



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

Independent Auditors' Report on Review of
Condensed Consolidated
Interim Financial Information
30 June 2011

Akis Bağımsız Denetim ve Serbest
Muhasebeci Mali Müşavirlik
Anonim Şirketi

9 August 2011

This report contains 1 page of independent auditors' report on review of condensed consolidated financial information and 19 pages of condensed consolidated financial statements and notes to the condensed consolidated financial statements.



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**INDEPENDENT AUDITORS' REPORT ON REVIEW OF CONDENSED CONSOLIDATED
INTERIM FINANCIAL INFORMATION**

To the Board of Directors of
Türkiye Sınai Kalkınma Bankası Anonim Şirketi

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Türkiye Sınai Kalkınma Bankası Anonim Şirketi ("the Bank") and its subsidiaries ("the Group") as at 30 June 2011, the condensed consolidated income statement, statements of condensed consolidated 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 condensed consolidated interim financial information based on our review.

Scope of review

We conducted our review in accordance with the 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 and for the six-month period ended 30 June 2011 is not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting.

KPMG Akis Bağımsız Denetim ve SMMM A.Ş.

9 August 2011
İstanbul, Turkey

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TÜRKİYE SİNAİ KALKINMA BANKASI AŞ AND ITS SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2011

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

ASSETS	30 June 2011	31 December 2010
Cash and cash equivalents	329	383
Balances with central bank	32,035	7,137
Reserve deposits at central bank	79,354	57,030
Loans and advances to banks	545,142	555,894
Interbank money market placements	17,710	843
Funds lent under repurchase agreements	5,298	6,987
Financial assets at fair value through profit or loss	133,708	120,118
- <i>Trading investment securities</i>	95,376	108,857
- <i>Derivative financial instruments</i>	38,332	11,261
Loans and advances to customers	5,404,682	4,660,365
Investment securities	2,244,443	2,440,994
- <i>Available for sale investment securities</i>	2,111,364	2,130,707
- <i>Held to maturity investment securities</i>	133,079	310,287
Equity-accounted investees	181,688	172,446
Goodwill	383	383
Property and equipment	17,406	24,917
Investment property	215,395	213,281
Intangible assets	927	857
Other assets	66,552	46,202
Deferred tax assets	16,316	19,572
Total assets	8,961,368	8,327,409

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

TÜRKİYE SİNAİ KALKINMA BANKASI AŞ AND ITS SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2011

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

	30 June 2011	31 December 2010
LIABILITIES		
Obligations under repurchase agreements	1,053,826	1,186,064
Derivative financial instruments	36,609	10,354
Funds borrowed	5,782,670	5,052,850
Debt securities issued	46,700	194,282
Payables to stock exchange money market	340,673	247,669
Taxes and dues payable	3,476	4,033
Employee benefits	6,048	5,292
Corporate tax liability	12,272	12,588
Provisions	2,449	551
Other liabilities	96,278	87,514
Subordinated loan	81,209	77,947
Total liabilities	7,462,210	6,879,144
EQUITY		
Share capital		
Nominal paid in capital	800,000	700,000
Inflation adjustment to capital	13,563	13,563
Total capital	813,563	713,563
Share premium	413	413
Legal reserves	98,551	76,134
Fair value reserve	51,563	71,443
Retained earnings	437,817	485,460
Total equity attributable to equity holders of the Bank	1,401,907	1,347,013
Non-controlling interests	97,251	101,252
Total equity	1,499,158	1,448,265
Total liabilities and equity	8,961,368	8,327,409
Commitment and contingencies	9,423,340	5,917,038

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

TÜRKİYE SİNAİ KALKINMA BANKASI AŞ AND ITS SUBSIDIARIES
CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE INTERIM PERIOD ENDED 30 JUNE 2011

