



Türkiye Sınai Kalkınma Bankası AŞ
Independent Auditors' Report on Review of
Condensed Consolidated
Interim Financial Information
30 June 2010

Akis Bağımsız Denetim ve Serbest
Muhasebeci Mali Müşavirlik
Anonim Şirketi

10 August 2010

This report contains 1 page of independent auditors' report on review of condensed consolidated financial information and 17 pages of consolidated financial statements and notes to the consolidated financial statements.



**Akis Bağımsız Denetim ve Serbest
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Independent report on review of condensed consolidated interim financial information

To the Board of Directors of
Türkiye Sınai Kalkınma Bankası AŞ
İstanbul

Introduction

We have reviewed the accompanying condensed consolidated balance sheet of Türkiye Sınai Kalkınma Bankası AŞ and its subsidiaries (collectively the “Group”) as at 30 June 2010, and the condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six-month period then ended (“the condensed consolidated interim financial information”). Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Accounting Standard No: 34 (“IAS 34”) Interim Financial Reporting. Our responsibility is to express a conclusion on this interim financial information based on our review. The financial statements of the Group as at and for the year ended 31 December 2009 and, as at and for the six-month period ended 30 June 2009 were audited and reviewed, respectively by another auditor who expressed an unqualified opinion in their report dated 30 March 2010 for the financial statements as at 31 December 2009 and an unqualified review report dated 10 September 2009 for the condensed interim financial information as at 30 June 2009.

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 information as at 30 June 2010 is not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting.

10 August 2010
İstanbul, Turkey

KPMG Akis Bağımsız Denetim ve SMMM A.Ş.

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TÜRKİYE SİNAİ KALKINMA BANKASI AŞ

Condensed Consolidated Balance Sheet

As at 30 June 2010

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

| ASSETS | 30 June 2010 | 31 December 2009 |
|--|-------------------------|-----------------------------|
| Cash on hand | 259 | 297 |
| Balances with the Central Bank | 3,185 | 2,873 |
| Balances with banks | 605,857 | 356,120 |
| Interbank money market placements | 16,491 | 168 |
| Funds lent under securities resale agreements | 22,670 | 6,003 |
| Financial assets at fair value through profit and loss | 99,018 | 76,471 |
| Derivative financial assets held for trading | 17,377 | 11,283 |
| Reserve deposits at the Central Bank | 26,119 | 17,966 |
| Loans and receivables | 3,942,594 | 3,772,528 |
| Financial assets available for sale | 2,158,032 | 2,159,934 |
| Financial assets held to maturity | 297,859 | 289,106 |
| Investments in associates | 160,521 | 151,252 |
| Goodwill | 383 | 383 |
| Premises and equipment | 26,010 | 31,915 |
| Investment properties | 209,682 | 205,291 |
| Intangible assets | 918 | 907 |
| Other assets | 106,873 | 114,112 |
| Deferred tax assets | 24,130 | 26,907 |
| Total assets | 7,717,978 | 7,223,516 |

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

TÜRKİYE SİNAİ KALKINMA BANKASI AŞ**Condensed Consolidated Balance Sheet****As at 30 June 2010***(Amounts expressed in Thousands of Turkish Lira (TRY) unless otherwise stated)*

| LIABILITIES | 30 June 2010 | 31 December 2009 |
|--|-------------------------|-----------------------------|
| Interbank money market borrowings | 219,092 | 98,949 |
| Obligations under repurchase agreements | 1,382,904 | 1,284,693 |
| Funds borrowed | 4,557,338 | 4,399,100 |
| Derivative financial liabilities held for trading | 11,021 | 11,978 |
| Obligations under finance leases | - | - |
| Corporate tax | 12,079 | 11,374 |
| Provisions | 8,658 | 8,510 |
| Subordinated loan | 79,550 | 75,343 |
| Other liabilities | 141,680 | 151,415 |
| Total liabilities | 6,412,322 | 6,041,362 |
| EQUITY | | |
| Share capital | | |
| Nominal paid in capital | 700,000 | 600,000 |
| Inflation adjustment to capital | 13,563 | 13,563 |
| Total capital | 713,563 | 613,563 |
| Premium in excess of par | 417 | 23 |
| Unrealized gains on financial assets available for sale, net of tax | 51,356 | 57,990 |
| Retained earnings | 446,152 | 481,931 |
| Equity attributable to equity holders of the parent | 1,211,488 | 1,153,507 |
| Non-controlling interests | 94,168 | 28,647 |
| Total equity | 1,305,656 | 1,182,154 |
| Total liabilities and shareholders' equity | 7,717,978 | 7,223,516 |

