

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

**CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS FOR THE PERIOD
ENDED JUNE 30, 2009**

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

Report on Review of Condensed Consolidated Interim Financial Information

Introduction

We have reviewed the accompanying condensed consolidated balance sheet of Türkiye Sınai Kalkınma Bankası (the “Bank”) and its subsidiaries (together the “Group”) as of June 30, 2009 and the related condensed consolidated statements of income, statement of comprehensive income, changes in equity and cash flows for the six-month period then ended. Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Accounting Standard 34, “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements of Türkiye Sınai Kalkınma Bankası A.Ş. have not been prepared, in all material respects, in accordance with International Accounting Standard 34.

DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.

DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.
Member of **DELOITTE TOUCHE TOHMATSU**

İstanbul, September, 10 2009

INDEX

	Page No.
Condensed Consolidated Balance Sheet	1-2
Condensed Consolidated Statement of Income	3
Condensed Consolidated Statement of Comprehensive Income	4
Condensed Consolidated Statement of Changes in Shareholders' Equity	5
Condensed Consolidated Statement of Cash Flows	6
Notes to the Condensed Consolidated Financial Statements	7-18

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

CONDENSED CONSOLIDATED BALANCE SHEET AS AT JUNE 30, 2009

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

ASSETS

	June 30, 2009 <u>TRY'000</u>	December 31, 2008 <u>TRY'000</u>
Liquid Assets	260	297
Balances with the Central Bank	2,832	2,620
Balances with Banks	120,534	213,723
Interbank Money Market Placements	226	7,946
Funds Lent under Securities Resale Agreements	4,895	11,971
Financial Assets at Fair Value Through Profit and Loss	40,163	38,487
Derivative Financial Assets Held for Trading	16,093	21,055
Reserve Deposits at the Central Bank	20,347	40,735
Loans and Receivables	3,806,557	3,792,562
Financial Asset Available for Sale	1,873,949	1,770,288
Financial Asset Held to Maturity	107,704	6,514
Investments in Associates	123,439	110,588
Goodwill	383	383
Premises and Equipment	147,589	117,776
Investment Properties	5,415	5,415
Intangible Assets	926	740
Other Assets	145,809	159,090
Deferred Tax Asset	18,270	17,449
Total Assets	<u>6,435,391</u>	<u>6,317,639</u>

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

CONDENSED CONSOLIDATED BALANCE SHEET AS AT JUNE 30, 2009

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

LIABILITIES

	June 30, 2009 <u>TRY'000</u>	December 31, 2008 <u>TRY'000</u>
Interbank Money Market Borrowings	15,856	13,834
Obligations under Repurchase Agreements	970,588	807,988
Funds Borrowed	4,207,439	4,451,251
Derivative Financial Liabilities Held for Trading	8,048	26,936
Obligations under Finance Leases	-	23
Corporate Tax	17,633	14,353
Provisions	7,730	9,113
Subordinated Loan	77,322	70,629
Other Liabilities	138,147	75,197
Total Liabilities	<u>5,442,763</u>	<u>5,469,324</u>

Equity

Share Capital		
Nominal Paid in Capital	600,000	500,000
Inflation Adjustment to Capital	13,563	13,563
Total Capital	<u>613,563</u>	<u>513,563</u>
Premium in Excess of Par	15	13
Unrealized Gains/(Losses) on Financial Assets Available for Sale, Net of Tax	25,696	(28,278)
Retained Earnings	323,516	338,997
Equity attributable to Equity Holders of the Parent	<u>962,790</u>	<u>824,295</u>
Minority Interest	29,838	24,020
Total Equity	<u>992,628</u>	<u>848,315</u>
Total Liabilities And Shareholders' Equity	<u>6,435,391</u>	<u>6,317,639</u>

