



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

Condensed Consolidated Interim
Financial Statements

As at and for the Six Month Period Ended
30 June 2013

With Independent Auditors' Report on Review of
Condensed Consolidated Interim
Financial Information

Akis Bağımsız Denetim ve Serbest
Muhasebeci Mali Müşavirlik
Anonim Şirketi

6 September 2013

This report contains 1 page of independent auditors' report on review of condensed consolidated interim financial information and 19 pages of condensed consolidated interim financial information.

Türkiye Sınai Kalkınma Bankası Anonim Şirketi and Its Subsidiaries

Table of Contents

	Pages
Independent Auditors' Report	
Condensed Consolidated Statement of Financial Position	1-2
Condensed Consolidated Income Statement	3
Condensed Consolidated Statement of Comprehensive Income	4
Condensed Consolidated Statement of Changes in Equity	5-6
Condensed Consolidated Statement of Cash Flows	7
Notes to the Condensed Consolidated Interim Financial Statements	8-19



**Akis Bağımsız Denetim ve Serbest
Muhasebeci Mali Müşavirlik A.Ş.**
Kavacık Rüzgarlı Bahçe Mah.
Kavak Sok. No: 29
Beykoz 34805 İstanbul

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

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 2013, the condensed consolidated income statement and 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 2013 is not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting.

KPMG Akis Bağımsız Denetim ve SMMM A.Ş.

6 September 2013
İstanbul, Turkey

TÜRKİYE SİNAİ KALKINMA BANKASI AŞ AND ITS SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2013

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

ASSETS	Notes	30 June 2013	31 December 2012
Cash and cash equivalents		318	250
Balances with central bank		31,573	27,798
Reserve deposits at central bank		186,652	104,618
Loans and advances to banks		365,128	440,075
Interbank money market placements		341,707	-
Funds lent under repurchase agreements		388	199
Financial assets at fair value through profit or loss		51,595	41,169
- <i>Trading assets</i>		30,283	17,926
- <i>Derivative assets</i>	7	21,312	23,243
Loans and advances to customers		7,422,344	6,807,430
Investment securities		2,745,810	2,885,281
- <i>Available for sale investment securities</i>		2,745,810	2,885,281
Investments in equity-accounted investees		219,844	210,047
Goodwill		383	383
Property and equipment		23,549	23,961
Investment property		246,140	240,370
Intangible assets		959	1,016
Other assets		59,142	53,249
Deferred tax assets		7,793	1,279
Total assets		11,703,325	10,837,125

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

TÜRKİYE SİNAİ KALKINMA BANKASI AŞ AND ITS SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2013

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

LIABILITIES	Notes	30 June 2013	31 December 2012
Obligations under repurchase agreements		1,603,707	1,235,179
Derivative liabilities	7	22,340	20,997
Funds borrowed		7,671,645	7,029,605
Payables to stock exchange money market		160,476	267,449
Current account of loan customers		6,348	9,745
Taxes and dues payable		3,714	3,517
Employee benefits		13,394	15,234
Corporate tax liability		4,842	29,690
Provisions		184	190
Other liabilities		73,050	106,594
Subordinated loan		95,434	89,125
Total liabilities		9,655,134	8,807,325
EQUITY			
Share capital			
Nominal paid in capital		1,300,000	1,100,000
Inflation adjustment to capital		13,563	13,563
Total capital		1,313,563	1,113,563
Share premium		388	388
Legal reserves		158,911	125,628
Fair value reserve		32,515	133,754
Retained earnings		459,755	572,240
Total equity attributable to equity holders of the Bank		1,965,132	1,945,573
Non-controlling interests		83,059	84,227
Total equity		2,048,191	2,029,800
Total liabilities and equity		11,703,325	10,837,125
Commitment and contingencies	6	8,786,495	6,992,983

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

TÜRKİYE SİNAİ KALKINMA BANKASI AŞ AND ITS SUBSIDIARIES
CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE INTERIM PERIOD ENDED 30 JUNE 2013

