



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

**Consolidated Financial Statements  
As of and for the Year Ended 31 December 2012  
(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

12 February 2013

*This report contains "Independent Auditors' Report"  
comprising 2 pages and; "Consolidated Financial  
Statements and Related Disclosures and Footnotes"  
comprising 112 pages.*



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

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**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 2012 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 2012 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,  
12 February 2013

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 31 DECEMBER 2012**

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
Yatırım Finansman Menkul Değerler A.Ş. TSKB Gayrimenkul Yatırım Ortaklığı A.Ş.	İş Finansal Kiralama A.Ş. İş Girişim Sermayesi 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.

12 February 2013

  
**Adnan BALI**

  
**A. Orhan BEŞKÖK**

  
**Ömer ERYILMAZ**

  
**Mustafa GÖKTAŞ**

**Chairman of  
Board of Directors**

**Deputy  
General Manager**

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

**Head of Financial  
Control Department**

  
**M. 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  
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**E-Mail Address** : goktas@tskb.com.tr

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**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2012**

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

**SECTION ONE**

**GENERAL INFORMATION**

**I. The Parent Bank's incorporation date, beginning statue, changes in the existing statue**

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 Parent Bank does not have the authority of "Accepting Deposit". Since the establishment date of the Parent 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 Parent 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	550.001	50,00	550.001	-
T. Vakıflar Bankası T.A.O.	92.152	8,38	92.152	-
Under Custody at Merkezi Kayıt Kuruluşu (Other Institutions and Individuals)	457.829	41,62	457.829	-
Physically Under Custody (Other Institutions and Individuals)	18	-	18	-
<b>Total</b>	<b>1.100.000</b>	<b>100,00</b>	<b>1.100.000</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	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>

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2012**

(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 Parent Bank**

**The Chairman and The Members of Board of Directors:**

Name Surname	Title (1)	Date of Appointment	Academic Background	Experience in Banking and Management Before Appointment
Adnan Bali (6)	Chairman of the Board of Directors	15 April 2011	Undergraduated	27
Mehmet Şencan	Vice Chairman of the Board of Directors	7 June 2011	Undergraduated	25
Durmuş Yılmaz (2) (7)	Member of the Board of Directors	26 March 2012	Postgraduate	33
Mustafa Baran Tuncer	Member of the Board of Directors and Audit Committee	30 April 2008	Doctorate	33
Ertan Burhanettin Kantar (6)	Member of the Board of Directors	23 March 2005	Undergraduated	24
Kemal Serdar Dişli	Member of the Board of Directors and Audit Committee	25 May 2007	Undergraduated	25
Murat Bilgiç (3)	Member of the Board of Directors and Audit Committee	23 March 2005	Postgraduate	22
Yonca Koçak (3)	Member of the Board of Directors	21 July 2010	Undergraduated	22
Feridun Bilgin (7)	Member of the Board of Directors	12 September 2012	Doctorate	16
Uygar Şafak Ögün (7)	Member of the Board of Directors	2 April 2010	Postgraduate	18
H. Fevzi Onat (8)	Member of the Board of Directors and General Manager	30 May 2011	Undergraduated	31

**General Manager, Vice Presidents and Statutory Auditors :**

Name Surname	Title / Area of Responsibility	Date of Appointment	Academic Background	Experience in Banking and Management Before Appointment
H. Fevzi Onat (8)	General Manager	30 May 2011	Undergraduated	31
A.Orhan Beşkök	Senior Vice President - Technical Services and Financial Institutions	24 January 2002	Postgraduate	30
Burak Akgüç	Vice President – Corporate Marketing and Corporate Finance	29 December 2004	Undergraduated	23
Ömer Eryılmaz	Vice President – Financial Control and Securities	27 January 2006	Undergraduated	27
Çiğdem İçel	Vice President – Treasury and Human Resources	27 January 2006	Undergraduated	23
Ufuk Bala Yücel	Vice President - Project Finance and Loans	25 December 2007	Undergraduated	26
B. Gökhan Çanakpınar	Vice President – Information Technology and Loan-Treasury Operation	10 January 2012	Undergraduated	23
M. Armağan Saraçoğlu (5)	Statutory Auditor	4 September 2012	Undergraduated	14
Hamide Esma Uygun Çelikten	Statutory Auditor	25 March 2011	Undergraduated	16

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

(2) In the General Assembly meeting held on 26 March 2012, because of Mr. Yavuz Canevi's expiration of the duty period, Mr. Durmuş Yılmaz was elected as the Board of Directors Member for three years period.

(3) In the Board of Directors meeting held on 29 August 2012, in accordance with the Article No.25 of Law About Validity and Manner of Application of Turkish Commercial Code Article No.6103, Murat Bilgiç and Yonca Koçak who have resigned of their duties member of the Board of Directors were elected again as Member of Board of Director in accordance with article no.363 of Turkish Commercial Code to be submitted to approval on the First General Assembly.

(4) Mehmet Coşkun Cangöz, member of the Board of Directors, resigned from his duty of the member of the Board of Directors on 31 August 2012.

(5) Volkan Kublay, auditor of the Bank has resigned his duty and Muzaffer Armağan Saraçoğlu was elected as auditor of the Bank.

(6) In the Board of Directors meeting held on 4 September 2012, in accordance with the Article No.25 of Law About Validity and Manner of Application of Turkish Commercial Code Article No.6103, Adnan Bali and Burhanettin Kantar who have resigned of their duties in member of the Board of Directors were reelected as members of the Board of Directors in accordance with article no.363 of Turkish Commercial Code to be submitted to approval on the First General Assembly.

(7) In the Board of Directors meeting held on 12 September 2012, in accordance with Article No.25 of Law About Validity and Manner of Application of Turkish Commercial Code Article No.6103, Adnan Bali and Burhanettin Kantar who have resigned of their duties in member of the Board of Directors were reelected as member of the Board of Directors in accordance with article no.363 of Turkish Commercial Code to be submitted to approval on the First General Assembly. Feridun Bilgin was elected as a member of the Board of Directors substituted for Mehmet Coşkun Cangöz who has resigned from his duty from member of the Board of Directors in accordance with Article No.25 of Law About Validity and Manner of Application of Turkish Commercial Code Article No.6103 and Article no. 363 of Turkish commercial Code to be submitted to approval on the First General Assembly.

(8) Member of the Board of Directors and General Manager H. Fevzi Onat has retired from his duty as the member of the Board of Directors and General Manager of the Bank due to retirement. As the date of 1 February 2013, Özcan Türkakın was elected to vacant position on the Board of Directors in accordance with the Article No. 363 of Turkish Commercial Code and has started his duty after he has sworn on 4 February 2013. Appointed General Manager of the Bank is expected to be Özcan Türkakın and Özcan Türkakın will be start his duty after completion of legal procedures

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2012**

(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>Share</b>	<b>Shareholding</b>	<b>Paid in</b>	<b>Unpaid</b>
<b><u>Name Surname/Commercial Title</u></b>	<b><u>Capital</u></b>	<b><u>Rate (%)</u></b>	<b><u>Capital</u></b>	<b><u>Capital</u></b>
T. İş Bankası A.Ş. Group	550.001	50,00	550.001	-
T. Vakıflar Bankası T.A.O.	92.152	8,38	92.152	-
Under Custody at Merkezi Kayıt Kuruluşu				
Other Institutions and Individuals	457.829	41,62	457.829	-
Physically Under Custody				
(Other Institutions and Individuals)	18	-	18	-
<b>Total</b>	<b>1.100.000</b>	<b>100,00</b>	<b>1.100.000</b>	<b>-</b>

<b>Prior Period</b>	<b>Share</b>	<b>Shareholding</b>	<b>Paid in</b>	<b>Unpaid</b>
<b><u>Name Surname/Commercial Title</u></b>	<b><u>Capital</u></b>	<b><u>Rate (%)</u></b>	<b><u>Capital</u></b>	<b><u>Capital</u></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>

**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. In accordance with the decision, the Parent Bank management has started to executions in order to terminate the Bahrain Branch activities. As of 27 December 2012, closing procedures of the Bahrain Branch have been completed.



**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2012**

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

**SECTION ONE (Continued)**

**GENERAL INFORMATION (Continued)**

**VI. Differences between the communiqué on preparation of consolidated financial statements of banks and Turkish Accounting Standards and short explanation about the institution subject to line-by-line method or proportional consolidation and institutions which are deducted from equity or not included in these three methods**

Due to differences between the Communiqué on Preparation of Consolidated Financial Statements of Banks and Turkish Account Standards (TAS), the non-financial subsidiaries and associates, TSKB Gayrimenkul Değerleme A.Ş., TSKB Gayrimenkul Danışmanlık A.Ş., Terme Metal Sanayi ve Ticaret A.Ş., Ege Tarım Ürünleri Lisanslı Depoculuk A.Ş. and Adana Otel Projesi Adi Ortaklığı are not consolidated since they are not in scope of financial institutions according to related communiqué.

Türkiye Sınai Kalkınma Bankası A.Ş. and its financial institutions, Yatırım Finansman Menkul Değerler A.Ş., TSKB Gayrimenkul 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 has no partnership share on banks and financial institutions, with shareholding of more than 10% and deducted from capital.

**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, Factoring and Financing Companies Law No: 6361. The Company started its leasing operations in July 1988. The Company’s headquarters is located at Istanbul/Türkiye.

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

İş Factoring Finansman Hizmetleri A.Ş., was incorporated in Turkey on 4 July 1993 and it has been performing its operations in accordance with the Financial Leasing, Factoring and Financing Companies Law No: 6361. 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: 2, Levent, Istanbul.

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2012**

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

**SECTION ONE (Continued)**

**GENERAL INFORMATION (Continued)**

**VII. The existing or potential, actual or legal obstacle on the transfer of shareholder's equity between the Parent Bank and its subsidiaries or the reimbursement of liabilities**

There is no existing or potential, actual or legal obstacle to the reimbursement of liabilities between the Parent Bank and its subsidiaries. The Parent Bank charge or pay cost of the services according to the service agreements done between the Parent Bank and its subsidiaries. Dividend distribution from shareholders' equity is made according to related legal regulations.

**Written policies of the Parent Bank related to compliance to publicly disclosed obligations of the Parent Bank and assessment of accuracy, frequency and compliance of mentioned disclosures**

TSKB Disclosure Policy approved by the meeting of the Board of Directors and entered into force on 28 February 2011. Compliance to publicly disclosed obligations, frequency of public disclosures and tools and methods used for public disclosures are explained in the disclosure policy of the Parent Bank accessible from the TSKB corporate website.

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)**  
**AT 31 DECEMBER 2012**  
(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

		Audited Current Period 31 December 2012			Audited Prior Period 31 December 2011		
ASSETS	Note Ref.	TL	FC	Total	TL	FC	Total
<b>I. CASH AND BALANCES WITH THE CENTRAL BANK</b>	(1)	<b>25.465</b>	<b>107.201</b>	<b>132.666</b>	<b>5.457</b>	<b>115.652</b>	<b>121.109</b>
<b>FINANCIAL ASSETS AT F.V. THROUGH PROFIT AND LOSS</b>							
<b>II. (Net)</b>	(2)	<b>23.336</b>	<b>17.833</b>	<b>41.169</b>	<b>115.857</b>	<b>34.468</b>	<b>150.325</b>
2.1 Trading financial assets		23.336	17.833	41.169	115.857	34.468	150.325
2.1.1 Public sector debt securities		7.753	733	8.486	83.623	716	84.339
2.1.2 Share certificates		2.581	-	2.581	15.239	-	15.239
2.1.3 Derivative financial assets held for trading		6.143	17.100	23.243	11.601	33.752	45.353
2.1.4 Other marketable securities		6.859	-	6.859	5.394	-	5.394
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>377.261</b>	<b>62.814</b>	<b>440.075</b>	<b>19.045</b>	<b>406.181</b>	<b>425.226</b>
<b>IV. MONEY MARKET PLACEMENTS</b>		<b>199</b>	<b>-</b>	<b>199</b>	<b>109.365</b>	<b>-</b>	<b>109.365</b>
4.1 Interbank money market placements		-	-	-	102.102	-	102.102
4.2 Istanbul Stock Exchange money market placements		-	-	-	335	-	335
4.3 Receivables from reverse repurchase agreements		199	-	199	6.928	-	6.928
<b>V. FINANCIAL ASSETS AVAILABLE FOR SALE (Net)</b>	(4)	<b>2.407.613</b>	<b>474.649</b>	<b>2.882.262</b>	<b>1.745.840</b>	<b>571.043</b>	<b>2.316.883</b>
5.1 Share certificates		35.570	2.957	38.527	23.575	2.957	26.532
5.2 Public sector debt securities		2.127.232	342.798	2.470.030	1.617.661	378.877	1.996.538
5.3 Other marketable securities		244.811	128.894	373.705	104.604	189.209	293.813
<b>VI. LOANS</b>	(5)	<b>1.696.982</b>	<b>5.117.237</b>	<b>6.814.219</b>	<b>1.793.408</b>	<b>4.473.548</b>	<b>6.266.956</b>
6.1 Loans		1.696.982	5.117.237	6.814.219	1.793.408	4.473.548	6.266.956
6.1.1 Loans to risk group of the Bank		105.631	129.431	235.062	85.465	99.149	184.614
6.1.2 Public sector debt securities		-	-	-	-	-	-
6.1.3 Other		1.591.351	4.987.806	6.579.157	1.707.943	4.374.399	6.082.342
6.2 Non performing loans		10.172	5.452	15.624	12.989	14.709	27.698
6.3 Specific provisions (-)		(10.172)	(5.452)	(15.624)	(12.989)	(14.709)	(27.698)
<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>-</b>	<b>-</b>	<b>-</b>	<b>126.955</b>	<b>-</b>	<b>126.955</b>
8.1 Public sector debt securities		-	-	-	126.955	-	126.955
8.2 Other marketable securities		-	-	-	-	-	-
<b>IX. INVESTMENTS IN ASSOCIATES (Net)</b>	(7)	<b>211.572</b>	<b>-</b>	<b>211.572</b>	<b>191.563</b>	<b>-</b>	<b>191.563</b>
9.1 Accounted for under equity method		210.046	-	210.046	190.472	-	190.472
9.2 Unconsolidated associates		1.526	-	1.526	1.091	-	1.091
9.2.1 Financial investments		-	-	-	-	-	-
9.2.2 Non-financial investments		1.526	-	1.526	1.091	-	1.091
<b>X. INVESTMENTS IN SUBSIDIARIES (Net)</b>	(8)	<b>847</b>	<b>-</b>	<b>847</b>	<b>842</b>	<b>-</b>	<b>842</b>
10.1 Unconsolidated financial subsidiaries		-	-	-	-	-	-
10.2 Unconsolidated non-financial subsidiaries		847	-	847	842	-	842
<b>XI. ENTITIES UNDER COMMON CONTROL (JOINT VENT.) (Net)</b>	(9)	<b>10</b>	<b>-</b>	<b>10</b>	<b>10</b>	<b>-</b>	<b>10</b>
11.1 Consolidated under equity method		-	-	-	-	-	-
11.2 Unconsolidated		10	-	10	10	-	10
11.2.1 Financial subsidiaries		-	-	-	-	-	-
11.2.2 Non-financial subsidiaries		10	-	10	10	-	10
<b>XII. LEASE RECEIVABLES (Net)</b>	(10)	<b>-</b>	<b>9.432</b>	<b>9.432</b>	<b>-</b>	<b>28.400</b>	<b>28.400</b>
12.1 Finance lease receivables		-	9.758	9.758	-	29.577	29.577
12.2 Operating lease receivables		-	-	-	-	-	-
12.3 Other		-	-	-	-	-	-
12.4 Unearned income ( - )		-	(326)	(326)	-	(1.177)	(1.177)
<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>23.786</b>	<b>-</b>	<b>23.786</b>	<b>24.222</b>	<b>2</b>	<b>24.224</b>
<b>XV. INTANGIBLE ASSETS (Net)</b>	(13)	<b>2.020</b>	<b>-</b>	<b>2.020</b>	<b>1.870</b>	<b>-</b>	<b>1.870</b>
15.1 Goodwill		1.005	-	1.005	1.005	-	1.005
15.2 Other		1.015	-	1.015	865	-	865
<b>XVI. INVESTMENT PROPERTY (Net)</b>	(14)	<b>240.370</b>	<b>-</b>	<b>240.370</b>	<b>226.805</b>	<b>-</b>	<b>226.805</b>
<b>XVII. TAX ASSET</b>	(15)	<b>8.629</b>	<b>-</b>	<b>8.629</b>	<b>17.332</b>	<b>-</b>	<b>17.332</b>
17.1 Current tax asset		2.986	-	2.986	1.668	-	1.668
17.2 Deferred tax asset		5.643	-	5.643	15.664	-	15.664
<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>33.790</b>	<b>16.272</b>	<b>50.062</b>	<b>74.885</b>	<b>50.884</b>	<b>125.769</b>
<b>TOTAL ASSETS</b>		<b>5.051.880</b>	<b>5.805.438</b>	<b>10.857.318</b>	<b>4.453.456</b>	<b>5.680.178</b>	<b>10.133.634</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 2012**

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

		Audited Current Period 31 December 2012			Audited Prior Period 31 December 2011		
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>II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING</b>	(2)	1.565	19.432	20.997	6.470	42.273	48.743
<b>III. FUNDS BORROWED</b>	(3)	142.819	6.886.786	7.029.605	23.763	6.761.772	6.785.535
<b>IV. MONEY MARKET BALANCES</b>	(3)	1.265.318	237.310	1.502.628	1.190.401	177.962	1.368.363
4.1 Interbank money market takings		247.991	19.458	267.449	420.609	-	420.609
4.2 Istanbul Stock Exchange money market takings		-	-	-	-	-	-
4.3 Funds provided under repurchase agreements		1.017.327	217.852	1.235.179	769.792	177.962	947.754
<b>V. DEBT SECURITIES ISSUED (Net)</b>		-	-	-	-	-	-
5.1 Bills		-	-	-	-	-	-
5.2 Asset backed securities		-	-	-	-	-	-
5.3 Bonds		-	-	-	-	-	-
<b>VI. FUNDS</b>		1.909	7.836	9.745	1.559	6.335	7.894
6.1 Borrower funds		1.909	7.836	9.745	1.559	6.335	7.894
6.2 Others		-	-	-	-	-	-
<b>VII. MISCELLANEOUS PAYABLES</b>		77.233	35.597	112.830	128.180	20.480	148.660
<b>VIII. OTHER LIABILITIES</b>	(4)	-	-	-	-	-	-
<b>IX. FACTORING PAYABLES</b>		-	-	-	-	-	-
<b>X. LEASE PAYABLES</b>	(5)	6	-	6	-	-	-
10.1 Finance lease payables		6	2	8	-	2	2
10.2 Operating lease payables		-	-	-	-	-	-
10.3 Other		-	-	-	-	-	-
10.4 Deferred finance lease expenses (-)		-	(2)	(2)	-	(2)	(2)
<b>DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING PURPOSES</b>	(6)	-	-	-	-	-	-
11.1 Fair value hedge		-	-	-	-	-	-
11.2 Cash flow hedge		-	-	-	-	-	-
11.3 Hedge of net investment in foreign operations		-	-	-	-	-	-
<b>XII. PROVISIONS</b>	(7)	140.173	-	140.173	104.670	-	104.670
12.1 General loan loss provisions		77.247	-	77.247	58.491	-	58.491
12.2 Restructuring provisions		-	-	-	-	-	-
12.3 Reserve for employee benefits		8.986	-	8.986	5.859	-	5.859
12.4 Insurance technical reserves (Net)		-	-	-	-	-	-
12.5 Other provisions		53.940	-	53.940	40.320	-	40.320
<b>XIII. TAX LIABILITY</b>	(8)	33.207	-	33.207	17.668	-	17.668
13.1 Current tax liability		33.207	-	33.207	17.668	-	17.668
13.2 Deferred tax liability		-	-	-	-	-	-
<b>XIV. PAYABLES RELATED TO ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS</b>	(9)	-	-	-	-	-	-
14.1 Held for sale		-	-	-	-	-	-
14.2 Discontinued operations		-	-	-	-	-	-
<b>XV. SUBORDINATED LOANS</b>	(10)	-	89.125	89.125	-	95.000	95.000
<b>XVI. SHAREHOLDERS' EQUITY</b>	(11)	1.849.617	69.385	1.919.002	1.537.095	20.006	1.557.101
16.1 Paid-in capital		1.100.000	-	1.100.000	800.000	-	800.000
16.2 Capital reserves		100.288	69.385	169.673	29.115	20.006	49.121
16.2.1 Share premium		388	-	388	413	-	413
16.2.2 Share cancellation profits		-	-	-	-	-	-
16.2.3 Marketable securities value increase fund	(11)	64.369	69.385	133.754	(2.846)	20.006	17.160
16.2.4 Tangible assets revaluation differences	(11)	35.157	-	35.157	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 reserves (Effective portion)		-	-	-	-	-	-
16.2.9 Revaluation surplus on assets held for sale and discontinued operations		-	-	-	-	-	-
16.2.10 Other capital reserves		374	-	374	374	-	374
16.3 Profit reserves		195.793	-	195.793	300.572	-	300.572
16.3.1 Legal reserves	(11)	125.052	-	125.052	97.975	-	97.975
16.3.2 Statutory reserves		60.277	-	60.277	47.510	-	47.510
16.3.3 Extraordinary reserves	(11)	7.544	-	7.544	152.167	-	152.167
16.3.4 Other profit reserves		2.920	-	2.920	2.920	-	2.920
16.4 Profit or loss		369.263	-	369.263	310.617	-	310.617
16.4.1 Prior years' profit/loss		52.253	-	52.253	49.854	-	49.854
16.4.2 Current year profit/loss		317.010	-	317.010	260.763	-	260.763
16.5 Non-controlling interests	(12)	84.273	-	84.273	96.791	-	96.791
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>3.511.847</b>	<b>7.345.471</b>	<b>10.857.318</b>	<b>3.009.806</b>	<b>7.123.828</b>	<b>10.133.634</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 2012**