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

	1 January – 30 June 2011	1 January – 30 June 2010
Interest income		
Interest income on loans	133,826	90,451
Interest on interbank money market placements	95	74
Interest income on securities	97,789	118,814
Interest income on deposits at banks	19,199	16,894
Interest income on reserve deposit at central banks	-	9
Interest income on finance leases	1,241	1,987
Other interest income	122	224
Total interest income	252,272	228,453
Interest expenses		
Interest expense on interbank money market borrowings	(46,519)	(50,186)
Interest expense on funds borrowed	(34,607)	(24,567)
Interest expense on debt securities issued	(3,449)	-
Other interest expenses	(7)	(6)
Total interest expense	(84,582)	(74,759)
Net interest income	167,690	153,694
Fee and commission income	16,552	21,087
Fee and commission expense	(879)	(3,148)
Net fee and commission income	15,673	17,939
Securities trading income, net	(488)	(852)
Derivative trading income, net	(122)	1,464
Foreign exchange gain / (losses), net	(8,671)	8,691
Net trading income	(9,281)	9,303
Impairment losses on loans and advances to customers, net	(12,322)	(2,618)
Net operating income after impairment losses	161,760	178,318
Other operating income	21,215	7,196
Other operating expenses	(47,822)	(45,756)
Dividend income	5,218	2,568
Share of profit of equity-accounted investees	10,805	12,470
Profit before income tax	151,176	154,796
Income tax expense	(32,222)	(32,534)
Profit for the period	118,954	122,262
Profit attributable to:		
Owners of the Bank	121,973	120,015
Non-controlling interests	(3,019)	2,247
Weighted number of shares	800,000,000	700,000,000
Basic and diluted earnings per share	0.1487	0.1528

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

TÜRKİYE SİNAİ KALKINMA BANKASI AŞ AND ITS SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE INTERIM PERIOD ENDED 30 JUNE 2011

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

	1 January – 30 June 2011	1 January – 30 June 2010
Profit for the period	118,954	122,262
Other comprehensive income		
Change in unrealized gain / (losses) on available for sale investments	(23,044)	(7,576)
Net loss on available for sale investment securities transferred to profit or loss	(539)	(289)
Income tax on other comprehensive income	3,703	1,231
Other comprehensive income for the period, net of tax	(19,880)	(6,634)
Total comprehensive income for the period	99,074	115,628
Attributable to		
Equity holders of the Bank	102,093	113,381
Non-controlling interests	(3,019)	2,247

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

TÜRKİYE SİNAİ KALKINMA BANKASI AŞ
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE INTERIM PERIOD ENDED 30 JUNE 2011

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

	Attributable to equity holders of the Bank								
	Share capital	Inflation adjustment to capital	Share premium	Fair value reserve	Legal reserves	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 January 2010	600,000	13,563	23	57,990	57,971	423,960	1,153,507	28,647	1,182,154
Total comprehensive income for the period									
Profit for the period	-	-	-	-	-	120,015	120,015	2,247	122,262
Other comprehensive income									
Change in unrealized gain / (losses) on available for sale investments	-	-	-	(7,576)	-	-	(7,576)	-	(7,576)
Net loss on available for sale investment securities transferred to profit or loss	-	-	-	(289)	-	-	(289)	-	(289)
Income tax on other comprehensive income	-	-	-	1,231	-	-	1,231	-	1,231
Total other comprehensive income	-	-	-	(6,634)	-	-	(6,634)	-	(6,634)
Total comprehensive income for the period	-	-	-	(6,634)	-	120,015	113,381	2,247	115,628
Transactions with owners, recorded directly in equity									
Capital increase	100,000	-	-	-	-	(100,000)	-	-	-
Dividend distribution	-	-	-	-	-	(34,152)	(34,152)	(1,258)	(35,410)
Total contributions by and distributions to owners	100,000	-	-	-	-	(134,152)	(34,152)	(1,258)	(34,152)
Transfer to legal reserves	-	-	-	-	18,139	(18,139)	-	-	-
Increase / decrease related to merger	-	-	2	-	-	(1,551)	(1,549)	2,258	709
Change in non-controlling interests	-	-	392	-	24	(20,115)	(19,699)	62,274	42,575
Balance at 30 June 2010	700,000	13,563	417	51,356	76,134	370,018	1,211,488	94,168	1,305,656

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

TÜRKİYE SİNAİ KALKINMA BANKASI AŞ
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE INTERIM PERIOD ENDED 30 JUNE 2011

