5000 scaled Zoning Plan, the related real estate's functions has been preserved.

In accordance with the new zoning plan, 1/1000 scaled zoning plan has been prepared by Pendik Municipality and approved by the Pendik Municipality Council at 7 October 2011. Subsequent to the approval of 1/1000 scaled zoning plan by Istanbul Metropolitan Municipality, the Pendorya Mall's both construction licence and occupancy permit renewal application will be made.

Pendorya Mall was built in accordance with the 1/1000 scaled Zoning Plan that was in force at the date of construction and both construction licence and occupancy permits had been obtained in regular form at same date. Land amendment transactions are also completed accordingly. Land Registry records were still registered as a shopping center. Therefore, it is not expected that there will be a problem relating with the existing construction licence, new licence demand or operations of Pendorya Mall.

**4. Custodian and Intermediary Services:**

The Group provides trading and safe keeping services in the name and account of real persons, entities, funds, pension funds and other entities which are presented in the statement of contingencies and commitments.

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

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

**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)**

**IV. Explanations related to the consolidated income statement**

**1.a Information on interest on loans:**

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest on Loans (*)				
Short Term Loans	15.123	4.619	11.847	3.269
Medium and Long Term Loans	75.033	185.584	58.245	107.730
Interest on Non-performing Loans	6.352	1.851	6.732	-
Premiums received from Resource Utilization Support Fund	-	-	-	-
<b>Total</b>	<b>96.508</b>	<b>192.054</b>	<b>76.824</b>	<b>110.999</b>

(\*) Commission income from loans has been included in interest on loans.

**1.b Information on interest received from banks:**

	Current Period		Prior Period	
	TL	FC	TL	FC
The Central Bank of Turkey	-	-	-	-
Domestic Banks	22.578	8.622	36.466	98
Foreign Banks	-	49	7	86
Branches and Head Office Abroad	-	-	-	-
<b>Total</b>	<b>22.578</b>	<b>8.671</b>	<b>36.473</b>	<b>184</b>

**1.c Information on interest received from marketable securities:**

	Current Period		Prior Period	
	TL	FC	TL	FC
Trading Securities	6.451	1	5.235	348
Financial Assets at Fair Value Through Profit and Loss	-	-	-	-
Available for Sale Financial Assets	137.219	29.068	156.205	30.615
Investments Held to Maturity	35.817	-	36.322	-
<b>Total</b>	<b>179.487</b>	<b>29.069</b>	<b>197.762</b>	<b>30.963</b>

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

	Current Period	Prior Period
Interest Received from Associates and Subsidiaries	1.624	1.141

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

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

**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)**

**IV. Explanations related to the consolidated income statement (continued)**

**2.a Information on interest on funds borrowed:**

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	1.334	6.834	5.498	4.839
The Central Bank of Turkey	421	-	72	-
Domestic Banks	894	575	5.388	453
Foreign Banks	19	6.259	38	4.386
Branches and Head Office Abroad	-	-	-	-
Other Financial Institutions (*)	-	72.226	-	44.460
<b>Total</b>	<b>1.334</b>	<b>79.060</b>	<b>5.498</b>	<b>49.299</b>

(\*) Commissions given to other financial institutions have been included in interest expense on funds borrowed.

**2.b Information on interest expenses to associates and subsidiaries:**

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

**2.c Information on interest expenses to securities issued:**

Interest expense from securities issued is TL 3.922 (31 December 2010: TL 5.667).

**2.d Allocation of interest expense on deposits based on maturity of deposits:**

The Group is not authorized to accept deposits.

**3. Information on dividend income:**

	Current Period	Prior Period
Trading Securities	894	307
Financial Assets at Fair Value Through Profit and Loss	-	-
Available-for-Sale Securities	2.035	916
Other	2.293	1.280
<b>Total</b>	<b>5.222</b>	<b>2.503</b>

**4. Information on net trading income (net)**

	Current Period	Prior Period
Profit	<b>659.102</b>	<b>344.200</b>
Gains on capital market operations	8.613	15.825
On derivative financial instruments (*)	179.605	99.692
Foreign exchange gains	470.884	228.683
Losses (-)	<b>(679.127)</b>	<b>(338.524)</b>
Losses on capital market operations	(13.643)	(12.514)
On derivative financial instruments (*)	(234.035)	(97.766)
Foreign exchange losses	(431.449)	(228.244)

(\*) Foreign exchange gain from derivative transactions amounting to TL 133.556 is presented in "Profit on derivative financial instruments" (31 December 2010: TL 48.742), foreign exchange loss from derivative transactions amounting to TL (189.194) is presented in "Losses on derivative financial instruments" (31 December 2010: TL (51.134)).