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

		Audited Current Period 31 December 2012			Audited Prior Period 31 December 2011		
	Note Ref	TL	FC	Total	TL	FC	Total
<b>A. OFF BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)</b>		<b>1.642.823</b>	<b>5.350.160</b>	<b>6.992.983</b>	<b>2.992.808</b>	<b>7.744.816</b>	<b>10.737.624</b>
<b>I. GUARANTEES AND COLLATERALS</b>	(1)	<b>290.755</b>	<b>921.802</b>	<b>1.212.557</b>	<b>298.455</b>	<b>970.524</b>	<b>1.268.979</b>
1.1 Letters of guarantee		286.530	349.238	635.768	278.215	411.262	689.477
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		286.530	349.238	635.768	278.215	411.262	689.477
1.2 Bank acceptances		-	-	-	-	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		-	572.564	572.564	-	555.929	555.929
1.3.1 Documentary letters of credit		-	572.564	572.564	-	555.929	555.929
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		4.225	-	4.225	20.240	-	20.240
1.9 Other collaterals		-	-	-	-	-	-
<b>II. COMMITMENTS</b>	(1)	<b>1.157.941</b>	<b>1.643.773</b>	<b>2.801.714</b>	<b>1.513.692</b>	<b>2.985.994</b>	<b>4.499.686</b>
2.1 Irrevocable commitments		466.541	22.102	488.643	468.568	146.519	615.087
2.1.1 Forward asset purchase and sales commitments		2.770	7.405	10.175	22.145	128.179	150.324
2.1.2 Forward deposit purchase and sales commitments		-	-	-	-	-	-
2.1.3 Share capital commitment to associates and subsidiaries		120	-	120	-	-	-
2.1.4 Loan granting commitments		-	4.007	4.007	-	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		463.651	10.690	474.341	446.423	11.372	457.795
2.2 Revocable commitments		691.400	1.621.671	2.313.071	1.045.124	2.839.475	3.884.599
2.2.1 Revocable loan granting commitments		691.400	1.621.671	2.313.071	1.045.124	2.839.475	3.884.599
2.2.2 Other revocable commitments		-	-	-	-	-	-
<b>III. DERIVATIVE FINANCIAL INSTRUMENTS</b>	(2)	<b>194.127</b>	<b>2.784.585</b>	<b>2.978.712</b>	<b>1.180.661</b>	<b>3.788.298</b>	<b>4.968.959</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		194.127	2.784.585	2.978.712	1.180.661	3.788.298	4.968.959
3.2.1 Forward foreign currency buy/sell transactions		110.621	364.896	475.517	361.494	873.353	1.234.847
3.2.1.1 Forward foreign currency transactions-buy		55.432	182.456	237.888	277.535	341.027	618.562
3.2.1.2 Forward foreign currency transactions-sell		55.189	182.440	237.629	83.959	532.326	616.285
3.2.2 Swap transactions related to f.c. and interest rates		52.038	2.300.268	2.352.306	172.378	2.092.041	2.264.419
3.2.2.1 Foreign currency swaps-buy		37.968	318.374	356.342	158.308	285.670	443.978
3.2.2.2 Foreign currency swaps-sell		14.070	336.020	350.090	14.070	429.455	443.525
3.2.2.3 Interest rate swaps-buy		-	822.937	822.937	-	688.458	688.458
3.2.2.4 Interest rate swaps-sell		-	822.937	822.937	-	688.458	688.458
3.2.3 Foreign currency, interest rate and securities options		31.468	119.421	150.889	644.850	822.904	1.467.754
3.2.3.1 Foreign currency options-buy		15.734	43.896	59.630	322.425	386.498	708.923
3.2.3.2 Foreign currency options-sell		15.734	44.325	60.059	322.425	386.498	708.923
3.2.3.3 Interest rate options-buy		-	15.600	15.600	-	24.954	24.954
3.2.3.4 Interest rate options-sell		-	15.600	15.600	-	24.954	24.954
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		-	-	-	-	-	-
3.2.5.1 Interest rate futures-buy		-	-	-	-	-	-
3.2.5.2 Interest rate futures-sell		-	-	-	-	-	-
3.2.6 Other		-	-	-	1.939	-	1.939
<b>B. CUSTODY AND PLEDGED SECURITIES (IV+V+VI)</b>		<b>5.378.889</b>	<b>70.139.115</b>	<b>75.518.004</b>	<b>6.545.437</b>	<b>63.816.275</b>	<b>70.361.712</b>
<b>IV. ITEMS HELD IN CUSTODY</b>		<b>1.288.698</b>	<b>264.194</b>	<b>1.552.892</b>	<b>1.113.363</b>	<b>228.512</b>	<b>1.341.875</b>
4.1 Customers' securities held		8.619	-	8.619	31.722	-	31.722
4.2 Investment securities held in custody		297.966	264.194	562.160	311.484	228.512	539.996
4.3 Checks received for collection		-	-	-	-	-	-
4.4 Commercial notes received for collection		-	-	-	-	-	-
4.5 Other assets received for collection		-	-	-	-	-	-
4.6 Assets received for public offering		-	-	-	-	-	-
4.7 Other items under custody		3.335	-	3.335	18.402	-	18.402
4.8 Custodians		978.778	-	978.778	751.755	-	751.755
<b>V. PLEDGED ITEMS</b>		<b>3.136.693</b>	<b>45.668.955</b>	<b>48.805.648</b>	<b>4.489.581</b>	<b>38.583.829</b>	<b>43.073.410</b>
5.1 Marketable securities		-	2.935	1.208.830	2.931	1.282.865	1.285.796
5.2 Guarantee notes		53.398	1.300.783	1.354.181	67.993	1.574.739	1.642.732
5.3 Commodity		-	-	-	-	-	-
5.4 Warranty		-	-	-	-	-	-
5.5 Real estates		90.594	16.092.349	16.182.943	112.594	6.912.897	7.025.491
5.6 Other pledged items		2.989.766	27.066.993	30.056.759	4.306.063	28.813.328	33.119.391
5.7 Pledged items-depository		-	-	-	-	-	-
<b>VI. ACCEPTED BILLS OF EXCHANGE AND COLLATERALS</b>		<b>953.498</b>	<b>24.205.966</b>	<b>25.159.464</b>	<b>942.493</b>	<b>25.003.934</b>	<b>25.946.427</b>
<b>TOTAL OFF BALANCE SHEET ITEMS (A+B)</b>		<b>7.021.712</b>	<b>75.489.275</b>	<b>82.510.987</b>	<b>9.538.245</b>	<b>71.561.091</b>	<b>81.099.336</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 2012**

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

	Note Ref.	Audited Current Period 1 January 2012 – 31 December 2012	Audited Prior Period 1 January 2011 – 31 December 2011
<b>I. INTEREST INCOME</b>	(1)	<b>613.037</b>	<b>534.704</b>
1.1 Interest on loans		332.958	288.562
1.2 Interest received from reserve deposits		-	-
1.3 Interest received from banks		23.168	31.249
1.4 Interest received from money market placements		6.857	3.959
1.5 Interest received from marketable securities portfolio		248.776	208.556
1.5.1 Financial assets held for trading		3.756	6.450
1.5.2 Financial assets at fair value through profit and loss		-	-
1.5.3 Available-for-sale financial assets		237.327	166.289
1.5.4 Investments held-to-maturity		7.693	35.817
1.6 Finance lease income		1.066	2.144
1.7 Other interest income		212	234
<b>II. INTEREST EXPENSES</b>	(2)	<b>(188.193)</b>	<b>(174.582)</b>
2.1 Interest on deposits		-	-
2.2 Interest on funds borrowed		(93.343)	(80.394)
2.3 Interest on money market borrowings		(94.733)	(90.231)
2.4 Interest on securities issued		-	(3.922)
2.5 Other interest expense		(117)	(35)
<b>III. NET INTEREST INCOME (I - II)</b>		<b>424.844</b>	<b>360.122</b>
<b>IV. NET FEES AND COMMISSIONS INCOME</b>		<b>26.520</b>	<b>28.252</b>
4.1 Fees and commissions received		29.842	30.350
4.1.1 Non-cash loans		10.115	5.617
4.1.2 Other		19.727	24.733
4.2 Fees and commissions paid		(3.322)	(2.098)
4.2.1 Non-cash loans		(1.021)	(3)
4.2.2 Other		(2.301)	(2.095)
<b>V. DIVIDEND INCOME</b>	(3)	<b>6.014</b>	<b>5.222</b>
<b>VI. NET TRADING INCOME</b>	(4)	<b>26.309</b>	<b>(20.025)</b>
6.1 Securities trading gains/ (losses)		2.818	(5.030)
6.2 Derivative financial instruments gains/losses		48.739	(54.430)
6.3 Foreign exchange gains/losses (net)		(25.248)	39.435
<b>VII. OTHER OPERATING INCOME</b>	(5)	<b>32.260</b>	<b>52.881</b>
<b>VIII. TOTAL OPERATING INCOME (III+IV+V+VI+VII)</b>		<b>515.947</b>	<b>426.452</b>
<b>IX. PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)</b>	(6)	<b>(34.595)</b>	<b>(32.234)</b>
<b>X. OTHER OPERATING EXPENSES (-)</b>	(7)	<b>(100.218)</b>	<b>(93.246)</b>
<b>XI. NET OPERATING INCOME/(LOSS) (VIII-IX-X)</b>		<b>381.134</b>	<b>300.972</b>
<b>XII. AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER</b>		-	-
<b>XIII. PROFIT / (LOSS) ON EQUITY METHOD</b>		<b>20.271</b>	<b>20.917</b>
<b>XIV. GAIN / (LOSS) ON NET MONETARY POSITION</b>		-	-
<b>XV. PROFIT/(LOSS) FROM CONTINUED OPERATIONS BEFORE TAXES (XI+XII+XIII+XIV)</b>	(8)	<b>401.405</b>	<b>321.889</b>
<b>XVI. TAX PROVISION FOR CONTINUED OPERATIONS (±)</b>	(9)	<b>(76.254)</b>	<b>(63.269)</b>
16.1 Provision for current income taxes		(94.286)	(51.040)
16.2 Provision for deferred taxes		18.032	(12.229)
<b>XVII. NET PROFIT/(LOSS) FROM CONTINUED OPERATIONS (XV±XVI)</b>	(10)	<b>325.151</b>	<b>258.620</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 (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>325.151</b>	<b>258.620</b>
23.1 Group's profit / loss		317.010	260.763
23.2 Minority shares		8.141	(2.143)
Earnings / (losses) per share		0,296	0,235

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

**TÜRKİYE SINAI KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2012**

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

	Audited Current Period 1 January 2012– 31 December 2012	Audited Prior Period 1 January 2011 – 31 December 2011
<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>	144.877	(59.347)
<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 (effective portion of fair value differences)</b>	-	-
<b>VI. GAIN/LOSS ON DERIVATIVE FINANCIAL ASSETS HELD FOR HEDGES OF NET INVESTMENT IN FOREIGN OPERATIONS (effective portion)</b>	-	-
<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>	(230)	(3.059)
<b>IX. DEFERRED TAX OF VALUATION DIFFERENCES</b>	(28.053)	10.547
<b>X. NET PROFIT/LOSS ACCOUNTED FOR DIRECTLY UNDER SHAREHOLDERS' EQUITY (I+II+...+IX)</b>	116.594	(51.859)
<b>XI. CURRENT YEAR PROFIT/LOSS</b>	325.151	258.620
11.1 Net changes in fair value of securities (Recycled to Profit/Loss)	(756)	(1.770)
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	325.907	260.390
<b>XII. TOTAL PROFIT/LOSS ACCOUNTED FOR THE CURRENT PERIOD (X±XI)</b>	<b>441.745</b>	<b>206.761</b>

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

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2012**  
(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 Cancellation Profits	Legal Reserves	Status Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Profit / Loss	Prior Period Net Profit / Loss	Marketable Securities Value Increase Fund	Tangible and Intangible Assets Revaluation Differences	Bonus Shares Obtained from Associates, Subs and Jointly Controlled Entities	Hedging Reserves	Revaluation Surplus on Assets Held for sale and on Disc. Operations	Shareholders' Equity Before Non-controlling Interest	Non-controlling Interest	Total Shareholders' Equity
<b>CHANGES IN SHAREHOLDER'S EQUITY</b>																			
<b>Prior Period – 31 December 2011</b>																			
I. Opening Balance		700.000	374	413	-	75.558	36.929	118.439	2.920	-	263.779	69.019	31.174	-	-	-	1.298.605	99.916	1.398.521
Changes during the period																			
II. Increase / Decrease related to merger		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. Marketable securities value increase fund		-	-	-	-	-	-	-	-	-	-	(51.859)	-	-	-	-	(51.859)	-	(51.859)
IV. Hedging (Effective portion)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.1 Cash-flow hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.2 Hedge of net investment in foreign operations		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V. Tangible assets revaluation differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI. Intangible assets revaluation differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Bonus shares obtained from associates, subsidiaries and jointly controlled entities (Joint Vent.)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Foreign exchange differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Disposal of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Reclassification of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI. Effect of change in equities of associates on bank's equity		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII. Capital increase		100.000	-	-	-	-	-	-	-	-	(100.000)	-	-	-	-	-	-	-	-
12.1 Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2 Internal sources		100.000	-	-	-	-	-	-	-	-	(100.000)	-	-	-	-	-	-	-	-
XIII. Share issuance		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV. Share cancellation profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV. Effect of inflation on paid-in capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI. Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII. Period net income		-	-	-	-	-	-	-	-	260.763	-	-	-	-	-	-	260.763	(2.143)	258.620
XVIII. Profit distribution		-	-	-	-	22.417	10.581	33.728	-	(113.925)	-	-	-	-	-	-	(47.199)	(982)	(48.181)
18.1 Dividends distributed		-	-	-	-	-	-	-	-	(47.199)	-	-	-	-	-	-	(47.199)	(982)	(48.181)
18.2 Transfers to reserves		-	-	-	-	22.417	10.581	33.728	-	(66.726)	-	-	-	-	-	-	-	-	-
18.3 Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing Balance		800.000	374	413	-	97.975	47.510	152.167	2.920	260.763	49.854	17.160	31.174	-	-	-	1.460.310	96.791	1.557.101
<b>Current Period – 31 December 2012</b>																			
I. Opening Balance		800.000	374	413	-	97.975	47.510	152.167	2.920	-	310.617	17.160	31.174	-	-	-	1.460.310	96.791	1.557.101
Changes during the period																			
II. Increase / Decrease related to merger		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. Marketable securities value increase fund		-	-	-	-	-	-	-	-	-	-	116.594	-	-	-	-	116.594	15	116.609
IV. Hedging (Effective portion)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.1 Cash-flow hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.2 Hedge of net investment in foreign operations		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V. Tangible assets revaluation differences		-	-	-	-	-	-	-	-	(3.983)	-	-	3.983	-	-	-	-	-	-
VI. Intangible assets revaluation differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Bonus shares obtained from associates, subsidiaries and jointly controlled entities (Joint Vent.)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Foreign exchange differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Disposal of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Reclassification of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI. Effect of change in equities of associates on bank's equity		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII. Capital increase	(1)	300.000	-	-	-	-	-	(163.000)	-	-	(137.000)	-	-	-	-	-	-	-	-
12.1 Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2 Internal sources		300.000	-	-	-	-	-	(163.000)	-	-	(137.000)	-	-	-	-	-	-	-	-
XIII. Share issuance		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV. Share cancellation profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV. Effect of inflation on paid-in capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI. Other		-	-	(25)	-	(859)	-	(5.221)	-	-	(2.601)	-	-	-	-	-	(8.706)	(20.674)	(29.380)
XVII. Period net income		-	-	-	-	-	-	-	-	317.010	-	-	-	-	-	-	317.010	8.141	325.151
XVIII. Profit distribution		-	-	-	-	27.936	12.767	23.598	-	(114.780)	-	-	-	-	-	-	(50.479)	-	(50.479)
18.1 Dividends distributed		-	-	-	-	-	-	-	-	(50.479)	-	-	-	-	-	-	(50.479)	-	(50.479)
18.2 Transfers to reserves		-	-	-	-	27.936	12.767	23.598	-	(64.301)	-	-	-	-	-	-	(50.479)	-	(50.479)
18.3 Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing Balance		1.100.000	374	388	-	125.052	60.277	7.544	2.920	317.010	52.253	133.754	35.157	-	-	-	1.834.729	84.273	1.919.002

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 2012**

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

	Notes	Audited Current Period 31 December 2012	Audited Prior Period 31 December 2011
<b>A. CASH FLOWS FROM BANKING OPERATIONS</b>			
<b>1.1 Operating profit before changes in operating assets and liabilities</b>		<b>215.487</b>	<b>410.008</b>
1.1.1 Interest received		492.247	563.090
1.1.2 Interest paid		(191.485)	(175.115)
1.1.3 Dividends received		6.014	4.487
1.1.4 Fees and commissions received		29.842	30.350
1.1.5 Other income	(1)	85.850	75.511
1.1.6 Collections from previously written off loans		7.806	6.990
1.1.7 Payments to personnel and service suppliers		(75.962)	(69.558)
1.1.8 Taxes paid		(78.649)	(50.461)
1.1.9 Others	(1)	(60.176)	24.714
<b>1.2 Changes in operating assets and liabilities</b>		<b>(18.665)</b>	<b>(189.544)</b>
1.2.1 Net (increase) decrease in financial assets		52.696	9.397
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		(1.012.416)	(1.840.478)
1.2.5 Net (increase) decrease in other assets	(1)	116.869	(53.518)
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		723.160	1.804.649
1.2.9 Net increase (decrease) in matured payables		-	-
1.2.10 Net increase (decrease) in other liabilities	(1)	101.026	(109.594)
<b>I. Net cash provided by/(used in) banking operations</b>		<b>196.822</b>	<b>220.464</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>II. Net cash provided by/(used in) investing activities</b>		<b>(211.971)</b>	<b>(21.876)</b>
2.1 Cash paid for purchase of entities under common control, associates and subsidiaries	(2)	(420)	(1.040)
2.2 Cash obtained from sale of entities under common control, associates and subsidiaries	(3)	-	392
2.3 Fixed asset purchases	(2)	(13.613)	(6.384)
2.4 Fixed asset sales	(3)	3.865	17.995
2.5 Cash paid for purchase of financial assets available for sale		(297.030)	(215.408)
2.6 Cash obtained from sale of financial assets available for sale		-	-
2.7 Cash paid for purchase of investment securities		-	-
2.8 Cash obtained from sale of investment securities (*)		95.787	182.973
2.9 Others		(560)	(404)
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>III. Net cash provided by/(used in) financing activities</b>		<b>(50.481)</b>	<b>(238.925)</b>
3.1 Cash obtained from funds borrowed and securities issued		-	-
3.2 Cash used for repayment of funds borrowed and securities issued		(2)	(190.744)
3.3 Capital increase		-	-
3.4 Dividends paid		(50.479)	(48.181)
3.5 Payments for finance leases		-	-
3.6 Other		-	-
<b>IV. Effect of change in foreign exchange rate on cash and cash equivalents</b>	(1)	<b>(2.400)</b>	<b>10.380</b>
<b>V. Net increase / (decrease) in cash and cash equivalents</b>		<b>(68.030)</b>	<b>(29.957)</b>
<b>VI. Cash and cash equivalents at beginning of the period</b>	(4)	<b>534.689</b>	<b>564.646</b>
<b>VII. Cash and cash equivalents at end of the period</b>	(4)	<b>466.659</b>	<b>534.689</b>

(\*) Current period amount comprises of the Parent Bank's held to maturity investment that was redeemed on 15 February 2012.

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 2012**

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

	Audited Current Period 31 December 2012 (*)	Audited Current Period 31 December 2011
<b>I. DISTRIBUTION OF CURRENT YEAR INCOME (**)</b>		
1.1 CURRENT YEAR INCOME	382.793	317.715
1.2 TAXES AND DUTIES PAYABLE	(75.529)	(62.373)
1.2.1 Corporate Tax (Income tax)	(94.286)	(49.194)
1.2.2 Income withholding tax	-	-
1.2.3 Other taxes and duties	18.757	(13.179)
<b>A. NET INCOME FOR THE YEAR (1.1-1.2)</b>	<b>307.264</b>	<b>255.342</b>
1.3 PRIOR YEARS LOSSES (-)(*)	-	-
1.4 FIRST LEGAL RESERVES (-)	-	12.767
1.5 OTHER STATUTORY RESERVES (-)	-	12.767
<b>B. NET PROFIT AVAILABLE FOR DISTRIBUTION [(A-(1.3+1.4+1.5)]</b>	<b>307.264</b>	<b>229.808</b>
1.6 FIRST DIVIDEND TO SHAREHOLDERS (-)	-	48.000
1.6.1 To owners of ordinary shares	-	48.000
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 (-)	-	4.590
1.8 DIVIDENDS TO BOARD OF DIRECTORS (-)	-	889
1.9 SECOND DIVIDEND TO SHAREHOLDERS (-)	-	134.000
1.9.1 To owners of ordinary shares	-	134.000
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 (-)	-	14.748
1.11 STATUTORY RESERVES (-)	-	-
1.12 GENERAL RESERVES	-	23.598
1.13 OTHER RESERVES	-	-
1.14 SPECIAL FUNDS	-	3.983
<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	307.264	255.342
3.2 TO OWNERS OF ORDINARY SHARES (%)	27,93	31,92
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	-	182.000
4.2 TO OWNERS OF ORDINARY SHARES (%)	-	22,75
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 2012, profit distribution for the year 2012 was presented only.

(\*\*) According to legislation, companies in Turkey do not make consolidated profit distribution. In this context, profit distribution is based on unconsolidated financial statements.

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**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 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. The situation does not result in a change in basis of preparation as of reporting date.

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 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 XXIII.

**I.c The accounting policies for the correct understanding of the financial statements**

The following accounting policies that applied according to BRSA regulations and TAS for the correct understanding of the financial statements and valuation principles used in preparation of the financial statements are presented in more detail below.

**I.d In preparing the consolidated financial statements, items which different accounting policies adopted and their ratio on total of related consolidated financial statement**

There is no different accounting policy used in consolidated financial statements.

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**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 indebtness 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 Parent 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.

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**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

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

TSKB 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/or 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 2012.

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

**TSKB Yatırım Ortaklığı A.Ş.**

It was permitted İş Yatırım Ortaklığı Anonim Şirketi take over TSKB Yatırım Ortaklığı A.Ş. within the Turkish Commercial Code 451 and 19 and 20th clauses of Corporate Tax Law numbered 5520 with the resolution of Competition Authority dated 29 March 2012 and nr. 12-14/417-BD and the resolution of Capital Markets Board dated 10 May 2012 and nr. 15/547. In the General Assemblies of companies dated 29 June 2012, merger was confirmed. Related resolutions and the merger agreement has been registered by Istanbul Trade Registry Office on 16 July 2012 and has been published in the Trade Registry Gazette numbered 8116, dated 20 July 2012. As of this date, TSKB Yatırım Ortaklığı was dissolved and transferred to İş Yatırım Ortaklığı A.Ş. together with all of its assets and liabilities. Income statement of TSKB Yatırım Ortaklığı A.Ş. until the merge with İş Yatırım Ortaklığı A.Ş., is consolidated by the Parent Bank in consolidated financial statements for the year ended 31 December 2012.