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

CONDENSED CONSOLIDATED STATEMENT OF INCOME FOR THE PERIOD ENDED JUNE 30, 2009

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

	January 1 – June 30 2009 TRY'000	As Restated (See note 8) January 1–June 30 2008 TRY'000
Interest Income		
Interest on Loans	138,897	91,305
Interest on Interbank Money Market Placements	57	120
Interest on Securities	126,377	114,544
Interest Received from Banks	5,935	4,099
Interest Received from Reserve Deposits	139	425
Interest on Financial Leases	5,401	8,989
Other Interest Income	325	1,591
	<u>277,131</u>	<u>221,073</u>
Interest Expenses		
Interest on Interbank Money Market Borrowings	(50,471)	(50,305)
Interest on Funds Borrowed	(112,874)	(65,796)
Other Interest Expenses	(255)	(331)
	<u>(163,600)</u>	<u>(116,432)</u>
Net Interest Income	<u>113,531</u>	<u>104,641</u>
Fees and Commission Income	11,164	9,003
Fees and Commission Expenses	(957)	(608)
Net Fee and Commission Income	<u>10,207</u>	<u>8,395</u>
Net Foreign Currency (Losses)	(4,566)	(14,964)
Net Securities Trading Gains	12,113	1,386
Total Trading Income / (Loss)	<u>17,754</u>	<u>(5,183)</u>
(Provision for)/Recoveries and Releases from Impairment on Loans and Receivables	3,079	(4,880)
Net Operating Income after Impairment Losses	<u>134,364</u>	<u>94,578</u>
Other Operating Income	5,443	6,901
Other Operating Expenses	(37,302)	(36,720)
Income from Associates	8,714	19,634
Income before Taxation	<u>111,219</u>	<u>84,393</u>
Taxation	(18,889)	(15,782)
Net Income	<u>92,330</u>	<u>68,611</u>
Net Income / (Loss) Attributable to:		
Equity Holders of the Parent	88,770	72,217
Minority Interest	3,560	(3,606)
Weighted Number of Shares	<u>600,000,000</u>	<u>600,000,000</u>
Earnings Per Share	<u>0.1539</u>	<u>0.1144</u>

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED JUNE 30, 2009

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

	January 1-June 30 2009 TRY'000	As Restated (See note 8) January 1-June 30 2008 TRY'000
Profit for the period	92,330	68,611
Other comprehensive income		
Unrealized gains / (losses) on financial assets available for sale	51,815	(80,844)
Other comprehensive income items related to tax benefit /charge	(721)	5,523
Net amount transferred to income	2,880	(736)
Other comprehensive income for the period, net of tax	53,974	(76,057)
Total comprehensive income for the period	146,304	(7,446)
Total comprehensive income attributable to Equity holders of the Parent	142,744	(3,840)
Minority Interest	3,560	(3,606)

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY
FOR THE PERIOD ENDED JUNE 30, 2009**

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

	Share Capital TRY'000	Inflation Adjustment to Capital TRY'000	Premium in Excess of Par TRY'000	Unrealized Gains/(Losses) on Available For Sale Investments, Net of Tax TRY'000	Retained Earnings TRY'000	Equity Attributable to Equity Holders of the Parent TRY'000	Minority Interest TRY'000	Total Equity TRY'000
At December 31, 2007 (As previously reported)	400,000	730,035	13	14,086	(436,103)	708,031	29,835	737,866
Effect of restatement in accordance with IAS 8	-	(700,472)	-	-	726,874	26,402	-	26,402
At December 31, 2007 (As restated)	400,000	29,563	13	14,086	290,771	734,433	29,835	764,268
Transfers to capital	100,000	(16,000)	-	-	(84,000)	-	-	-
Dividends paid	-	-	-	-	(2,815)	(2,815)	-	(2,815)
Change in minority interest	-	-	-	-	-	-	(377)	(377)
Total comprehensive income	-	-	-	(76,057)	72,217	(3,840)	(3,606)	(7,446)
At June 30, 2008 (As restated)	500,000	13,563	13	(61,971)	276,173	727,778	25,852	753,630
At December 31, 2008	500,000	13,563	13	(28,278)	338,997	824,295	24,020	848,315
Transfers to capital	100,000	-	-	-	(100,000)	-	-	-
Dividends paid	-	-	-	-	(2,700)	(2,700)	-	(2,700)
Increase / decrease related to the merger	-	-	2	-	(1,551)	(1,549)	2,258	709
Total comprehensive income	-	-	-	53,974	88,770	142,744	3,560	146,304
At June 30, 2009	600,000	13,563	15	25,696	323,516	962,790	29,838	992,628