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

TÜRKİYE SİNAİ KALKINMA BANKASI AŞ**Condensed Consolidated Statement of Income****For the Interim Period Ended 30 June 2010***(Amounts expressed in Thousands of Turkish Lira (TRY) unless otherwise stated)*

| | 1 January – 30 June 2010 | 1 January – 30 June 2009 |
|---|---|---|
| Interest income | | |
| Interest on loans | 90,451 | 138,897 |
| Interest on interbank money market placements | 74 | 57 |
| Interest on securities | 118,814 | 126,377 |
| Interest received from banks | 16,894 | 5,935 |
| Interest received from reserve deposits | 9 | 139 |
| Interest on financial leases | 1,987 | 5,401 |
| Other interest income | 224 | 325 |
| | 228,453 | 277,131 |
| Interest expenses | | |
| Interest on interbank money market borrowings | (50,186) | (50,471) |
| Interest on funds borrowed | (24,567) | (112,874) |
| Other interest expenses | (6) | (255) |
| | (74,759) | (163,600) |
| Net interest income | 153,694 | 113,531 |
| Fees and commission income | 21,087 | 11,164 |
| Fees and commission expenses | (3,148) | (957) |
| Net fee and commission income | 17,939 | 10,207 |
| Net foreign currency gain / (loss) | 8,691 | (4,566) |
| Net securities trading gains | 612 | 12,113 |
| Total trading income | 27,242 | 17,754 |
| (Provision for)/recoveries and releases from impairment on loans and receivables | (2,618) | 3,079 |
| Net operating income after impairment losses | 178,318 | 134,364 |
| Other operating income | 9,764 | 5,443 |
| Other operating expenses | (45,756) | (37,302) |
| Income from associates | 12,470 | 8,714 |
| Income before taxation | 154,796 | 111,219 |
| Taxation | (32,534) | (18,889) |
| Net income | 122,262 | 92,330 |
| Net income attributable to: | | |
| Equity holders of the Bank | 120,015 | 88,770 |
| Non-controlling interests | 2,247 | 3,560 |
| Weighted number of shares | 700.000.000 | 700.000.000 |
| Earnings per share | 0.1747 | 0.1319 |

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

TÜRKİYE SİNAİ KALKINMA BANKASI AŞ**Condensed Consolidated Statement of Comprehensive Income
For the Interim Period Ended 30 June 2010***(Amounts expressed in Thousands of Turkish Lira (TRY) unless otherwise stated)*

| | 1 January – 30 June 2010 | 1 January – 30 June 2009 |
|---|---|---|
| Profit for the period | 122,262 | 92,330 |
| Other comprehensive income | | |
| Net change in fair value of available for sale financial assets | (7,576) | 61,526 |
| Net change in fair value of available for sale financial assets transferred to profit or loss | (289) | 2,880 |
| Income tax on other comprehensive income | 1,231 | (10,432) |
| Other comprehensive income for the period, net of tax | (6,634) | 53,974 |
| Total comprehensive income for the period | 115,628 | 146,304 |
| Total comprehensive income attributable to | | |
| Equity holders of the Bank | 113,381 | 142,744 |
| Non-controlling interests | 2,247 | 3,560 |

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

TÜRKİYE SİNAİ KALKINMA BANKASI AŞ

Condensed Consolidated Statement of Changes in Shareholders' Equity
For the Interim Period Ended 30 June 2010