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**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

**III. Information about the Parent Bank and its subsidiaries and associates 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 Capital Market Law 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, Factoring and Financing Companies Law No: 6361. The Company started its leasing operations in July 1988. The Company's headquarters is located at Istanbul/Türkiye.

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

İş Factoring Finansman Hizmetleri A.Ş., was incorporated in Turkey on 4 July 1993 and it has been performing its operations in accordance with the Financial Leasing, Factoring and Financing Companies Law No: 6361. 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: 2, Levent, Istanbul.

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

The Parent Bank is exposed to financial risk which depend on changes in foreign exchange rates and interest rates due to activities and as part of banking activities uses derivative instruments to manage financial risk that especially associated with fluctuations in foreign exchange and interest rate.

Mainly derivative instruments used by the Group are foreign currency forwards, swaps, futures trading, 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.

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**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.

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**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

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

In case of application of settlement date accounting, the entity accounts for the changes that occur in the fair value of the asset in the period between commercial transaction date and settlement date as in the assets that the entity settles.

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

Fair value differences are not accounted for assets presented at cost or amortized cost; gain or loss of financial assets at fair value through profit and loss are reflected in the 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.



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**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.

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.

Interest income earned from held-to-maturity investments is recognized as interest income on income statement. The group has no held to maturity investments as of 31 December 2012 (31 December 2011: TL 126.955)

As of the reporting date, the Group has begun to calculate internal rate of return of the CPI indexed marketable securities considering expected inflation index of future cash flows. The effect of this application is accounted as interest received from marketable securities in the consolidated financial statements.

Explanations on investments in associates and subsidiaries:

Investments in associates and subsidiaries are recorded within the scope of the “Turkish Accounting Standard No.39: Financial Instruments: Recognition and Measurement” (TAS 39). Investments in subsidiaries, whose shares are traded in an active market (stock market), are shown in the financial statements with their fair values by taking into account their prices recorded in the related market (stock market). Investments in subsidiaries and associates, whose shares are not traded in an active market (stock market) are followed at their cost of acquisition and these assets are shown in the financial statements with their cost values after the deduction of, if any, impairment provisions.

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.

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**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

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

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 (including received from Loans and receivables with doubtful collectability) ” 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.

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 provisions, the 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.

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 times of the general provision ratio and for the second group loans and receivables should not be less than 2,5 times of the general provision ratio

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**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

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

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 twenty percent of total loans, general loan loss provision ratio is four percent for consumer loans which are followed under standard loans and receivables except car and housing loans; and is eight percent 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 2012 and do not exceed the ratios mentioned above, additional general loan loss provision has not been calculated.

In accordance with the communiqué “The Amendment to the Communiqué on Determining the Nature of Loans and Receivables and Principles and Procedures on the Allocation of Loan and Receivable Provisions” published on 21 September 2012 No: 28418 Official Gazette, the Parent Bank has calculated general loan loss provisions with the rates stated in the first paragraph of Article 7 of the Communiqué.

**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. Assets held for sale are measured at the lower of the assets’ carrying amount and fair value less costs to sell.

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**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

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

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.

**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.

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**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

**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.

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>
Cashboxes	4-50	2-25
Vehicles	5	20
Other Tangible Assets	1-50	2-100

***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.

**XIV. Explanations on leasing transactions**

***The Group as Lessor***

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

***The Group as Lessee***

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

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**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

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

Provisions are recognized when there is a present obligation due to a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If aforesaid criterias did not compose, the Parent Bank has disclosed mentioned issues in note to financial statements. Provisions are determined by using the Group's best expectation of expenses in fulfilling the obligation, and discounted to present value if material.

***Explanations on contingent assets***

Contingent assets consist of unplanned or other unexpected events that usually cause a possible inflow of economic benefits to the Parent Bank. Since recognition of the contingent assets in the financial statements would result in the accounting of an income, which maynever be generated, the related assets are not included in the financial statements; on the other hand, if the inflow of the economic benefits of these assets to the Parent 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 Parent Bank is almost certain, the related asset and the respective income are recognised in the financial statements of the period in which the change occurred.

**XVI. 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. 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 22 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.

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**ACCOUNTING POLICIES (Continued)**

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

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 four-year extension was published in the Official Gazette No: 28277 dated 8 March 2012. 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 2012 has been calculated by an independent actuary in accordance with the actuarial assumptions in the Law and as per actuarial report dated February 2013. There is no need for technical or actual deficit to book provision as of 31 December 2012.

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.

**XVII. 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 currently enacted tax rates are used to determine deferred tax on income.

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.

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**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

**XVII. Explanations on taxation (continued)**

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.

**XVIII. 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 Parent Bank as of the period end and interest expense amounts of related period arising from borrowings are reflected in the financial statements.

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

**XIX. Explanations on share certificates issued**

In the meeting of the General Assembly held on 26 March 2012; it has been resolved that, paid-in capital of the Parent Bank will be increased from TL 800.000 to TL 1.100.000 by TL 300.000. In respect of the resolution of the General Assembly, TL 137.000 of this increase will be incorporated from the profit of the year 2011 and the remaining TL 163.000 will be incorporated from extraordinary reserves. The increase in paid-in capital has approved by the BRSA on 10 May 2012, has registered on 6 June 2012 and has been published in the Turkish Trade Registry Gazette No: 8088 on 12 June 2012.

In the prior period, 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, has registered on 12 May 2011 and has been published in the Turkish Trade Registry Gazette No: 7824 on 27 May 2011.



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**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

**XX. Explanations on acceptances**

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

**XXI. Explanations on government incentives**

The Parent Bank does not use government incentives.

**XXII. 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".

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**SECTION THREE (Continued)**

**ACCOUNTING POLICIES (Continued)**

**XXII. 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	242.277	188.244	(5.677)	424.844
Net Fees and Commission Income	10.185	1.751	14.584	26.520
Other Income	7.010	10.375	72.197	89.582
Other Expense	(58.668)	(23.464)	(57.409)	(139.541)
Profit Before Tax	200.804	176.906	23.695	401.405
Tax Provision				(76.254)
<b>Net Profit</b>				<b>325.151</b>
Group's profit / loss				<b>317.010</b>
Non-controlling interest				<b>8.141</b>
<b>Current Period</b>	<b>Corporate Banking</b>	<b>Investment Banking</b>	<b>Other</b>	<b>Total</b>
Segment Assets	6.823.651	3.496.371	324.867	10.644.889
Investment in Associates and Subsidiaries	-	-	212.429	212.429
<b>Total Assets</b>	<b>6.823.651</b>	<b>3.496.371</b>	<b>537.296</b>	<b>10.857.318</b>
Segment Liabilities	6.863.799	1.734.771	339.746	8.938.316
Shareholders' Equity	-	-	1.919.002	1.919.002
<b>Total Liabilities</b>	<b>6.863.799</b>	<b>1.734.771</b>	<b>2.258.748</b>	<b>10.857.318</b>

<b>Prior 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>Prior Period</b>	<b>Corporate Banking</b>	<b>Investment Banking</b>	<b>Other</b>	<b>Total</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
Shareholders' 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>

**XXIII. Explanations on other matters**

None.

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**SECTION FOUR**

**INFORMATION ON FINANCIAL STRUCTURE**

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

As of 1 July 2012, capital adequacy standard ratio is calculated in accordance with the Communiqué on “Measurement and Assessment of Capital Adequacy of Banks”, which was published on 28 June 2012 in the Official Gazette numbered 28337. In this context, credit and market risk are calculated based on the Standardised Approach and the operational risk is calculated based on the Basic Indicator Approach. In the calculation process of credit risk, loans are classified in the related risk weight by taking into account the risk portfolio types, ratings and credit risk mitigation techniques. The Parent Bank uses “comprehensive guarantee approach” for trading book items in the credit mitigation process.

As of 31 December 2012, the Parent Bank’s capital adequacy ratios in accordance with the Communiqué on “Measurement and Assessment of Capital Adequacy of Banks” is 19,43%. The Parent Bank did not recalculate the capital adequacy ratio for prior periods, according to the Communiqué on “Financial Statements to be Publicly Announced and the Accompanying Policies and Disclosures”, which was published on 28 June 2012 in the Official Gazette numbered 28337.

***Information related to the consolidated capital adequacy standard ratio***

	Risk Weights (*)						
	Parent Bank						
	0%	20%	50%	75%	100%	150%	200%
<b>The Amount Subject to Credit Risk</b>	<b>2.291.734</b>	<b>518.618</b>	<b>1.689.274</b>	<b>39.029</b>	<b>7.200.975</b>	<b>8</b>	<b>8</b>
Risk Types							
Contingent and Non-Contingent Claims on Sovereigns	2.270.481	-	345.062	-	-	-	-
Contingent and Non-Contingent Claims on Regional Governments and Local Authorities	-	600	-	-	-	-	-
Contingent and Non-Contingent Claims on Administrative Units and Non-commercial Enterprises	-	-	-	-	4.418	-	-
Contingent and Non-Contingent Claims on Multilateral Development Banks	-	-	-	-	-	-	-
Contingent and Non-Contingent Claims on International Organizations	-	-	-	-	-	-	-
Contingent and Non-Contingent Claims on Banks and Capital Market Intermediary	-	518.018	1.343.134	-	83.638	-	-
Contingent and Non-Contingent Claims on Corporate	-	-	-	-	6.709.627	-	-
Contingent and Non-Contingent Claims Included in the Regulatory Retail Portfolios	-	-	-	39.029	-	-	-
Contingent and Non-Contingent Claims Secured by Real Estate Property	-	-	1.078	-	-	-	-
Past Due Loans	-	-	-	-	-	-	-
Higher-Risk Categories Defined by Agency	-	-	-	-	-	8	8
Securities Secured by Mortgage	-	-	-	-	-	-	-
Securitization Exposures	-	-	-	-	-	-	-
Short-Term Claims on Banks and Corporate	-	-	-	-	-	-	-
Undertakings for Collective Investments in Transferable Securities	-	-	-	-	82.060	-	-
Other Claims	21.253	-	-	-	321.232	-	-

(\*)The Group has no credit risk related to 10% and 1250% risk weight.

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**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

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

*Summary information related to the consolidated capital adequacy standard ratio*

	Parent Bank	Consolidated
	Current Period (*)	Current Period (*)
Capital Requirement for Credit Risk ( Amount subject to Credit Risk*0,08) (CRCR)	652.296	654.291
Capital Requirement for Market Risk (CRMR)	15.460	15.101
Capital Requirement for Operational Risk (CROR)	47.693	56.193
Shareholders' Equity	1.820.009	1.762.403
Shareholders' Equity/((CRCR+CRMR+CROR) *12,5)*100	<b>20,35</b>	<b>19,43</b>

(\*)The Parent Bank did not recalculate the capital adequacy ratio related to prior periods as of 1 July 2012, according to provisional act 1 of "Publicly Announced Communiqué on Financial Statements and Related Disclosures and Footnotes".

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

CORE CAPITAL	Current Period	Prior Period(***)
Paid-in Capital	1.100.000	800.000
Nominal Capital	1.100.000	800.000
Capital Commitments (-)	-	-
Inflation Adjustment to Share Capital	374	374
Share Premium	388	413
Share Cancellation Profits	-	-
Legal Reserves	195.793	300.572
Inflation Adjustment on Legal Reserves, Statutory Reserves and Extraordinary Reserves	-	-
Profit	369.263	310.617
Current Period Profit	317.010	260.763
Prior Years' Profits	52.253	49.854
Provisions for Possible Losses up to 25% of Core Capital	-	-
Profit on sale of associates, subsidiaries and buildings	35.157	31.174
Primary subordinated loans	-	-
Non-controlling interest	84.258	96.791
Loss that is not covered with reserves (-)	-	-
Net current period loss	-	-
Prior period loss	-	-
Leasehold improvements (-)	(873)	(506)
Intangible assets (-)	(1.015)	(865)
Deferred-assets for tax which exceeds 10% of core capital (-)	-	-
Excess amount expressed in the Law (Article 56, 3rd paragraph) (-)	-	-
Consolidation Goodwill (Net) (-)	(1.005)	(1.005)
<b>Total Core Capital</b>	<b>1.782.340</b>	<b>1.537.565</b>

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**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

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

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

<b>SUPPLEMENTARY CAPITAL</b>	<b>Current Period</b>	<b>Prior Period(***)</b>
General Loan Loss Provisions	77.247	58.491
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 Capital	-	-
Secondary Subordinated Loans (*)	53.040	75.400
45% of the Marketable Securities Value Increase Fund (**)	60.189	7.722
Indexation Differences for Capital Reserves, Profit Reserves and Retained Earnings (Except Indexation Differences for Legal Reserves, Statutory Reserves and Extraordinary Reserves)		
Non Controlling Interest	7	-
<b>Total Supplementary Capital</b>	<b>190.483</b>	<b>141.613</b>
<b>CAPITAL</b>	<b>1.972.823</b>	<b>1.679.178</b>
<b>DEDUCTIONS FROM THE CAPITAL</b>	<b>(210.420)</b>	<b>(190.867)</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	(210.046)	(190.472)
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	(374)	(395)
Securitisation Positions Deducted from Equity Preferred	-	-
Other	-	-
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>1.762.403</b>	<b>1.488.311</b>

(\*) According to BRSA's "Regulation on Equity of Banks", 60% 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.

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

(\*\*\*)The previous year's datas relating to the table above that is changed with the Communiqué on "Financial Statements to be Publicly Announced and the Accompanying Policies and Disclosures", which was published on 28 June 2012 in the Official Gazette numbered 28337 are shown according to the new table and total equity is not changed.

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**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

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

***The approaches used for internal capital adequacy assessment in terms of current and future activities***

The evaluation of the Parent Bank's internal capital adequacy assessment in terms of current and future activities is carried out within the framework of the principles identified at the Capital Adequacy Policy approved in the Board of Directors meeting held on 28 September 2012.

The purpose of the internal assessment process of capital requirements is to identify and evaluate all the risks both included and not included in the calculations of regulatory capital requirement, by this means, to ensure keeping sufficient capital to cover these risks and to ensure the application of appropriate risk management techniques.

The Parent Bank's internal assessment process is risk-oriented and future-oriented. Current and future capital requirements are analyzed in accordance with the Parent Bank's strategic objectives and anticipated capital costs, target capital levels and capital resources are taken into account. Through the process of internal assessment, a general capital level and assessment are exhibited, the results and findings of the internal assessment process are taken into consideration in the process of assessment of the Parent Bank's strategy and risk appetite.

Within the scope of the process, for the current period and the three-year period covering the years 2013-2015, the Bank's capital requirement and internal capital adequacy is evaluated, based on the the Bank's asset structure and risk profile, the expectations on macro-economic factors such as economic growth and foreign exchange rates, and stress scenarios, In this context, interest rate risk in the banking book, concentration risk for sectors, countries and economic groups within credit risk, liquidity risk and other risks including reputation risk, strategic risk, etc., as well as credit risk, market risk and operational risk which are contained in the calculation of the regulatory capital requirement, are included.

**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" ("Communiqué on 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.

In accordance with TAS and Turkish Financial Reporting Standards;

Impaired loans, are loans past due more than 90 days as of reporting period or convinced to be impaired due to credibility. In accordance with Communiqué on Reserves, "Specific Provision" is allocated for these loans.

Past due loans, are loans past due up to 90 days as of reporting period but not impaired. In accordance with Communiqué on Reserves, "General Provision" is calculated for these loans.

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**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

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

*Total amount of exposures after offsetting transactions but before applying risk mitigations and the average exposure amounts that are classified in different risk groups and types*

	<b>Current Period Risk Amount (*)</b>	<b>Average Risk Amount (**)</b>
Contingent and Non-Contingent Claims on Sovereigns	3.433.261	3.346.312
Contingent and Non-Contingent Claims on Regional Governments and Local Authorities	3.000	3.000
Contingent and Non-Contingent Claims on Administrative Units and Non-commercial Enterprises	26.419	25.233
Contingent and Non-Contingent Claims on Multilateral Development Banks	-	-
Contingent and Non-Contingent Claims on International Organizations	-	-
Contingent and Non-Contingent Claims on Banks and Capital Market Intermediary	2.599.335	2.588.510
Contingent and Non-Contingent Claims on Corporates	9.072.669	8.949.003
Contingent and Non-Contingent Claims Included in the Regulatory Retail Portfolios	236.926	246.009
Contingent and Non-Contingent Claims Secured by Real Estate Property	1.078	539
Past Due Loans	-	-
Higher-Risk Categories Defined by Agency	16	17
Securities Secured by Mortgage	-	-
Securitization Exposures	-	-
Short-Term Claims on Banks and Corporate	-	-
Undertakings for Collective Investments in Transferable Securities	205.611	255.927
Other Claims	342.485	338.919

(\*) Includes total risk amounts before the effect of credit risk mitigation.

(\*\*) Average risk amounts are the arithmetical average of the amounts in monthly reports in which capital adequacy is measured in accordance with Basel II, starting from 1 July 2012 to the period end.

There are control limits over the positions on forwards, options and similar other agreements. Those limits are controlled by the Parent Bank's 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.

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**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

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

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 and 200 largest cash loans constitute 83,83% and 97,77% of the total cash loans portfolio of the Group respectively (31 December 2011: 84,47% and 98,81%).

The first 100 and 200 largest non cash loans constitute 100% and %100 of the total non cash loans portfolio of the Group respectively (31 December 2011: 100% and 100%).

The first 100 and 200 largest cash and non cash loans constitute 83,05% and 97,24% of the total on and off balance sheet accounts of the Group respectively (31 December 2011: 84,59% and 98,62%).

The Parent Bank calculated the general loan loss provision of TL 77.247 (31 December 2011: TL 58.491).



**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES**  
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**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

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

***Profile of Significant Exposures in Major Regions***

	Risk Types (*)																
	Contingent and Non-Contingent Claims on Sovereigns	Contingent and Non-Contingent Claims on Regional Governments and Local Authorities	Contingent and Non-Contingent Claims on Administrative Units and Non-commercial Enterprises	Contingent and Non-Contingent Claims on Multilateral Development Banks	Contingent and Non-Contingent Claims on International Organizations	Contingent and Non-Contingent Claims on Banks and Capital Market Intermediary	Contingent and Non-Contingent Claims on Corporates	Contingent and Non-Contingent Claims Included in the Regulatory Retail Portfolios	Contingent and Non-Contingent Claims Secured by Real Estate Property	Past Due Loans	Higher-Risk Categories Defined by Agency	Securities Secured by Mortgage	Securitization Exposures	Short-Term Claims on Banks and Corporate	Undertakings for Collective Investments in Transferable Securities	Other Claims	Total
<b>Current Period</b>																	
Domestic	2.615.543	600	4.418	-	-	1.665.450	6.709.626	39.013	1.078	-	16	-	-	-	81.854	33.534	11.151.132
European Union (EU) Countries	-	-	-	-	-	34.060	-	-	-	-	-	-	-	-	-	2.957	37.017
OECD Countries (**)	-	-	-	-	-	603	-	-	-	-	-	-	-	-	-	-	603
Off-Shore Banking Regions	-	-	-	-	-	83.638	-	-	-	-	-	-	-	-	-	-	83.638
USA, Canada	-	-	-	-	-	36.050	-	-	-	-	-	-	-	-	-	-	36.050
Other Countries	-	-	-	-	-	27.915	-	-	-	-	-	-	-	-	-	-	27.915
Associates, Subsidiaries and Joint-Ventures	-	-	-	-	-	97.074	-	-	-	-	-	-	-	-	206	2.143	99.423
Unallocated Assets/Liabilities (***)	-	-	-	-	-	-	1	16	-	-	-	-	-	-	-	303.851	303.868
<b>Total</b>	<b>2.615.543</b>	<b>600</b>	<b>4.418</b>	<b>-</b>	<b>-</b>	<b>1.944.790</b>	<b>6.709.627</b>	<b>39.029</b>	<b>1.078</b>	<b>-</b>	<b>16</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>82.060</b>	<b>342.485</b>	<b>11.739.646</b>

(\*)Risk types in the Communiqué on “Measurement and Assessment of Capital Adequacy of Banks” have been used.

(\*\*) Includes OECD countries other than EU countries, USA and Canada.

(\*\*\*) Includes asset and liability items that cannot be allocated on a consistent basis.

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**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

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

*Risk profile by sectors or counterparties*

	Risk Types (*)																			
	Contingent and Non-Contingent Claims on Sovereigns	Contingent and Non-Contingent Claims on Regional Governments and Local Authorities	Contingent and Non-Contingent Claims on Administrative Units and Non-commercial Enterprises	Contingent and Non-Contingent Claims on Multilateral Development Banks	Contingent and Non-Contingent Claims on International Organizations	Contingent and Non-Contingent Claims on Banks and Capital Market Intermediary	Contingent and Non-Contingent Claims on Corporates	Contingent and Non-Contingent Claims Included in the Regulatory Retail Portfolios	Contingent and Non-Contingent Claims Secured by Real Estate Property	Past Due Loans	Higher-Risk Categories Defined by Agency	Securities Secured by Mortgage	Securitization Exposures	Short-Term Claims on Banks and Corporate	Under-takings for Collective Investments in Transferable Securities	Other Claims	TL	FC	Total	
Agriculture	-	-	-	-	-	-	12.024	-	-	-	-	-	-	-	-	629	6.297	6.356	12.653	
Farming and Stockbreeding	-	-	-	-	-	-	12.024	-	-	-	-	-	-	-	-	267	5.935	6.356	12.291	
Forestry	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	362	362	-	362	
Fishery	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Manufacturing	-	-	-	-	-	23.504	4.974.343	-	-	-	-	-	-	-	-	2.486	264.056	4.736.277	5.000.333	
Mining and Quarrying	-	-	-	-	-	-	41.880	-	-	-	-	-	-	-	-	-	-	41.880	41.880	
Production	-	-	-	-	-	8.035	1.947.948	-	-	-	-	-	-	-	-	1.194	179.228	1.777.949	1.957.177	
Electricity, Gas and Water	-	-	-	-	-	15.469	2.984.515	-	-	-	-	-	-	-	-	1.292	84.828	2.916.448	3.001.276	
Construction	-	-	-	-	-	-	153.518	-	-	-	-	-	-	-	-	-	17.553	135.965	153.518	
Services	145.973	-	4.184	-	-	1.921.270	1.565.210	-	1.078	-	-	-	-	-	82.060	34.182	890.231	2.863.726	3.753.957	
Wholesale and Retail Trade	-	-	-	-	-	-	354.482	-	-	-	-	-	-	-	-	-	41.776	312.706	354.482	
Accommodation and Dining	-	-	-	-	-	1.236	207.953	-	-	-	-	-	-	-	-	-	10	209.179	209.189	
Transportation and Telecommunication	-	-	-	-	-	-	417.806	-	-	-	-	-	-	-	-	1.235	1.358	417.683	419.041	
Financial Institutions	145.973	-	4.184	-	-	1.920.034	1.994	-	-	-	-	-	-	-	82.060	32.100	823.563	1.362.782	2.186.345	
Real Estate and Rental Services	-	-	-	-	-	-	385.195	-	-	-	-	-	-	-	-	-	14.113	371.082	385.195	
Professional Services	-	-	-	-	-	-	152.732	-	-	-	-	-	-	-	-	847	9.411	144.168	153.579	
Educational Services	-	-	-	-	-	-	12.419	-	-	-	-	-	-	-	-	-	-	12.419	12.419	
Health and Social Services	-	-	-	-	-	-	32.629	-	1.078	-	-	-	-	-	-	-	-	33.707	33.707	
Others	2.469.570	600	234	-	-	16	4.532	39.029	-	-	16	-	-	-	-	305.188	2.462.431	356.754	2.819.185	
Total	2.615.543	600	4.418	-	-	1.944.790	6.709.627	39.029	1.078	-	16	-	-	-	82.060	342.485	3.640.568	8.099.078	11.739.646	

(\*)Risk types in the Communiqué on "Measurement and Assessment of Capital Adequacy of Banks" have been used..