**TÜRKİYE SINAI KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

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

**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)**

**IV. Explanations related to the consolidated income statement (continued)**

**5. Information related to other operating income**

	<b>Current Period</b>	<b>Prior Period</b>
Provisions Released	14.564	23.688
Gains on Sale of Assets	11.467	776
From Associate and Subsidiary Sales	-	375
From Immovable Fixed Asset Sales	-	-
From Properties Sales	-	41
From Other Asset Sales	11.467	360
Other (*)	26.850	13.374
<b>Total</b>	<b>52.881</b>	<b>37.838</b>

(\*) Gain on fair value difference of investment properties of the Group amounting to TL 9.218 and rent income amounting to TL 8.931 is included in "Other"(31 December 2010: TL 2.312 fair value difference, TL 9.734 rent income).

**6. Provision expenses related to loans and other receivables of the Group**

	<b>Current Period</b>	<b>Prior Period</b>
Specific provisions for loans and other receivables	8.203	8.868
III. Group	6.713	8.778
IV. Group	1	-
V. Group	1.489	90
General provision expenses	14.952	11.857
Provision expenses for possible losses	-	-
Marketable securities impairment expenses	3.784	3.413
Trading securities	1.672	4
Investment securities available for sale	2.112	3.409
Impairment provisions	-	-
Associates	-	-
Subsidiaries	-	-
Entities under common control (Joint Vent.)	-	-
Investment securities held to maturity	-	-
Other (*)	5.295	1.763
<b>Total</b>	<b>32.234</b>	<b>25.901</b>

(\*) Other expense account includes TL 5.000 of provision expense for possible risks on credit portfolio in the future period.

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

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

**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)**

**IV. Explanations related to the consolidated income statement (continued)**

**7. Information related to other operating expenses**

	<b>Current Period</b>	<b>Prior Period</b>
Personnel expenses	56.458	48.850
Reserve for employee termination benefits	755	648
Bank social aid fund deficit provision	-	-
Impairment expenses of fixed assets	-	-
Depreciation expenses of fixed assets	2.412	2.510
Impairment expenses of intangible assets	-	-
Impairment expense of goodwill	-	-
Amortization expenses of intangible assets	392	327
Impairment on subsidiaries accounted for under equity method	-	-
Impairment on assets for resale	50	40
Depreciation expenses of assets held for resale	588	1.162
Impairment expenses of assets held for sale	-	-
Other operating expenses	22.119	29.142
Rent expenses	1.873	1.478
Maintenance expenses	1.412	1.382
Advertisement expenses	1.738	3.482
Other expenses	17.096	22.800
Loss on sales of assets	161	50
Other	10.311	10.656
<b>Total</b>	<b>93.246</b>	<b>93.385</b>

**8. Information on profit/(loss) from continued and discontinued operations before taxes:**

As of 31 December 2011, profit before tax of the Group has increased by 12,11% as compared to the prior year (31 December 2010: 3,60% decreased). In comparison with the prior year, the Group's net interest income, provisions and other operating expenses have increased by 18,33% and 5,19% respectively and net fee and commission income have decreased by 20,52% (31 December 2010: net interest income 17,93% increase; net fee and commission income 45,87% increase; provisions and operating expenses 10,10% increase).

**9. Information on tax provision for continued and discontinued operations:**

**9.a Information on current tax charge or benefit and deferred tax charge or benefit**

The Group's current tax charge for the period is TL 51.040 (31 December 2010: TL 54.430). Deferred tax charge is TL 12.229 (31 December 2010: TL 4.934).

**9.b Information related to deferred tax benefit or charge on temporary differences:**

Deferred tax charge calculated on temporary differences is TL 12.229 (31 December 2010: TL 4.934).

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

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

**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)**

**IV. Explanations related to the consolidated income statement (continued)**

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

As of 31 December 2011, deferred tax charge calculated based on temporary timing differences is TL 12.229 (31 December 2010: TL 4.934). There is no deferred tax benefit or charge reflected to income statement on carry forward tax losses, tax deductions and exceptions (31 December 2010: None).

In addition, TL 4.211 deferred tax, which is calculated over the fair value differences on available for sale securities, is offset against the “available for sale securities value increase fund” item under equity (31 December 2010: TL 14.758).