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

| | Attributable to equity holders of the Bank | | | | | |
|---|--|---------------------------------|--------------------------|---|-------------------|--------------|
| | Share capital | Inflation adjustment to capital | Premium in excess of par | Unrealized gains/(losses) on available for sale investments, net of tax | Retained earnings | Total equity |
| Balance at 1 January 2009 | 500,000 | 13,563 | 13 | (28,278) | 338,997 | 848,315 |
| Total comprehensive income for the period | | | | | | |
| Profit for the period | - | - | - | - | 88,770 | 92,330 |
| Other comprehensive income | | | | | | |
| Net change in fair value of available for sale financial assets | - | - | - | 61,526 | - | 61,526 |
| Net change in fair value of available for sale financial assets transferred to profit or loss | - | - | - | 2,880 | - | 2,880 |
| Income tax on other comprehensive income | - | - | - | (10,432) | - | (10,432) |
| Total other comprehensive income | - | - | - | 53,974 | - | 53,974 |
| Total comprehensive income for the period | - | - | - | 53,974 | 88,770 | 142,744 |
| Transactions with owners, recorded directly in equity | | | | | | |
| Transfers to share capital | 100,000 | - | - | - | (100,000) | - |
| Dividends to equity holders | - | - | - | - | (2,700) | (2,700) |
| Change in non-controlling interests | - | - | 2 | - | (1,551) | 709 |
| At 30 June 2009 | 600,000 | 13,563 | 15 | 25,696 | 323,516 | 992,628 |

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

Condensed Consolidated Statement of Changes in Shareholders' Equity

Condensed Consolidated Statement of Changes in Shareholders' Equity

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

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

TÜRKİYE SİNAİ KALKINMA BANKASI AŞ

Condensed Consolidated Statement of Cash Flows

For the Interim Period Ended 30 June 2010

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

| | 1 January – 30 June 2010 | 1 January – 30 June 2009 |
|--|--------------------------------|--------------------------------|
| Cash flows from operating activities: | | |
| Net profit for the period | 122,262 | 92,330 |
| <i>Adjustments</i> | | |
| Depreciation of premises and equipment | 1,966 | 2,139 |
| Amortization of intangible assets | 157 | 141 |
| Net impairment losses on loans and receivables | (467) | 5,000 |
| Employment termination obligations | 1,101 | 589 |
| Income from associates | (12,470) | (8,714) |
| Other provision expenses | (953) | (1,972) |
| Deferred tax charge | 5,432 | 1,769 |
| Gains on sale of premises and equipment | - | (161) |
| Unrealized gains | (11,432) | (17,964) |
| Income taxes paid | (16,435) | (25,544) |
| Non-controlling interests | (2,247) | (3,560) |
| Operating profit before changes in operating assets / liabilities | 86,914 | 44,053 |
| Changes in operating assets and liabilities: | | |
| Loans and leasing receivables | (303,107) | (5,413) |
| Other assets | (11,935) | 21,741 |
| Other creditors, taxes & liabilities | 42,588 | 67,849 |
| Net cash (used in) / provided by operating activities | (272,454) | 84,177 |
| Cash flows from investing activities: | | |
| Reserve requirements with the Central Bank | (8,465) | 20,176 |
| Investments held for trading | (21,770) | (1,345) |
| Investments | 14,443 | (116,493) |
| Equity investments | 3,201 | (4,138) |
| Purchases of premises and equipment and investment property | (453) | (35,349) |
| Purchase of intangible assets | (168) | (327) |
| Net cash used in investing activities | (13,212) | (137,476) |
| Cash flow from financing activities: | | |
| New borrowings | 765,811 | 566,319 |
| Repayment of borrowings | (275,814) | (651,105) |
| Repayment of obligations under finance lease | - | (23) |
| Dividends paid | (35,410) | (2,700) |
| Net cash provided by / (used in) financing activities | 454,587 | (87,509) |
| Net increase / (decrease) in cash and cash equivalents | 264,526 | (101,321) |
| Cash and cash equivalents at the beginning of the period | 358,221 | 221,928 |
| Effect of exchange rate fluctuations on cash and cash equivalents | 8,691 | (4,566) |
| Cash and cash equivalents at the end of the period | 622,747 | 120,607 |

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

TÜRKİYE SİNAİ KALKINMA BANKASI AŞ

Notes to the Condensed Consolidated Financial Statements
For the Interim Period Ended 30 June 2010

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

1. ACTIVITIES OF THE BANK

Türkiye Sınai Kalkınma Bankası AŞ (“TSKB” or the “Bank”) was established on 31 May 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 AŞ (“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 27 March 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, Istanbul, 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 50.79% and 8.38%, respectively (31 December 2009: 50.12% and 8.38%, respectively).