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED JUNE 30, 2009

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

	January 1-June 30 2009 TRY '000	As Restated (See note 8) January 1-June 30 2008 TRY '000
Cash Flows from Operating Activities:		
Net Profit for the Year	92,330	68,611
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation of property and equipment booked in operating expenses	2,139	864
Amortization of intangible assets	141	96
Impairment losses on loans and receivables	5,000	11,808
Employment termination benefits	589	163
Income from associates	(8,714)	(19,634)
Other provision expenses / (reversals)	(1,972)	2,801
Deferred tax charge	1,769	9,041
Gain on sale of property, plant and equipment	(161)	-
Unrealized gains / losses (net)	(24,505)	(13,493)
Income taxes paid	(25,544)	(17,368)
Minority interest	(3,560)	3,606
Operating profit before changes in operating assets / liabilities	37,512	46,495
Changes in Operating Assets and Liabilities:		
Increase loans and leasing receivables	(5,413)	(230,205)
(Increase) / decrease in other assets	21,741	(6,434)
Increase / (decrease) in other creditors, taxes & liabilities	65,686	(113,926)
Net Cash Provided from / (Used in) Operating Activities	82,014	(350,565)
Cash Flows from Investing Activities:		
(Increase) / decrease in reserve requirements with the Central Bank	20,176	(8,889)
(Increase) / decrease in investments held for trading	(1,345)	55,399
(Increase) / decrease in investments	(116,493)	70,670
(Increase) / decrease in equity investment	-	2,830
(Purchase) of premises and equipment and investment property	(38,283)	(2,980)
Sale of premises and equipment and investment property	2,934	-
Purchase of intangible assets	(327)	171
Net Cash Provided from / (Used in) Investing Activities	(133,338)	117,201
Cash Flow from Financing Activities:		
New borrowings	566,319	655,236
Repayment of borrowings	(651,105)	(423,077)
Increase in / (repayment of) obligations under finance lease	(23)	-
Dividends paid	(2,700)	(2,815)
Net Cash Provided from / (Used in) Financing Activities	(87,509)	229,344
Net Increase / (Decrease) in Cash and Cash Equivalents	(101,321)	42,475
Cash and Cash Equivalents at the Beginning of the Period	221,928	51,802
Cash and Cash Equivalents at the End of the Period	120,607	94,277

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED JUNE 30, 2009

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

1. ACTIVITIES OF THE BANK AND THE GROUP

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

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

Information about the Consolidated Subsidiaries

Yatırım Finansman Menkul Değerler A.Ş.:

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

TSKB Gayrimenkul Yatırım Ortaklığı A.Ş.:

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

Yatırım Finansman Yatırım Ortaklığı A.Ş.:

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED JUNE 30, 2009

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

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

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

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

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

TSKB Yatırım Ortaklığı A.Ş.:

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

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

İş Finansal Kiralama A.Ş.:

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

İş Factoring Finansman Hizmetleri A.Ş.:

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

İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.:

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

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED JUNE 30, 2009

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

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

Approval of Financial Statements

The Bank's statutory financial statements for the period ended June 30, 2009 have been approved at the Board of Directors Meeting held on August 20, 2009.

2. BASIS OF FINANCIAL STATEMENTS

The interim financial statements as of June 30, 2009 have been prepared in accordance with IAS 34 (Interim Financial Reporting) and should be read in conjunction with the consolidated financial statements of the Bank for the year ended December 31, 2008.

The Bank and its consolidated subsidiaries are referred to as the Group in this report.