**10. Information on net profit from continued and discontinued operations before tax:**

For the year ended 31 December 2011, net profit of the Group has increased by 13,55 % compared to the prior year (31 December 2010: 12,70 %).

**11. Information on Net Profit/Loss**

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

The Group has generated TL 534.704 interest income, TL 174.582 interest expenses, TL 28.252 net fee and commission income from banking operations (31 December 2010: TL 458.918 interest income, TL 154.587 interest expenses, TL 35.548 net fee and commission income).

**11.b The effect of the change in accounting estimates to the net profit/loss; including the effects to the future period, if any:**

There are no changes in the accounting estimates.

**11.c Minority share of profit and loss:**

The current year loss attributable to minority shares is TL (2.143) (31 December 2010: TL 5.086 profit). The total shareholders' equity, including current year profit attributable to minority shares is TL 96.791 (31 December 2010: TL 99.916).

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

	Current Period	Prior Period
Gains on Other Fees and Commissions		
Gains on Brokerage Commissions	16.119	22.214
Commissions from Initial Public Offering	527	4.506
Investment Fund Management Income	4.553	6.943
Other	3.534	3.829
<b>Total</b>	<b>24.733</b>	<b>37.492</b>

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

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

**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)**

**V. Explanations related to consolidated statement of changes in shareholders' equity**

**1. Information related to capital:**

<b>Current Period</b>	<b>Share</b>	<b>Shareholding</b>	<b>Paid in</b>	<b>Unpaid</b>
<b>Name Surname/Commercial Title</b>	<b>Capital</b>	<b>Rate (%)</b>	<b>Capital</b>	<b>Capital</b>
T. İş Bankası A.Ş. Group	400.001	50,00	400.001	-
T. Vakıflar Bankası T.A.O.	67.020	8,38	67.020	-
Under Custody at Merkezi Kayıt Kuruluşu (Other Institutions and Individuals)	332.969	41,62	332.969	-
Physically Under Custody (Other Institutions and Individuals)	10	-	10	-
<b>Total</b>	<b>800.000</b>	<b>100,00</b>	<b>800.000</b>	<b>-</b>
<b>Prior Period</b>	<b>Share</b>	<b>Shareholding</b>	<b>Paid in</b>	<b>Unpaid</b>
<b>Name Surname/Commercial Title</b>	<b>Capital</b>	<b>Rate (%)</b>	<b>Capital</b>	<b>Capital</b>
T. İş Bankası A.Ş. Group	350.451	50,06	350.451	-
T. Vakıflar Bankası T.A.O.	58.642	8,38	58.642	-
Under Custody at Merkezi Kayıt Kuruluşu (Other Institutions and Individuals)	290.894	41,56	290.894	-
Physically Under Custody (Other Institutions and Individuals)	13	-	13	-
<b>Total</b>	<b>700.000</b>	<b>100,00</b>	<b>700.000</b>	<b>-</b>

In the current period, the Parent Bank's share capital has increased by TL 100.000. In the meeting of the General Assembly held on 25 March 2011; it has been resolved that, paid-in capital of the Parent Bank will be increased from TL 700.000 to TL 800.000 by TL 100.000. In respect of the resolution of the General Assembly, TL 100.000 of this increase will be incorporated from the profit of the year 2010. The increase in paid-in capital was approved by the BRSA on 15 April 2011.

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

As of 31 December 2011, TL 18.691 value increase is accounted for arising from the valuation of available for sale investments at fair value. TL 4.211 deferred tax is offset against value increase related to these investments and as a result, TL 14.480 net value increase is disclosed under the securities value increase fund in the statement of changes in the equity. In the prior period, TL 78.038 value increase is accounted for arising from the valuation of available for sale investments at fair value. TL 14.758 deferred tax is offset against value increase related to these investments and as a result, TL 63.280 net value increase is disclosed under the securities value increase fund in the statement of changes in the equity.

**3. Information on increases in the cash flow hedges**

None.

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

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

**TÜRKİYE SINAI KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

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

**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)**

**V. Explanations related to consolidated statement of changes in shareholders' equity (continued)**

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

The decrease arising from the revaluation of securities available-for-sale is explained in Note 2, above.

**6. Information about dividends**

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

As of the date of this report, the Parent Bank has not yet computed its distributable profit and earnings per share for the approval in the General Assembly. The profit distribution will be approved at the General Assembly, which is not yet held as of the date of the financial statements authorized for issue. The earnings per share disclosed in the accompanying income statement are calculated by dividing profit for the period by total weighted average number of shares.