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

	Notes	1 January – 30 June 2013	1 January – 30 June 2012
Interest income			
Interest income on loans		184,636	160,956
Interest on money market placements		3,494	5,914
Interest income on securities		106,296	130,256
Interest income on deposits at banks		12,299	8,664
Interest income on finance leases		174	763
Other interest income		108	120
Total interest income		307,007	306,673
Interest expenses			
Interest expense on obligations under repurchase agreements and money market borrowings		(34,280)	(54,291)
Interest expense on funds borrowed and subordinated loan		(42,869)	(47,093)
Other interest expenses		(19)	(71)
Total interest expense		(77,168)	(101,455)
Net interest income		229,839	205,218
Fee and commission income		17,012	14,412
Fee and commission expense		(1,373)	(1,639)
Net fee and commission income		15,639	12,773
Securities trading income / (losses), net		5,261	3,525
Derivative trading income / (losses), net		(943)	34,688
Foreign exchange gains / (losses), net		(8,566)	(10,295)
Net trading income		(4,248)	27,918
Net impairment loss on financial assets		(2,468)	(4,861)
Net operating income after impairment losses		238,762	241,048
Other operating income		12,836	24,312
Other operating expenses		(53,261)	(50,527)
Dividend income		13,493	5,611
Share of profit of equity-accounted investees		13,189	9,048
Profit before income tax		225,019	229,492
Income tax expense		(37,987)	(40,484)
Profit for the period		187,032	189,008
Profit attributable to:			
Equity holders of the Bank		188,203	183,654
Non-controlling interests		(1,171)	5,354
Profit for the period		187,032	189,008
Weighted average number of shares outstanding		1,300,000,000	1,300,000,000
Basic and diluted earnings per share	8	0.1439	0.1454

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

TÜRKİYE SİNAİ KALKINMA BANKASI AŞ AND ITS SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE INTERIM PERIOD ENDED 30 JUNE 2013

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

	1 January – 30 June 2013	1 January – 30 June 2012
Profit for the period	187,032	189,008
Other comprehensive income		
Change in unrealized gain / (losses) on available for sale investments	(126,664)	41,197
Net gain / (losses) on available for sale investment securities transferred to profit or loss	4,795	(920)
Non-controlling interest share on fair value change in subsidiaries	(3,387)	(1,171)
Income tax on other comprehensive income	24,020	(7,858)
Other comprehensive income for the period, net of tax	(101,236)	31,248
Total comprehensive income for the period	85,796	220,256
Attributable to		
Equity holders of the Bank	86,964	214,902
Non-controlling interests	(1,168)	5,354
Total comprehensive income for the period	85,796	220,256

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

TÜRKİYE SİNAİ KALKINMA BANKASI AŞ
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE INTERIM PERIOD ENDED 30 JUNE 2013

(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	Legal reserves	Fair value reserve	Retained earnings	Non-controlling interests
Balance at 1 January 2012	800,000	13,563	413	98,551	17,626	607,615	98,127
						1,537,768	1,635,895
Total comprehensive income for the year							
Profit for the period	-	-	-	-	-	183,654	5,354
Other comprehensive income							
Change in unrealized gain / (losses) on available for sale investments	-	-	-	-	41,197	-	-
Net gain on available for sale investment securities transferred to profit or loss	-	-	-	-	(920)	-	-
Non-controlling interest share on fair value change in subsidiaries	-	-	-	-	(1,171)	-	-
Income tax on other comprehensive income	-	-	-	-	(7,858)	-	-
Total other comprehensive income	-	-	-	-	31,248	-	-
Total comprehensive income for the year	-	-	-	-	31,248	183,654	5,354
						214,902	220,256
Transactions with owners, recognized directly in equity							
Capital increase	300,000	-	-	-	-	(300,000)	-
Dividend distribution	-	-	-	-	-	(50,479)	-
Tangible and intangible asset revaluation differences	-	-	-	-	-	(3,983)	-
Other	-	-	-	-	-	175	-
Total contributions by and distributions to owners	300,000	-	-	-	-	(354,287)	-
Transfer to legal reserves	-	-	-	27,936	-	(27,936)	-
Balance at 30 June 2012	1,100,000	13,563	413	126,487	48,874	409,046	103,481
						1,698,383	1,801,864