The consolidated financial statements of the Bank as at and for the year ended 31 December 2009 are available upon request from the Bank’s registered office.

Information about the consolidated subsidiaries and associates

Yatırım Finansman Menkul Değerler AŞ

Yatırım Finansman Menkul Değerler AŞ was established and registered with Istanbul Trade Registry on 15 October 1976 and it was announced in the Turkish Trade Registry Gazette No: 81 on 25 October 1976. The company’s objective 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 AŞ on 29 December 2006.

TSKB Gayrimenkul Yatırım Ortaklığı AŞ

The core business of TSKB Gayrimenkul Yatırım Ortaklığı AŞ 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 3 February 2006. The company’s shares are traded on the Istanbul Stock Exchange since April 2010.

Yatırım Finansman Yatırım Ortaklığı AŞ

Yatırım Finansman Yatırım Ortaklığı AŞ was established and registered with Istanbul Trade Registry on 31 December 1998 and it was announced in the Turkish Trade Registry Gazette No: 4714 on 18 January 1999. The objective of Yatırım Finansman Yatırım Ortaklığı AŞ 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 AŞ

Notes to the Condensed Consolidated Financial Statements
For the Interim Period Ended 30 June 2010

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

1. ACTIVITIES OF THE BANK (continued)

Information about the consolidated subsidiaries and associates (continued)

Yatırım Finansman Yatırım Ortaklığı AŞ (continued)

In the Board of Directors' meetings of the Bank's associates TSKB Yatırım Ortaklığı AŞ and Yatırım Finansman Yatırım Ortaklığı AŞ held on 24 September 2008, it has been resolved to merge that these two entities under TSKB Yatırım Ortaklığı AŞ according to the article 451 of the Turkish Commercial Code, and 19th and 20th articles of the 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 4 February 2009 and numbered 09/04/67-24, it has been permitted that these two entities could merge. TSKB Yatırım Ortaklığı AŞ and Yatırım Finansman Yatırım Ortaklığı AŞ, merged under TSKB Yatırım Ortaklığı AŞ on 25 June 2009 according to prior approval of the CMB on 13 May 2009 and resolution of the Extraordinary General Assembly, by ceasing all rights, receivables, liabilities and legal jurisdiction of Yatırım Finansman Yatırım Ortaklığı AŞ.

TSKB Yatırım Ortaklığı AŞ

The company was established under the name of SYB Yatırım Ortaklığı AŞ on 10 November 2000. The company's name, Sınai Yatırım Bankası Yatırım Ortaklığı AŞ, was changed into TSKB Yatırım Ortaklığı AŞ on 17 April 2003 since Sınai Yatırım Bankası AŞ ceased to operate and it was transferred to TSKB. The company's headquarters is in Istanbul.

The objective of TSKB Yatırım Ortaklığı AŞ 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 AŞ

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

İş Factoring Finansman Hizmetleri AŞ

İş Factoring Finansman Hizmetleri AŞ was incorporated in Turkey on 4 July 1993 and started its operations in October 1993. The company's main operation is domestic and export factoring transactions. Its parent is İş Finansal Kiralama AŞ with 78.23% shareholding.

İş Girişim Sermayesi Yatırım Ortaklığı AŞ

The principal business of İş Girişim Sermayesi Yatırım Ortaklığı AŞ 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, Istanbul.

TÜRKİYE SİNAİ KALKINMA BANKASI AŞ

Notes to the Condensed Consolidated Financial Statements
For the Interim Period Ended 30 June 2010

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

2. BASIS OF PREPARATION

Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2009.

The Bank's statutory financial statements for the interim period ended 30 June 2010 have been approved at the Board of Directors Meeting held on 10 August 2010.