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**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

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

*Analysis of maturity-bearing exposures according to remaining maturities*

Risk Types	Term to Maturity				
	Up to 1 month	1-3 months	3-6 months	6-12 months	Over 1 year
Contingent and Non-Contingent Claims on Sovereigns	247.470	59.518	152.402	165.100	1.963.716
Contingent and Non-Contingent Claims on Regional Governments and Local Authorities	-	-	-	-	-
Contingent and Non-Contingent Claims on Administrative Units and Non-commercial Enterprise	65	-	-	1.982	2.367
Contingent and Non-Contingent Claims on Multilateral Development Banks	-	-	-	-	-
Contingent and Non-Contingent Claims on International Organizations	-	-	-	-	-
Contingent and Non-Contingent Claims on Banks and Capital Market Intermediary	249.657	256.360	54.265	109.833	1.215.073
Contingent and Non-Contingent Claims on Corporates	64.526	102.502	82.847	232.854	6.205.047
Contingent and Non-Contingent Claims Included in the Regulatory Retail Portfolios	35.752	-	-	-	-
Contingent and Non-Contingent Claims Secured by Real Estate Property	-	-	-	1.078	-
Past Due Loans	-	-	-	-	-
Higher-Risk Categories Defined by Agency	-	-	-	-	16
Securities Secured by Mortgage	-	-	-	-	-
Securitization Exposures	-	-	-	-	-
Short-Term Claims on Banks and Corporate	-	-	-	-	-
Undertakings for Collective Investments in Transferable Securities	4.454	-	10	-	77.390
Other Claims	-	-	-	-	-
<b>Total</b>	<b>601.924</b>	<b>418.380</b>	<b>289.524</b>	<b>510.847</b>	<b>9.463.609</b>

*Information on risk types*

Referring to article No. 7 of the Communiqué on “Measurement and Assessment of Capital Adequacy of Banks”, in the process of risk weighted assets calculation, risk weights are determined through ratings given by authorized rating companies. Ratings given by International Rating Companies can be used for receivables includes receivables from Banks and Brokerage Houses settled abroad, receivables from Regional Authorities and Local Authorities, receivables from Administrative Bodies and Non-Commercial Undertakings, receivables from Multilateral Development Banks and Corporate Receivables risk weights. The Resident Institutions are assessed as unrated.

In determination of risk weights for exposures on capital adequacy calculation of the Parent Bank, ratings are used given by Fitch Ratings Rating Agency.

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**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

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

***Information on risk types (continued)***

The table related to mapping of the ratings given by Fitch Ratings' International Rating Agency as per credit quality grades and risk weights used in the calculations, is as follows.

Credit Quality Grades	Fitch Ratings	Risk Types			
		Claims on Sovereigns	Claims on Banks and Capital Market Intermediary		Claims on Corporate Receivables
			Claims with Remaining Maturities Less Than 3 Months	Claims with Remaining Maturities More Than 3 Months	
1	AAA	0%	20%	20%	20%
	AA+				
	AA				
	AA-				
2	A+	20%	20%	50%	50%
	A				
	A-				
3	BBB+	50%	20%	50%	100%
	BBB				
	BBB-				
4	BB+	100%	50%	100%	100%
	BB				
	BB-				
5	B+	100%	50%	100%	150%
	B				
	B-				
6	CCC+	150%	150%	150%	150%
	CCC				
	CCC-				
	CC				
	C				
	D				
Unrated	Unrated	100%	20% (*)	50% (*)	100%

(\*)Used in case when the risk weight of the sovereign of the Bank's country is not higher.

***Exposures by risk weights***

Risk Weights	0%	10%	20%	50%	75%	100%	150%	200%	1250%	Deducted from Equities
Exposures Before Credit Risk Mitigation (*)	3.109.444	-	677.179	1.663.440	117.583	7.407.027	8	8	-	213.313
Exposures After Credit Risk Mitigation	2.291.734	-	518.618	1.689.274	39.029	7.200.975	8	8	-	213.313

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

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**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

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

*Information of major sectors or type of counterparties*

Major Sectors / Counterparties	Loans		Value Adjustments	Provisions
	Impaired Loans	Past Due Loans		
Agriculture	3.422	-	-	(3.422)
Farming and Stockbreeding	3.422	-	-	(3.422)
Forestry	-	-	-	-
Fishery	-	-	-	-
Manufacturing	4.523	985	10	(4.523)
Mining and Quarrying	191	-	-	(191)
Production	4.332	-	-	(4.332)
Electricity, Gas and Water	-	985	10	-
Construction	513	-	-	(513)
Services	7.166	-	-	(7.166)
Wholesale and Retail Trade	399	-	-	(399)
Accommodation and Dining	963	-	-	(963)
Transportation and Telecommunication	74	-	-	(74)
Financial Institutions	413	-	-	(413)
Real Estate and Rental Services	-	-	-	-
Professional Services	-	-	-	-
Educational Services	-	-	-	-
Health and Social Services	5.317	-	-	(5.317)
Others	-	-	-	-
<b>Total</b>	<b>15.624</b>	<b>985</b>	<b>10</b>	<b>(15.624)</b>

*Information related with value adjustments and loan loss provisions*

	Opening balance	Provision for the period	Provision reversals	Other adjustments	Closing balance
Specific Provisions	27.698	613	12.687	-	15.624
General Loan Loss Provision	58.491	18.756	-	-	77.247

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**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

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

Cash credit quality per class of financial assets as of 31 December 2012 is as follows:

<b>Current Period</b>	<b>Neither past due nor impaired</b>	<b>Past due or individually impaired</b>	<b>Total</b>
Loans	6.813.234	985	6.814.219
Corporate Loans	5.165.193	-	5.165.193
Loans to SME	1.613.950	985	1.614.935
Consumer Loans	168	-	168
Other	33.923	-	33.923
Receivables from Leasing Transactions	9.432	-	9.432
<b>Total</b>	<b>6.822.666</b>	<b>985</b>	<b>6.823.651</b>

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

<b>Prior Period</b>	<b>Neither past due nor impaired</b>	<b>Past due or individually impaired</b>	<b>Total</b>
Loans	6.265.780	1.176	6.266.956
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>

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 Parent 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.

<b>Basic Loan Quality Categories</b>	<b>Current Period</b>	<b>Prior Period</b>
Top Grade	410.632	362.285
High Grade	2.877.120	2.475.919
Average Grade	3.254.586	3.867.001
Below Average Grade	1.444.957	803.916
Impaired	15.624	20.330
<b>Total</b>	<b>8.002.919</b>	<b>7.529.451</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 8.051.832; and TL 48.913 of these customers have not been rated (31 December 2011: TL 7.592.033; TL 62.582).

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**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

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

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	27.595	62.198
Corporate Loans	23.270	56.458
Loans to SME	3.330	759
Consumer Loans	-	-
Other	995	4.981
<b>Total</b>	<b>27.595</b>	<b>62.198</b>

**III. Explanations related to the 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, notional and proportional basis limitation systems are used and informative reports regarding market risk position of the bank 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 fields of activity were approved by the Board of Directors. Risk management policies were determined and announced throughout the Parent Bank.

Legally, 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 weekly and monthly. The consolidated market risk table is as follows:

**1.a Information related to the consolidated market risk:**

	Amount
(I) Capital Requirement to be Employed for General Market Risk - Standard Method	4.449
(II) Capital Requirement to be Employed for Specific Risk - Standard Method	768
Capital Requirement for Specific Risk Relating to Securitization Positions – Standard Method	-
(III) Capital Requirement to be Employed for Currency Risk - Standard Method	8.192
(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) Counterparty credit risk capital requirement - Standard method	1.692
(VIII) Total Capital Requirement to be Employed for Market Risk in Banks Using Risk Measurement Model	-
(IX) Total Capital Requirement to be Employed for Market	15.101
<b>(X) Amount Subject to Market Risk (12,5 x VIII) or (12,5 x VII)</b>	<b>188.763</b>

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**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

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

**1.b Average market risk table as of the month ends during the period:**

	Current Period		
	Average	Maximum	Minimum
Interest Rate Risk	4.688	4.737	4.639
Common Stock Risk	335	480	190
Currency Risk	9.592	10.992	8.192
Commodity Risk	-	-	-
Settlement Risk	-	-	-
Option Risk	42	83	-
Counterparty Credit Risk	2.398	3.103	1.692
<b>Total Value At Risk</b>	<b>17.055</b>	<b>19.395</b>	<b>14.713</b>

Risk information given above includes the period between July– December 2012 and represents the amounts calculated under the “Regulation on Measurement and Assessment of the Capital Adequacy of the Banks” published on 28 June 2012.

**2. Explanation related to counter party risk**

The Parent Bank gives long term, medium term and short term loans within principles and limits determined by the Board of Directors according to the Banking Law. Loan transactions includes all manner of lending type about financing investments and need to working capital of firms, domestic and foreign loan participation from primary and secondary market, underwriting to purchase and sell of bond and legal instruments that will issued, provide APEX loan facilities to banks and financial institutions by leasing, treasury derivative transaction within limits assigned to firms, export-import transactions, treasury, money and capital market and derivative transaction within limits in countenance of financial institutions (Counterparties).

Project guarantee, mortgage, personnel guarantee, company guarantee, cheques and notes, cash blockage, stock and security pledges could be taken on Treasury, Money and Capital Market and Derivative transaction within limits in countenance of non-financial institutions (Counterparties). On Treasury, Money and Capital Market transaction within limits in countenance of financial institutions (Counterparties) guarantee is not taken and on derivative transactions collateral netting is applied for the firms that signed CSA agreements based on daily derivative valuation. The provision is reserved in accordance with “Substance of the Procedures and Principles Related to Determination of Loans and Other Receivables by the Banks and Allocation of Provision for Those” and international practices.



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**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

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

**2. Explanation related to counter party risk (continued)**

	Amount
Interest Rate Contracts	22.318
Foreign Exchange Rate Contracts	14.265
Commodity Contracts	-
Equity Shares Related Contracts	-
Other	-
Gross Positive Fair Values	36.583
Net-off Benefits	-
Net-off Current Risk Amount	36.583
Collaterals Received	8.112
Net Derivative Position	28.471

**3. Required disclosures in case the capital requirement of the Bank is calculated by a risk measurement model permitted by BRSA**

Internal model is not used on the calculation of capital requirements for counterparty loan risk.

***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 shares 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 shares 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 3.354 (31 December 2011: TL 955), marketable securities classified as financial assets held for trading would decrease/increase by TL 516 (31 December 2011: TL 2.307 marketable securities value increase fund increase/decrease).

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

Operational risk amount of the Group is measured with Basic Indicator Method referring to "Regulation on Measurement and Assessment of Capital Adequacy of Banks" According to this method, the calculation is performed parallel to the practice within the country, by multiplying 15% of the Group's last three years' average gross revenue with 12,5.

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**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

**IV. Explanations related to consolidated operational risk (continued)**

Yearly gross income, as presented on the income statement; is calculated with net interest income plus net fee and commission, dividend income except from subsidiaries and associates, trading profit/loss and other operational income minus profit/loss gain on sale of assets other than of trading accounts, extraordinary incomes, operational expense for support service from a bank and recoveries from insurance.

	31 December 2009	31 December 2010	31 December 2011	Total/No. of years of positive gross	Rate (%)	Total
<b>Gross Income</b>	355.197	364.360	404.306	374.621	15	<b>56.193</b>
<b>Value at Operational Risk (Total*12,5)</b>						<b>702.413</b>

**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 Group 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 USD and EURO are as follows:

	1 USD	1 Euro
<b>A. Bank "Foreign Exchange Valuation Rate"</b>		
31 December 2012	1,7680	2,3324
<b>Prior Five Workdays:</b>		
28 December 2012	1,7690	2,3434
27 December 2012	1,7730	2,3471
26 December 2012	1,7750	2,3407
25 December 2012	1,7850	2,3533
24 December 2012	1,7830	2,3512

Simple arithmetic thirty-day averages of the USD and EURO buying rates of the Parent Bank before the reporting date are TL 1,7735 and 2,3257; respectively.

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**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

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

*Information on the Group's foreign currency risk: foreign currencies*

	Euro	USD	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	43.151	64.050	-	107.201
Banks	27.984	34.350	480	62.814
Financial Assets at Fair Value Through Profit and Loss (*)	5.815	10.664	-	16.479
Money Market Placements	-	-	-	-
Available-For-Sale Financial Assets	33.697	440.952	-	474.649
Loans (**)	2.908.148	3.663.902	-	6.572.050
Subsidiaries, Associates and Entities Under Common Control (Joint Vent.)	-	-	-	-
Held-To-Maturity Investments	-	-	-	-
Derivative Financial Assets for Hedging Purposes	-	-	-	-
Tangible Assets	-	-	-	-
Intangible Assets	-	-	-	-
Other Assets (***)	9.108	13.038	3	22.149
<b>Total Assets</b>	<b>3.027.903</b>	<b>4.226.956</b>	<b>483</b>	<b>7.255.342</b>
<b>Liabilities</b>				
Bank Deposits	-	-	-	-
Foreign Currency Deposits	-	-	-	-
Money Market Borrowings	21.668	215.634	8	237.310
Funds Provided From Other Financial Institutions	3.326.483	3.649.428	-	6.975.911
Marketable Securities Issued	-	-	-	-
Miscellaneous Payables	1.441	34.132	24	35.597
Derivative Financial Liabilities for Hedging Purposes	-	-	-	-
Other Liabilities (****)	7.991	17.757	1	25.749
<b>Total Liabilities</b>	<b>3.357.583</b>	<b>3.916.951</b>	<b>33</b>	<b>7.274.567</b>
<b>Net Balance Sheet Position</b>	<b>(329.680)</b>	<b>310.005</b>	<b>450</b>	<b>(19.225)</b>
<b>Net Off-Balance Sheet Position</b>	<b>242.119</b>	<b>(261.867)</b>	<b>893</b>	<b>(18.855)</b>
Financial Derivative Assets	416.985	130.153	893	548.031
Financial Derivative Liabilities	(174.866)	(392.020)	-	(566.886)
Non-Cash Loans (*****)	110.311	811.491	-	921.802
<b>Prior Period</b>				
Total Assets	2.912.023	4.409.835	2.553	7.324.411
Total Liabilities	3.226.280	3.863.055	1.006	7.090.341
<b>Net Balance Sheet Position</b>	<b>(314.257)</b>	<b>546.780</b>	<b>1.547</b>	<b>234.070</b>
<b>Net Off –Balance Sheet Position</b>	<b>225.591</b>	<b>(559.302)</b>	<b>(321)</b>	<b>(334.032)</b>
Financial Derivative Assets	747.673	327.183	2.954	1.077.810
Financial Derivative Liabilities	(522.082)	(886.485)	(3.275)	(1.411.842)
Non-Cash Loans (*****)	255.130	715.394	-	970.524

(\*)Exchange rate differences arising from derivative transactions amounting to TL 1.354 is deducted from "Financial Assets at Fair Value Through Profit and Loss".

(\*\*)Loans extended include TL 1.454.813 foreign currency indexed loans.

(\*\*\*)Prepaid expenses amounting to TL 3.555 have not been included in "Other Assets".

(\*\*\*\*) Marketable securities valuation increase fund amounting to TL 69.385 and exchange rate differences arising from derivative transactions amounting to TL 1.519 have not been included in "Other Liabilities". Borrower funds amounting TL 7.836 based on foreign currencies have been included in "Other Liabilities".

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

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**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

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

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

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

	Increase in Currency Rate	Effect on Profit / Loss (*)		Effect on Equity(**)	
		Current Period	Prior Period	Current Period	Prior Period
USD	10	1.022	(3.250)	3.792	1.998
Euro	10	(8.857)	(8.869)	101	3
Other	10	134	123	-	-

	Increase in Currency Rate	Effect on Profit / Loss (*)		Effect on Equity(**)	
		Current Period	Prior Period	%	Current Period
USD	10	(1.022)	3.250	(3.792)	(1.998)
Euro	10	8.857	8.869	(101)	(3)
Other	10	(134)	(123)	-	-

(\*) 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 these risks.

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**INFORMATION ON 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	-	-	-	-	-	132.666	132.666
Banks	22.054	333.221	43.804	-	-	40.996	440.075
Financial Assets at Fair Value Through Profit and Loss	6.182	11.103	9.022	5.686	5.739	3.437	41.169
Money Market Placements	199	-	-	-	-	-	199
Available-for-Sale Financial Assets	979.951	726.647	483.844	377.504	275.789	38.527	2.882.262
Loans	1.098.707	2.467.258	2.819.258	357.741	40.472	30.783	6.814.219
Held-to-Maturity Investments	-	-	-	-	-	-	-
Other Assets (**)	8.282	7.585	793	37	-	530.031	546.728
<b>Total Assets</b>	<b>2.115.375</b>	<b>3.545.814</b>	<b>3.356.721</b>	<b>740.968</b>	<b>322.000</b>	<b>776.440</b>	<b>10.857.318</b>
<b>Liabilities</b>							
Bank Deposits	-	-	-	-	-	-	-
Other Deposits	-	-	-	-	-	-	-
Money Market Borrowings	1.499.687	2.164	777	-	-	-	1.502.628
Miscellaneous Payables	-	-	-	-	-	112.830	112.830
Marketable Securities Issued	-	-	-	-	-	-	-
Funds Provided from Other Financial Institutions	2.435.160	2.792.656	1.564.704	84.866	241.344	-	7.118.730
Other Liabilities (***)	10.875	380	1.989	7.941	9.563	2.092.382	2.123.130
<b>Total Liabilities</b>	<b>3.945.722</b>	<b>2.795.200</b>	<b>1.567.470</b>	<b>92.807</b>	<b>250.907</b>	<b>2.205.212</b>	<b>10.857.318</b>
Balance Sheet Long Position	-	750.614	1.789.251	648.161	71.093	-	3.259.119
Balance Sheet Short Position	(1.830.347)	-	-	-	-	(1.428.772)	(3.259.119)
Off-Balance Sheet Long Position	73.921	56.549	-	9.960	-	-	140.430
Off-Balance Sheet Short Position	-	-	(82.257)	-	(52.096)	-	(134.353)
<b>Total Position</b>	<b>(1.756.426)</b>	<b>807.163</b>	<b>1.706.994</b>	<b>658.121</b>	<b>18.997</b>	<b>(1.428.772)</b>	<b>6.077</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 9.432 are presented in "Other Assets" on the basis of related maturities.

(\*\*\*) Borrower funds amounting to TL 9.745 are presented in "Other Liabilities" within 1-month maturity column.

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**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

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

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

	Euro	USD	Yen	TL
<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	3,52	-	-	7,75
Financial Assets at Fair Value Through Profit and Loss	-	7,00	-	8,79
Money Market Placements	-	-	-	4,75
Available-for-Sale Financial Assets	5,36	6,49	-	9,04
Loans	3,75	4,25	-	10,32
Held-to-Maturity Investments	-	-	-	-
<b>Liabilities</b>				
Bank Deposits	-	-	-	-
Other Deposits	-	-	-	-
Money Market Borrowings	0,76	1,02	-	5,62
Miscellaneous Payables	-	-	-	-
Marketable Securities Issued	-	-	-	-
Funds	1,00	1,00	-	6,50
Funds Provided From Other Financial Institutions	1,18	1,19	-	6,62

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**INFORMATION ON 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	-	-	-	-	-	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.

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**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

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

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

	Euro	USD	Yen	TL
<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

*The interest rate risk of the banking book items*

Interest rate risk caused by banking book accounts includes, Receivables from Central Bank, Receivables from Money Markets, Receivable from Banks, Available for Sale Financial Assets, Receivables from Reverse Repurchase Agreement, Receivables from Loans, Held to Maturity Investments and Other Receivables, which are monitored in banking book, in assets and includes Payables to Central Bank in banking accounts, Payables to Money Markets, Payables to Banks, Funds Provided from Repurchase Agreement, Securities Issued by the Bank, Payables to Loans, Subordinated Debts and Other Debts which are monitored in banking book accounts in liabilities. All derivative instruments are recorded in trading book accounts. FR400AS, in mandatory reports list of BRSA, is prepared and reported each month.

In accordance with the communiqué on “Standard Shock Measurement and Evaluation Method of the Interest Rate Risk in Banking Accounts”, economic valuation differences of the Parent Bank arising from fluctuations on interest rates, in different currencies are presented in the table below.

Currency	Applied Shock (+/- x basis point)	Revenue/ Loss	Revenue/Shareholders' Equity – Loss/ Shareholders' Equity
TL	+500 / (400) basis point	(44.237) / 39.488	(2,4%) / 2,2%
Euro	+200 / (200) basis point	7.213 / (10.657)	0,4% / (0,6%)
US Dollar	+200 / (200) basis point	(55.064) / 44.673	(3,0%) / 2,5%
<b>Total (for Negative Shocks)</b>		<b>73.504</b>	<b>4,0%</b>
<b>Total (for Positive Shocks)</b>		<b>(92.088)</b>	<b>(5,1%)</b>

*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.



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**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

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

***Interest rate sensitivity (continued)***

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 Group'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 1.447 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 (549).

