

**KUVEYT TÜRK KATILIM BANKASI
ANONİM ŐİRKETİ AND ITS FINANCIAL SUBSIDIARIES**

**INDEPENDENT AUDITOR'S
LIMITED REVIEW REPORT,
CONSOLIDATED FINANCIAL
STATEMENTS AND NOTES
FOR THE PERIOD
1 JANUARY- 30 JUNE 2017**

*Translated into English
from the Original Turkish Report*

**LIMITED REVIEW REPORT
FOR THE CONSOLIDATED INTERIM FINANCIAL INFORMATION**

To the Board of Directors of Kuveyt Türk Katılım Bankası A.Ş.

Introduction

We have reviewed the accompanying consolidated statement of financial position of Kuveyt Türk Katılım Bankası A.Ş. (“the Bank”) and its consolidated financial affiliates (together will be referred as “the Group”) as at 30 June 2017, and the consolidated statement of income, consolidated statement of income and expense items under shareholders’ equity, consolidated statement of changes in shareholders’ equity and consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Bank management is responsible for the preparation and fair presentation of the accompanying interim financial information in accordance with “the Banking Regulation and Supervision Agency (“BRSA”) Accounting and Reporting Regulations” including the regulation on “The Procedures and Principles Regarding Banks’ Accounting Practices and Maintaining Documents” published in the Official Gazette dated 1 November 2006 with No. 26333, and other regulations on accounting records of banks published by the Banking Regulation and Supervision Board and circulars and pronouncements published by the BRSA and Turkish Accounting Standard 34 “Interim Financial Reporting” principles for the matters not legislated by the aforementioned regulations. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with the Independent Auditing 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 reporting process, and applying analytical and other review procedures. A review of interim financial information is substantially less in scope than an independent audit conducted in accordance with Independent Auditing Standards and the objective of which is to express an opinion on the financial statements. Consequently, a review of the interim financial information does not provide assurance that the audit firm will be aware of all significant matters which would have been 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 interim financial information does not present fairly, in all material respects, the financial position of Kuveyt Türk Katılım Bankası A.Ş. and its financial affiliates as at 30 June 2017, and of the results of its operations and its cash flows for the six-month period then ended in accordance with the BRSA Accounting and Reporting Regulations.

Report on Other Legal and Regulatory Requirements

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information provided in the Management's interim report included in Section 8 of the accompanying financial statements, is not presented fairly, in all material respects, and is not consistent with the reviewed interim financial statements and the explanatory notes.

Additional paragraph for English translation:

The effect of the differences between the accounting principles summarized in Section 3 and the accounting principles generally accepted in countries in which the accompanying consolidated financial statements are to be distributed and International Financial Reporting Standards (IFRS) have not been quantified and reflected in the accompanying consolidated financial statements. The accounting principles used in the preparation of the accompanying consolidated financial statements differ materially from IFRS. Accordingly, the accompanying consolidated financial statements are not intended to present the Bank's financial position and results of its operations in accordance with accounting principles generally accepted in such countries of users of the financial statements and IFRS.

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

Yaman Polat, SMMM
Partner
İstanbul, 18 August 2017

THE CONSOLIDATED FINANCIAL REPORT OF KUVEYT TÜRK KATILIM BANKASI A.Ş.
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2017

Address of the head office : Büyükdere Cad. No: 129/1 34394 Esentepe / İSTANBUL
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The consolidated financial report for the six months designed by the Banking Regulation and Supervision Agency in line with Communiqué on Financial Statements to be Publicly Announced and the Related Policies and Disclosures consists of the sections listed below:

- GENERAL INFORMATION ABOUT THE PARENT BANK
- CONSOLIDATED INTERIM FINANCIAL STATEMENTS OF THE PARENT BANK
- EXPLANATIONS ON ACCOUNTING POLICIES
- INFORMATION ON FINANCIAL STRUCTURE OF THE GROUP WHICH IS UNDER CONSOLIDATION
- FOOTNOTES AND EXPLANATIONS ON CONSOLIDATED FINANCIAL STATEMENTS
- OTHER EXPLANATIONS
- INDEPENDENT LIMITED REVIEW REPORT
- CONSOLIDATED INTERIM REPORT

The subsidiaries, associates and jointly controlled entities, financial statements of which are consolidated within the framework of the reporting package are as follows:

	Subsidiaries	Associates	Jointly Controlled Entities
1.	KT Sukuk Varlık Kiralama A.Ş.	-	Katılım Emeklilik ve Hayat A.Ş.
2.	KT Kira Sertifikaları Varlık Kiralama A.Ş.	-	-
3.	Körfez Gayrimenkul Yatırım Ortaklığı A.Ş.	-	-
4.	KT Bank AG	-	-
5.	KT Portföy Yönetimi A.Ş.	-	-
6.	KT Sukuk Company Limited.	-	-

The consolidated financial statements and the explanatory footnotes and disclosures for the six month, unless otherwise indicated, are prepared in thousands of Turkish Lira, in accordance with the Communiqué on Banks' Accounting Practice and Maintaining Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards, related communiqués and the Banks' records, have been independently reviewed and presented as attached.