Basis of presentation of financial statements

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

The accompanying financial statements are based on the statutory records which are maintained under the historical cost convention, except for those items measured at fair value, with adjustments and reclassifications for the purposes of fair presentation in accordance with IFRS.

The accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2009.

TÜRKİYE SİNAİ KALKINMA BANKASI AŞ

Notes to the Condensed Consolidated Financial Statements
For the Interim Period Ended 30 June 2010

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

3. SIGNIFICANT EVENTS AND TRANSACTIONS DURING THE PERIOD

In the current period, the Bank's share capital has increased by TRY 100,000. In the meeting of the General Assembly held on 25 March 2010; it has been resolved that, paid-in capital of the Bank will be increased from TRY 600,000 to TRY 700,000 by TRY 100,000. In respect of the resolution of the General Assembly, TRY 85,000 of this increase will be incorporated from the profit of the year 2009 and TRY 15,000 from extraordinary reserves. The increase in paid in capital was approved by the BRSA on 27 April 2010 and the increase in paid in capital has been published in the Turkey Trade Registry Gazette No: 7576 on 2 June 2010.

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

Since the prior period, the Parent Bank started to adopt discount of future cash flows method by excluding realized cash flows of financials 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, prior period balances of the accounts subject to the change would have been TRY 113, TRY 131 and TRY 69, respectively.

4. SEGMENT INFORMATION

Business segments

For management purposes, the Group is currently organized into two operating divisions – banking and stock brokerage 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 brokerage and other: intermediary stock brokerage activities, portfolio management and investment management and real estate investment trust activities.

Geographical information

The Group's operations are mainly located in Turkey.

TÜRKİYE SİNAİ KALKINMA BANKASI AŞ

Notes to the Condensed Consolidated Financial Statements

For the Interim Period Ended 30 June 2010

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

4. OPERATING SEGMENTS

| STATEMENT OF INCOME (1 January – 30 June 2010) | Banking | Stock brokerage and other | Combined | Eliminations | Total |
|---|----------------|---------------------------------|----------------|----------------|----------------|
| Interest income | 216,895 | 16,391 | 233,286 | (4,833) | 228,453 |
| Interest expenses | (66,786) | (12,806) | (79,592) | 4,833 | (74,759) |
| Net interest income | 150,109 | 3,585 | 153,694 | - | 153,694 |
| Net fee and commission income | 5,758 | 12,181 | 17,939 | - | 17,939 |
| Net foreign currency gains | 1,978 | 6,713 | 8,691 | - | 8,691 |
| Net securities trading gains | (221) | 833 | 612 | - | 612 |
| Total trading income | 7,515 | 19,727 | 27,242 | - | 27,242 |
| (Provision for) / recoveries from impairment on loans and receivables, net | (1,317) | (1,301) | (2,618) | - | (2,618) |
| Net operating income after impairment losses | 156,307 | 22,011 | 178,318 | - | 178,318 |
| Other operating income | 24,069 | 8,416 | 32,485 | (22,721) | 9,764 |
| Other operating expenses | (29,785) | (18,091) | (47,876) | 2,120 | (45,756) |
| Income from associates | - | - | - | 12,470 | 12,470 |
| Income before taxation | 150,591 | 12,336 | 162,927 | (8,131) | 154,796 |

TÜRKİYE SİNAİ KALKINMA BANKASI AŞ

Notes to the Condensed Consolidated Financial Statements

For the Interim Period Ended 30 June 2010

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

4. OPERATING SEGMENTS (continued)

| STATEMENT OF INCOME (1 January – 30 June 2009) | Banking | Stock brokerage and other | Combined | Eliminations | Total |
|---|----------------|--|-----------------|---------------------|----------------|
| 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 | 110,569 | 4,425 | 114,994 | (1,463) | 113,531 |
| Net fee and commission income | 2,624 | 7,583 | 10,207 | - | 10,207 |
| Net foreign currency losses | (4,554) | (12) | (4,566) | - | (4,566) |
| Net securities trading gains | 7,233 | 4,880 | 12,113 | - | 12,113 |
| Total trading income | 5,303 | 12,451 | 17,754 | - | 17,754 |
| (Provision for) / recoveries from impairment on loans and receivables, net | 3,094 | (15) | 3,079 | - | 3,079 |
| Net operating income after impairment | 118,966 | 16,861 | 135,827 | (1,463) | 134,364 |
| 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 from associates | - | - | - | 8,714 | 8,714 |
| Income before taxation | 111,301 | 11,361 | 122,662 | (11,443) | 111,219 |