The Group's available for sale portfolio in the current period increased approximately 17% relatively to prior period and the market value increased approximately 24% . In addition to this, foreign exchange assets in the Parent Bank's portfolio are approximately 16% of the portfolio in the current period while this ratio was 25% in the prior period in terms of fair value.

**VII. Explanations related to consolidated stock position risk**

The Group is exposed to equity shares risk arising from investments on firms traded in Istanbul Stock Exchange. Share certificate investments are almost used for trading purpose. However, these investments are not actively bought/sold by the Group. The Group classified its share certificate investments both as available for sale and as trading securities and net profit/loss of the Group is not affected unless the Group sell share certificates in portfolio of available for sale.

Equity shares are recognized according to "IAS 39- Financial Instruments: Recognition and Measurement". Trading securities in an active market (in exchange market) are reflected to financial statements with fair value taking into account of quoted securities on exchange market. Non-trading securities in an active market (in exchange market) are followed up according to the acquisition cost and recorded by considering impairment.

***Equity shares risk due from banking book***

Below is the comparison table of the Group's share certificate instruments' book value, fair value and market value.

Share Certificate Investments	Comparison		
	Book Value	Fair Value	Market Value
Investment in Shares-Grade A	16.772	-	16.772
Quoted	16.772	-	16.772

On the basis of the following table, private equity investments in sufficiently diversified portfolios, type and amount of other risks, cumulative realized gains and losses arising from selling and liquidation in the current period, total unrealized gains and losses, total revaluation increases of trading positions on stock market and their amount that included to core capital and supplementary capital are shown.

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**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

**VII. Explanations related to consolidated stock position risk (continued)**

*Equity shares risk due from banking book (continued)*

Portfolio	Realized Revenues and Losses in Period	Revaluation Value Increases		Unrealized Gains and Losses		
		Total	Included in Supplementary Capital	Total	Included in Core Capital	Included in Supplementary Capital
Private Equity Investments	-	-	-	-	-	-
Share Certificates Quoted on a Stock Exchange	(1.291)	-	-	2.592	-	1.166
Other Share Certificates	-	-	-	-	-	-
<b>Total</b>	<b>(1.291)</b>	<b>-</b>	<b>-</b>	<b>2.592</b>	<b>-</b>	<b>1.166</b>

**VIII. 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 of the three or more of the following; disposing liquid assets, increasing short-term borrowing, decreasing illiquid assets or increasing capital. The Parent Bank's liquidity management is implemented by meeting all the obligations on time considering the Parent Bank's reputation. The cash flow projections and the fund requirement predictions are made by using adverse scenarios to determine liquidity risk under urgent and unexpected circumstances. As seen on interest rate risk tables, the difference in interest rates of assets and liabilities is in 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 2011 and 2012 are as follows:

	First Maturity Segment (Weekly)		Second Maturity Segment (Monthly)	
Current Period	FC	FC + TL	FC	FC + TL
Average (%)	120,33	165,47	117,90	154,16
Prior Period	FC	FC + TL	FC	FC + TL
Average (%)	146,75	168,10	137,27	157,67

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**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

**VIII. 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	28.048	73.678	-	30.940	-	-	-	132.666
Banks	40.996	165.153	233.926	-	-	-	-	440.075
Financial Assets at Fair Value Through Profit and Loss	3.437	1.133	7.635	4.723	15.073	9.168	-	41.169
Money Market Placements	-	199	-	-	-	-	-	199
Financial Assets Available-for-Sale	-	160.235	59.543	317.591	1.519.959	786.407	38.527	2.882.262
Loans	30.783	171.950	274.897	1.204.685	3.833.987	1.297.917	-	6.814.219
Held-to-Maturity Investments	-	-	-	-	-	-	-	-
Other Assets (**)	-	7.282	2.221	3.591	3.603	-	530.031	546.728
<b>Total Assets</b>	<b>103.264</b>	<b>579.630</b>	<b>578.222</b>	<b>1.561.530</b>	<b>5.372.622</b>	<b>2.093.492</b>	<b>568.558</b>	<b>10.857.318</b>
<b>Liabilities</b>								
Bank Deposits	-	-	-	-	-	-	-	-
Other Deposits	-	-	-	-	-	-	-	-
Funds Provided from Other Financial Institutions	-	259.161	113.773	543.754	2.587.578	3.614.464	-	7.118.730
Money Market Borrowings	-	1.499.687	2.164	777	-	-	-	1.502.628
Securities Issued	-	-	-	-	-	-	-	-
Miscellaneous Payables	12.097	-	5.500	-	-	-	95.233	112.830
Other Liabilities (***)	-	10.875	380	1.989	7.941	9.563	2.092.382	2.123.130
<b>Total Liabilities</b>	<b>12.097</b>	<b>1.769.723</b>	<b>121.817</b>	<b>546.520</b>	<b>2.595.519</b>	<b>3.624.027</b>	<b>2.187.615</b>	<b>10.857.318</b>
<b>Liquidity Gap</b>	<b>91.167</b>	<b>(1.190.093)</b>	<b>456.405</b>	<b>1.015.010</b>	<b>2.777.103</b>	<b>(1.530.535)</b>	<b>(1.619.057)</b>	<b>-</b>
<b>Prior Period</b>								
Total Assets	91.809	878.363	398.108	1.154.095	5.122.972	1.927.602	560.685	10.133.634
Total Liabilities	13.682	1.752.632	189.357	569.319	2.461.041	3.376.315	1.771.288	10.133.634
<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>

(\*) 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 9.432 are presented in "Other Assets" on the basis of related maturities.

(\*\*\*) Borrower funds amounting to TL 9.745 are presented in "Other Liabilities" within 1-month maturity column.

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**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

**VIII. Explanations related to the 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>
<b>Liabilities</b>							
Funds Provided from Other Financial Institutions	278.625	121.181	747.445	2.798.639	3.841.923	(669.083)	7.118.730
Money Market Borrowings	1.501.255	2.168	779	-	-	(1.574)	1.502.628
Funds	9.745	-	-	-	-	-	9.745
<b>Total</b>	<b>1.789.625</b>	<b>123.349</b>	<b>748.224</b>	<b>2.798.639</b>	<b>3.841.923</b>	<b>(670.657)</b>	<b>8.631.103</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>
<b>Liabilities</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
Funds	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>

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 Contracts	671.556	52.367	27.067	1.010.853	587.097	3.366	2.352.306
Forward Contracts	144.684	57.219	273.614	-	-	-	475.517
Futures Transactions	-	-	-	-	-	-	-
Options	61.286	27.678	30.726	31.199	-	-	150.889
Other	-	-	-	-	-	-	-
<b>Total</b>	<b>877.526</b>	<b>137.264</b>	<b>331.407</b>	<b>1.042.052</b>	<b>587.097</b>	<b>3.366</b>	<b>2.978.712</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 Contracts	730.420	123.785	96.597	867.689	484.799	(38.871)	2.264.419
Forward Contracts	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>

**IX. Explanations related to consolidated securitization positions**

None.

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**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

**X. Explanations related to consolidated credit risk mitigation techniques**

Offsetting is not used as a credit risk mitigation technique. In assessments within the scope of credit risk mitigation techniques, using methods in regard to valuation and management of collaterals are realized in parallel with communiqué relating to Credit Risk Mitigation Techniques. Financial collaterals are evaluated on a daily basis in the Parent Bank. Depending on the comprehensive financial collateral approach, risk mitigating effects of the collaterals are considered through the standard volatility adjustments. Value of the real estates subject to the collateral is determined at least once a year for commercial real estates and determined at least triennially for residential real estates. In the cases that significant changes in market conditions appear, the review is carried out at more frequent intervals. Within the communiqué, as a matter of credit risk mitigation techniques, only residences and commercial real estates (Warehouse, School, Hospital, Office and Store) which are not used for production purposes and can provide rental income are taken into consideration. In addition, land, field and orchard lands are also considered within same concept. Value of the real estates is assessed by the real estate appraisal companies, which are included in the list to provide valuation service by the CMB. Within the credit risk mitigation techniques, major collaterals that can be used by the Parent Bank are financial collaterals (Treasury Bills, Government Bonds, Cash, Deposit Pledges, Gold, Stock Pledges), guarantees and mortgages. As of 31 December 2012, while guarantees and mortgages are used as credit risk mitigation technique, credit derivatives are not used. As of 31 December 2012, risk amounts which credit risk mitigation techniques are used are shown below the table according to risk types.

***Collaterals which are grouped according to risk types***

<b>Risk Types</b>	<b>Amount (*)</b>	<b>Financial Collaterals</b>	<b>Other / Physical Collaterals</b>	<b>Guarantees and credit derivatives</b>
Contingent and Non-Contingent Claims on Sovereigns	3.433.261	830.423	-	-
Contingent and Non-Contingent Claims on Regional Governments and Local Authorities	3.000	-	-	-
Contingent and Non-Contingent Claims on Administrative Units and Non-commercial Enterprise	26.419	4.632	-	-
Contingent and Non-Contingent Claims on Multilateral Development Banks	-	-	-	-
Contingent and Non-Contingent Claims on International Organizations	-	-	-	-
Contingent and Non-Contingent Claims on Banks and Capital Market Intermediary	2.599.335	166.497	-	-
Contingent and Non-Contingent Claims on Corporates	9.072.669	74.212	-	24.756
Contingent and Non-Contingent Claims Included in the Regulatory Retail Portfolios	236.926	79.675	-	-
Contingent and Non-Contingent Claims Secured by Real Estate Property	1.078	-	1.078	-
Past Due Loans	-	-	-	-
Higher-Risk Categories Defined by Agency	16	-	-	-
Securities Secured by Mortgage	-	-	-	-
Securitization Exposures	-	-	-	-
Short-Term Claims on Banks and Corporate	-	-	-	-
Undertakings for Collective Investments in Transferable Securities	205.611	104.934	-	-
Other Claims	342.485	-	-	-
<b>Total</b>	<b>15.920.800</b>	<b>1.260.373</b>	<b>1.078</b>	<b>24.756</b>

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

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**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

**X. Explanations related to consolidated credit risk mitigation techniques (continued)**

***Main guarantors and their credibility***

<b>Main Guarantors (*)</b>	<b>Fitch Rating</b>
Yapı ve Kredi Bankası A.Ş.	BBB
Denizbank A.Ş.	BBB-
T.Garanti Bankası A.Ş.	BBB
T.İş Bankası A.Ş.	BBB
Tekstil Bankası A.Ş.	B+
Türkiye Halk Bankası A.Ş.	BBB-
TC Ziraat Bankası A.Ş.	BBB-
Şekerbank T.A.Ş.	BB-

(\*) Guarantors have risk mitigation effect on 31 December 2012 capital adequacy computation.

**XI. Explanations related to consolidated risk management objective and policies**

The purpose of the risk management system is to provide identifying, measuring, reporting, monitoring and controlling the risk exposure on both unconsolidated and consolidated basis, through the policies determined related to controlling the risk-return structure of future cash flows of the Parent Bank and observing, controlling, changing if needed, application procedures, limits and policies of Parent Bank and determine the objectives to be achieved through the internal capital adequacy assessment process. In this context, “TSKB Risk Management Policies” and “TSKB Capital Adequacy Policies” are prepared and has become effective following the approval of the Board of Directors.

The Board of Directors of the Parent Bank determine and regularly review the risk level that the Bank is willing to bear to achieve its objectives, considering the risk capacity of Parent Bank.

Risk management process organized within the framework of risk management regulations and served to create a common risk culture throughout the Parent Bank, is in a structure that these risks are described in line with the international regulations and are measuring, analyzing, following, monitoring and reporting within this framework. Within the framework of the mentioned structure, Parent Bank’s Risk Management, continues to activities depending on the Audit Committee, which is established to help the audit and monitoring activities of the Board of Directors in accordance with Banking Law No: 5411 and “Regulation on Internal Systems of Banks” communiqué of Banking Regulation and Supervision Agency. Risk Management is responsible for preparing risk management strategies and policies followed by the Parent Bank, implementation, identification, measurement, monitoring, analysis, evaluation and reporting of risk management system activities.

Risk Management monitors the compliance of the risks in line with the Parent Bank’s policies and standards and limits, and determines violations, analyzes the size of the risk by developing various scenarios, develops and integrates systems providing measuring, monitoring and reporting the risks.

Within the scope of “TSKB Risk Management Policies” the Parent Bank is mainly exposed to credit risk, market risk, operational risk, currency risk, interest rate risk and liquidity risk.

***Credit risk management policy***

Credit risk is the possibility of incurring losses due to the credit customer or the counterparty, with whom the Bank has made an agreement with, does not fulfil its obligations appropriately or is not able to meet these obligations.

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**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

**XI. Explanations related to consolidated risk management objective and policies (continued)**

***Credit risk management policy (continued)***

At Parent Bank, the purpose of credit risk management is to maximize the risk adjusted return of the Bank by managing the risks that the Bank may expose in line with the right parameters in a proactive approach. Although the largest and most visible source for credit risk is the loans that the Bank grants, other banking services regarding the counterparty risk also bear credit risk. In this context, all of the banking activities are assessed within the scope of credit risk.

Credit risk is measured and managed considering the maturity structure of the credit, contractual provisions of the credit and financial conditions, the risk profile structure until the end of the maturity parallel with the possible market conditions, guarantees and collaterals, internal risk ratings and the possible changes in the process of risk exposure, the concentrations (a single company, associated group of companies, industry, country, etc.) and compliance with limits determined by the Board of Directors in order to prevent these concentrations. For measuring credit risk, Internal Rating-Based Model is used in order to monitor, control and provide early warning for credit risk of the Parent Bank.

Maximum effort is expended for the fact that the limits and policies of the external and internal agreements are not so far from the limits and policies of the Parent Bank. The articles in the agreements are compelling even if they are different from existing Bank policies.

In credit risk mitigation policies and procedures, it is considered whether the total amount of credit risk mitigation tool should be taken into account is appropriate or not, also it is controlled whether the protection provided by the credit risk mitigation instruments is in compliance with the capital adequacy level. Parent Bank's Risk Management actively involved in the measurement, analysis and monitoring process of credit risk and regular reporting is provided to the Board of Directors, Audit Committee, top management and other departments related with credit risk by the Parent Bank's Risk Management.

***Market risk management policy and currency risk management policy***

Market risk is the possibility of loss that the Parent Bank may face, in the trading book portfolio and in its on-and off-balance sheet positions arising from movements in market prices. Interest rates, foreign exchange rates, equity and commodity prices are the main market risk factors. The purpose of market risk management is to maximize the risk adjusted return of the Parent Bank by managing the risks that the Bank may expose in line with the right parameters in a proactive approach. Market risk is managed by using consistent risk measurement criteria such as fluctuation level of interest rate and/or price fluctuations and Value-at-Risk (VaR) Methods calculations, by establishing proper procedures for performing such controls and observing compliance with determined risk limits, by investigating sources of risk, learning risk and providing consistent information related with market risk to level of organizations within organization structure.

Interest rates, foreign exchange rates, equity and commodity prices are the main market risk factors and in order to control these risks vigorously and it is essential that money and capital market transactions should be "well-diversified" considering the level of risk created in terms of parameters such as maturity, currency, interest rate and other similar parameters. In addition, credit worthiness of issuers of financial instruments creating market risk is strongly taken into account. In the calculation of the market risk, the Parent Bank uses two basic approaches, BRSA Standard Method and Value at Risk (VaR) approach. The accuracy of the VaR model is sustained by applying the retrospective tests (back testing). The test mentioned is based on the comparison of calculated Value at Risk and actual losses. In addition stress tests are applied to determine the effects of the events whose probability of occurrence is low; however, loss level is high on Value at Risk. Currency risk management is measured and monitored by using the VaR model.

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**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

**XI. Explanations related to consolidated risk management objective and policies (continued)**

***Market risk management policy and currency risk management policy (continued)***

Parent Bank's Risk Management actively involved in measurement, analysis and monitoring process of market risk and currency risk and regular reporting is provided to the Board of Directors, Audit Committee, top management and other departments related with market risk by the Parent Bank's Risk Management.

***Operational risk management policy***

Operational risk is defined as the risk of loss due to the insufficiency of the processes, the people and the systems or defects or errors on them and external events, and compliance with laws and ethical standards are also included in this definition. These risks are managed by fulfilling special controls of the basic functional areas of the Parent Bank's operations, establishing mechanism distributing appropriate internal audit system and authorization required by this system within the Parent Bank and by applying detailed testing and control of the Parent Bank's all operating systems and by providing full harmony between internal and external systems and opportunity of independent data backup facility.

The Parent Bank applies the principles of separation of duties and distribution of functions in order to reduce the risk of deliberate actions, manipulations or errors. The minimum functions that have to be separated are identified as (i) starting the process (ii) authorisation and approving, (iii) recording the process (iv) confirming the process, (v) safe custody services, (vi) monitoring and auditing, (vii) developing IT systems and activities for daily operations. The transaction information has to be recorded to the system by using IT applications at once the transactions have been completed. Measurement of operational risks carried out by the implementation of Basel II "Basic Indicator Approach" methods. Parent Bank's Risk Management actively involved in the measurement, analysis and monitoring process of operational risk and regular reporting is provided to the Board of Directors, Audit Committee, top management and other departments related with operational risk by the Parent Bank's Risk Management.

***Structural interest rate risk management policy***

Structural interest rate risk is the risk of possible changes in interest rates affecting the capital of bank due to re-pricing period of interest bearing assets and liabilities banking books of the Bank and the differences at interest structuring. Structural interest rate risk is managed by providing consistent information related to structural interest rate risk to all the organization stages by using the risk measurement and criteria like the level of fluctuation in interest rates, interest shock and stress test calculations. Maturity mismatches concerning the repricing in predetermined buckets and currency mismatches of asset and liabilities are monitored and measured. Parent Bank manages the interest rate risk by being aware of that it threatens the income, capital, liquidity and reputation of the Bank and it comprises of repricing risk, yield curve risk, basis risk, spread risk and option risk. Parent Bank's Risk Management actively involved in the measurement, analysis and monitoring process of structural interest rate risk and regular reporting is provided to the Board of Directors, Audit Committee, top management and other departments related with interest rate risk by the Risk Management.

***Liquidity risk management policy***

Liquidity risk is the risk of not meeting the balance sheet and off-balance sheet items on time. Liquidity risk is also the possibility of loss that the Bank may face, when there is not sufficient cash or cash inflow to meet the cash outflow in full and in time. There are two risks as funding liquidity risk in capital markets and purchase/ sales operations and market liquidity risk in which funding liquidity risk is the risk that investment and funding requirements cannot be met on time or at a reasonable cost due to the incompatibilities in cash flows.



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**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

**XI. Explanations related to consolidated risk management objective and policies (continued)**

***Liquidity risk management policy (continued)***

The market liquidity risk is that no long position can be taken on time or at a reasonable cost due to the markets are not so deep, disruption and the bank cannot enter the markets easily.

It is essential to evaluate the diversification of opportunities on the basis of maturities with maximum extent in order to ensure the efficiency of liquidity management and maintain a sustainable situation. In liquidity risk management, a portfolio structure matched with the functions of generating profit from portfolio and market risk management and risk-return trade-off is constantly monitored without compromising of liquidity requirements.

Parent Bank's Risk Management actively involved in the measurement, analysis and monitoring process of liquidity risk and regular reporting is provided to the Board of Directors, Audit Committee, top management and other departments related with liquidity risk by the Risk Management.

**XII. 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>10.146.187</b>	<b>9.273.785</b>	<b>10.201.695</b>	<b>9.326.490</b>
Money Market Placements	199	109.365	199	109.365
Banks	440.075	425.226	440.075	425.226
Available-For-Sale Financial Assets	2.882.262	2.316.883	2.882.262	2.316.883
Held-To-Maturity Investments	-	126.955	-	132.610
Loans (*)	6.823.651	6.295.356	6.879.159	6.342.406
<b>Financial Liabilities</b>	<b>7.231.560</b>	<b>7.029.195</b>	<b>7.231.560</b>	<b>7.029.195</b>
Bank Deposits	-	-	-	-
Other Deposits	-	-	-	-
Funds Provided From Other Financial Institutions	7.118.730	6.880.535	7.118.730	6.880.535
Marketable Securities Issued	-	-	-	-
Miscellaneous Payables	112.830	148.660	112.830	148.660

(\*)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 were used.
- iii- For the fair value calculation of held-to-maturity investments, quoted prices as of the reporting date were used.

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**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

**XII. 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	17.926	23.243	-
Financial Assets Available For Sale	2.200.145	660.362	21.755
<b>Financial Liabilities</b>			
Derivative Financial Liabilities Held For Trading	-	20.997	-

Prior 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	1.353.548	947.351	21.756
<b>Financial Liabilities</b>			
Derivative Financial Liabilities Held For Trading	-	48.743	-

**XIII. 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.

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**SECTION FIVE**

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS**

**I. Explanations and disclosures 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	137	113	190	157
Balances with the Central Bank of Turkey	25.328	107.088	5.267	115.495
Other	-	-	-	-
<b>Total</b>	<b>25.465</b>	<b>107.201</b>	<b>5.457</b>	<b>115.652</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	25.328	2.470	5.267	2.586
Unrestricted time deposits	-	-	-	-
Restricted time deposits	-	-	-	-
Other (*)	-	104.618	-	112.909
<b>Total</b>	<b>25.328</b>	<b>107.088</b>	<b>5.267</b>	<b>115.495</b>

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

As per the Communiqué numbered 2005/1 “Reserve Deposits” of the CBT, banks keep reserve deposits at the CBT for their TL and FC liabilities mentioned in the communiqué. Reserves are calculated and set aside every two weeks on Fridays for 14-day periods. In accordance with the related communiqué, no interest is paid for reserve requirements.

As per the “Communiqué on Amendments to be Made on Communiqué on Required Reserves” of Central Bank of Turkey, nr. 2011/11 and 2011/13, required reserves for Turkish Lira and Foreign currency liabilities are set at Central Bank of Turkey based on rates mentioned below. Reserve rates prevailing at 31 December 2012 are presented in table below:

	Foreign Currency Liabilities Required Reserve Rates (%)	Turkish Lira Liabilities Required Reserve Rates (%)
Other liabilities up to 1 year maturity (including 1 year)	11	11
Other liabilities up to 3 years maturity (including 3 years)	9	8
Other liabilities longer than 3 years maturity	6	5

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**SECTION FIVE (Continued)**

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

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

**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 7.973 (31 December 2011: TL 6.905).

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

As of the reporting date, the Group has securities subject to repurchase agreements amounted to TL 199 (31 December 2011: TL 273).