Hamad Abdulmohsen AL-MARZOUQ

Deputy Chairman of the BOD

Adnan ERTEM

Vice Chairman of the BOD and
Head of the Audit Committee

Ahmad S A A AL KHARJI

Member of the Audit
Committee

Mohamad AL-MIDANI

Member of the Audit
Committee

Ufuk UYAN

Chief Executive
Officer

Ahmet KARACA

Chief Financial Officer

İsmail Hakkı YEŞİLYURT

External Reporting Manager

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KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2017

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

SECTION ONE
GENERAL INFORMATION

I. History of the Parent Bank including its incorporation date, initial legal status and amendments to legal status

Kuveyt Türk Katılım Bankası A.Ş. (“The Bank” or “The Parent Bank”) was incorporated with the approval of the Central Bank of the Republic of Turkey (CBRT) on February 28, 1989 and commenced its operations on 31 March 1989, with the name of Kuveyt Türk Evkaf Finans Kurumu A.Ş. to comply with the Banking Act 5411, the title of the Bank has been changed to Kuveyt Türk Katılım Bankası A.Ş. with a change in the Articles of Association which was approved in the annual general meeting dated 26 April 2006. Main field of operation is, in addition to the Bank’s equity, to collect funds from domestic and foreign customers through “Current Accounts” and “Profit/Loss Sharing Accounts” and allocate such funds to the economy, to perform all kinds of financing activities in accordance with the regulations, to encourage the investments of all individuals and legal entities operating in agricultural, industrial, trading and service industries, participating into the operations of these entities or individuals and to form joint business partnerships and to perform all these activities in a non-interest environment.

The Bank’s subsidiary, KT Bank AG which is 100% owned by the Bank was established in April, 2015. Main field of its operations are providing interest free corporate banking services, acting as investment intermediary, providing consulting services, performing asset management activities, performing investment activities and collecting funds through current and profit/loss sharing accounts in compliance with the regulation.

The Parent Bank and consolidated financial subsidiaries are named as “Group” together.

II. Shareholding Structure, Shareholders Jointly or Individually Having Direct or Indirect, Control over the Management and Supervision of the Bank and the Disclosures on Any Related Changes in the Current Period, if any and information about the Group that the Bank belongs to

As of 30 June 2017, 62.24% of the Parent Bank’s shares are owned by Kuwait Finance House located in Kuwait, 18.72% by Vakıflar Genel Müdürlüğü Mazbut Vakıfları, 9.00% by The Public Institution For Social Security in Kuwait and 9.00% by Islamic Development Bank whereas the remaining 1.04% of the shares are owned by other real persons and legal entities.

III. Explanations on the Titles of Chairman and Members of the Board of Directors, Members of the Audit Committee, General Managers and Assistant General Managers and Their Shareholdings in the Parent Bank

Name	Title	Date of the assignment	Date of Audit Committee assignment	Educational degree	Ownership Percentage
Hamad Abdulmohsen AL MARZOUQ	Head of the BOD	25/06/2014		Master	-
Dr. Adnan ERTEM	Vice Chairman of the BOD and Head of the Audit Committee	10/10/2002	19/10/2010	Doctorate	-
Nadir ALPASLAN	Member of BOD	15/04/2011		Bachelor	-
Khaled Nasser Abdulaziz AL FOUZAN	Member of BOD	02/08/2006		Bachelor	-
Fawaz KH E AL SALEH	Member of BOD	20/10/2006		Bachelor	%0.0105
Mazin S.A.S AL NAHEDH	Member of BOD	29/09/2015		Bachelor	-
Mohamad Al-MIDANI	Member of BOD and Audit Committee	05/05/2015	15/05/2015	Master	-
Ahmed S. AL KHARJI	Member of BOD and Audit Committee	26/03/2014	24/09/2014	Master	-
Ufuk UYAN	Member of BOD and General Manager	10/05/1999		Master	%0.0556
Ahmet KARACA	Assistant General Manager and Chief Financial Officer	12/07/2006		Master	%0.0002
Ahmet Süleyman KARAKAYA	Assistant General Manager, Corporate and Commercial Banking	14/01/2003		Bachelor	-
Bilal SAYIN	Assistant General Manager, Lending	20/08/2003		Bachelor	%0.0035
İrfan YILMAZ	Assistant General Manager, Banking Services	27/10/2005		Bachelor	%0.0156
Dr. Ruşen Ahmet ALBAYRAK	Assistant General Manager, Treasury and International Banking	05/05/2005		Doctorate	%0.0091
Nurettin KOLAÇ	Assistant General Manager, Legal and Risk Follow Up	20/04/2010		Bachelor	%0.0007
Aslan DEMİR	Assistant General Manager, Strategy	08/10/2012		Bachelor	%0.0047
Mehmet ORAL	Assistant General Manager, Retail Banking	01/10/2012		Bachelor	%0.0029
Abdurrahman DELİPOYRAZ	Assistant General Manager, SME Banking	09/01/2015		Bachelor	%0.0028

Chairman and members of the Board of Directors, members of auditing committee, general manager and assistant general managers own 0.11 % of the Bank’s share capital (31 December 2016 – 0.11%).

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2017

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

IV. Information on qualified shareholders at Parent Bank

Name / Commercial Name	Share amount (Nominal)	Shareholding percentage	Paid shares (Nominal)	Unpaid shares
Kuwait Finance House	1,929,479	%62.24	1,929,479	-
Vakıflar Genel Müdürlüğü Mazbut Vakıfları	580,297	%18.72	580,297	-
Total	2,509,776	%80.96	2,509,776	-

As of 30 June 2017, the shares of parent shareholder of the Parent Bank, Kuwait Finance House (“KFH”) are 52.12% publicly traded; 24.08% of KFH belongs to Kuwait Investment Authority and 10.48% belongs to Public Authority for Minors Affairs.