**6.b Net dividend per share proposed after the reporting period:**

As of the reporting date, there are no dividends proposed by the Parent Bank for the approval in the General Assembly as explained above.

**7. Amounts transferred to legal reserves**

In the current year, TL 22.417 was transferred to the legal reserves (31 December 2010: TL 18.139).

**8. Offsetting of the prior period's losses**

There is no offsetting of accumulated losses made during the current year.

**VI. Explanations related to consolidated statement of cash flows**

**1. Explanations about other cash flows items and the effect of changes in foreign exchange rates in cash and cash equivalents**

In the current period, other income, TL 75.511, consists of income from leasing, income from capital market operations, gain on sale of assets and other non-interest income. (31 December 2010: TL 43.149; income from leasing, income from capital market operations, gain on sale of assets and other non-interest income).

Other items amounting to TL 24.714 (31 December 2010: TL (78.097)) in operating profit before changes in operating assets and liabilities consists of securities trading losses, personnel expenses, leasing expenses, reserve for employee termination benefits, amortization charges, other operating expenses excluding taxes paid and fees and commissions paid.

In the current period, TL (53.518) net increase/decrease in other assets consists of miscellaneous receivables and changes in other assets and intangible assets (31 December 2010: TL 69.026).

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

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

**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)**

**VI. Explanations related to consolidated statement of cash flows (continued)**

**1. Explanations about other cash flows items and the effect of changes in foreign exchange rates in cash and cash equivalents (continued)**

In the current period, TL (109.594) other liabilities consists of changes in tax liability and miscellaneous payables and funds provided under repurchase agreements.

In the prior period, TL 77.162 other liabilities consists of changes in tax liability and miscellaneous payables and funds provided under repurchase agreements.

In the current period, the effect of foreign currency differences on cash and cash equivalents is TL 10.380.

In the prior period, the effect of foreign currency differences on cash and cash equivalents was TL 7.700.

**2. Information about cash flows from acquisition of associates, subsidiaries, and other investments:**

In the current period, the Group invested TL 6.384 to movable fixed assets and properties. (31 December 2010: 1.576).

**3. Information about disposal of associates, subsidiaries, and other investments:**

The total amount of purchases or sales of related account and their cash and cash equivalent assets.

In the current period, the Group has generated cash inflows of TL 17.995 on sale of movable fixed assets and properties. The Group has generated cash inflows of TL 392 on sale of associates and subsidiaries in the current period.

In the prior period, the Group has generated cash inflows of TL 5.214 on sale of movable fixed assets and properties. The Group has generated cash inflows of TL 7.598 on sale of associates and subsidiaries in the prior period.

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

Cash and cash equivalents at the beginning of period:

	At the beginning of Current Period	At the beginning of Prior Period
Cash	7.520	3.170
Cash Equivalents	557.126	361.049
<b>Total</b>	<b>564.646</b>	<b>364.219</b>

Cash and cash equivalents at the end of period:

	At the end of Current Period	At the End of Prior Period
Cash	8.200	7.520
Cash Equivalents	526.489	557.126
<b>Total</b>	<b>534.689</b>	<b>564.646</b>

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

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

**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)**

**VI. Explanations related to consolidated statement of cash flows (continued)**

**5. Amount of cash and cash equivalents restricted for the usage of the Parent Bank and the shareholders by legal limitations and other reasons**

Cash and cash equivalents amounting to TL 7.145 is restricted for the usage of the Parent Bank and affiliates by legal limitations and other reasons.

**6. Additional information related to financial position and liquidity**

**6.a Any unused financial borrowing facility which can be utilized in banking operations and unpaid capital commitments and any restrictions on such facilities**

There are not any unused financial borrowing facilities which can be utilized in banking operations and unpaid capital commitments and any restrictions on such facilities.

**6.b Apart from the cash flows needed to run ordinary operations of the Bank, total of cash flows that shows the increase in the operation capacity of the Bank.**

Under current economical conditions, the cash flows are followed daily and cash flows showing the increase in the capacity of operations of the Bank are investigated.