The interim consolidated financial statements have been prepared on a basis consistent with the accounting policies set out in the financial statements of the Group for the year ended December 31, 2008. The financial statements of the Group as at and for the year-ended December 31, 2008 are available upon request from the Bank's registered office at Meclis-i Mebusan Cad. No:161 34427 Fındıklı, Istanbul, Turkey.

The Bank and its subsidiaries which are incorporated in Turkey maintain their books of account and prepare their statutory financial statements in accordance with the regulations on accounting and reporting framework and accounting standards which are determined by the provisions of Turkish Banking Law and accounting standards promulgated by the other relevant laws and regulations. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and presented in Turkish Lira (TRY). For the purpose of fair presentation in accordance with IFRS, certain adjustments and reclassifications have been made, which mainly comprise the effects of deferred taxation and reserve for impairment of loans.

In the current year, the Bank has adopted all of the new and revised Standards, Amendments and Interpretations issued by the International Accounting Standards Board ("the IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB that are relevant to its operations and effective for accounting periods beginning on January 1, 2009. The adoption of these new and revised Standards and Interpretations has resulted in changes to the Group's accounting policies in the following areas:

- IAS 1(Revised), "Presentation of financial statements"

The revised standard prohibits the presentation of items of income and expenses (referred to as 'non-owner changes in equity') in the statement of changes in equity. Non-owner changes in equity are to be presented separately from owner changes in equity and are required to be disclosed in a Statement of Comprehensive Income. Entities have the option of either presenting one statement or two statements. The Group has applied IAS1 (Revised) from January 1, 2009 and have chosen to present both a statement of income / (loss) and a statement of comprehensive income / (loss).

The adoption of IAS 1 (Revised) does not have any impact on the reported results or financial position of the Group.

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED JUNE 30, 2009

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

2. BASIS OF FINANCIAL STATEMENTS (cont'd)

IFRS 8 'Operating Segments'

IFRS 8 replaces IAS 14 'Segment reporting' and requires segment information to be presented under a 'management approach', where segment information is to be shown on the same basis as that used for internal reporting purposes.

3. SIGNIFICANT EVENTS AND TRANSACTIONS DURING THE PERIOD

In the current period, the Parent Bank's share capital has increased by TRY 100,000 Thousand. In the meeting of the General Assembly held on March 25, 2009; it has been resolved that, paid-in capital of the Bank will be increased from TRY 500,000 Thousand to TRY 600,000 Thousand by TRY 100,000 Thousand. In respect of the resolution of the General Assembly, TRY 96,000 Thousand of this increase will be incorporated from the profit of the year 2008 and TRY 4,000 Thousand from extraordinary reserves. The increase in paid-in capital was approved by BRSA on April 29, 2009 and the registration has been completed on June 12, 2009. The increase in paid in capital has been published in the Turkey Trade Registry Gazette No: 7335 on June 18, 2009.

In current period, the Bank has obtained TRY 15,271 Thousand bonus shares which comes from TRY 65,000 Thousand capital increase of İş Finansal Kiralama A.Ş., TRY 1,800 Thousand capital increase of İş Girişim Sermayesi Yatırım Ortaklığı A.Ş..

In the current period, the Parent Bank adopts discount of future cash flows method by excluding realized cash flows of financial assets or liabilities for the effective interest rate calculation. The effect of this application is accounted as interest income on loans and securities and interest expense on funds borrowed in the financial statements in the current period. If such change had not been made, accounts subject to the change would have been TRY 113 million, TRY 131 million and TRY 69 million, respectively.

4. SEGMENT INFORMATION

Business Segments

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

Principal activities of the Group are as follows:

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

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

Geographical Segments

The Group's operations are mainly located in Turkey.