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

TÜRKİYE SİNAİ KALKINMA BANKASI AŞ
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE INTERIM PERIOD ENDED 30 JUNE 2013

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

	Attributable to equity holders of the Bank									
	Notes	Share Capital	Inflation adjustment to capital	Share premium	Legal reserves	Fair value reserve	Retained earnings	Total	Non-controlling interests	Total Equity
Balance at 1 January 2013		1,100,000	13,563	388	125,628	133,754	572,240	1,945,573	84,227	2,029,800
Total comprehensive income for the year										
Profit for the period		-	-	-	-	-	188,203	188,203	(1,171)	187,032
Other comprehensive income										
Change in unrealized gain / (losses) on available for sale investments		-	-	-	-	(126,664)	-	(126,664)	-	(126,664)
Net gain on available for sale investment securities transferred to profit or loss		-	-	-	-	4,795	-	4,795	-	4,795
Non-controlling interest share on fair value change in subsidiaries		-	-	-	-	(3,390)	-	(3,390)	3	(3,387)
Income tax on other comprehensive income		-	-	-	-	24,020	-	24,020	-	24,020
Total other comprehensive income		-	-	-	-	(101,239)	-	(101,239)	3	(101,236)
Total comprehensive income for the year		-	-	-	-	(101,239)	188,203	86,964	(1,168)	85,796
Transactions with owners, recognized directly in equity										
Capital increase		200,000	-	-	-	-	(200,000)	-	-	-
Dividend distribution		-	-	-	-	-	(67,296)	(67,296)	-	(67,296)
Total contributions by and distributions to owners		200,000	-	-	-	-	(267,296)	(67,296)	-	(67,296)
Transfer to legal reserves		-	-	-	33,392	-	(33,392)	-	-	-
Other		-	-	-	(109)	-	-	(109)	-	(109)
Balance at 30 June 2013		1,300,000	13,563	388	158,911	32,515	459,755	1,965,132	83,059	2,048,191

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

TÜRKİYE SİNAİ KALKINMA BANKASI AŞ AND ITS SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE INTERIM PERIOD ENDED 30 JUNE 2013

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

	30 June 2013	30 June 2012
Cash flows from operating activities:		
Profit for the period	187,032	189,008
<i>Adjustments for:</i>		
Net interest income	(229,839)	(205,218)
Depreciation of property and equipment	1,262	1,244
Amortisation of intangible assets	194	176
Net impairment losses on loans and advances	(6,698)	(7,175)
Reserve for employee severance indemnity	801	223
Provision for unused vacations	964	794
Provision for bonus payments	3,288	4,449
Share of profit of equity-accounted investees	(13,189)	(9,048)
Income tax expense	(37,987)	40,484
Gain / (loss) on sale of property and equipment	(33)	(483)
Unrealized gains	10,108	37,657
Non-controlling interests	1,171	(5,354)
Operating profit before changes in operating assets / liabilities	(82,926)	46,757
Changes in operating assets and liabilities:		
Change in loans and leasing receivables	(287,838)	(565,134)
Change in other assets	(14,831)	84,795
Change in other creditors, taxes and liabilities	286,557	102,509
	(99,038)	(331,073)
Interest received	411,261	290,173
Interest paid	(79,973)	(103,255)
Income taxes paid	(47,601)	(33,574)
Indemnities paid	(645)	(617)
Bonus paid	(6,527)	(5,870)
Dividends received	7,556	5,611
Net cash used in operating activities	185,033	(178,605)
Cash flows from investing activities:		
Reserve requirements with the Central Bank	(82,034)	(26,197)
Change in trading securities	(12,252)	43,235
Change in available for sale investment securities	36,032	(355,928)
Change in held to maturity investment securities	-	95,787
Change in equity participations	-	967
Purchases of property and equipment and investment property	(7,382)	(3,840)
Sale of property and equipment	1,134	1,283
Purchase of intangible assets	(137)	(307)
Net cash used in investing activities	(64,639)	(245,000)
Cash flows from financing activities:		
Proceeds from funds borrowed	514,175	929,490
Repayment of funds borrowed	(300,119)	(604,427)
Proceeds from debt securities issued	-	3
Dividends paid	(67,296)	(50,479)
Net cash provided from financing activities	146,760	274,587
Net decrease in cash and cash equivalents	267,154	(149,018)
Cash and cash equivalents at 1 January	466,659	534,689
Effect of exchange rate fluctuations on cash and cash equivalents held	3,676	(1,456)
Cash and cash equivalents at 30 June	737,489	384,215