V. Summary information of the Parent Bank’s services and field of operations

The Parent Bank’s field of operations includes corporate banking, international banking services, and retail banking and credit card services. The Parent Bank’s core business is to operate in accordance with the principles of interest-free banking as a participation bank by collecting funds through current and profit/loss sharing accounts, and lending such funds to its customers. As of 30 June 2017, the Group is operating through 402 branches (31 December 2016 – 391) with 5,680 employees (31 December 2016 – 5,691). Summary of some of the Parent Bank’s operations described in the Articles of Association are as follows;

- To collect funds through Current Accounts and Profit/Loss Sharing Accounts and special fund pools in line with the regulations,
- To allocate funds to the economy and provide all kinds of cash, non-cash loans within the principles of non-interest banking,
- To offer financial and operational leasing,
- To handle all kinds of deposits and payments, travelers’ checks, credit cards and other payment instruments, provide member business services (POS), consulting, advisory, and safe deposit box services,
- To purchase financial instruments on money and capital markets in cash or installments, sell and mediate the sale and trade on the stock exchange in accordance with legislation and principles of non-interest banking,
- To purchase, acquire and construct any kind of real estate and if necessary lease or transfer ownership to other persons,
- To act as a representative, deputy or agent for corporations and enterprises (including insurance companies),
- To provide socially responsible aid for the benefit of the Bank in line with the legislations.

The Parent Bank’s activities are not limited to the list above. If another transaction is decided to be beneficial to the Parent Bank, the transaction must be recommended by the Board of Directors, approved by the General Assembly and authorized by relevant legal authorities after whom it also needs to be approved by the Ministry of Customs and Trade since it constitutes an amendment of the Article of Association. Decisions that have been approved through all these channels will be included to the Article of Association.

VI. Information on application differences between consolidation practices as per the Regulation on Preparation of Consolidated Financial Statements of Banks and as per the Turkish Accounting Standards, and entities subject to full or proportional consolidation or deducted from equity or not subject to any of these three methods

As per the Regulation on Preparation of Consolidated Financial Statements of Banks, the investments in financial affiliates are subject to consolidation whereas as per the Turkish Accounting Standards, the investments in both financial and non-financial subsidiaries are subject to consolidation. There are no investments in entities subject to proportional consolidation or to deduction from equity.

VII. Current or likely actual legal barriers to immediate transfer of equity or repayment of debts between Parent Bank and its subsidiaries

None.

SECTION TWO

THE CONSOLIDATED FINANCIAL STATEMENTS

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- II. Consolidated Statement of Off-Balance Sheet Commitments
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- V. Consolidated Statement of Changes in Shareholders' Equity
- VI. Consolidated Cash Flows Statement

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
CONSOLIDATED BALANCE SHEET AS OF 30 JUNE 2017
(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

I. CONSOLIDATED BALANCE SHEET-ASSETS (STATEMENT OF FINANCIAL POSITION)

		Reviewed Current Period 30.06.2017			Audited Prior Period 31.12.2016			
	Note	TL	FC	Total	TL	FC	Total	