TÜRKİYE SİNAİ KALKINMA BANKASI AŞ

Notes to the Condensed Consolidated Financial Statements

For the Interim Period Ended 30 June 2010

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

4. OPERATING SEGMENTS (continued)

| BALANCE SHEET | Banking | Stock brokerage and other | Combined | Eliminations | Total |
|--|------------------|--|------------------|---------------------|------------------|
| <u>At 30 June 2010</u> | | | | | |
| Total assets | 7,234,937 | 835,584 | 8,070,521 | (352,543) | 7,717,978 |
| Liabilities | 6,044,211 | 521,008 | 6,565,219 | (152,897) | 6,412,322 |
| Shareholders' equity before net income | 1,071,342 | 303,567 | 1,374,909 | (191,515) | 1,183,394 |
| Net income | 119,384 | 11,009 | 130,393 | (8,131) | 122,262 |
| Total shareholders' equity | 1,190,726 | 314,576 | 1,505,302 | (199,646) | 1,305,656 |
| <u>Total liabilities and shareholders' equity</u> | 7,234,937 | 835,584 | 8,070,521 | (352,543) | 7,717,978 |
| <u>At 31 December 2009</u> | | | | | |
| Total assets | 6,892,062 | 671,822 | 7,563,884 | (340,368) | 7,223,516 |
| Liabilities | 5,773,994 | 416,075 | 6,190,069 | (148,707) | 6,041,362 |
| Shareholders' equity before net income | 945,740 | 179,922 | 1,125,662 | (200,471) | 925,191 |
| Net income | 172,328 | 75,825 | 248,153 | 8,810 | 256,963 |
| Total shareholders' equity | 1,118,068 | 255,747 | 1,373,815 | (191,661) | 1,182,154 |
| <u>Total liabilities and shareholders' equity</u> | 6,892,062 | 671,822 | 7,563,884 | (340,368) | 7,223,516 |

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5. RELATED PARTY TRANSACTIONS AND BALANCES

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

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

Balances with related parties

| | 30 June 2010 | 31 December 2009 |
|---------------------------------|-----------------|---------------------|
| Loans and advances to customers | 167,959 | 135,802 |
| Non-cash loans | 117,748 | 117,748 |
| Due from other banks | 1,063 | 1,053 |
| Other assets | 6,591 | 6,682 |
| Other liabilities | 182 | 337 |

Transactions with related parties

| | 1 January – 30 June 2010 | 1 January – 30 June 2009 |
|-----------------------------------|--------------------------------|--------------------------------|
| Interest income | 2,087 | 1,258 |
| Interest expenses | (814) | (1,497) |
| Dividend income | 2,568 | 16,605 |
| Income from associates | 12,470 | 8,714 |
| Foreign exchange gain/(loss), net | 819 | (367) |
| Net fee and commission income | 390 | 234 |
| Other income | 152 | 173 |
| Other expense | - | (18) |

Compensation of key management personnel of the Group

Benefits provided to key management personnel in the current period are amounting to TRY 5,615 (30 June 2009: TRY 4,439).

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6. COMMITMENTS AND CONTINGENCIES

| | 30 June 2010 | 31 December 2009 |
|---------------------------------------|------------------|---------------------|
| Letters of guarantee | 345,996 | 357,761 |
| Revocable and irrevocable commitments | 1,504,783 | 860,388 |
| Letters of credit | 234,074 | 180,321 |
| Swap and forward agreements | 743,779 | 254,193 |
| Option agreements | 1,009,717 | 380,556 |
| Futures agreements | 1,470,085 | 1,643,661 |
| Other commitments | 218,218 | 246,556 |
| | 5,526,652 | 3,923,436 |

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 consolidated 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 5,975,572 as at 30 June 2010 (31 December 2009: TRY 6,225,246). As at 30 June 2010 securities at custody with market value amounted to TRY 1,942,434 (31 December 2009: TRY 1,762,730).