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

	Attributable to equity holders of the Bank								
	Share capital	Inflation adjustment to capital	Share premium	Fair value reserve	Legal reserves	Retained Earnings	Total	Non-controlling Interests	Total Equity
Balance at 1 January 2011	700,000	13,563	413	71,443	76,134	485,460	1,347,013	101,252	1,448,265
Total comprehensive income for the period									
Profit for the period	-	-	-	-	-	121,973	121,973	(3,019)	118,954
Other comprehensive income									
Change in unrealized gain / (losses) on available for sale investments	-	-	-	(23,044)	-	-	(23,044)	-	(23,044)
Net gain on available for sale investment securities transferred to profit or loss	-	-	-	(539)	-	-	(539)	-	(539)
Income tax on other comprehensive income	-	-	-	3,703	-	-	3,703	-	3,703
Total other comprehensive income	-	-	-	(19,880)	-	-	(19,880)	-	(19,880)
Total comprehensive income for the period	-	-	-	(19,880)	-	121,973	102,093	(3,019)	99,074
Transactions with owners, recorded directly in equity									
Capital increase	100,000	-	-	-	-	(100,000)	-	-	-
Dividend distribution	-	-	-	-	-	(47,199)	(47,199)	(982)	(48,181)
Total contributions by and distributions to owners	100,000	-	-	-	-	(147,199)	(47,199)	(982)	(48,181)
Transfer to legal reserves	-	-	-	-	22,417	(22,417)	-	-	-
Balance at 30 June 2011	800,000	13,563	413	51,563	98,551	437,817	1,401,907	97,251	1,499,158

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 2011

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

	1 January – 30 June 2011	1 January – 30 June 2010
Cash flows from operating activities:		
Profit for the period	118,954	122,262
<i>Adjustments</i>		
Interest received	292,890	182,560
Interest paid	(89,017)	(90,548)
Dividends received	5,634	2,568
Depreciation of property and equipment	1,780	1,966
Amortization of intangible assets	191	157
Net impairment losses on loans and advances	(184)	(467)
Reserve for employee severance indemnity	1,278	1,101
Share of profit of equity-accounted investees	(10,805)	(12,470)
Other provision expenses	1,898	(953)
Deferred tax expense / (benefit)	6,927	5,432
Gain on sale of property and equipment	(4,293)	-
Unrealized gains	291,122	(14,000)
Income taxes paid	(25,283)	(16,435)
Non-controlling interests	3,019	(2,247)
Operating profit before changes in operating assets / liabilities	594,111	178,926
Changes in operating assets and liabilities:		
Change in loans and leasing receivables	(672,049)	(395,119)
Change in other assets	(26,549)	(11,935)
Change in other creditors, taxes and liabilities	37,243	42,588
Net cash (used in) / provided from operating activities	(661,355)	(364,466)
Cash flows from investing activities:		
Reserve requirements with the Central Bank	(22,324)	(8,465)
Change in trading securities	11,484	(21,770)
Change in available for sale investment securities	(56,732)	11,709
Change in held to maturity investment securities	167,390	2,734
Change in equity participations	1,563	3,201
Purchases of property and equipment and investment property	(2,656)	(453)
Sale of property and equipment	10,592	-
Purchase of intangible assets	(261)	(168)
Net cash (used in) / provided from investing activities	109,056	(13,212)
Cash flows from financing activities:		
Proceeds from funds borrowed	593,807	765,811
Repayment of funds borrowed	(423,368)	(275,814)
Proceeds from debt securities issued	(141,794)	-
Dividends paid	(48,181)	(35,410)
Net cash (used in) / provided from financing activities	(19,536)	454,587
Net increase in cash and cash equivalents	22,276	255,835
Cash and cash equivalents at 1 January	564,827	358,221
Effect of exchange rate fluctuations on cash and cash equivalents	5,218	8,691
Cash and cash equivalents at 30 June	592,321	622,747

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

TÜRKİYE SİNAİ KALKINMA BANKASI AŞ AND ITS SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE INTERIM PERIOD ENDED 30 JUNE 2011

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

1. ACTIVITIES OF THE BANK AND THE GROUP

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 50.00% and 8.38%, respectively (31 December 2010: 50.06% and 8.38%, respectively).