I.	CASH AND BALANCES WITH THE CENTRAL BANK	(I-a)	452,670	7,581,795	8,034,465	695,627	7,630,187	8,325,814
II.	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (Net)	(I-b)	63,900	70,258	134,158	36,056	125,663	161,719
2.1	Held for trading financial assets		63,900	70,258	134,158	36,056	125,663	161,719
2.1.1	Public sector debt securities		46,168	32,091	78,259	10,760	36,148	46,908
2.1.2	Equity securities		-	-	-	-	-	-
2.1.3	Derivative financial assets held for trading		17,732	10,697	28,429	22,217	87,833	110,050
2.1.4	Other marketable securities		-	27,470	27,470	3,079	1,682	4,761
2.2	Financial assets at fair value through profit and loss		-	-	-	-	-	-
2.2.1	Public sector debt securities		-	-	-	-	-	-
2.2.2	Equity securities		-	-	-	-	-	-
2.2.3	Loans		-	-	-	-	-	-
2.2.4	Other marketable securities		-	-	-	-	-	-
III.	BANKS	(I-c)	15,716	3,308,821	3,324,537	26,887	4,753,493	4,780,380
IV.	MONEY MARKET PLACEMENTS		-	-	-	-	-	-
V.	FINANCIAL ASSETS AVAILABLE FOR SALE (Net)	(I-d)	1,928,822	2,487,975	4,416,797	1,835,182	1,917,545	3,752,727
5.1	Equity securities		10,325	43,156	53,481	10,325	43,160	53,485
5.2	Public sector debt securities		1,911,863	2,059,237	3,971,100	1,821,991	1,500,041	3,322,032
5.3	Other marketable securities		6,634	385,582	392,216	2,866	374,344	377,210
VI.	LOANS AND RECEIVABLES	(I-e)	27,153,438	5,457,644	32,611,082	23,266,913	5,367,770	28,634,683
6.1	Loans and receivables		27,011,429	5,457,644	32,469,073	23,104,574	5,368,014	28,472,588
6.1.1	Loans to risk group of the Bank		84,686	61,573	146,259	73,485	62,891	136,376
6.1.2	Public sector debt securities		-	-	-	-	-	-
6.1.3	Other		26,926,743	5,396,071	32,322,814	23,031,089	5,305,123	28,336,212
6.2	Non-performing loans		859,053	543	859,596	748,062	552	748,614
6.3	Specific provisions (-)		717,044	543	717,587	585,723	796	586,519
VII.	HELD TO MATURITY INVESTMENTS (Net)	(I-f)	-	-	-	-	-	-
VIII.	INVESTMENTS IN ASSOCIATES (Net)	(I-g)	-	-	-	-	-	-
8.1	Accounted for under equity method		-	-	-	-	-	-
8.2	Unconsolidated associates		-	-	-	-	-	-
8.2.1	Financial associates		-	-	-	-	-	-
8.2.2	Non-financial associates		-	-	-	-	-	-
IX.	INVESTMENTS IN SUBSIDIARIES (Net)	(I-h)	23,680	-	23,680	23,680	-	23,680
9.1	Unconsolidated financial subsidiaries		-	-	-	-	-	-
9.2	Unconsolidated non-financial subsidiaries		23,680	-	23,680	23,680	-	23,680
X.	ENTITIES UNDER COMMON CONTROL (JOINT VENT.) (Net)	(I-i)	17,385	-	17,385	15,301	-	15,301
10.1	Accounted for under equity method		17,385	-	17,385	15,301	-	15,301
10.2	Unconsolidated		-	-	-	-	-	-
10.2.1	Financial subsidiaries		-	-	-	-	-	-
10.2.2	Non-financial subsidiaries		-	-	-	-	-	-
XI.	FINANCE LEASE RECEIVABLES	(I-j)	1,165,090	580,169	1,745,259	1,104,588	439,955	1,544,543
11.1	Finance lease receivables		1,318,666	685,637	2,004,303	1,241,824	503,366	1,745,190
11.2	Operating lease receivables		-	-	-	-	-	-
11.3	Other		-	-	-	-	-	-
11.4	Unearned income (-)		153,576	105,468	259,044	137,236	63,411	200,647
XII.	DERIVATIVE FINANCIAL ASSETS FOR HEDGING PURPOSES	(I-k)	-	-	-	-	-	-
12.1	Fair value hedge		-	-	-	-	-	-
12.2	Cash flow hedge		-	-	-	-	-	-
12.3	Hedge of net investment risks in foreign operations		-	-	-	-	-	-
XIII.	TANGIBLE ASSETS (Net)		452,264	5,895	458,159	439,614	5,558	445,172
XIV.	INTANGIBLE ASSETS (Net)		110,048	46,445	156,493	95,328	45,138	140,466
14.1	Goodwill		-	-	-	-	-	-
14.2	Other		110,048	46,445	156,493	95,328	45,138	140,466
XV.	INVESTMENT PROPERTIES (Net)		-	-	-	-	-	-
XVI.	TAX ASSET	(I-l)	114,189	-	114,189	118,111	-	118,111
16.1	Current tax asset		-	-	-	-	-	-
16.2	Deferred tax asset		114,189	-	114,189	118,111	-	118,111
XVII.	ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)		44,618	-	44,618	47,975	-	47,975
17.1	Held for sale		44,618	-	44,618	47,975	-	47,975
17.2	Discontinued operations		-	-	-	-	-	-
XVIII.	OTHER ASSETS	(I-m)	684,166	549,776	1,233,942	336,264	399,200	735,464
TOTAL ASSETS			32,225,986	20,088,778	52,314,764	28,041,526	20,684,509	48,726,035