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009**

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

4. SEGMENT INFORMATION (cont'd)

STATEMENT OF INCOME

<u>Period ending June 30, 2009</u>	<u>Banking TRY'000</u>	<u>Securities Brokerage and Other TRY'000</u>	<u>Combined TRY'000</u>	<u>Eliminations TRY'000</u>	<u>Total TRY'000</u>
Interest Income	274,213	5,313	279,526	(2,395)	277,131
Interest Expenses	(163,644)	(888)	(164,532)	932	(163,600)
Net Interest Income / (Expenses)	<u>110,569</u>	<u>4,425</u>	<u>114,994</u>	<u>(1,463)</u>	<u>113,531</u>
Net Fee and Commission Income / (Expense)	2,624	7,583	10,207	-	10,207
Net Foreign Currency Gains / (Losses)	(4,554)	(12)	(4,566)	-	(4,566)
Net Securities Trading Gains / (Losses)	7,233	4,880	12,113	-	12,113
Total Trading Income / (Loss)	<u>5,303</u>	<u>12,451</u>	<u>17,754</u>	<u>-</u>	<u>17,754</u>
(Provision for) / Recoveries from Impairment on Loans and Receivables, net	3,094	(15)	3,079	-	3,079
Net Operating Income / (Loss) after Impairment Losses	<u>118,966</u>	<u>16,861</u>	<u>135,827</u>	<u>(1,463)</u>	<u>134,364</u>
Other Operating Income	19,549	3,640	23,189	(17,746)	5,443
Other Operating Expenses	(27,214)	(9,140)	(36,354)	(948)	(37,302)
Income / (Loss) from Associates	-	-	-	8,714	8,714
Income / (Loss) before Taxation	<u>111,301</u>	<u>11,361</u>	<u>122,662</u>	<u>(11,443)</u>	<u>111,219</u>

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009**

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

4. SEGMENT INFORMATION (cont'd)

<u>STATEMENT OF INCOME</u> <u>Period ending June 30, 2008</u>	<u>Banking</u> <u>TRY'000</u>	<u>Securities</u> <u>Brokerage</u> <u>and Other</u> <u>TRY'000</u>	<u>Combined</u> <u>TRY'000</u>	<u>Eliminations</u> <u>TRY'000</u>	<u>Total</u> <u>TRY'000</u>
Interest Income	218,876	3,012	221,888	(815)	221,073
Interest Expenses	(115,945)	(487)	(116,432)	-	(116,432)
Net Interest Income / (Loss)	<u>102,931</u>	<u>2,525</u>	<u>105,456</u>	<u>(815)</u>	<u>104,641</u>
Net Fee and Commission Income / (Expense)	1,782	6,613	8,395	-	8,395
Net Foreign Currency Gains / (Losses)	(13,206)	(1,758)	(14,964)	-	(14,964)
Net Securities Trading Gains / (Losses)	4,924	(3,538)	1,386	-	1,386
Total Trading Income / (Loss)	<u>(6,500)</u>	<u>1,317</u>	<u>(5,183)</u>	<u>-</u>	<u>(5,183)</u>
(Provision for) / Recoveries from Impairment on Loans and Receivables, net	(4,991)	-	(4,991)	111	(4,880)
Net Operating Income / (Loss) After Impairment	<u>91,440</u>	<u>3,842</u>	<u>95,282</u>	<u>(704)</u>	<u>94,578</u>
Other Operating Income	11,845	5,078	16,923	(10,022)	6,901
Other Operating Expenses	(26,263)	(13,326)	(39,589)	2,869	(36,720)
Income / (Loss) from Associates	-	-	-	19,634	19,634
Income / (Loss) before Taxation	<u>77,022</u>	<u>(4,406)</u>	<u>72,616</u>	<u>11,777</u>	<u>84,393</u>

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009**

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

4. SEGMENT INFORMATION (cont'd)

BALANCE SHEET

At June 30, 2009

Total Assets

Liabilities

Shareholders' Equity Before Net Income

Net Income / (Loss)

Total Shareholders' Equity

Total Liabilities and Shareholders' Equity

At December 31, 2008

Total Assets

Liabilities

Shareholders' Equity Before Net Income

Net Income / (Loss)