**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 2011: 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 2011: 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	1.792	1.188	6.507	7.458
Swap Transactions	4.351	15.479	5.094	8.354
Futures Transactions	-	-	-	-
Options	-	433	-	17.940
Other	-	-	-	-
<b>Total</b>	<b>6.143</b>	<b>17.100</b>	<b>11.601</b>	<b>33.752</b>

**3. Information on banks and foreign bank accounts**

**3.a Information on banks:**

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic	377.261	28.899	19.045	363.000
Foreign	-	33.915	-	43.181
Branches and head office abroad	-	-	-	-
<b>Total</b>	<b>377.261</b>	<b>62.814</b>	<b>19.045</b>	<b>406.181</b>

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

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

**3. Information on banks and foreign bank accounts (continued)**

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

	Unrestricted Amount		Restricted Amount	
	Current Period	Prior Period	Current Period	Prior Period
EU Countries	2.839	6.207	-	-
USA, Canada	30.950	35.208	-	-
OECD Countries (*)	126	1.652	-	-
Off-Shore Banking Regions	-	114	-	-
Other	-	-	-	-
<b>Total</b>	<b>33.915</b>	<b>43.181</b>	<b>-</b>	<b>-</b>

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

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

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Government bonds	1.021.262	-	642.410	55.757
Treasury bills	-	-	-	-
Other public sector debt securities	-	293.720	-	144.927
Bank bonds and bank guaranteed bonds	-	-	-	-
Asset backed securities	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>1.021.262</b>	<b>293.720</b>	<b>642.410</b>	<b>200.684</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 463.362 (31 December 2011: TL 523.961).

	Current Period		Prior Period	
	TL	FC	TL	FC
Share certificates	-	-	-	-
Bond, Treasury bill and similar investment securities	463.362	-	444.429	79.532
Other	-	-	-	-
<b>Total</b>	<b>463.362</b>	<b>-</b>	<b>444.429</b>	<b>79.532</b>

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

Available for sale financial assets comprise government bonds 73,81%, Eurobonds 11,89%, and shares and other securities 14,30% (31 December 2011: government bonds 72,29%, Eurobonds 13,89% and shares and other securities 13,82%).

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

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

**4. Information on financial assets available-for-sale (continued)**

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

	Current Period	Prior Period
Debt securities	2.846.275	2.304.272
Quoted on a stock exchange	2.396.908	1.791.047
Unquoted	449.367	513.225
Share certificates	47.418	38.639
Quoted on a stock exchange	16.872	8.093
Unquoted	30.546	30.546
Impairment provision(-)	(11.431)	(26.028)
<b>Total</b>	<b>2.882.262</b>	<b>2.316.883</b>

Net book value of unquoted available for sale share certificates is TL 21.755 (31 December 2011: TL 21.756).

**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	107.017	117.413	57.506	117.413
Corporate shareholders	107.017	117.413	57.506	117.413
Real person shareholders	-	-	-	-
Indirect loans granted to shareholders	-	-	-	-
Loans granted to employees	168	-	182	-
<b>Total</b>	<b>107.185</b>	<b>117.413</b>	<b>57.688</b>	<b>117.413</b>

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**SECTION FIVE (Continued)**

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

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

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

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

Cash Loans	Standard Loans and Other Receivables			Loans and Other Receivables Under Close Monitoring		
	Loans and Other Receivables (Total)	Amendments on Conditions of Contract		Loans and Other Receivables (Total)	Amendments on Conditions of Contract	
		Amendments Related to the Extension of the Payment Plan	Other		Amendments Related to the Extension of the Payment Plan	Other
Non-specialized loans	6.785.248	-	-	28.971	-	-
Corporation loans	1.765.771	-	-	11.418	-	-
Export loans	112.795	-	-	-	-	-
Import loans	-	-	-	-	-	-
Loans given to financial sector	845.855	-	-	-	-	-
Consumer loans	168	-	-	-	-	-
Credit cards	-	-	-	-	-	-
Other	4.060.659	-	-	17.553	-	-
Specialized loans	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-
<b>Total</b>	<b>6.785.248</b>		-	<b>28.971</b>	-	-

(\*)The Parent Bank's finance lease receivables are TL 9.432 (31 December 2011: TL 28.400) and TL 995 (31 December 2011: TL 3.748) of the finance lease receivables are closely monitored.

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

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

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

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

Number of amendments related to the extension of the payment plan	Standard Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring
Extended for 1 or 2 times	-	-
Extended for 3,4 or 5 times	-	-
Extended for more than 5 times	-	-

The time extended via the amendment on payment plan	Standard Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring
0-6 Months	-	-
6 Months - 12 Months	-	-
1-2 Years	-	-
2-5 Years	-	-
5 Years and Over	-	-

**5.c Maturity analysis of cash loans:**

	Standard Loans and Other Receivables		Loans and Other Receivables Under Close Monitoring	
	Loans and Other Receivables (Total)	Amendments on Conditions of Contract	Loans and Other Receivables (Total)	Amendments on Conditions of Contract
Short-term loans and other receivables	329.316	-	6.330	-
Non-specialized loans	329.316	-	6.330	-
Specialized loans	-	-	-	-
Other receivables	-	-	-	-
Medium and Long-term loans	6.455.932	-	22.641	-
Non-specialized loans	6.455.932	-	22.641	-
Specialized loans	-	-	-	-
Other receivables	-	-	-	-



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

**I. Explanations and disclosures 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:**

	<b>Short Term</b>	<b>Medium and Long Term</b>	<b>Total</b>
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	147	21	168
Housing Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	147	21	168
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>147</b>	<b>21</b>	<b>168</b>

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

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

**5. Information on loans (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 2011: None).

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

	Current Period	Prior Period
Public	-	-
Private	6.814.219	6.266.956
<b>Total</b>	<b>6.814.219</b>	<b>6.266.956</b>

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

	Current Period	Prior Period
Domestic Loans	6.789.024	6.245.491
Foreign Loans	25.195	21.465
<b>Total</b>	<b>6.814.219</b>	<b>6.266.956</b>

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

	Current Period	Prior Period
Direct loans granted to subsidiaries and associates	83.374	85.465
Indirect loans granted to subsidiaries and associates	-	-
<b>Total</b>	<b>83.374</b>	<b>85.465</b>

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

	Current Period	Prior Period
Loans and receivables with limited collectability	59	5.313
Loans and receivables with doubtful collectability	5.316	5.978
Uncollectible loans and receivables	10.249	16.407
<b>Total</b>	<b>15.624</b>	<b>27.698</b>

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

**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 Loans and Receivables With Limited Collectability	IV. Group Loans and Receivables With Doubtful Collectability	V. Group Uncollectible Loans and Receivables
<b>Current Period</b>			
(Gross amounts before provisions)	-	5.315	4.420
Restructured loans and other receivables	-	-	-
Rescheduled loans and other receivables	-	5.315	4.420
<b>Prior Period</b>			
(Gross amounts before provisions)	-	5.977	4.576
Restructured loans and other receivables	-	-	-
Rescheduled loans and other receivables	-	5.977	4.576

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

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

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

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

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

	<b>III. Group</b>	<b>IV. Group</b>	<b>V. Group</b>
	Loans and Receivables With Limited Collectability	Loans and Receivables With Doubtful Collectability	Uncollectible Loans and Receivables
<b>Prior Period End Balance</b>	<b>5.313</b>	<b>5.978</b>	<b>16.407</b>
Additions (+)	59	1	553
Transfers from Other Categories of Non-performing Loans (+)	-	-	-
Transfers to Other Categories of Non-performing Loans (-)	-	-	-
Collections (-)(*)	(5.313)	(663)	(6.681)
Write-offs (-)	-	-	(30)
Corporate and Commercial Loans	-	-	-
Retail Loans	-	-	-
Credit Cards	-	-	-
Other	-	-	(30)
<b>Current Period Ending Balance</b>	<b>59</b>	<b>5.316</b>	<b>10.249</b>
Specific Provisions (-)	(59)	(5.316)	(10.249)
<b>Net Balance on Balance Sheet</b>	<b>-</b>	<b>-</b>	<b>-</b>

(\*)Transfer to 2<sup>nd</sup> Group Receivables amounting to TL 4.443 is included in "Collections" line.

**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>
	Loans and Receivables With Limited Collectability	Loans and Receivables With Doubtful Collectability	Uncollectible Loans and Receivables
<b>Current Period</b>			
Period End Balance	56	5.314	82
Specific Provision (-)	(56)	(5.314)	(82)
<b>Net Balance on Balance Sheet</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Prior 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>

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

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

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

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

**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>
	Loans and Receivables With Limited Collectability	Loans and Receivables With Doubtful	Uncollectible Loans and Receivables
<b>Current Period (Net)</b>			
Loans to Real Persons and Legal Entities (Gross)	59	5.316	9.836
Specific Provision Amount (-)	(59)	(5.316)	(9.836)
Loans to Real Persons and Legal Entities (Net)	-	-	-
Banks (Gross)	-	-	-
Specific Provision Amount (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	413
Specific Provision Amount (-)	-	-	(413)
Other Loans and Receivables (Net)	-	-	-
<b>Prior 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)	-	-	-

**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 Parent Bank management makes investigations on the financial data of the debtor companies. As a result of these investigations, if the Parent 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 Parent 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.

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

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

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

**5.1 Explanations about the write-off policies from the assets (continued)**

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	5.165.193	1.613.950	168	33.923	6.813.234
Past due not impaired loans	-	985	-	-	985
Individually impaired loans	7.288	6.900	-	1.436	15.624
<b>Total</b>	<b>5.172.481</b>	<b>1.621.835</b>	<b>168</b>	<b>35.359</b>	<b>6.829.843</b>
Less: allowance for individually impaired loans	(7.288)	(6.900)	-	(1.436)	(15.624)
<b>Total allowance for impairment</b>	<b>(7.288)</b>	<b>(6.900)</b>	<b>-</b>	<b>(1.436)</b>	<b>(15.624)</b>
<b>Total Net</b>	<b>5.165.193</b>	<b>1.614.935</b>	<b>168</b>	<b>33.923</b>	<b>6.814.219</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	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)
<b>Total allowance for impairment</b>	<b>(13.014)</b>	<b>(13.236)</b>	<b>-</b>	<b>(1.448)</b>	<b>(27.698)</b>
<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>

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

	<b>Corporate</b>	<b>SME</b>	<b>Consumer</b>	<b>Other</b>	<b>Total</b>
<b>At 1 January 2012</b>	<b>(13.014)</b>	<b>(13.236)</b>	<b>-</b>	<b>(1.448)</b>	<b>(27.698)</b>
Charge for the year	(125)	(62)	-	(426)	(613)
Recoveries (*)	5.851	6.398	-	408	12.657
Amounts written off	-	-	-	30	30
Interest accrued on impaired loans and other receivables	-	-	-	-	-
<b>At 31 December 2012</b>	<b>(7.288)</b>	<b>(6.900)</b>	<b>-</b>	<b>(1.436)</b>	<b>(15.624)</b>
	<b>Corporate</b>	<b>SME</b>	<b>Consumer</b>	<b>Other</b>	<b>Total</b>
<b>At 1 January 2011</b>	<b>(14.860)</b>	<b>(10.649)</b>	<b>-</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>-</b>	<b>(1.448)</b>	<b>(27.698)</b>

(\*) Transfer to 2<sup>nd</sup> Group Receivables amounting to TL 4.443 is included in "Recoveries" line.

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

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

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

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

<b>Current Period</b>	<b>Corporate</b>	<b>SME</b>	<b>Consumer</b>	<b>Other</b>	<b>Total</b>
Individual impairment	(7.288)	(6.900)	-	(1.436)	(15.624)
Gross amount of loans, individually determined to be impaired (before deducting any individually assessed impairment allowance)	7.288	6.900	-	1.436	15.624

  

<b>Prior Period</b>	<b>Corporate</b>	<b>SME</b>	<b>Consumer</b>	<b>Other</b>	<b>Total</b>
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

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>27.698</b>	<b>26.485</b>
Charge for the year	613	8.203
Recoveries	(12.657)	(6.990)
Amounts written off	(30)	-
Interest accrued on impaired loans and other receivables	-	-
<b>At 31 December</b>	<b>15.624</b>	<b>27.698</b>
Individual impairment	(15.624)	(27.698)
Gross amount of loans, individually determined to be impaired (before deducting any individually assessed impairment allowance)	15.624	27.698

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>Over 91 Days</b>	<b>Total</b>
Loans and Receivables					
Corporate Loans	-	-	-	-	-
SME Loans	985	-	-	-	985
Consumer Loans	-	-	-	-	-
Other	-	-	-	-	-
<b>Total</b>	<b>985</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>985</b>

<b>Prior Period</b>	<b>Less than 30 Days</b>	<b>31- 60 Days</b>	<b>61- 90 Days</b>	<b>Over 91 Days</b>	<b>Total</b>
Loans and Receivables					
Corporate 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>

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**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS**  
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**I. Explanations and disclosures related to the consolidated assets (continued)**

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

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

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 are shown below:

	Current Period	Prior Period
Residential, commercial and industrial property	985	-
Financial assets	-	1.163
Other (bailment, pledge and charge on ship and vehicle)	-	-
<b>Total</b>	<b>985</b>	<b>1.163</b>

Loans and other receivables amounting to 6.184.223 have floating interest rates (31 December 2011: TL 5.605.242) and the remaining TL 629.996 have fixed interest rates (31 December 2011: TL 661.714).

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

**6.a Information on held-to-maturity investments 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 2011: None).

**6.a.2** As of the reporting date, the Group has no investment securities held-to-maturity subject to repurchase transactions (31 December 2011: TL 124.046).

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

As of the reporting date, the Group has no investment securities held-to-maturity (31 December 2011: TL 126.955).

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

	Current Period	Prior Period
Debt Instrument	-	126.955
Quoted	-	126.955
Unquoted	-	-
Impairment Provision (-)	-	-
<b>Total</b>	<b>-</b>	<b>126.955</b>

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

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

(\*) The amount comprises redemption of held to maturity investments on 15 February 2012 (31 December 2011: 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).

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**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS**  
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**I. Explanations and disclosures related to the consolidated assets (continued)**

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

**7.a.1 As per Communiqué on Preparation of Consolidated Financial Statements of Banks and Turkish Accounting Standards unconsolidated associates and reason of unconsolidating:**

Unconsolidated non-financial associates are valued at cost.

**7.a.2 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	20,00

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

	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)	18.440	3.734	647	258	-	230	651	-
Ege Tarım (2)	11.215	10.799	8.894	182	-	(353)	83	-

(1) Represents un-reviewed 30 September 2012 financial statements. Prior year profit/loss is obtained from un-reviewed 30 September 2011 financial statements.

(2) Represents un-reviewed 30 September 2012 financial statements. Prior year profit/loss is obtained from un-reviewed 30 September 2011 financial statements.

***Information on associates disposed in the current period***

In the current period the Group has not disposed any associates.

***Information on associates purchased in the current period***

The Parent Bank has obtained bonus shares of Ege Tarım Ürünleri Lisanslı Depoculuk A.Ş. amounting to TL 15 with capital increase of TL 152.

In accordance with the General Assembly of Ege Tarım Ürünleri Lisanslı Depoculuk A.Ş. dated 19 October 2012, Ege Tarım Ürünleri Lisanslı Depoculuk A.Ş. increased its capital to TL 11.152 by transferring TL 152 from its retained earnings to its capital. In the meeting of the General Assembly of Ege Tarım Ürünleri Lisanslı Depoculuk A.Ş. held on 22 November 2012; it has been resolved that, paid-in capital of the Ege Tarım Ürünleri Lisanslı Depoculuk A.Ş. will be increased from TL 11.152 to TL 13.552 paid in cash and the Parent Bank has made a capital commitment with the shares of 10% amounting to TL 240 and has paid the TL 120 TL and the remaining TL 120 will be paid by the Parent Bank on 31 March 2013.

**7.a.3 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	57,36
3	İş Girişim Sermayesi Yatırım Ortaklığı A.Ş. (İş Girişim)	Istanbul/Turkey	16,67	57,67



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

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

**7.a.3 Information on the consolidated 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
İş Factoring (1)	1.041.260	59.723	630	52.332	50	4.574	8.236	-
İş Finansal (2)	2.820.322	565.798	2.214	158.051	1.247	40.805	52.473	113.320
İş Girişim (3)	232.587	204.415	9.067	-	-	34.245	37.995	24.730

- (1) Represents un-audited 31 December 2012 financial statements. Prior year profit/loss is obtained from audited 31 December 2011 financial statements.
- (2) Represents audited 31 December 2012 consolidated financial statements. Prior year profit/loss is obtained from audited 31 December 2011 consolidated financial statements. Fair value is presented as of 31 December 2012.
- (3) Represents un-reviewed 30 September 2012 consolidated financial statements. Prior year profit/loss is obtained from un-reviewed 30 September 2011 consolidated financial statements. Fair value is presented as of 31 December 2012.

	Current Period	Prior Period
<b>Balance at the Beginning of the Period</b>	<b>190.472</b>	<b>173.600</b>
Movements During the Period	19.574	16.872
Purchases	-	-
Bonus Shares Received	-	-
Current Year Share of Profit	20.271	20.917
Sales	-	(986)
Revaluation Increase	(697)	-
Provision for Impairment	-	(3.059)
<b>Balance at the End of the Period</b>	<b>210.046</b>	<b>190.472</b>
Capital Commitments	-	-
Share Percentage at the End of the Period (%)	-	-

***Information on associates disposed in the current period***

In the current period the Group has not disposed any associates.

***Information on associates purchased in the current period***

In the current period, the Group has not purchased any associates. The Parent Bank has obtained bonus shares of İş Finansal Kiralama A.Ş. amounting to TL 14.280 with capital increase of TL 50.000 and has obtained bonus shares of İş Girişim Sermayesi Yatırım Ortaklığı A.Ş. amounting to TL 1.260 with capital increase of TL 7.560.

**7.a.4 Sectoral information of consolidated associates and the related carrying amounts in the legal books:**

	Current Period	Prior Period
Banks	-	-
Insurance Companies	-	-
Factoring Companies	26.348	23.370
Leasing Companies	149.441	138.305
Financial Service Companies	-	-
Other Associates	34.257	28.797

**7.a.5 Information on consolidated associates quoted on stock market:**

	Current Period	Prior Period
Associates Quoted on Domestic Stock Markets	183.698	167.102
Associates Quoted on Foreign Stock Markets	-	-

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

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

**8.a.1 Information related to equity component of subsidiaries:**

	<b>YFMEND (*)</b>	<b>TSKGYO (*)</b>
	<b>Current Period</b>	<b>Current Period</b>
<b>CORE CAPITAL</b>		
Paid-in Capital	61.000	150.000
Inflation Adjustment to Share Capital	775	-
Share Premium	-	593
Legal Reserves	4.598	5.721
Current and Prior Years' Profit / Loss	827	79.513
Leasehold Improvements (-)	675	-
Intangible Assets (-)	394	3
<b>Total Core Capital</b>	<b>66.131</b>	<b>235.824</b>
<b>SUPPLEMENTARY CAPITAL</b>	<b>80</b>	<b>-</b>
<b>CAPITAL</b>	<b>66.211</b>	<b>235.824</b>
<b>NET AVAILABLE CAPITAL</b>	<b>66.211</b>	<b>235.824</b>

(\*)The information is obtained from financial statements subject to consolidation as of 31December 2012.

Paid in capital has been indicated as Turkish Lira in articles of incorporation and registered in trade registry. Effect of inflation adjustments on paid in capital is the difference caused by the inflation adjustment on shareholders' equity items. Extraordinary reserves are the status reserves which have been transferred with the General Assembly decision after distributable profit have been transferred to legal reserves. Legal reserves are the status reserves which have been transferred from distributable profit in accordance with the third clause of first and second paragraph of 466 and 467 articles of Turkish Commercial Code.

There is no internal capital adequacy assessment approach for the subsidiaries.

**8.a.2 As per Communiqué on Preparation of Consolidated Financial Statements of Banks and Turkish Accounting Standards unconsolidated subsidiaries and reason of unconsolidating and needed capital if they are subject to capital requirement:**

TSKB Gayrimenkul Değerleme A.Ş., TSKB Gayrimenkul Danışmanlık A.Ş. are valued at cost and are not consolidated since they are not financial subsidiaries. Unconsolidated subsidiaries of the Parent Bank are not subject to capital requirement.

**8.a.3 Information related to unconsolidated subsidiaries:**

	<b>Title</b>	<b>Address (City/ Country)</b>	<b>Bank's share percentage-If different voting percentage (%)</b>	<b>Bank's risk group share percentage (%)</b>
1	TSKB Gayrimenkul Değerleme A.Ş. (TSKB GMD)	İstanbul /Türkiye	99,99	99,99
2	TSKB Gayrimenkul Danışmanlık A.Ş.(TGD A.Ş.)	İstanbul /Türkiye	46,58	100,00
3	Sürdürülebilir Danışmanlık A.Ş.	İstanbul /Türkiye	-	96,00

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

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

**8.a.3 Information related to unconsolidated subsidiaries (consolidated):**

	Total Assets	Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities Portfolio	Current Period Profit /Loss	Prior Period Profit/Loss	Fair Value
TSKB GMD (1)	9.281	7.119	1.362	-	-	2.568	1.739	-
TGD A.Ş. (2)	574	517	34	-	-	(215)	32	-
SD A.Ş. (3)	322	309	18	25	-	33	(37)	-

- (1) Represents un-audited 31 December 2012 financial statements. Prior year profit/loss is obtained from un-audited 31 December 2011 financial statements.
- (2) Represents un-audited 31 December 2012 financial statements. Prior year profit/loss is obtained from un-audited 31 December 2011 financial statements.
- (3) Represents un-audited 31 December 2012 financial statements. Prior year profit/loss is obtained from un-audited 31 December 2011 financial statements.

***Subsidiaries disposed in the current period***

In the Board of Directors meeting of TSKB Gayrimenkul Danışmanlık A.Ş., one of the subsidiary of the Parent Bank, held on 14 September 2012, it was decided to merge with TSKB Danışmanlık Hizmetleri A.Ş., also one of the subsidiary of the Parent Bank, by using the financial statements dated 31 August 2012.

***Subsidiaries purchased in the current period***

In the current period, the Parent Bank has not purchased any subsidiaries.