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
CONSOLIDATED BALANCE SHEET AS OF 30 JUNE 2017
(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

I. CONSOLIDATED BALANCE SHEET – LIABILITIES AND EQUITY (STATEMENT OF FINANCIAL POSITION)

	Note	Reviewed Current Period 30.06.2017			Audited Prior Period 31.12.2016		
		TL	FC	Total	TL	FC	Total
I. FUND COLLECTED	(II-a)	18,676,844	17,987,388	36,664,232	17,920,145	14,092,833	32,012,978
1.1 Funds from risk group of the Bank		224,635	125,914	350,549	73,536	117,619	191,155
1.2 Other		18,452,209	17,861,474	36,313,683	17,846,609	13,975,214	31,821,823
II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	(II-b)	14,065	64,954	79,019	40,580	79,147	119,727
III. FUNDS BORROWED	(II-c)	82,154	3,176,102	3,258,256	59,080	3,215,662	3,274,742
IV. MONEY MARKET BALANCES		-	-	-	1,219,873	-	1,219,873
V. MARKETABLE SECURITIES ISSUED (Net)	(II-d)	694,014	4,201,326	4,895,340	580,571	4,174,842	4,755,413
VI. SUNDRY CREDITORS	(II-e)	190,281	29,176	219,457	133,655	35,495	169,150
VII. OTHER LIABILITIES	(II-e)	739,421	62,019	801,440	416,174	23,611	439,785
VIII. FINANCE LEASE PAYABLES	(II-f)	-	13	13	-	226	226
8.1 Finance lease payables		-	53	53	-	265	265
8.2 Operating lease payables		-	-	-	-	-	-
8.3 Other		-	-	-	-	-	-
8.4 Deferred finance lease expenses (-)		-	40	40	-	39	39
IX. DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING PURPOSES	(II-g)	-	108,199	108,199	-	137,829	137,829
9.1 Fair value hedge		-	-	-	-	-	-
9.2 Cash flow hedge		-	108,199	108,199	-	137,829	137,829
9.3 Hedge of net investment in foreign operations		-	-	-	-	-	-
X. PROVISIONS	(II-h)	519,425	137,198	656,623	455,692	127,312	583,004
10.1 General loan loss provisions		304,758	83,189	387,947	238,276	80,549	318,825
10.2 Restructuring provisions		-	-	-	-	-	-
10.3 Reserve for employee benefits		115,324	116	115,440	129,223	15	129,238
10.4 Insurance technical reserves (net)		-	-	-	-	-	-
10.5 Other provisions		99,343	53,893	153,236	88,193	46,748	134,941
XI. TAX LIABILITY	(II-i)	73,709	-	73,709	27,842	-	27,842
11.1 Current tax liability		73,709	-	73,709	27,842	-	27,842
11.2 Deferred tax liability		-	-	-	-	-	-
XII. PAYABLES RELATED TO ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)		-	-	-	-	-	-
12.1 Held for sale		-	-	-	-	-	-
12.2 Discontinued operations		-	-	-	-	-	-
XIII. SUBORDINATED LOANS	(II-j)	-	1,267,450	1,267,450	-	1,981,646	1,981,646
XIV. SHAREHOLDERS' EQUITY	(II-k)	4,373,003	(81,977)	4,291,026	4,091,183	(87,363)	4,003,820
14.1 Paid-in capital		3,097,322	-	3,097,322	2,787,322	-	2,787,322
14.2 Capital reserves		(33,821)	11,064	(22,757)	(65,314)	(30,347)	(95,661)
14.2.1 Share premium		24,208	-	24,208	24,208	-	24,208
14.2.2 Share cancellation profits		-	-	-	-	-	-
14.2.3 Marketable securities revaluation reserve		(3,783)	11,064	7,281	(4,933)	(30,347)	(35,280)
14.2.4 Tangible assets revaluation reserve		-	-	-	-	-	-
14.2.5 Intangible assets revaluation reserve		-	-	-	-	-	-
14.2.6 Investment property revaluation reserve		-	-	-	-	-	-
14.2.7 Bonus shares obtained from associates, subsidiaries and jointly controlled entities		-	-	-	-	-	-
14.2.8 Hedging funds (effective portion)		(40,493)	-	(40,493)	(70,836)	-	(70,836)
14.2.9 Value increase on assets held for resale		-	-	-	-	-	-
14.2.10 Other capital reserves		(13,753)	-	(13,753)	(13,753)	-	(13,753)
14.3 Profit reserves		897,934	-	897,934	741,764	-	741,764
14.3.1 Legal reserves		150,389	-	150,389	122,861	-	122,861
14.3.2 Status reserves		-	-	-	-	-	-
14.3.3 Extraordinary reserves		688,628	-	688,628	351,949	-	351,949
14.3.4 Other profit reserves		58,917	-	58,917	266,954	-	266,954
14.4 Profit or loss		390,339	(93,041)	297,298	607,418	(57,016)	550,402
14.4.1 Prior period income/(losses)		86,367	(77,931)	8,436	1,365	(22,304)	(20,939)
14.4.2 Current period income/(losses)		303,972	(15,110)	288,862	606,053	(34,712)	571,341
14.5 Minority shares	(II-l)	21,229	-	21,229	19,993	-	19,993
TOTAL LIABILITIES AND EQUITY		25,362,916	26,951,848	52,314,764	24,944,795	23,781,240	48,726,035