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

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

**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)**

**VII. Explanations on the risk group of the Parent Bank**

**1. Information on the volume of transactions related to the Parent Bank's own risk group, outstanding loan and deposit transactions and income and expenses of the period:**

**1.a Current period:**

Risk Group of the Parent Bank	Subsidiaries and Associates		Direct and Indirect Shareholders of the Parent Bank		Other Entities Included in the Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Balance at the beginning of the period	59.853	345	98.978	117.413	39.538	-
Balance at the end of the period	85.465	490	57.506	117.413	41.643	-
Interest and commission income	1.624	5	1.721	220	2.003	-

**1.b Prior period:**

Risk Group of the Parent Bank	Subsidiaries and Associates		Direct and Indirect Shareholders of the Parent Bank		Other Entities Included in the Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Balance at the beginning of the period	56.526	334	39.691	117.413	39.585	1
Balance at the end of the period	59.853	345	98.978	117.413	39.538	-
Interest and commission income	1.141	4	1.429	294	2.055	-

**1.c Information on deposit held by Parent Bank's own risk group**

The Parent Bank is not authorized to accept deposits.

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

The Parent Bank has swap buy transactions amounting to TL 18.850 and swap sell transactions amounting to TL 18.410 with the Parent Bank's risk group. Such transactions have been eliminated during consolidation.

**3. Total salaries and similar benefits provided to the top management personnel**

Benefits provided to key management personnel in the current period amount to TL 8.407 (31 December 2010: TL 7.803).



**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

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

**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)**

**VIII. Information and Disclosures Related to the Domestic, Foreign Offshore Branches and Foreign Representations of the Parent Bank**

**1. Information and Disclosures Related to the Domestic, Foreign Branches and Foreign Representations of the Group**

	Number	Number of Employees			
Domestic branches	13	492			
			Country of Incorporation		
Foreign Rep-offices	-	-	-		
				Total Asset	Capital
Foreign Branches	-	-	-	-	-
Off-shore Banking Region Branches	1	2	1-Bahrain	98.829	-

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

In the current period, the Parent Bank has not opened a new branch or agency. Additionally, there is no significant change in the organization structure of the Parent Bank's operating branches.

In the prior period, the Parent Bank has not opened a new branch or agency. Additionally, there is no significant change in the organization structure of the Parent Bank's operating branches.

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

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

**SECTION SIX**

**OTHER EXPLANATIONS**

**I. Other explanations related to the operations of the Group**

**1.a Brief information related to rating carried out by international rating firms:**

**FITCH RATINGS**

Long-term Maturity Foreign Currency (issuer)	BB+
Long-term Maturity Foreign Currency Outlook (issuer)	Stable
Short-term Maturity Foreign Currency (issuer)	B
Long-term Maturity Local Currency (issuer)	BB+
Long-term Maturity Local Currency Outlook (issuer)	Stable
Short-term Maturity Local Currency (issuer)	B
Individual Rating	C/D
Support Rating	3

The information above is received from Fitch Ratings report dated 28 November 2011. Fitch Ratings has cancelled “Individual Rating” category on 25 January 2012.

**MOODY’S**

Financial Rating Note	D+
Outlook	Stable
Foreign Currency	
Long-term Maturity	BA1
Outlook	Positive
Short-term Maturity	N/P

Information above is received from Moody’s Investors Service report dated 17 May 2011.

**1.b Brief Information Related to Rating Carried Out By Domestic Rating Firms:**

SAHA Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş. (SAHA Corporate Governance and Credit Rating Services A.Ş.), a corporate governance rating institution with Capital Markets Board license, declared TSKB’s corporate governance rating of 8,92 over 10 (89,15%) has increased to 9,10 (91,02%) on its report dated on 18 October 2011. With respect to CMB’s board decision No: 4/100 on 7 February 2005, ratings under the main topics of Shareholders, Public Disclosure and Transparency, Stakeholders, Board of Directors are declared as; 8,78 (Weight: 25%), 9,79 (Weight: 35%), 9,73 (Weight: 15%), 8,08 (Weight: 25%) respectively.

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

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

**SECTION SIX (Continued)**

**OTHER EXPLANATIONS (Continued)**

**II. Explanations related to events after the reporting period**

In the Board of Directors meeting held on 25 January 2012; it was decided to close the Bahrain Branch of the Bank and in this context, General Management was authorized for the required operations.

**SECTION SEVEN**

**INDEPENDENT AUDITORS' REPORT**

**I. Explanations on the independent auditors' report**

Consolidated financial statements and the notes to the financial statements as at 31 December 2011 have been audited by Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. ("the Turkish member firm of KPMG International, a Swiss entity"). The independent auditors' report dated 14 February 2012 is presented at the beginning of the consolidated financial statements and related notes.

**II. Explanations and notes prepared by independent auditors**

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