**8.a.4 Information related to consolidated subsidiaries:**

	Title	Address (City/ Country)	Bank's share percentage-If different voting percentage (%)	Bank's risk group share percentage (%)
1	Yatırım Finansman Menkul Değerler A.Ş.(YFMEN.DEĞ.)	Istanbul /Turkey	95,78	98,51
2	TSKB Gayrimenkul Yatırım Ortaklığı A.Ş. (TSKB GYO)	Istanbul/Turkey	59,00	66,84

	Total Assets	Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities Portfolio	Current Period Profit /Loss	Prior Period Profit/Loss	Fair Value
YF MEN.DEĞ. (1)	452.148	66.231	1.896	24.811	1.038	2.725	5.919	-
TSKB GYO (2)	364.374	235.144	328.125	1.589	-	17.048	(2.838)	68.145

- (1) Represents audited 31 December 2012 financial statements. Prior year profit/loss is obtained from audited 31 December 2011 financial statements.
- (2) Represents audited 31 December 2012 financial statements. Prior year profit/loss is obtained from audited 31 December 2011 financial statements. Fair value is presented as of 31 December 2012.

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**(Continued)**

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

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

**8.a.4 Information related to consolidated subsidiaries (continued):**

	<b>Current Period</b>	<b>Prior Period</b>
<b>Balance at the Beginning of the Period</b>	<b>195.434</b>	<b>187.772</b>
Movements During the Period	636	7.662
Purchases	-	-
Bonus Shares Obtained	7.184	7.662
Current Year Shares of Profit	-	-
Sales (*)	(6.548)	-
Revaluation Increase	-	-
Provision for Impairment	-	-
<b>Balance At the End of the Period</b>	<b>196.070</b>	<b>195.434</b>
Capital Commitments	-	-
Share Percentage at the End of the Period (%)	-	-

(\*) As of 31 December 2012, TSKB Yatırım Ortaklığı A.Ş. is excluded from subsidiaries due to merger with İş Yatırım Ortaklığı A.Ş.. Cost of TSKB Yatırım Ortaklığı A.Ş. is presented in "Sales" line.

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

***Subsidiaries disposed 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 20th clauses of Corporate Tax Law numbered 5520. Management of TSKB Yatırım Ortaklığı A.Ş. is authorized for all of the required issues related with merger. According to expert studies and reports for merging of TSKB Yatırım Ortaklığı A.Ş and İş Yatırım Ortaklığı A.Ş., the share exchange rate was determined as 89,23%. Accordingly, 0,08923 kuruş shares of İş Yatırım Ortaklığı A.Ş. has given for every 0,01 kuruş nominal share of TSKB Yatırım Ortaklığı A.Ş.. After merger, the paid in capital of İş Yatırım Ortaklığı A.Ş. has been raised to 16.059.928.400 share, amounting to TL 160.599 and share of the Bank has become 7,25%. In the Group A Privileged Shareholders General Assembly of TSKB Yatırım Ortaklığı A.Ş. dated 29 June 2012, it was decided TSKB Yatırım Ortaklığı A.Ş. to merge with İş Yatırım Ortaklığı Anonim Şirketi within the Turkish Commercial Code 451 and 19 and 20<sup>th</sup> clauses and within Communiqué on Principles Regarding Mergers, Serial: 1, No:31 of Capital Market Board ("CMB"). "The merger agreement" has been registered by Istanbul Trade Registry Office on 16 July 2012 and has been published in the Trade Registry Gazette numbered 8116, dated 20 July 2012. In the Board of Directors meeting held on 26 December 2012, General Management was authorized for sale of Parent Bank's İş Yatırım Ortaklığı A.Ş. Group A shares with a rate of 1,43% and with a number of 2.297.411 of İş Yatırım Ortaklığı A.Ş.'s capital amounting to TL 160.599 to İş Yatırım Menkul Değerler A.Ş., in accordance with pricing principles of IMKB Wholesale Market Foundation and Operation Fundamentals Circular. Sales transaction occurred on 11 February 2013.

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

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

**8.a.4 Information related to consolidated subsidiaries (continued):**

***Subsidiaries disposed in the current period (continued)***

TSKB Yatırım Ortaklığı Anonim Şirketi, merged with İş Yatırım Ortaklığı Anonim Şirketi by the dissolution of its legal personality and stock exchange transaction together with all of its assets, receivables, liabilities and obligations realized on 13 August 2012. In the Stock Exchange Board of Directors meeting held on 16 August 2012, due to dissolution of TSKB Yatırım Ortaklığı A.Ş. by the way of merger with İş Yatırım Ortaklığı Anonim Şirketi, TL 29.067,736 par value stocks of TSKB Yatırım Ortaklığı A.Ş. in stock exchange quote have expelled perpetually from quotation and stock market in accordance with (f) sub clause of article no.24 of Istanbul Stock Exchange Listing Regulations.

***Subsidiaries purchased in the current period***

In the current period, the Parent Bank has obtained bonus shares of Yatırım Finansman Menkul Değerler A.Ş., amounting to TL 7.184 with a capital increase of TL 7.500.

**8.a.5 Sectoral information on consolidated subsidiaries and the related carrying amounts in the legal books:**

Subsidiaries	Current Period	Prior Period
Banks	-	-
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	-	-
Financial Service Companies	-	-
Other Subsidiaries	196.070	195.434

**8.a.6 Subsidiaries quoted on stock exchange:**

As of 31 December 2012, the fair value of the Group's subsidiaries quoted on the stock exchange is TL 74.123 (31 December 2011: TL 57.749).

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**SECTION FIVE (Continued)**

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

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

**9. Information related to entities under common control**

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 TSKB GYO. 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.

	Total Assets	Equity	Total Fixed Assets	Interest Income	Securities Income	Current Year Profit /Loss	Prior Year Profit /Loss	Fair Value
Adana Otel Project (1)	10.548	(71)	9.025	-	-	(23)	(68)	-

1) Represents un-audited 31 December 2012 financial statements. Prior year profit/loss is obtained from un-audited 31 December 2011 financial statements.

**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	6.073	5.829	726	711
Between 1- 4 years	3.685	3.603	28.851	27.689
More than 4 years	-	-	-	-
<b>Total</b>	<b>9.758</b>	<b>9.432</b>	<b>29.577</b>	<b>28.400</b>

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

	Current Period	Prior Period
<b>Gross investments in finance leases</b>	<b>9.758</b>	<b>29.577</b>
Unearned revenue from finance leases (-)	(326)	(1.177)
Cancelled finance leases (-)	-	-
<b>Net investments in finance leases</b>	<b>9.432</b>	<b>28.400</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.

**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 2011: None).

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**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS**  
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**I. Explanations and disclosures related to the consolidated assets (continued)**

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

Current Period	Prior Period End	Additions	Disposals	Transfers	Current Period End
Cost					
Land and buildings (*)	39.433	551	(125)	-	39.859
Assets Held under Finance Leases	5.206	16	(101)	-	5.121
Vehicles	1.313	119	(138)	-	1.294
Assets for Resale	1.440	195	(255)	-	1.380
Other	18.028	1.602	(154)	-	19.476
<b>Total Cost</b>	<b>65.420</b>	<b>2.483</b>	<b>(773)</b>	<b>-</b>	<b>67.130</b>
Accumulated Depreciation					
Land and buildings (*)	(19.914)	(864)	-	-	(20.778)
Assets Held under Finance Leases	(4.798)	(219)	101	-	(4.916)
Vehicles	(784)	(217)	102	-	(899)
Assets for Resale	(5)	(9)	-	-	(14)
Other	(15.258)	(1.186)	154	-	(16.290)
<b>Total Accumulated Depreciation</b>	<b>(40.759)</b>	<b>(2.495)</b>	<b>357</b>	<b>-</b>	<b>(42.897)</b>
Impairment Provision					
Land and buildings (*)	-	-	-	-	-
Assets Held under Finance Leases	-	-	-	-	-
Vehicles	-	-	-	-	-
Assets for Resale	(437)	(20)	10	-	(447)
Other	-	-	-	-	-
<b>Total Impairment Provision</b>	<b>(437)</b>	<b>(20)</b>	<b>10</b>	<b>-</b>	<b>(447)</b>
<b>Net Book Value</b>	<b>24.224</b>	<b>(32)</b>	<b>(406)</b>	<b>-</b>	<b>23.786</b>

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

Prior Period	Prior Period End	Additions	Disposals	Transfers	Current Period End
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 Cost</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.

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**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS**  
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**I. Explanations and disclosures related to the consolidated assets (continued)**

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

**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 20 and impairment reversed is TL 10 (31 December 2011: impairment recorded is TL 50, impairment reversed is TL 3.169).

**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 2011: None)

**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.

Rental or administrative purposes or other unspecified purposes of assets that under construction will be amortised when they are ready to use.

**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	3.949	(3.084)	4.457	(3.442)
Goodwill	1.005	-	1.005	-

Prior Period	Prior Period Beginning		Prior 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	-



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

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

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

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

Current Period	Closing Balance of Prior Period	Current Year Additions	Current Year Disposals	Closing Balance of Current Period
Cost				
Software	3.949	508	-	4.457
Goodwill	1.005	-	-	1.005
<b>Total Cost</b>	<b>4.954</b>	<b>508</b>	<b>-</b>	<b>5.462</b>
Accumulated Amortization				
Software	(3.084)	(358)	-	(3.442)
Goodwill	-	-	-	-
<b>Total Accumulated Amortization</b>	<b>(3.084)</b>	<b>(358)</b>	<b>-</b>	<b>(3.442)</b>
Impairment Provision	-	-	-	-
Software	-	-	-	-
<b>Total Impairment Provision</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Book Value</b>	<b>1.870</b>	<b>150</b>	<b>-</b>	<b>2.020</b>

Prior Period	Closing Balance of Prior Period	Current Year Additions	Current Year Disposals	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>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>(3.084)</b>
Impairment Provision				
Software	-	-	-	-
<b>Total Impairment Provision</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Book Value</b>	<b>1.859</b>	<b>11</b>	<b>-</b>	<b>1.870</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 2011: 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 2011: 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 2011: None).

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**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS**  
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**I. Explanations and disclosures related to the consolidated assets (continued)**

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

**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 2011: None).

**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 2011: 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 2011: 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 2011: None).

**13.l Information on goodwill:**

Goodwill on Consolidation	Share Rate %	Carrying Amount
Yatırım Finansman Menkul Değerler 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
Net Value at the Beginning of the Period	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 2011: None).

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**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS**  
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**I. Explanations and disclosures related to the consolidated assets (continued)**

**14. Information on investment properties**

In the current period, the Parent Bank has 3 investment properties with a net book value of TL 240.370 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 18.650, TL 10.100 and TL 211.620 based on an independent appraisal reports by a CMB registered real-estate appraiser company issued on 31 December 2012, respectively. As of 31 December 2012, TL 3.228 of fair value (31 December 2011: TL 9.218) difference is recognized under other operating income in the accompanying financial statements.

Investment Properties Movement table as of 31 December 2012 and 31 December 2011 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	7.360	-	-		2.740	10.100
Pendorya AVM	203.845	-	6.433	(107)	1.449	211.620
Adana Arsa Projesi	15.600	-	4.697	(686)	(961)	18.650
<b>Total</b>	<b>226.805</b>	<b>-</b>	<b>11.130</b>	<b>(793)</b>	<b>3.228</b>	<b>240.370</b>

Prior 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 Arsa Projesi	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>

**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.

Deferred tax asset:	Current period	Prior period
Loan commissions accrual adjustment	11.496	12.090
Other provisions	10.775	8.174
Marketable securities	119	1.131
Employee benefit provision	1.778	1.172
Other	617	1.642
<b>Total Deferred Tax Asset</b>	<b>24.785</b>	<b>24.209</b>
Deferred tax liabilities:		
Marketable securities	(14.703)	(4.902)
Borrowings commissions accrual adjustment	(2.395)	(1.832)
Derivative instrument accruals	(2.004)	(1.076)
Useful life difference of fixed assets	(40)	(735)
<b>Total Deferred Tax Liability</b>	<b>(19.142)</b>	<b>(8.545)</b>
<b>Net Deferred Tax Asset</b>	<b>5.643</b>	<b>15.664</b>

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

**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:**

There is 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 2011: None).

**15.c Allowance for deferred tax and deferred tax assets from reversal of allowance:**

There is no allowance for deferred tax and deferred tax assets from reversal of allowance (31 December 2011: None).

**16. Information on assets held for sale:**

In the current period, the Parent Bank has no assets held for sale (31 December 2011: 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 do not exceed 10% of total assets, excluding off-balance sheet commitments (31 December 2011: None).

**II. Explanations and disclosures 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. 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	1.565	1.164	6.119	6.451
Swap Transactions	-	17.901	351	17.882
Futures Transactions	-	-	-	-
Options	-	367	-	17.940
Other	-	-	-	-
<b>Total</b>	<b>1.565</b>	<b>19.432</b>	<b>6.470</b>	<b>42.273</b>

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

**II. Explanations and disclosures related to the consolidated liabilities (continued)**

**3. Information on banks and other financial institutions**

**3.a Information on banks and other financial institutions:**

	Current Period		Prior Period	
	TL	FC	TL	FC
Loans from Central Bank of Turkey	-	-	-	-
From Domestic Banks and Institutions	142.819	90.711	10.006	232.836
From Foreign Banks, Institutions and Funds	-	6.796.075	13.757	6.528.936
<b>Total</b>	<b>142.819</b>	<b>6.886.786</b>	<b>23.763</b>	<b>6.761.772</b>

**3.b Maturity analysis of funds borrowed:**

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term	142.819	270.665	23.763	533.785
Medium and long-term	-	6.616.121	-	6.227.987
<b>Total</b>	<b>142.819</b>	<b>6.886.786</b>	<b>23.763</b>	<b>6.761.772</b>

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

Under normal banking operations, the Parent Bank provided funds under repurchase agreements and funds borrowed. Fund resources of the Parent Bank particularly consist of foreign FC funds borrowed and FC and TL repurchase transactions. Information relating to funds provided under repurchase agreements is shown in the table below:

	Current Period		Prior Period	
	TL	FC	TL	FC
From Domestic Transactions	1.016.533	50.613	769.607	61.654
Financial institutions and organizations	941.545	-	736.039	-
Other institutions and organizations	38.312	39.977	18.090	52.161
Real persons	36.676	10.636	15.478	9.493
From Foreign Transactions	794	167.239	185	116.308
Financial institutions and organizations	155	166.710	19	115.309
Other institutions and organizations	-	-	-	-
Real persons	639	529	166	999
<b>Total</b>	<b>1.017.327</b>	<b>217.852</b>	<b>769.792</b>	<b>177.962</b>

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

There are no other liabilities which exceed 10% of the balance sheet total (31 December 2011: None).

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

**II. Explanations and disclosures related to the consolidated liabilities (continued)**

**5. Explanations on financial lease obligations (net)**

**5.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 financial lease transactions with the Parent 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.

**5.b Explanations on modifications of agreements and new obligations bring forth:**

There are no modifications in financial leasing contracts.

**5.c Explanations on finance lease payables:**

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 year	8	6	-	-
Between 1- 4 years	-	-	2	-
More than 4 years	-	-	-	-
<b>Total</b>	<b>8</b>	<b>6</b>	<b>2</b>	<b>-</b>

**5.d Explanations regarding operational leases:**

As of the reporting date, 1 head office of a Group Company and 14 branches are subject to operational leasing. Additionally, 30 cars are within the context of operational leasing. The Group has no liability for operational leases as of the reporting date (31 December 2011: 1 head office, 13 branches and 27 cars are subject to operational leasing).

**5.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 2011: None).

**6. Information on derivative financial liabilities for hedging purposes**

The Group has no derivative financial liabilities for hedging purposes as of reporting date (31 December 2011: None).

**7. Information on provisions**

**7.a Information on general loan loss provisions:**

	Current Period	Prior Period
<b>General Provisions</b>	<b>77.247</b>	<b>58.491</b>
Provisions for First Group Loans and Receivables	67.544	51.699
- Additional provisions for the loans with extended payment plan	-	-
Provisions for Second Group Loans and Receivables	599	994
- Additional provisions for the loans with extended payment plan	-	-
Provisions for Non-Cash Loans	2.417	2.220
Other	6.687	3.578

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

**II. Explanations and disclosures related to the consolidated liabilities (continued)**

**7. Information on provisions**

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

As of reporting date, the Group's foreign exchange losses on the foreign currency indexed loans amount to TL 8.426 (31 December 2011: TL 1.199). The foreign exchange losses on the foreign currency indexed loans are netted off from the loans in the financial statements.

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

The Group has no specific provisions provided for unindemnified non cash loans as of the reporting date (31 December 2011: TL 4).

**7.d Information related to other provisions:**

**7.d.1 Provisions for possible losses:**

There is no provision for possible losses (31 December 2011: None).

**7.d.2 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 2012, TL 11.295 (31 December 2011: TL 10.344) reserve for employee termination benefits was provided against a total undiscounted liability of TL 7.769 (31 December 2011: TL 4.752).

As of 31 December 2012, the Group provided a reserve of TL 1.217 (31 December 2011: TL 1.107) for the unused vacations. This balance is classified under reserve for employee benefits in the financial statements.

***Movement employee termination benefits***

	<b>Current Period</b>	<b>Prior Period</b>
As of 1 January	4.752	4.146
Payments during the period	(1.402)	(654)
Arising during the period	4.419	1.260
<b>Total</b>	<b>7.769</b>	<b>4.752</b>

***Liabilities on pension rights***

As explained on the Section Three, Accounting Policies, XVI. Explanations on Liabilities Regarding Employee Benefits as of 31 December 2012, the Group has no obligations on pension rights (31 December 2011: None).

***Liabilities for pension funds established in accordance with Social Security Institution***

None (31 December 2011: None).

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**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS**  
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**II. Explanations and disclosures related to the consolidated liabilities (continued)**

**7. Information on provisions (continued)**

*Liabilities resulting from all kinds of pension funds, foundations etc. which provide post retirement benefits for the employees*

The Parent Bank's present value of the liabilities, subject to the transfer to the Social Security Institution of the Pension Fund as of 31 December 2012 has been calculated by an independent actuary in accordance with the actuarial assumptions in the Law and as per actuarial report dated February 2013, there is no need for technical or actual deficit to book provision as of 31 December 2012. Accordingly, as of 31 December 2012 the Parent 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.

**7.d Information related to other provisions**

**7.d.3 If other provisions exceeds 10% of total provisions, the name and amount of sub-accounts:**

	Current Period	Prior Period
Provision for Possible Losses	-	-
Provision for Dividend Received from Subsidiaries	-	-
Other (*)	53.940	40.320
<b>Total</b>	<b>53.940</b>	<b>40.320</b>

(\*) Other provision account includes TL 50.000 of provision for risks on credit portfolio (31 December 2011: TL 40.000).

**8. Information on taxes payable**

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

**8.a.1 Information on taxes payable:**

	Current Period		Prior Period	
	TL	FC	TL	FC
Corporate Taxes and Deferred Taxes				
Corporate Taxes Payable (*)	29.690	-	13.583	-
Deferred Tax Liability	-	-	-	-
<b>Total</b>	<b>29.690</b>	<b>-</b>	<b>13.583</b>	<b>-</b>

(\*) As of 31 December 2012, Corporate Tax Provision is TL 94.286 and netted off from Prepaid Tax of TL 64.596 (31 December 2011: Corporate Tax Provision is TL 49.201 and netted off from Prepaid Tax of TL 35.618).

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

	Current Period	Prior Period
Corporate Taxes Payable	29.690	13.583
Taxation of Securities	1.079	1.276
Property Tax	-	-
Banking and Insurance Transaction Tax (BITT)	1.224	1.073
Foreign Exchange Transaction Tax	-	-
Value Added Tax Payable	84	112
Other	873	1.391
<b>Total</b>	<b>32.950</b>	<b>17.435</b>



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**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS**  
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**II. Explanations and disclosures related to the consolidated liabilities (continued)**

**8. Information on taxes payable (continued)**

**8.a Information on taxes payable (continued):**

**8.a.3 Information on premiums:**

	Current Period	Prior Period
Social Security Premiums-Employee	86	80
Social Security Premiums-Employer	91	84
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	22	23
Unemployment Insurance-Employer	45	46
Other	13	-
<b>Total</b>	<b>257</b>	<b>233</b>

**8.b Information on deferred taxes liabilities:**

As of the reporting date, the Group has no deferred tax liability (31 December 2011: None).

**9. Information on liabilities regarding assets held for sale**

None (31 December 2011: None).

**10. 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 88.400 as of 31 December 2012). The interest accrued on this loan is TL 725 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 (0,60+3,25 spread) 3,85%. Principal of the loan will be repaid on 15 October 2016 as a whole.

**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	-	89.125	-	95.000
<b>Total</b>	<b>-</b>	<b>89.125</b>	<b>-</b>	<b>95.000</b>

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

**II. Explanations and disclosures related to the consolidated liabilities (continued)**

**11. Information on shareholders' equity**

**11.a Presentation of paid-in capital:**

	<b>Current Period</b>	<b>Prior Period</b>
Common Stock	1.100.000	800.000
Preferred Stock	-	-

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

<b>Capital System</b>	<b>Paid-in Capital</b>	<b>Ceiling</b>
Registered Capital System	1.100.000	2.500.000

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 5th 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 11th article numbered 2499, the approval of registered capital increase registered with Turkish Trade Registry Gazette No: 8042 on 5 April 2012.

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

In the meeting of the General Assembly held on 26 March 2012; it has been resolved that, paid-in capital of the Parent Bank will be increased from TL 800.000 to TL 1.100.000 by TL 300.000. In respect of the resolution of the General Assembly, TL 137.000 of this increase will be incorporated from the profit of the year 2011 and the remaining TL 163.000 will be incorporated from extraordinary reserves. The increase in paid-in capital has been approved by the BRSA on 10 May 2012, has been registered on 6 June 2012 and has been published in the Turkish Trade Registry Gazette No: 8088 on 12 June 2012.

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 2010, has been registered on 12 May 2011 and has been published in the Turkish Trade Registry Gazette No: 7824 on 27 May 2011.

**11.d Information on share capital increases from capital reserves:**

In the current period there is no share capital increases from capital reserves (31 December 2011: None).

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

The Parent Bank has no capital commitments in the last fiscal year and at the end of the following interim period (31 December 2011: None).

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**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS**  
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**II. Explanations and disclosures related to the consolidated liabilities (continued)**

**11. Information on shareholders' equity (continued)**

**11.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, the 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.

**11.g Information on preferred shares:**

The Parent Bank has no preferred shares (31 December 2011: None).