The condensed consolidated financial statements of the Bank as at and for the interim period ended 30 June 2011 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.

TÜRKİYE SİNAİ KALKINMA BANKASI AŞ AND ITS SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE INTERIM PERIOD ENDED 30 JUNE 2011

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

1. ACTIVITIES OF THE BANK AND THE GROUP (continued)

Information about the consolidated subsidiaries and associates (continued)

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 AND ITS SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE INTERIM PERIOD ENDED 30 JUNE 2011

(Amounts expressed in thousands of Turkish Lira (TL) 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 2010.

The Bank's statutory consolidated financial statements as at and for the interim period ended 30 June 2011 have been approved at the Board of Directors Meeting held on 9 August 2011.

Estimates

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 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 2010.

TÜRKİYE SİNAİ KALKINMA BANKASI AŞ AND ITS SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE INTERIM PERIOD ENDED 30 JUNE 2011

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

3. SIGNIFICANT ACCOUNTING POLICIES

In the current period, the Bank's share capital has increased by TL 100,000. In the meeting of the General Assembly held on 25 March 2011; it has been resolved that, paid-in capital of the Bank will be increased from TL 700,000 to TL 800,000 by TL 100,000. In respect of the resolution of the General Assembly, TL 100,000 of this increase will be incorporated from the profit of the year 2010. The increase in paid-in capital was approved by the BRSA on 12 May 2011 and has been published in the Turkish Trade Registry Gazette No: 7824 on 27 May 2011.

In the prior period, the Bank's share capital has increased by TL 100,000. In the meeting of the General Assembly held on 25 March 2010, it has been resolved that, paid-in capital of the Bank will be increased from TL 600,000 to TL 700,000 by TL 100,000. In respect of the resolution of the General Assembly, TL 85,000 of this increase will be incorporated from the profit of the year 2009 and TL 15,000 from extraordinary reserves. The increase in paid-in capital was approved by the BRSA on 18 May 2010 and has been published in the Turkish Trade Registry Gazette No: 7576 on 2 June 2010.

4. OPERATING SEGMENTS

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components, whose operating results are reviewed regularly by the Board of Directors (being chief operating decision maker) to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available.

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.

TÜRKİYE SİNAİ KALKINMA BANKASI AŞ AND ITS SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE INTERIM PERIOD ENDED 30 JUNE 2011

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

4. OPERATING SEGMENTS

CONSOLIDATED INCOME STATEMENT (1 January – 30 June 2011)	Banking	Stock brokerage and other	Combined	Eliminations	Total
Interest income	239,708	16,212	255,920	(3,648)	252,272
Interest expenses	(73,769)	(14,461)	(88,230)	3,648	(84,582)
Net interest income	165,939	1,751	167,690	-	167,690
Net fee and commission income	4,799	10,874	15,673	-	15,673
Net securities trading income	(2,002)	1,514	(488)	-	(488)
Net derivative trading income	4,852	(4,974)	(122)	-	(122)
Net foreign currency gains / (losses)	(6,079)	(2,592)	(8,671)	-	(8,671)
Impairment losses on loans and advances to customers, net	(11,027)	(1,295)	(12,322)	-	(12,322)
Net operating income after impairment losses	156,482	5,278	161,760	-	161,760
Other operating income	12,953	10,595	23,548	(2,333)	21,215
Other operating expenses	(31,665)	(20,959)	(52,624)	4,802	(47,822)
Dividend income	24,989	1,944	26,933	(21,715)	5,218
Share of profit of equity-accounted investees	10,805	-	10,805	-	10,805
Profit before income tax	173,564	(3,142)	170,422	(19,246)	151,176

TÜRKİYE SİNAİ KALKINMA BANKASI AŞ AND ITS SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE INTERIM PERIOD ENDED 30 JUNE 2011