Total Shareholders' Equity

Total Liabilities and Shareholders' Equity

	Banking TRY'000	Securities Brokerage and other TRY'000	Combined TRY'000	Eliminations TRY'000	Total TRY'000
At June 30, 2009					
Total Assets	<u>6,296,840</u>	<u>394,934</u>	<u>6,691,774</u>	<u>(256,383)</u>	<u>6,435,391</u>
Liabilities	5,314,709	204,695	5,519,404	(76,641)	5,442,763
Shareholders' Equity Before Net Income	889,265	179,332	1,068,597	(168,299)	900,298
Net Income / (Loss)	92,866	10,907	103,773	(11,443)	92,330
Total Shareholders' Equity	<u>982,131</u>	<u>190,239</u>	<u>1,172,370</u>	<u>(179,742)</u>	<u>992,628</u>
Total Liabilities and Shareholders' Equity	<u>6,296,840</u>	<u>394,934</u>	<u>6,691,774</u>	<u>(256,383)</u>	<u>6,435,391</u>
At December 31, 2008					
Total Assets	<u>6,225,214</u>	<u>330,640</u>	<u>6,555,854</u>	<u>(238,215)</u>	<u>6,317,639</u>
Liabilities	5,394,827	151,023	5,545,850	(76,526)	5,469,324
Shareholders' Equity Before Net Income	698,051	181,400	879,451	(161,422)	718,029
Net Income / (Loss)	132,336	(1,783)	130,553	(267)	130,286
Total Shareholders' Equity	<u>830,387</u>	<u>179,617</u>	<u>1,010,004</u>	<u>(161,689)</u>	<u>848,315</u>
Total Liabilities and Shareholders' Equity	<u>6,225,214</u>	<u>330,640</u>	<u>6,555,854</u>	<u>(238,215)</u>	<u>6,317,639</u>

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

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

5. RELATED PARTY TRANSACTIONS AND BALANCES

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

	June 30, 2009 <u>TRY'000</u>	December 31, 2008 <u>TRY'000</u>
<u>Balances with related parties</u>		
Loans and advances to customers	91,523	122,942
Non-cash loans	142,026	141,990
Due from other banks	1,177	2,705
Other assets	3,163	9,352
Other liabilities	109	1,999

	January 1- June 30, 2009 <u>TRY'000</u>	January 1- June 30, 2008 <u>TRY'000</u>
<u>Transactions with related parties</u>		
Interest and similar income	1,258	1,605
Interest expenses and similar charges	(1,497)	(2,667)
Dividend income	16,605	23,324
Foreign exchange gain (loss)—net	(367)	(2,874)
Net fee and commission income	234	108
Other income	173	435
Other expenses	(18)	-

Compensation of Key Management Personnel of the Group

The executive and non-executive members of the Board of Directors and management received remuneration and fees totaling TRY 4,439 Thousand (June 30, 2008: TRY 4,278 Thousand).

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

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

6. COMMITMENTS AND CONTINGENCIES

	June 30, 2009 TRY'000	December 31, 2008 TRY'000
Letters of guarantee	320,434	299,282
Revocable and irrevocable commitments	1,030,173	795,605
Letters of credit	225,908	260,512
Swap and forward agreements	384,839	433,996
Option agreements	533,901	259,433
Futures agreements	1,645,975	514,422
Other commitments	141,166	94,652
	<u>4,282,396</u>	<u>2,657,902</u>

Fiduciary Activities

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

The nominal values of the assets held by the Group in agency or custodian capacities and financial assets under portfolio management amounted to TRY 3,839,322 Thousand as at June 30, 2009 (December 31, 2008: TRY 2,273,824 Thousand). As of June 30, 2009, securities at custody with market value amounted to TRY 1,412,475 Thousand (December 31, 2008: TRY 1,284,137 Thousand).

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

As of June 30, 2009, according to the general requirements of the ISE, letters of guarantee amounting to TRY 10,389 Thousand (December 31, 2008: TRY 9,583 Thousand) had been obtained from various local banks and were provided to ISE for bond and stock market transactions. Also, as of June 30, 2009 according to the general requirements, letters of guarantee amounting to TRY 1,444 Thousand (December 31, 2008: TRY 902 Thousand), were given to the Capital Markets Board.