Securites blocked and letters of guarantee given to Istanbul Stock Exchange (ISE) as collateral for trading on markets

As at 30 June 2010, according to the general requirements of the ISE, letters of guarantee amounting to TRY 14,911 (31 December 2009: TRY 9,373) had been obtained from various local banks and were provided to ISE for bond and stock market transactions. Also, as at 30 June 2010 according to the general requirements, letters of guarantee amounting to TRY 1,296 (31 December 2009: TRY 1,270), were given to the Capital Markets Board.

The Group's trading securities given as collateral or blocked amounted to TRY 5,783 at the balance sheet date (31 December 2009: TRY 2,099).

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 13 branches, including branches of subsidiaries, are subject to operational leasing. The lease periods vary between 1 and 5 years and there are no restrictions placed upon the lessee by entering into these leases (31 December 2009: head office and 13 branches).

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7. DERIVATIVE FINANCIAL INSTRUMENTS

| | 30 June 2010 | | 31 December 2009 | |
|---------------------|---------------------|--------------------|-------------------------|--------------------|
| | Assets | Liabilities | Assets | Liabilities |
| Currency swaps | 5,918 | - | 6,708 | 7,492 |
| Options | 6,291 | 6,465 | 1,819 | 1,819 |
| Interest rate swaps | 3,319 | 4,556 | 2,756 | 2,667 |
| Other | 1,849 | - | - | - |
| | 17,377 | 11,021 | 11,283 | 11,978 |

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:

| | 30 June 2010 | 31 December 2009 |
|----------------------------|-------------------------|-----------------------------|
| Futures – buy | - | - |
| Futures – sell | 1,470,085 | 1,643,661 |
| Currency swaps – buy | 202,208 | 125,829 |
| Currency swaps – sell | 198,541 | 123,815 |
| Interest rate swaps – buy | 171,515 | 2,238 |
| Interest rate swaps – sell | 171,515 | 2,311 |
| Currency option – buy | 477,207 | 161,203 |
| Currency option – sell | 472,230 | 161,203 |
| Interest option – buy | 30,140 | 29,075 |
| Interest option – sell | 30,140 | 29,075 |
| Other | 29,105 | 68,255 |

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Notes to the Condensed Consolidated Financial Statements

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8. EARNINGS PER SHARE

Earnings per share disclosed in the consolidated statement of income 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 30 June 2010 and 2009 and the basic earnings per share calculation is as follows (assuming that the cash increases did not involve a bonus element):

| | 1 January – 30 June 2010 | 1 January – 30 June 2009 |
|--|--------------------------------|--------------------------------|
| Number of shares outstanding at 1 January | 600.000.000 | 600.000.000 |
| <i>New shares issued</i> | | |
| Conversion of existing reserves | 100.000.000 | 100.000.000 |
| Number of shares outstanding at the period end | 700.000.000 | 700.000.000 |
| Weighted average number of shares during the period | 700.000.000 | 700.000.000 |
| Net profit (TRY) | 122,262 | 92,330 |
| Basic earnings per share (in full TRY) | 0.1747 | 0.1319 |

9. EVENTS AFTER THE BALANCE SHEET DATE

According to “Press release related to reserve requirements” of CBT, dated 26 July 2010 and numbered 2010/7, foreign currency reserve requirement rate for banks is increased from 9.5% to 10%.

The Bank has applied to Capital Markets Board for issuance of zero coupon bank bills with nominal value of TRY 200,000 and maturity between 180 days and 1 year. The application was registered by the Capital Markets Board on 28 July 2010 and no. 21/630, in accordance with the Capital Market Law Article no.4.

Based on the Bank’s assets or indicators, Capital Markets Board of Turkey permitted the Bank to be an intermediate of selling and purchasing of derivative instruments dealt in foreign markets except ones that are traded in domestic market.