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

4. OPERATING SEGMENTS (continued)

CONSOLIDATED INCOME STATEMENT (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 securities trading income	(1,697)	845	(852)	-	(852)
Net derivative trading income	1,476	(12)	1,464	-	1,464
Net foreign currency gains / (losses)	1,978	6,713	8,691	-	8,691
Impairment losses on loans and advances to customers, net	(1,317)	(1,301)	(2,618)	-	(2,618)
Net operating income after impairment	156,307	22,011	178,318	-	178,318
Other operating income	1,417	7,585	9,002	(1,806)	7,196
Other operating expenses	(29,785)	(18,091)	(47,876)	2,120	(45,756)
Dividend income	22,652	831	23,483	(20,915)	2,568
Share of profit of equity-accounted investees	12,470	-	12,470	-	12,470
Profit before income tax	163,061	12,336	175,397	(20,601)	154,796

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4. OPERATING SEGMENTS (continued)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION	Banking	Stock brokerage and other	Combined	Eliminations	Total
<u>At 30 June 2011</u>					
Total assets	8,488,325	791,245	9,279,570	(318,202)	8,961,368
Total liabilities	7,099,405	473,460	7,572,865	(110,655)	7,462,210
Equity before net profit & non-controlling interests	1,246,340	322,161	1,568,501	(285,548)	1,282,953
Net profit attributable to equity holders of the Bank	142,580	(4,376)	138,204	(19,250)	118,954
Non-controlling interests	-	-	-	97,251	97,251
Total equity	1,388,920	317,785	1,706,705	(207,547)	1,499,158
Total liabilities and equity	8,488,325	791,245	9,279,570	(318,202)	8,961,368
<u>At 31 December 2010</u>					
Total assets	7,883,013	811,513	8,694,526	(367,117)	8,327,409
Total liabilities	6,561,421	488,328	7,049,749	(170,605)	6,879,144
Equity before net profit & non-controlling interests	1,097,856	302,359	1,400,215	(287,387)	1,112,828
Net profit attributable to equity holders of the Bank	223,736	20,826	244,562	(10,377)	234,185
Non-controlling interests	-	-	-	101,252	101,252
Total equity	1,321,592	323,185	1,644,777	(196,512)	1,448,265
Total liabilities and equity	7,883,013	811,513	8,694,526	(367,117)	8,327,409

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5. RELATED PARTIES

For the purposes of the accompanying condensed 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:

	30 June 2011	31 December 2010
<u>Balances with related parties</u>		
Loans and advances to customers	151,128	198,369
Non-cash loans	117,900	117,758
Due from other banks	1,356	4,800
Other assets	4,506	6,934
Other liabilities	1,338	3,070
	1 January- 30 June 2011	1 January- 30 June 2010
<u>Transactions with related parties</u>		
Interest and similar income	2,543	2,087
Interest expenses and similar charges	(1)	(814)
Dividend income	5,218	2,568
Income from associates	10,805	12,470
Foreign exchange gain (loss), net	2,981	819
Net fee and commission income / (expense), net	412	390
Other income	90	152

Compensation of Key Management Personnel of the Group

Benefits provided to key management personnel in the current period amounting to TL 6,065 (30 June 2010: TL 5,615).

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6. COMMITMENTS AND CONTINGENCIES

	30 June 2011	31 December 2010
Letters of guarantee	716,816	801,325
Revocable and irrevocable commitments	2,337,692	1,569,098
Letters of credit	458,830	259,695
Swap and forward agreements	2,784,786	767,558
Option agreements	1,778,058	796,314
Futures agreements	1,217,793	1,573,170
Other commitments	129,365	149,878
	9,423,340	5,917,038

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 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 TL 3,364,510 as at 30 June 2011 (31 December 2010: TL 3,099,283). As at 30 June 2011, securities at custody with market value amounted to TL 2,200,732 (31 December 2010: TL 2,119,178).

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

As at 30 June 2011, according to the general requirements of the ISE, letters of guarantee amounting to TL 10,598 (31 December 2010: TL 4,353) had been obtained from various local banks and were provided to ISE for bond and stock market transactions. Also, as at 30 June 2011, according to the general requirements, letters of guarantee amounting to TL 2,102 (31 December 2010: TL 1,236) were given to the Capital Markets Board.