The Group's trading securities given as collateral or blocked amounted to TRY 1,990 Thousand at the balance sheet date (December 31, 2008: TRY 3,823 Thousand).

Litigation

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

Other

The Group's 3 head offices and 13 branches, including branches of subsidiaries, are subject to operational leasing.

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

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

7. DERIVATIVE FINANCIAL INSTRUMENTS

	2009 Assets TRY'000	2009 Liabilities TRY'000	2008 Assets TRY'000	2008 Liabilities TRY'000
Currency swaps	9,569	1,683	19,345	18,410
Options	2,098	2,036	1,633	8,508
Forward foreign exchange contracts	206	8	57	-
Interest rate swaps	4,220	4,321	20	18
	<u>16,093</u>	<u>8,048</u>	<u>21,055</u>	<u>26,936</u>

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

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

	June 30, 2009 TRY'000	December 31, 2008 TRY'000
Forward foreign exchange contracts – buy	13,805	1,708
Forward foreign exchange contracts – sell	13,415	1,765
Futures – buy	-	-
Futures – sell	1,645,975	514,422
Currency swaps – buy	181,123	216,350
Currency swaps – sell	173,238	213,762
Interest rate swaps – buy	1,606	203
Interest rate swaps – sell	1,652	208
Currency option – buy	235,190	91,996
Currency option – sell	234,655	98,475
Interest option – buy	32,028	34,481
Interest option – sell	32,028	34,481
Other	42,955	86,683

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

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

8. RESTATEMENT AND RECLASSIFICATIONS

Subsequent to the issuance of the Group's consolidated financial statements for the period ended June 30, 2008 and for the year ended December 31, 2007, the Group's management determined that portfolio allowance for impairment losses on loans in accordance with IAS 39 would require restatement of such financial statements. As a result, the June 30, 2008 and December 31, 2007 consolidated financial statements and related disclosures have been restated to reflect the following changes:

The effect of the major restatements is shown in the table below:

June 30, 2008 TRY'000			
	As previously reported	As restated	Change
Loans	3,213,861	3,218,303	4,442
Reclassification of portfolio allowance for impairment losses on loans	-	(8,025)	(8,025)
Specific allowance for impairment losses on loans	(15,388)	(2,921)	12,467
Deferred tax asset	8,426	7,630	(796)
Provisions	(21,749)	(10,437)	11,312
Provision (charge)/reversals	(3,616)	(4,880)	(1,264)
Taxation	(15,760)	(15,782)	(22)
Retained earnings	(439,257)	(424,299)	14,958

December 31, 2007 TRY'000			
	As previously reported	As restated	Change
Loans	2,739,114	2,765,544	26,430
Portfolio allowance for impairment losses on loans	(15,528)	(2,828)	12,700
Specific allowance for impairment losses on loans	(19,420)	(5,690)	13,730
Deferred tax asset	10,255	6,942	(3,313)
Provisions	(17,565)	(14,280)	3,285
Provision (charge)/reversals	946	3,805	2,859
Taxation	(23,511)	(24,616)	(1,105)
Inflation adjustment to capital	730,035	29,563	(700,472)
Retained earnings	(436,103)	290,771	726,874

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

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

9. EARNINGS PER SHARE

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

A summary of the weighted average number of shares outstanding for the periods ended June 30, 2009 and 2008 and the basic earnings per share calculation is as follows (assuming that the cash increases did not involve a bonus element):

	2009	2008
Number of shares outstanding at January 1,	500,000,000	500,000,000
New shares issued		
Conversion of existing reserves	100,000,000	100,000,000
Number of shares outstanding at the period end	600,000,000	600,000,000
Weighted average number of shares during the period	600,000,000	600,000,000
Net profit / (loss) (TRY Thousand)	92,330	68,611
Basic earnings / (loss) per share (in full TRY)	0.1539	0.1144

10. EVENTS AFTER THE BALANCE SHEET DATE

None.