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
STATEMENT OF CONSOLIDATED OFF-BALANCE SHEET COMMITMENTS AND
CONTINGENCIES AS OF 30 JUNE 2017

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

II. CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES

Note	Reviewed Current period 30.06.2017			Audited Prior period 31.12.2016		
	TL	FC	Total	TL	FC	Total
A. OFF BALANCE SHEET CONTINGENCIES AND COMMITMENTS (I+II+III)	50,771,680	21,008,652	71,780,332	45,504,238	19,739,616	65,243,854
I. GUARANTEES (III-a)	6,322,015	4,395,786	10,717,801	5,177,182	4,712,035	9,889,217
1.1 Letters of guarantees	6,226,512	3,025,608	9,252,120	5,026,495	3,089,530	8,116,025
1.1.1 Guarantees subject to state tender law	206,781	-	206,781	163,646	-	163,646
1.1.2 Guarantees given for foreign trade operations	458,371	185,119	643,490	451,059	220,807	671,866
1.1.3 Other letters of guarantee	5,561,360	2,840,489	8,401,849	4,411,790	2,868,723	7,280,513
1.2 Bank loans	3,600	72,032	75,632	2,071	49,973	52,044
1.2.1 Import letter of acceptances	3,600	72,032	75,632	2,071	49,973	52,044
1.2.2 Other bank acceptances	-	-	-	-	-	-
1.3 Letter of credits	1,128	995,528	996,656	188	1,019,598	1,019,786
1.3.1 Documentary letter of credits	78	407,413	407,491	78	302,149	302,227
1.3.2 Other letter of credits	1,050	588,115	589,165	110	717,449	717,559
1.4 Pre-financing given as guarantee	-	25,860	25,860	-	25,642	25,642
1.5 Endorsements	-	-	-	-	-	-
1.5.1 Endorsements to the Central Bank of Republic of Turkey	-	-	-	-	-	-
1.5.2 Other endorsements	-	-	-	-	-	-
1.6 Other guarantees	90,775	276,758	367,533	148,428	527,292	675,720
1.7 Other collaterals	-	-	-	-	-	-
II. COMMITMENTS (III-a)	40,859,694	2,566,458	43,426,152	34,594,651	711,955	35,306,606
2.1 Irrevocable commitments	2,924,188	2,566,458	5,490,646	2,569,656	711,955	3,281,611
2.1.1 Forward asset purchase commitments	164,861	2,559,197	2,724,058	316,785	710,168	1,026,953
2.1.2 Share capital commitment to associates and subsidiaries	-	-	-	-	-	-
2.1.3 Loan granting commitments	262,855	-	262,855	151,838	-	151,838
2.1.4 Securities underwriting commitments	-	-	-	-	-	-
2.1.5 Commitments for reserve deposit requirements	-	-	-	-	-	-
2.1.6 Payment commitment for checks	1,305,368	-	1,305,368	1,178,750	-	1,178,750
2.1.7 Tax and fund liabilities from export commitments	99	-	99	99	-	99
2.1.8 Commitments for credit card expenditure limits	1,173,248	-	1,173,248	904,427	-	904,427
2.1.9 Commitments for promotions related with credit cards and banking activities	-	-	-	-	-	-
2.1.10 Receivables from short sale commitments	-	-	-	-	-	-
2.1.11 Payables for short sale commitments	-	-	-	-	-	-
2.1.12 Other irrevocable commitments	17,757	7,261	25,018	17,757	1,787	19,544
2.2 Revocable commitments	37,935,506	-	37,935,506	32,024,995	-	32,024,995
2.2.1 Revocable loan granting commitments	37,935,506	-	37,935,506	32,024,995	-	32,024,995
2.2.2 Other revocable commitments	-	-	-	-	-	-
III. DERIVATIVE FINANCIAL INSTRUMENTS	3,589,971	14,046,408	17,636,379	5,732,405	14,315,626	20,048,031
3.1 Derivative financial instruments for hedging purposes	-	1,418,547	1,418,547	-	1,391,124	1,391,124
3.1.1 Fair value hedge	-	-	-	-	-	-
3.1.2 Cash flow hedge	-	1,418,547	1,418,547	-	1,391,124	1,391,124
3.1.3 Hedge of net investment in foreign operations	-	-	-	-	-	-
3.2 Held for trading transactions	3,589,971	12,627,861	16,217,832	5,732,405	12,924,502	18,656,907
3.2.1 Forward foreign currency buy/sell transactions	973,781	1,381,183	2,354,964	1,499,492	1,909,112	3,408,604
3.2.1.1 Forward foreign currency transactions-buy	512,264	669,239	1,181,503	712,215	995,591	1,707,806
3.2.1.2 Forward foreign currency transactions-sell	461,517	711,944	1,173,461	787,277	913,521	1,700,798
3.2.2 Other forward buy/sell transactions	2,616,190	11,246,678	13,862,868	4,232,913	11,015,390	15,248,303
3.3 Other	-	-	-	-	-	-
B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)	237,796,073	104,216,462	342,012,535	205,775,245	106,164,950	311,940,195
IV. ITEMS HELD IN CUSTODY	8,471,028	3,282,168	11,753,196	7,081,056	2,528,760	9,609,816
4.1 Assets under management	20,794	-	20,794	20,794	-	20,794
4.2 Investment securities held in custody	1,645,280	56,541	1,701,821	738,025	58,268	796,293
4.3 Checks received for collection	5,705,766	603,493	6,309,259	5,292,095	539,190	5,831,285
4.4 Commercial notes received for collection	1,099,188	161,196	1,260,384	1,030,142	144,880	1,175,022
4.5 Other assets received for collection	-	-	-	-	-	-
4.6 Assets received for public offering	-	-	-	-	-	-
4.7 Other items under custody	-	-	-	-	-	-
4.8 Custodians	-	2,460,938	2,460,938	-	1,786,422	1,786,422
V. PLEDGED ITEMS	229,313,406	100,893,001	330,206,407	198,682,550	103,595,106	302,277,656
5.1 Marketable securities	198,225	66,440	264,665	222,995	63,991	286,986
5.2 Guarantee notes	101,921	1,422,317	1,524,238	101,921	1,421,085	1,523,006
5.3 Commodity	4,603,239	445,959	5,049,198	3,962,735	640,558	4,603,293
5.4 Warranty	-	-	-	-	-	-
5.5 Properties	94,313,611	1,804,040	96,117,651	84,503,198	1,815,288	86,318,486
5.6 Other pledged items	130,096,410	97,154,245	227,250,655	109,891,701	99,654,184	209,545,885
5.7 Pledged items-depository	-	-	-	-	-	-
VI. ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES	11,639	41,293	52,932	11,639	41,084	52,723
TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)	288,567,753	125,225,114	413,792,867	251,279,483	125,904,566	377,184,049