**11.h Information on marketable securities value increase fund:**

	Current Period		Prior Period	
	TL	FC	TL	FC
From Associates, Subsidiaries, and Entities Under Common Control	2.450	-	2.680	-
Valuation Differences	61.919	69.385	(5.526)	20.006
Foreign Exchange Difference	-	-	-	-
<b>Total</b>	<b>64.369</b>	<b>69.385</b>	<b>(2.846)</b>	<b>20.006</b>

**11.i Information on legal reserves:**

	Current Period	Prior Period
First legal reserve	62.321	49.750
Second legal reserve	62.678	48.174
Other Legal Reserves Appropriated In Accordance with Special Legislation	53	51
<b>Total</b>	<b>125.052</b>	<b>97.975</b>

**11.j Information on extraordinary reserves:**

	Current Period	Prior Period
Reserves Appropriated by the General Assembly	7.544	152.167
Retained Earnings	2.920	2.920
Accumulated Losses	-	-
Foreign Currency Share Capital Exchange Differences	-	-
<b>Total</b>	<b>10.464</b>	<b>155.087</b>

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**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS**  
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**II. Explanations and disclosures related to the consolidated liabilities (continued)**

**11. Information on shareholders' equity (continued)**

**11.k Explanations related to equity:**

Movement of equity reserves during the period:

	Value Increase Funds of Marketable Securities from Available for Sale	Value Increase Funds of Marketable Securities from Subsidiaries and Associates	Revaluation value increase Subsidiaries and Associates	Others Equity Reserves	Total
<b>As of 1 January</b>	<b>14.480</b>	<b>2.680</b>	<b>31.174</b>	<b>374</b>	<b>48.708</b>
Value increase/decrease of available for sale investments recognized directly under equity	145.633	(230)		-	145.403
Profit/loss on disposal of available for sale investments recycled to income statement from equity	(756)	-		-	(756)
Tax effect of gains on available for sale investments	(28.053)	-		-	(28.053)
Other (*)	-	-	3.983	-	3.983
<b>As of 31 December</b>	<b>131.304</b>	<b>2.450</b>	<b>35.157</b>	<b>374</b>	<b>169.285</b>

(\*) In the current period, according to the Turkish Corporate Tax Code 5-(I)/e, 75% of the gain on sale of the building amounting to TL 5.311 in the tax purpose financial statements amounting to TL 3.983 exempt from corporate income tax and for the five years following 2011, 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 Parent Bank has transferred such gains to the "Tangible and Intangible Assets Revaluation Differences " accounts.

**12. Information on minority shares:**

	Current Period	Prior Period
Paid-in-Capital	54.343	68.461
Share Premium	205	228
Securities Value Increase Fund	15	-
Legal Reserves	109	897
Extraordinary Reserves	2.061	7.121
Other Profit Reserves	-	-
Retained Earnings / Accumulated Losses	19.399	22.227
Net Profit or Loss	8.141	(2.143)
<b>Total</b>	<b>84.273</b>	<b>96.791</b>

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**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:**

Group has commitments for forward purchase and sales of assets amounting to TL 10.175 (31 December 2011: TL 150.324), commitments for stock brokerage purchase and sales amounting to TL 135.666 (31 December 2011: TL 23.463), commitments for letter of credit amounting to TL 338.675 (31 December 2011: 434.332).

**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 572.564 (31 December 2011: TL 555.929).

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

As of the reporting date, total letters of guarantee is TL 635.768 (31 December 2011: TL 689.477).

**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	1.212.557	1.268.979
<b>Total</b>	<b>1.212.557</b>	<b>1.268.979</b>

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**(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	-	-	-	-	-	-	-	-
Farming and stockbreeding	-	-	-	-	-	-	-	-
Forestry	-	-	-	-	-	-	-	-
Fishing	-	-	-	-	-	-	-	-
Industry	160.031	55	668.187	72	151.208	51	948.748	97
Mining	-	-	-	-	-	-	-	-
Manufacturing Industry	4.393	1	286.673	31	4.391	1	272.765	28
Electricity, Gas, Water	155.638	54	381.514	41	146.817	50	675.983	69
Construction	4.285	2	4.665	1	4.785	2	4.882	1
Services	122.439	42	248.950	27	138.454	46	16.894	2
Wholesale and Retail Trade	-	-	182.048	20	-	-	-	-
Hotel, Food and Beverage	-	-	-	-	-	-	-	-
Services	-	-	-	-	-	-	-	-
Transportation and Communication	-	-	-	-	-	-	-	-
Financial Institutions	121.959	42	66.434	7	138.131	46	16.400	2
Real Estate and Leasing Services	480	-	468	-	323	-	494	-
Self-employment Services	-	-	-	-	-	-	-	-
Education Services	-	-	-	-	-	-	-	-
Health and Social Services	-	-	-	-	-	-	-	-
Other	4.000	1	-	-	4.008	1	-	-
<b>Total</b>	<b>290.755</b>	<b>100</b>	<b>921.802</b>	<b>100</b>	<b>298.455</b>	<b>100</b>	<b>970.524</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>290.755</b>	<b>921.802</b>	<b>298.455</b>	<b>970.524</b>	-	-	-	-
Letters of Guarantee	286.530	349.238	278.215	411.262	-	-	-	-
Bank Acceptances	-	-	-	3.333	-	-	-	-
Letters of Credit	-	572.564	-	555.929	-	-	-	-
Endorsements	-	-	-	-	-	-	-	-
Purchase Guarantees on Issuance of Securities	-	-	-	-	-	-	-	-
Factoring Guarantees	-	-	-	-	-	-	-	-
Other	4.225	-	20.240	-	-	-	-	-

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**(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
Foreign currency related derivative transactions (I)	1.301.638	3.540.196
Forward transactions	475.517	1.234.847
Swap transactions	706.432	887.503
Futures transactions	-	-
Option transactions	119.689	1.417.846
Interest related derivative transactions (II)	1.677.074	1.426.824
Interest rate swap transactions	1.645.874	1.376.916
Interest option transactions	31.200	49.908
Futures interest transactions	-	-
Other trading derivative transactions (III)	-	1.939
A. Total trading derivative transactions (I+II+III)	2.978.712	4.968.959
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>2.978.712</b>	<b>4.968.959</b>

As of 31 December 2012, 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	55.432	55.189	37.968	14.070	15.734	15.734	-	-	-	-
US Dollar	63.778	63.756	547.368	826.694	40.631	20.069	-	-	-	-
Euro	118.678	118.684	593.050	332.263	18.865	39.856	-	-	-	-
Other	-	-	893	-	-	-	-	-	-	-
<b>Total</b>	<b>237.888</b>	<b>237.629</b>	<b>1.179.279</b>	<b>1.173.027</b>	<b>75.230</b>	<b>75.659</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</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	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>

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**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	4.518	(356)	706.432	5.362	(7.959)	887.503
Interest Rate Swap Transactions	15.312	(17.546)	1.645.874	8.086	(10.274)	1.376.916
Forward Transactions	2.980	(2.729)	475.517	13.965	(12.570)	1.234.847
Futures Transactions	-	-	-	-	-	-
Option Transactions	433	(366)	150.889	17.940	(17.940)	1.467.754
Other	-	-	-	-	-	1.939
<b>Total</b>	<b>23.243</b>	<b>(20.997)</b>	<b>2.978.712</b>	<b>45.353</b>	<b>(48.743)</b>	<b>4.968.959</b>

***Fair value hedges***

For the year ended 31 December 2012 the Group does not have any items to hedge financial risks (31 December 2011: None).

***Hedging from the cash-flow risk***

As of 31 December 2012 there is no cash-flow hedging transactions (31 December 2011: None).

**3. Explanations on loan derivatives and risk exposures**

The Group has no loan derivatives and risk exposures to this respect.



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

**III. Explanations related to the consolidated off-balance sheet contingencies and commitments**  
**(continued)**

**4. Explanations on contingent liabilities and assets**

There are 29 legal cases against the Group which are amounting to TL 964 as of the reporting date (31 December 2011: TL 399, 18 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. The request for the cancellation of the execution has been rejected on 16 January 2012.

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. As well as uncertainties about conclusion of lawsuits prevail as of report date, TSKB GYO management does not expect a conclusion that affects financial statements significantly.

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**SECTION FIVE (Continued)**

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

**III. Explanations related to the consolidated off-balance sheet contingencies and commitments (continued)**

**5. 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.

**IV. Explanations and disclosures related to the consolidated income statement**

**1. Information on interest income**

**1.a Information on interest on loans:**

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest on Loans (*)				
Short Term Loans	12.779	9.749	15.123	4.619
Medium and Long Term Loans	75.746	233.951	75.033	185.584
Interest on Non-performing Loans	219	514	6.352	1.851
Premiums received from Resource Utilization Support Fund	-	-	-	-
<b>Total</b>	<b>88.744</b>	<b>244.214</b>	<b>96.508</b>	<b>192.054</b>

(\*)Commission income from loans has been included to the 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	22.942	224	22.578	8.622
Foreign Banks	1	1	-	49
Branches and Head Office Abroad	-	-	-	-
<b>Total</b>	<b>22.943</b>	<b>225</b>	<b>22.578</b>	<b>8.671</b>

**1.c Information on interest received from marketable securities:**

	Current Period		Prior Period	
	TL	FC	TL	FC
Trading Securities	3.756	-	6.451	1
Financial Assets at Fair Value Through Profit and Loss	-	-	-	-
Available for Sale Financial Assets	208.945	28.382	137.219	29.068
Investments Held to Maturity	7.693	-	35.817	-
<b>Total</b>	<b>220.394</b>	<b>28.382</b>	<b>179.487</b>	<b>29.069</b>

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

	Current Period	Prior Period
Interest Received from Associates and Subsidiaries	2.837	1.629

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**SECTION FIVE (Continued)**

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

**IV. Explanations and disclosures related to the consolidated income statement (continued)**

**2. Information on interest expense**

**2.a Information on interest on funds borrowed:**

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	3.039	6.073	1.334	6.834
The Central Bank of Turkey	4	-	421	-
Domestic Banks	3.006	695	894	575
Foreign Banks	29	5.378	19	6.259
Branches and Head Office Abroad	-	-	-	-
Other Financial Institutions	-	84.231	-	72.226
<b>Total (*)</b>	<b>3.039</b>	<b>90.304</b>	<b>1.334</b>	<b>79.060</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:**

There is no interest expense to its associates and subsidiaries.

**2.c Information on interest expense to securities issued:**

	Current period	Prior period
Interest Expense to Securities Issued	-	3.922

**3. Information on dividend income**

	Current period	Prior period
Trading Securities	407	894
Financial Assets at Fair Value Through Profit and Loss	-	-
Available-for-Sale Securities	2.173	2.035
Other	3.434	2.293
<b>Total</b>	<b>6.014</b>	<b>5.222</b>

**4. Information on net trading income (net)**

	Current period	Prior period
<b>Profit</b>	<b>406.082</b>	<b>659.102</b>
Gains on capital market operations	7.195	8.613
On derivative financial instruments (*)	160.512	179.605
Foreign exchange gains	238.375	470.884
<b>Losses (-)</b>	<b>(379.773)</b>	<b>(679.127)</b>
Losses on capital market operations	(4.377)	(13.643)
On derivative financial instruments (*)	(111.773)	(234.035)
Foreign exchange losses	(263.623)	(431.449)

(\*) Foreign exchange gain from derivative transactions amounting to TL 133.264 is presented in "Profit on derivative financial instruments" (31 December 2011: TL 133.556), foreign exchange loss from derivative transactions amounting to TL (104.134) is presented in "Losses on derivative financial instruments" (31 December 2011: TL (189.194)).

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**SECTION FIVE (Continued)**

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

**IV. Explanations and disclosures related to the consolidated income statement (continued)**

**5. Information related to other operating income**

	<b>Current Period</b>	<b>Prior Period</b>
Provisions Released	13.638	14.564
Gains on Sale of Assets	2.962	11.467
From Associate and Subsidiary Sales	-	-
From Immovable Fixed Asset Sales	2.912	-
From Property Sales	50	-
From Other Asset Sales	-	11.467
Other	15.660	26.850
<b>Total</b>	<b>32.260</b>	<b>52.881</b>

(\*) Gain on fair value difference of investment properties of the Group amounting to TL 4.189 and rent income amounting to TL 9.518 is included in "Other"(31 December 2011: TL 9.218 fair value difference, TL 8.931 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	613	8.203
III. Group	59	6.713
IV. Group	1	1
V. Group	553	1.489
General provision expenses	18.756	14.952
Provision expenses for possible losses	-	-
Marketable securities impairment expenses	1.476	3.784
Trading securities	396	1.672
Investment securities available for sale	1.080	2.112
Impairment provisions	-	-
Associates	-	-
Subsidiaries	-	-
Entities under common control (Joint Vent.)	-	-
Investment securities held to maturity	-	-
Other	13.750	5.295
<b>Total</b>	<b>34.595</b>	<b>32.234</b>

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**SECTION FIVE (Continued)**

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

**IV. Explanations and disclosures related to the consolidated income statement (continued)**

**7. Information Related to Other Operating Expenses**

	<b>Current Period</b>	<b>Prior Period</b>
Personnel expenses	60.091	56.458
Reserve for employee termination benefits	3.017	755
Bank social aid fund deficit provision	-	-
Impairment expenses of fixed assets	-	-
Depreciation expenses of fixed assets	2.486	2.412
Impairment expenses of intangible assets	-	-
Impairment expense of goodwill	-	-
Amortization expenses of intangible assets	358	392
Impairment on subsidiaries accounted for under equity method	-	-
Impairment on assets for resale	20	50
Depreciation expenses of assets held for resale	9	588
Impairment expenses of assets held for sale	-	-
Other operating expenses	22.865	22.119
Rent expenses	2.107	1.873
Maintenance expenses	1.477	1.412
Advertisement expenses	1.372	1.738
Other expenses	17.909	17.096
Loss on sales of assets	110	161
Other	11.262	10.311
<b>Total</b>	<b>100.218</b>	<b>93.246</b>

**8. Information on profit/loss before tax from continued and discontinued operations before tax**

As of 31 December 2012, profit before tax of the Group has increased by 24,70% as compared to the prior period (31 December 2011: 12,11% increased). In comparison with the prior year, the Group's net interest income has increased by 17,97% (31 December 2011: 18,33% 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 94.286 (31 December 2011: TL 51.040). Deferred tax benefit is TL 18.032 (31 December 2011: TL 12.229 tax charge).

**9.b Information related to deferred tax benefit or charge on temporary differences:**

Deferred tax benefit calculated on temporary differences is TL 18.032 (31 December 2011: TL 12.229 tax charge).

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

As of 31 December 2012, deferred tax benefit calculated based on temporary timing differences is TL 18.032 (31 December 2011: TL 12.229 tax charge). There is no deferred tax benefit or charge reflected to income statement on carry forward tax losses, tax deductions and exceptions (31 December 2011: None).

In addition, TL 32.264 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 2011: TL 4.211).

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**SECTION FIVE (Continued)**

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

**IV. Explanations and disclosures related to the consolidated income statement (continued)**

**10. Information on net profit from continued and discontinued operations before tax**

For the year ended 31 December 2012, net profit of the Group has increased by 25,73 % compared to the prior year (31 December 2011: 13,55 %).

**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 613.037 interest income, TL 188.193 interest expenses, TL 26.520 net fee and commission income from banking operations (31 December 2011: TL 534.704 interest income, TL 174.582 interest expenses, TL 28.252 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 profit attributable to minority shares is TL 8.141 (31 December 2011: TL (2.143) loss). The total shareholders' equity, including current year profit attributable to minority shares is TL 84.273 (31 December 2011: TL 96.791).

**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**

	<b>Current Period</b>	<b>Prior Period</b>
Gains on Other Fees and Commissions		
Gains on Brokerage Commissions	13.834	16.119
Commissions from Initial Public Offering	469	527
Investment Fund Management Income	2.253	4.553
Other	3.171	3.534
<b>Total</b>	<b>19.727</b>	<b>24.733</b>

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**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**

As of 31 December 2012, shareholders 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	550.001	50,00	550.001	-
T. Vakıflar Bankası T.A.O.	92.152	8,38	92.152	-
Under Custody at Merkezi Kayıt Kuruluşu				
(Other Institutions and Individuals)	457.829	41,62	457.829	-
Physically Under Custody				
(Other Institutions and Individuals)	18	-	18	-
<b>Total</b>	<b>1.100.000</b>	<b>100,00</b>	<b>1.100.000</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	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>

In the current period, in the meeting of the General Assembly held on 26 March 2012; it has been resolved that, paid-in capital of the Parent Bank will be increased from TL 800.000 to TL 1.100.000 by TL 300.000. In respect of the resolution of the General Assembly, TL 137.000 of this increase will be incorporated from the profit of the year 2011 and the remaining TL 163.000 will be incorporated from extraordinary reserves. The increase in paid-in capital has approved by the BRSA on 10 May 2012, has registered on 6 June 2012 and has been published in the Turkish Trade Registry Gazette No: 8088 on 12 June 2012.

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

As of 31 December 2012, TL 163.568 value increase is arising from the valuation of available for sale investments at fair value. TL 32.264 deferred tax is offset against value increase related to these investments and as a result, TL 131.304 net value increase is disclosed under the securities value increase fund in the statement of changes in the equity. In the prior period, TL 13.984 value increase is 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 9.773 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**

There is no increase in the cash flow hedges.

**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.

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**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS**  
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**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 increase/decrease arising from the revaluation of securities available-for-sale is explained in Note V.2, above.

**6. Information about dividends**

**6.a Dividends declared subsequent to the reporting date, but before the announcement of the financial statements:**

Dividend income related with the equity shares are determined by the General Assembly of the Shareholders. Weighted average number of shares outstanding is taken into account in the calculation of earnings per share. In case the number of shares increases by way of bonus issues as a result of the capital increases made by using the internal sources, the calculation of earnings per share is made by adjusting the weighted average number of shares, which were previously calculated as at the comparable periods. The adjustment means that the number of shares used in calculation is taken into consideration as if the bonus issue occurred at the beginning of the comparable period. In case such changes in the number of shares occur after the balance sheet date, but before the ratification of the financial statements to be published, the calculation of earnings per share are based on the number of new shares. 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.

**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 27.936 was transferred to the legal reserves (31 December 2011: TL 22.417).

**8. Offsetting of the prior period's losses**

There is no offsetting of accumulated losses made during the current and prior 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, TL 85.850 other income consists of gain from sale of assets, derivative financial instruments gain and other non-interest income (31 December 2011: TL 75.511 other income consists of other income rental income, securities trade gains gain from sale of assets and gains other than interest).

Other caption in changes in assets and liabilities from banking operations, TL (60.176) (31 December 2011: TL 24.714) consists of securities trade losses, personnel expense, financial lease expense, employee termination benefits provision, depreciation expense and other operating expense other than taxes paid, and fees and commissions paid.

In the current period, net increase/decrease in other assets TL 116.869 (31 December 2011: TL (53.518) consists of miscellaneous receivables and changes in other assets. In the current period, TL 101.026 other liabilities (31 December 2011: TL (109.594) consists of changes in funds, 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 2.400 loss (31 December 2011: TL 10.380 gain).



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

**VI. Explanations related to consolidated statement of cash flows (continued)**

**2. Information about cash flows from acquisition of associates, subsidiaries, and other investments:**

In the current period, the Group invested TL 13.613 to movable fixed assets and properties and TL 420 to subsidiaries and associates.

In the prior period, the Group invested TL 6.384 to movable fixed assets and properties and TL 1.040 to subsidiaries and associates.

**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 3.865 on sale of movable fixed assets and properties. The Group has not sold any associates and subsidiaries in the current period.

In the prior 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 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	8.200	7.520
Cash Equivalents	526.489	557.126
<b>Total</b>	<b>534.689</b>	<b>564.646</b>

Cash and cash equivalents at the end of period:

	At the End of Current Period	At the End of Prior Period
Cash	28.048	8.200
Cash Equivalents	438.611	526.489
<b>Total</b>	<b>466.659</b>	<b>534.689</b>

**5. Amount of cash and cash equivalents restricted for the usage of the Parent Bank and the shareholders by legal limitations and other reasons**

There are no cash and cash equivalents 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.

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş AND ITS SUBSIDIARIES**  
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**SECTION FIVE (Continued)**

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

**VI. Explanations related to consolidated statement of cash flows (continued)**

**6. Additional information related to financial position and liquidity**

**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.

**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	85.465	490	57.506	117.413	41.643	-
Balance at the end of the period	83.374	412	107.017	117.413	44.671	4.225
Interest and commission income received	2.832	5	2.082	294	2.031	-

**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	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 received	1.624	5	1.721	220	2.003	-

**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 not any derivative transactions with the Parent Bank's risk group.

**3. Total salaries and similar benefits provided to the key management personnel**

Benefits provided to key management personnel in the current period amount to TL 8.702 (31 December 2011: TL 8.407).

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**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	15	500			
			Country of Incorporation		
Foreign representations	-	-			
				Total Asset	Statutory Share Capital
Foreign branches	-	-		-	-
Off-shore banking region branches	-	-		-	-

**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 opened 2 new domestic branches and there is no significant change in the organization structure of the Parent Bank's operating branches. 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. In accordance with the decision, the Parent Bank management has started to executions in order to terminate the Bahrain Branch activities. As of 27 December 2012, closing procedures of the Bahrain Branch have been completed.

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş AND ITS SUBSIDIARIES**  
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**SECTION SIX**

**OTHER EXPLANATIONS**

**I. Other explanations related to the operations of the Parent Bank**

**1.a Brief information related to rating carried out by international rating firms:**

**FITCH RATINGS**

Long-term Maturity Foreign Currency (issuer)	BBB-
Long-term Maturity Foreign Currency (issuer) Outlook	Stable
Short-term Maturity Foreign Currency (issuer)	F3
Long-term Maturity National Currency (issuer)	BBB-
Long-term Maturity National Currency (issuer) Outlook	Stable
Short-term Maturity National Currency (issuer)	F3
Support Note	2
National Note	AAA
National Note Outlook	Stable

Information above is received from Fitch Ratings report dated 14 December 2012.

**MOODY'S**

Financial Rating Note	D+
Outlook	Stable
<b>Foreign Currency (issuer)</b>	
Long-term Maturity	Baa3
Outlook	Stable
Short-term Maturity	P-3
<b>Domestic Currency (issuer)</b>	
Long-term Maturity	Baa3
Outlook	Stable
Short-term Maturity	P-3

Information above represents updated information as of 3 July 2012.

**II. Other explanations related to the events after the reporting date**

In the Board of Directors meeting held on 26 December 2012, General Management was authorized for sale of Parent Bank's İş Yatırım Ortaklığı A.Ş. Group A shares with a rate of 1,43% and with a number of 2.297.411 of İş Yatırım Ortaklığı A.Ş.'s capital amounting to TL 160.599 to İş Yatırım Menkul Değerler A.Ş, in accordance with pricing principles of IMKB Wholesale Market Foundation and Operation Fundamentals Circular. Sales transaction was completed on 11 February 2013.

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş AND ITS SUBSIDIARIES**  
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**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 2012 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 12 February 2013 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.