The Group's trading securities given as collateral or blocked amounted to TL 7,405 at the reporting date (31 December 2010: TL 4,909).

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 1 head office and 13 branches, including branches of subsidiaries, are subject to operational leasing. Additionally, 27 cars are within the context of operational leasing. The Group has no liability for operational leases as of the reporting date. 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 2010: 1 head office, 13 branches and 20 cars are subject to operational leasing).

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7. DERIVATIVE FINANCIAL INSTRUMENTS

	30 June 2011		31 December 2010	
	Assets	Liabilities	Assets	Liabilities
Currency swaps	4,446	2,143	1,861	2,251
Options	19,176	19,588	4,892	4,899
Forward foreign exchange contracts	9,085	9,982	373	200
Interest rate swaps	5,618	4,600	3,659	2,571
Other	7	296	476	433
	38,332	36,609	11,261	10,354

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

	30 June 2011	31 December 2010
Forward foreign exchange contracts – buy	489,617	18,170
Forward foreign exchange contracts – sell	489,930	17,846
Futures – sell	1,217,793	1,573,170
Currency swaps – buy	311,980	127,479
Currency swaps – sell	307,987	122,465
Interest rate swaps – buy	592,636	240,799
Interest rate swaps – sell	592,636	240,799
Currency option – buy	862,081	372,061
Currency option – sell	860,443	367,589
Interest option – buy	27,767	28,332
Interest option – sell	27,767	28,332
Other	84,093	116,980

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8. EARNINGS PER SHARE

Earnings per share disclosed in the condensed consolidated income statement are calculated by dividing the net earnings attributable 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 interim period ended 30 June 2011 and 30 June 2010 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 2011	1 January – 30 June 2010
Number of shares outstanding at 1 January	700,000,000	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	800,000,000	700,000,000
Weighted average number of shares during the period	800,000,000	700,000,000
Net profit (TL)	118,954	122,262
Basic earnings per share (in full TL)	0.1487	0.1528

^(*) Capital increase is made through internal resources and prior period's earnings per share figure is revised by using the number of shares subsequent to the capital increase.

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9. EVENTS AFTER THE REPORTING DATE

Changes in required reserves ratio

1. Published in the Official Gazette No. 28006 dated 26 July 2011 and No. 2005/1 on the “Amendment of the Communiqué on the Required Provisions Scale obligation” dated 22 July 2011, to be effective, new ratios for foreign currency liabilities required reserve ratios stated below:

Foreign Currency Liabilities	Required Reserve Ratio (%)
Foreign currency deposits/participation accounts with 1 year and longer maturity and cumulative deposits/participation accounts	10
Other foreign currency accounts up to 3 years maturity (including 3 years)	10
Other foreign currency accounts longer than 3 years maturity	9

2. Published in the Official Gazette No. 28016 dated 5 August 2011 and No. 2005/1 on the “Amendment of the Communiqué on the Required Provisions Scale obligation”, the following sentence has been added to the end of the 1st paragraph of Article 6:

“The funding from the repo transactions will be included in the liabilities subject to required reserves by taking the average of daily balances between two calculation periods.”

Published in the Official Gazette No. 28017 dated 6 August 2011 and No. 2005/1 on the “Amendment of the Communiqué on the Required Provisions Scale obligation”, new ratios for foreign currency liabilities required reserve ratios stated below:

Foreign Currency Liabilities	Required Reserve Ratio(%)
Foreign currency demand deposits, notice deposits, foreign currency private current accounts	11.5
Deposits/participation accounts up to 1 month maturity	11.5
Deposits/participation accounts up to 3 month maturity	11.5
Deposits/participation accounts up to 6 month maturity	11.5
Deposits/participation accounts up to 1 year maturity	11.5
Foreign currency deposits/participation accounts with 1 year and longer maturity and cumulative deposits/participation accounts	9.5
Other foreign currency accounts up to 1 year maturity	11.5
Other foreign currency accounts up to 3 years maturity (including 3 years)	9.5
Other foreign currency accounts longer than 3 years maturity	8.5