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

TÜRKİYE SİNAİ KALKINMA BANKASI AŞ AND ITS SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
AS AT AND FOR THE PERIOD ENDED 30 JUNE 2013

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

Notes to the condensed consolidated interim financial statements	Page
1 Reporting entity	9
2 Basis of preparation	10
3 Significant accounting policies	10
4 Segment reporting	11
5 Related parties	15
6 Commitments and contingencies	15
7 Derivative financial instruments	18
8 Earnings per share	19
9 Events after the reporting period	19

TÜRKİYE SİNAİ KALKINMA BANKASI AŞ AND ITS SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
AS AT AND FOR THE PERIOD ENDED 30 JUNE 2013

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

1. REPORTING ENTITY

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. 81 Fındıklı, Istanbul, Turkey.

The Bank and its subsidiaries are hereafter referred to as the “Group”.

TSKB started its journey in 1950 financing the private sector investments in Turkey and today it provides loans and project finance with the goal of sustainable development to corporations in different fields. As a leader in meeting the long term finance needs of the private sector, TSKB also continues to offer solutions with respect to the newest needs and client demands. 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 2012: 50.00% and 8.38%, respectively).

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

The consolidated financial statements of the Bank as at and for the period ended 30 June 2013 are available upon request from the Bank’s registered office and website.

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 in Borsa Istanbul (“BIST”) since April 2010.

TÜRKİYE SİNAİ KALKINMA BANKASI AŞ AND ITS SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
AS AT AND FOR THE PERIOD ENDED 30 JUNE 2013

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

1. REPORTING ENTITY (continued)

Information about the consolidated subsidiaries and associates (continued)

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 Financial Leasing, Factoring and Financing Companies Law No: 6361. The company started its leasing operations in July 1998. The company's headquarters is located at İş Kuleleri, Kule: 1 Kat: 6 34330 Levent-Istanbul/Turkey.

İş Faktoring AŞ

İş Faktoring AŞ was incorporated in Turkey on 4 July 1993 and started its operations in October 1993 and is conducting its operations in accordance with the Financial Leasing, Factoring and Financing Companies Law No: 6361. The company's main operation is domestic and export factoring transactions. Its parent company is İş Finansal Kiralama AŞ with 78.23% shareholding. The direct share of Türkiye Sınai Kalkınma Bankası AŞ is 21.75%. The company's headquarters is located at İş Kuleleri, Kule: 1 Kat: 10 34330 Levent-Istanbul/Turkey.

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: 2, Levent, Istanbul.

2. BASIS OF PREPARATION

a. Statement of Compliance

This condensed consolidated interim financial report has been prepared in accordance with IAS 34 *Interim Financial Reporting*. This condensed consolidated interim financial report does not include all the information required for full annual financial statements prepared in accordance with International Financial Reporting Standards.

The Bank's statutory consolidated financial statements as at and for the interim period ended 30 June 2013 have been approved at the Board of Directors Meeting held on 31 July 2013.

b. Judgements and Estimates

Preparing the interim financial report 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 this condensed consolidated interim financial report, significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty are the same as those applied to the consolidated financial statements as at and for the year ended 31 December 2012.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the Group in this condensed consolidated interim financial report are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2012.

TÜRKİYE SİNAİ KALKINMA BANKASI AŞ AND ITS SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
AS AT AND FOR THE PERIOD ENDED 30 JUNE 2013

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

4. SEGMENT REPORTING

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 INTERIM FINANCIAL STATEMENTS
AS AT AND FOR THE PERIOD ENDED 30 JUNE 2013

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

4. SEGMENTS REPORTING (Continued)

CONSOLIDATED INCOME STATEMENT (1 January – 30 June 2013)	Stock			Total
	Banking	brokerage and other	Eliminations	
Interest income	295,690	14,530		307,007
Interest expense	(67,329)	(13,052)	(3,213)	(77,168)
Net interest income	228,361	1,478	-	229,839
Net fee and commission income	3,987	11,652	-	15,639
Net securities trading income / (loss)	5,088	173	-	5,261
Net derivative trading income / (loss)	(146)	(797)	-	(943)
Net foreign currency gains / (losses)	(4,712)	(3,854)	-	(8,566)
Net impairment loss on financial assets	(2,140)	(328)	-	(2,468)
Net operating income after impairment losses	230,438	8,324	-	238,762
Other operating income	7,936	8,733	(3,833)	12,836
Other operating expenses	(37,737)	(19,032)	3,508	(53,261)
Dividend income	28,093	2,180	(16,780)	13,493
Share of profit of equity-accounted investees	13,189	-	-	13,189
Profit before income tax	241,919	205	(17,105)	225,019

TÜRKİYE SİNAİ KALKINMA BANKASI AŞ AND ITS SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
AS AT AND FOR THE PERIOD ENDED 30 JUNE 2013

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

4. SEGMENT REPORTING (continued)

CONSOLIDATED INCOME STATEMENT					
(1 January – 30 June 2012)					
	Banking	Stock brokerage and other	Combined	Eliminations	Total
Interest income	297,015	12,428	309,443	(2,770)	306,673
Interest expense	(83,690)	(20,535)	(104,225)	2,770	(101,455)
Net interest income	213,325	(8,107)	205,218	-	205,218
Net fee and commission income					
Net securities trading income / (loss)	5,639	7,134	12,773	-	12,773
Net derivative trading income / (loss)	(144)	3,669	3,525	-	3,525
Net foreign currency gains / (losses)	(241)	34,929	34,688	-	34,688
Net impairment loss on financial assets	3,724	(14,019)	(10,295)	-	(10,295)
	(4,171)	(690)	(4,861)	-	(4,861)
Net operating income after impairment	218,132	22,916	241,048	-	241,048
Other operating income					
Other operating expenses	18,020	8,693	26,713	(2,401)	24,312
Dividend income	(36,270)	(17,119)	(53,389)	2,862	(50,527)
Share of profit of equity-accounted investees	27,312	1,039	28,351	(22,740)	5,611
	9,048	-	9,048	-	9,048
Profit before income tax	236,242	15,529	251,771	(22,279)	229,492

TÜRKİYE SİNAİ KALKINMA BANKASI AŞ AND ITS SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
AS AT AND FOR THE PERIOD ENDED 30 JUNE 2013

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

4. SEGMENT REPORTING (continued)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION	Banking	Stock brokerage and other	Combined	Eliminations	Total
At 30 June 2013					
Total assets	11,345,614	716,970	12,062,584	(359,259)	11,703,325
Total liabilities	9,405,776	413,655	9,819,431	(164,297)	9,655,134
Equity before net profit & non-controlling interests	1,748,623	303,582	2,052,205	(275,276)	1,776,929
Net profit attributable to equity holders of the Bank	191,215	(267)	190,948	(2,745)	188,203
Non-controlling interests	-	-	-	83,059	83,059
Total equity	1,939,838	303,315	2,243,153	(194,962)	2,048,191
Total liabilities and equity	11,345,614	716,970	12,062,584	(359,259)	11,703,325
At 31 December 2012					
Total assets	10,310,691	816,152	11,126,843	(289,718)	10,837,125
Total liabilities	8,396,799	512,685	8,909,484	(102,159)	8,807,325
Equity before net profit & non-controlling interests	1,549,724	279,314	1,829,038	(231,185)	1,597,853
Net profit attributable to equity holders of the Bank	364,168	24,153	388,321	(40,601)	347,720
Non-controlling interests	-	-	-	84,227	84,227
Total equity	1,913,892	303,467	2,217,359	(187,559)	2,029,800
Total liabilities and equity	10,310,691	816,152	11,126,843	(289,718)	10,837,125

TÜRKİYE SİNAİ KALKINMA BANKASI AŞ AND ITS SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
AS AT AND FOR THE PERIOD ENDED 30 JUNE 2013

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

5. RELATED PARTIES

For the purposes of the accompanying 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 2013	31 December 2012
<u>Balances with related parties</u>		
Loans and advances to customers	131,954	141,809
Non-cash loans	117,868	117,825
Loans and advances to banks	121,625	94,292
Available for sale investment securities	49,123	39,114
Other assets	64	58
Other liabilities	19	6
	1 January- 30 June 2013	1 January- 30 June 2012
<u>Transactions with related parties</u>		
Interest income	3,884	3,345
Interest expense	(17)	(70)
Dividend income	13,493	5,611
Income from associates	13,189	9,047
Foreign exchange gain (loss), net	6,692	(4,582)
Net fee and commission income / (expense), net	288	217
Other income	776	72

Compensation of Key Management Personnel of the Group

Benefits provided to key management personnel in the current period amount to TL 6,652 (30 June 2012: TL 6,691).

6. COMMITMENTS AND CONTINGENCIES

	30 June 2013	31 December 2012
Letters of guarantee	760,584	635,768
Revocable and irrevocable commitments	3,524,642	2,801,714
Letters of credit	443,797	572,564
Swap and forward agreements	3,324,190	2,827,823
Option agreements	731,001	150,889
Future agreements	2,139	-
Other commitments	142	4,225
	8,786,495	6,992,983

TÜRKİYE SİNAİ KALKINMA BANKASI AŞ AND ITS SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
AS AT AND FOR THE PERIOD ENDED 30 JUNE 2013

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

6. COMMITMENTS AND CONTINGENCIES (continued)

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.

As at 30 June 2013, the Group manages 11 mutual funds (31 December 2012: 11) which were established under the regulations of the CMB. In accordance with these regulations and the charters of the funds, the Group purchases and sells marketable securities on behalf of funds, markets their participation certificates and provides other services in return for a management fee and undertakes management responsibility for their operations.

The nominal values of the assets held by the Group in agency or custodian capacities and financial assets under portfolio management amounted to TL 3,737,030 as at 30 June 2013 (31 December 2012: TL 3,522,323). As at 30 June 2013, securities at custody with market value amounted to TL 2,483,985 (31 December 2012: TL 2,316,350).

Securites Blocked and Letters of Guarantee Given to Borsa Istanbul (BIST) as Collateral for Trading on Markets

As at 30 June 2013, according to the general requirements of the BIST, letters of guarantee amounting to TL 21,660 (31 December 2012: TL 19,844) had been obtained from various local banks and were provided to BIST for bond and stock market transactions. Also, as at 30 June 2013 there is TL 2,102 letters of guarantee were given to the Capital Markets Board (31 December 2012: TL 2,102).

The Group's trading securities given as collateral or blocked amounted to TL 8,074 at the reporting date (31 December 2012: TL 7,973).

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.

There are 25 legal cases against the Group which are amounting to TL 1,200 as of the reporting date (31 December 2012: TL 964, 29 legal cases).

An inspection, including the period between 2008-2011 years, has been made by the inspectors of the Inspection Board relating to payments by the Parent Bank and employees to "Türkiye Sınai Kalkınma Bankası A.Ş. Mensupları Munzam Sosyal Güvenlik ve Yardımlaşma Sandığı Vakfı" (The Foundation) which was founded according to Turkish Commercial Law and Civil Law, as all complementary social security foundations. As a result, an inspection report was issued stating that the Parent Bank is liable, in accordance with the regulation on foundations, has been regarding the benefits of the members of the foundations and the amounts that the existing employees are liable could not be deducted from tax base and therefore imposing penal income withholding tax / stamp duty. Accordingly, tax / stamp duty and tax penalty totally amounting to TL 17,325 have been notified to the Parent Bank. The Parent Bank assesses that the Parent Bank's practice is in compliance with the legislation and there is no legal basis for the tax administration's suspended assessments, therefore, there is no need for provision. The Parent Bank has used the legal rights for that assessment. No provision has been provided as of the reporting date.

TÜRKİYE SİNAİ KALKINMA BANKASI AŞ AND ITS SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
AS AT AND FOR THE PERIOD ENDED 30 JUNE 2013

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

6. COMMITMENTS AND CONTINGENCIES (continued)

There is a lawsuit for the cancellation of the licence of construction dated 16 July 2008 numbered 1120 given for the Pendorya Mall of TSKB GYO registered in Pendik, Doğu District, plot 105, map 865, parcel 64 and related zoning plan dated 6 November 2007 scaled 1/1000 and for motion for stay of execution against Pendik Mayoralty. TSKB GYO is also involved in the instant case and Istanbul 9th Administrative Court ordered the cancellation of the licence and zoning plan with a right of appeal. As a result of the appeal, the Council of State also approved the resolution of the Court on 1 December 2011.

In addition, seeking the cancellation of the 1/1000 scaled zoning plan dated 6 November 2007 by the decision of 9th Administrative Court, the plaintiff also filed a lawsuit against Pendik Municipality on the Istanbul 3rd Administrative Court ("the Court") in order to demand grant a stay of execution suspending the cancellation of the construction and occupancy permits dated 4 December 2009 numbered 101 and 14 December 2009 dated 104 numbered given for Pendorya Mall. The Court issued a stay of execution on 31 December 2010 regarding related occupancy permits and the Court decided on 22 September 2011 to set aside the decision of the case on the basis of that cancellation of the construction licence dated 16 July 2008 numbered 1120 given to TSKB GYO for Pendorya Mall with 4 November 2010 dated resolution is due to the cancellation of 1/1000 scaled Zoning Plan. TSKB GYO, involved in the position to demand the motion for stay of execution of the mentioned cancellation resolution of the Court and has presented the petition of appeal to the Council of State on 4 November 2011. The request for the cancellation of the execution has been rejected on 16 January 2012.

Development functions and construction conditions of the real estates (land use decisions) are permitted by the Zoning Plan. New 1/5000 scaled, 25 December 2010 dated Zoning Plan for the area where Pendorya Shopping Mall is located, has become effective. According to the New 1/5000 scaled Zoning Plan, the related real estate's functions has been preserved. In accordance with the new zoning plan, 1/1000 scaled zoning plan has been prepared by Pendik Municipality and approved by the Pendik Municipality Council at 7 October 2011. Subsequent to the approval of 1/1000 scaled zoning plan by Istanbul Metropolitan Municipality, the Pendorya Mall's both construction licence and occupancy permit renewal application will be made.

Pendorya Mall was built in accordance with the 1/1000 scaled Zoning Plan that was in force at the date of construction and both construction licence and occupancy permits had been obtained in regular form at same date. Land amendment transactions are also completed accordingly. Land Registry records were still registered as a shopping center. Therefore, it is not expected that there will be a problem relating with the existing construction licence, new licence demand or operations of Pendorya Mall. As well as uncertainties about conclusion of lawsuits prevail as of report date, TSKB GYO management does not expect a conclusion that affects financial statements significantly, therefore the accompanying financial statements do not include probable effects of these lawsuits.

Ataman Turizm ve Ticaret Ltd. Şti, 1/20 owner of Pendorya Mall registered in Istanbul, Pendik town, Doğu District, plot 105, map 865, parcel 64, filed a lawsuit numbered 2012/327 E. at Pendik (Istanbul) 1. Magistrate's Court against the Company, 19/20 owner of Pendorya Mall for the end of partnership relations in Pendorya Mall with the Company, plaintiff filed the lawsuit with the complaint for the end of partnership relations by declaring and claiming that, the own shares in Pendorya Mall cannot be shared by mutual agreement, so if it is not possible, the shares should be sold and converted into cash by public auction. At 9 October 2012, Ataman Turizm ve Ticaret Ltd. Şti. withdrew the appeal filed for the end of the partnership relations on related real estate.

TÜRKİYE SİNAİ KALKINMA BANKASI AŞ AND ITS SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
AS AT AND FOR THE PERIOD ENDED 30 JUNE 2013

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

6. COMMITMENTS AND CONTINGENCIES (continued)

Other

The Group's 1 head office and 14 branches, including branches of subsidiaries, are subject to operational leasing. Additionally, 30 cars are within the context of operational leasing. The Group has no liability for operational leases as of the reporting date (31 December 2012: 1 head office, 14 branches and 30 cars are subject to operational leasing).

7. DERIVATIVE FINANCIAL INSTRUMENTS

	30 June 2013 Assets	30 June 2013 Liabilities	31 December 2012 Assets	31 December 2012 Liabilities
Currency swaps	3,278	(1,886)	4,518	(356)
Options	6,057	(7,960)	433	(366)
Foreign currency forward contracts	1,598	(1,739)	2,980	(2,729)
Interest rate swaps	10,351	(10,755)	15,312	(17,546)
Futures	28	-	-	-
	21,312	(22,340)	23,243	(20,997)

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 are primarily denominated in TL, USD and Euro.

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

	30 June 2013	31 December 2012
Forward foreign exchange contracts – buy	169,818	237,888
Forward foreign exchange contracts – sell	171,193	237,629
Currency swaps – buy	549,955	356,342
Currency swaps – sell	547,244	350,090
Interest rate swaps – buy	942,990	822,937
Interest rate swaps – sell	942,990	822,937
Currency option – buy	350,937	59,630
Currency option – sell	352,134	60,059
Interest option – buy	12,220	15,600
Interest option – sell	12,220	15,600
Security option – buy	1,745	-
Security option – sell	1,745	-
Interest rate futures– buy	-	-
Interest rate futures– sell	2,139	-
Other	142	-

TÜRKİYE SİNAİ KALKINMA BANKASI AŞ AND ITS SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
AS AT AND FOR THE PERIOD ENDED 30 JUNE 2013

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

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 periods ended 30 June 2013 and 30 June 2012 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 2013	1 January – 30 June 2012
Number of shares outstanding at 1 January	1,100,000,000	800,000,000
<i>New shares issued</i>		
Conversion of existing reserves ^(*)	200,000,000	300,000,000
Number of shares outstanding at the period end	1,300,000,000	1,100,000,000
Weighted average number of shares during the period ^(*)	1,300,000,000	1,300,000,000
Net profit (TL)	187,032	189,008
Basic and diluted earnings per share (in full TL)	0.1439	0.1454

^(*) 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.

9. EVENTS AFTER THE REPORTING PERIOD

None.