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
CONSOLIDATED INCOME STATEMENT FOR THE PERIOD ENDED
30 JUNE 2017

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

III. CONSOLIDATED INCOME STATEMENT (STATEMENT OF PROFIT / LOSS)

		Current Period Reviewed 01.01.2017 - 30.06.2017	Prior Period Reviewed 01.01.2016 - 30.06.2016	Current Period Reviewed 01.01.2017 - 30.06.2017	Prior Period Reviewed 01.01.2016 - 30.06.2016
	Notes				
I.	PROFIT SHARE INCOME	1,745,062	1,507,773	903,271	782,991
1.1	Profit share on loans	1,506,051	1,323,818	782,790	681,535
1.2	Profit share on reserve deposits	20,351	13,143	11,707	6,060
1.3	Profit share on banks	9,949	15,132	2,045	12,986
1.4	Profit share on money market placements	-	-	-	-
1.5	Profit share on marketable securities portfolio	134,173	94,072	68,582	50,230
1.5.1	Held-for-trading financial assets	-	-	-	-
1.5.2	Financial assets at fair value through profit and loss	6,015	3,549	3,686	1,823
1.5.3	Available-for-sale financial assets	128,158	90,523	64,896	48,407
1.5.4	Investments held-to-maturity	-	-	-	-
1.6	Finance lease income	62,139	51,061	31,194	26,671
1.7	Other profit share income	12,399	10,547	6,953	5,509
II.	PROFIT SHARE EXPENSE	787,877	659,454	389,622	349,749
2.1	Expense on profit sharing accounts	542,206	424,075	278,512	218,051
2.2	Profit share expense on funds borrowed	102,794	90,059	40,589	55,339
2.3	Profit share expense on money market borrowings	2,404	31,721	-	18,498
2.4	Expense on securities issued	140,473	113,425	70,521	57,759
2.5	Other profit share expense	-	174	-	102
III.	NET PROFIT SHARE INCOME (I - II)	957,185	848,319	513,649	433,242
IV.	NET FEES AND COMMISSIONS INCOME/EXPENSE	113,547	85,047	59,094	46,827
4.1	Fees and commissions received	189,446	152,793	100,527	81,222
4.1.1	Non-cash loans	55,107	42,950	29,372	22,055
4.1.2	Other	134,339	109,843	71,155	59,167
4.2	Fees and commissions paid	75,899	67,746	41,433	34,395
4.2.1	Non-cash loans	7	1,906	3	1,870
4.2.2	Other	75,892	65,840	41,430	32,525
V.	DIVIDEND INCOME	-	509	-	-
VI.	NET TRADING INCOME	200,755	97,717	70,107	71,502
6.1	Capital market transaction gains / (losses)	3,200	4,137	35	3,485
6.2	Gains/ (losses) from derivative financial instruments	(302,396)	21,300	(109,141)	33,748
6.3	Foreign exchange gains / (losses)	499,951	72,280	179,213	34,269
VII.	OTHER OPERATING INCOME	122,422	139,050	81,757	79,212
VIII.	NET OPERATING INCOME (III+IV+V+VI+VII)	1,393,909	1,170,642	724,607	630,783
IX.	PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)	383,878	268,216	243,078	152,328
X.	OTHER OPERATING EXPENSES (-)	621,808	560,002	297,965	279,136
XI.	NET OPERATING INCOME/(LOSS) (VIII-IX-X)	388,223	342,424	183,564	199,319
XII.	AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER	-	-	-	-
XIII.	GAIN / (LOSS) ON EQUITY METHOD	2,084	(329)	1,456	242
XIV.	GAIN / (LOSS) ON NET MONETARY POSITION	-	-	-	-
XV.	PROFIT/(LOSS) FROM CONTINUED OPERATIONS BEFORE TAXES (XI+...+XIV)	390,307	342,095	185,020	199,561
XVI.	TAX CHARGE FOR CONTINUED OPERATIONS (±)	(100,209)	(63,197)	(56,633)	(33,404)
16.1	Current income tax charge	(103,176)	(42,961)	(72,495)	(26,733)
16.2	Deferred tax charge / benefit	2,967	(20,236)	15,862	(6,671)
XVII.	NET PROFIT/(LOSS) FROM CONTINUED OPERATIONS (XV±XVI)	290,098	278,898	128,387	166,157
XVII.	INCOME ON DISCONTINUED OPERATIONS	-	-	-	-
18.1	Income on assets held for sale	-	-	-	-
18.2	Income on sale of associates, subsidiaries and jointly controlled entities (joint vent.)	-	-	-	-
18.3	Income on other discontinued operations	-	-	-	-
XIX.	LOSS FROM DISCONTINUED OPERATIONS (-)	-	-	-	-
19.1	Loss from assets held for sale	-	-	-	-
19.2	Loss on sale of associates, subsidiaries and jointly controlled entities (joint vent.)	-	-	-	-
19.3	Loss from other discontinued operations	-	-	-	-
XX.	PROFIT / (LOSS) ON DISCONTINUED OPERATIONS BEFORE TAXES (XVIII-XIX)	-	-	-	-
XXI.	TAX CHARGE FOR DISCONTINUED OPERATIONS (±)	-	-	-	-
21.1	Current income tax charge	-	-	-	-
21.2	Deferred tax charge / benefit	-	-	-	-
XXII.	NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XX±XXI)	-	-	-	-
XXII.	NET PROFIT/LOSS (XVII+XXII)	290,098	278,898	128,387	166,157
23.1	Group's income/loss	288,862	271,261	128,035	158,355
23.2	Minority interest income/loss (-)	1,236	7,637	352	7,802
	Earnings per share income/loss (full TL)	-	-	-	-

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
STATEMENTS OF CONSOLIDATED PROFIT AND LOSS ACCOUNTED FOR UNDER
EQUITY FOR THE PERIOD ENDED 30 JUNE 2017

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

IV. CONSOLIDATED STATEMENT OF PROFIT AND LOSS ACCOUNTED FOR UNDER
EQUITY (STATEMENT OF OTHER COMPREHENSIVE INCOME AND LOSS)

	Reviewed Current Period 01.01.2017- 30.06.2017	Reviewed Prior Period 01.01.2016- 30.06.2016
I. Additions to marketable securities revaluation differences from available for sale financial assets	52,013	27,690
II. Tangible assets revaluation differences	-	-
III. Intangible assets revaluation differences	-	-
IV. Currency translation differences for foreign currency transactions	7,888	(1,808)
V. Profit/loss from derivative financial instruments for cash flow hedge purposes (effective portion of fair value differences)	1,405	(71)
VI. Profit/loss from derivative financial instruments for hedge of net investment in foreign operations (effective portion of fair value differences)	(14,218)	103
VII. The effect of corrections of errors and changes in accounting policies	-	-
VIII. Other profit loss items accounted under equity as per Turkish accounting standards	-	-
IX. Deferred tax on valuation differences	(6,889)	(5,545)
X. Total net profit/loss accounted under equity (I+II+...+IX)	40,199	20,369
XI. Profit/loss	290,098	271,261
XI.1 Change in fair value of marketable securities (transfer to profit/loss)	(1,114)	215
XI.2 Reclassification of derivatives accounted for cash flow hedge purposes to income statement	-	-
XI.3 Reclassification of hedge of net investments in foreign operations to income statement	-	-
XI.4 Other	291,212	271,046
XII. Total profit/loss accounted for the period (X±XI)	330,297	291,630

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIOD ENDED 30 JUNE 2017
(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

V. CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Reviewed	Note	Paid-in capital	Effect of inflation accounting on paid-in capital and other capital reserves	Share Premium	Share certificate cancellation profits	Legal reserves	Statutory reserves	Extraordinary reserve	Other reserve	Current period net income / (loss)	Prior period net income / (loss)	Marketable securities revaluation reserve	Tangible and intangible assets revaluation fund	Bonus shares from investments	Hedging reserves	Asset held for sale and disc.op. valuation fund	Total excluding minority interest	Minority interest	Total equity	
Prior Period – (01.01.2016 - 30.06.2016)																				
I.	Balances at beginning of the period	2,527,322	-	24,208	-	100,287	-	241,553	146,000	-	423,742	5,394	-	-	(32,633)	-	3,435,873	12,258	3,448,131	
II.	Correction made as per TAS 8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2.1	Effect of corrections	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2.2	Effect of changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
III.	Adjusted balances at beginning of the period (I+II)	2,527,322	-	24,208	-	100,287	-	241,553	146,000	-	423,742	5,394	-	-	(32,633)	-	3,435,873	12,258	3,448,131	
Changes during the period																				
IV.	Increase/decrease related to merger	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
V.	Marketable securities revaluation differences	-	-	-	-	-	-	-	-	-	-	22,152	-	-	-	-	22,152	-	22,152	
VI.	Hedging funds (effective portion)	-	-	-	-	-	-	-	(82)	-	-	-	-	-	25	-	(57)	-	(57)	
6.1	Cash-flow hedge	-	-	-	-	-	-	-	-	-	-	-	-	-	(57)	-	(57)	-	(57)	
6.2	Hedge of net investment in foreign operations	-	-	-	-	-	-	-	(82)	-	-	-	-	-	82	-	-	-	-	
VII.	Tangible assets revaluation differences	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VIII.	Intangible assets revaluation differences	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
IX.	Bonus shares obtained from associates, subsidiaries and jointly controlled operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
X.	Foreign exchange differences	-	-	-	-	-	-	-	(1,726)	-	-	-	-	-	-	-	(1,726)	-	(1,726)	
XI.	Changes related to the disposal of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XII.	Changes related to the reclassification of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XIII.	The effect of change in associate's equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XIV.	Capital increase	(II-k)	260,000	-	-	-	-	-	(476)	-	(259,524)	-	-	-	-	-	-	-	-	
14.1	Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
14.2	Internal sources	(II-k)	260,000	-	-	-	-	-	(476)	-	(259,524)	-	-	-	-	-	-	-	-	
XV.	Share issue premium	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XVI.	Share cancellation profits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XVII.	Inflation adjustment to paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XVII	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
I.	Net income/(loss) for the period	-	-	-	-	-	-	-	-	271,261	-	-	-	-	-	-	271,261	7,637	278,898	
XX.	Profit distribution	-	-	-	-	22,574	-	110,396	48,788	-	(185,157)	-	-	-	-	-	(3,399)	-	(3,399)	
20.1	Dividends distributed	(V-b)	-	-	-	-	-	-	-	-	(3,399)	-	-	-	-	-	(3,399)	-	(3,399)	
20.2	Transfers to reserves	-	-	-	-	22,574	-	110,396	48,788	-	(181,758)	-	-	-	-	-	-	-	-	
20.3	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Balances at end of the period (I+II+III+...+XVI+XVII+XVIII)		(II-k)	2,787,322	-	24,208	-	122,861	-	351,949	192,504	271,261	(20,939)	27,546	-	-	(32,608)	-	3,724,104	19,895	3,743,999

(*) The Parent Bank has decided to allocate the first legal reserve amounting to TL 22,234 at the Ordinary General Assembly meeting dated 4 April 2016 and to use the proceeds of the sale of real estate amounting to TL 48,788 to distribute the proceeds of the sale of the real estate to the other deposits and then to use it for the capital increase from internal sources. , TL 3,399 dividend payment to the directors, TL 259,524 profit to be distributed to the shareholders and to be used in the capital increase to be made from the internal sources and to be distributed to the shareholders in proportion to the shareholding shares in the capital, to reserve the second legal reserve amounting to TL 340 and to leave the remaining TL 110,396 as extraordinary reserves. The support of the research and development activities numbered TL 340 for the development activities carried out in accordance with Article 3 of the Law, To be used in the capital increase to be made from internal sources and to be used for capital increase from domestic sources of TL 476 transferred to other reserves obtained from immovable sales in previous periods.

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIOD ENDED 30 JUNE 2017
(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

V. CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Reviewed	Note	Paid-in capital	Effect of inflation accounting on paid-in capital and other capital reserves	Share Premium	Share certificate cancellation profits	Legal reserves	Statutory reserves	Extraordinary reserve	Other reserve	Current period net income / (loss)	Prior period net income / (loss)	Marketable securities revaluation reserve	Tangible and intangible assets revaluation fund	Bonus shares from investments	Hedging reserves	Asset held for sale and disc.op. valuation fund	Total excluding minority interest	Minority interest	Total equity
Current Period – (01.01.2017-30.06.2017)																			
I.	Balances at beginning of the period	2,787,322	-	24,208	-	122,861	-	351,949	253,201	-	550,402	(35,280)	-	-	(70,836)	-	3,983,827	19,993	4,003,820
	Changes during the period																		
II.	Increase/decrease related to merger	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	Marketable securities revaluation differences	-	-	-	-	-	-	-	-	-	-	42,561	-	-	-	-	-	-	-
IV.	Hedging funds (effective portion)	-	-	-	-	-	-	-	-	-	-	-	-	-	(10,250)	-	42,561	-	42,561
4.1	Cash-flow hedge	-	-	-	-	-	-	-	-	11,374	-	-	-	-	-	1,124	-	-	1,124
4.2	Hedge of net investment in foreign operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,124	-	1,124
V.	Tangible assets revaluation differences	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.	Intangible assets revaluation differences	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Bonus shares obtained from associates, subsidiaries and jointly controlled operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Foreign exchange differences	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	Changes related to the disposal of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Changes related to the reclassification of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	40,593	-	(50,174)	-	(50,174)
XI.	The effect of change in associate's equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII.	Capital increase	310,000	-	-	-	-	-	-	(51,667)	-	(258,333)	-	-	-	-	-	-	-	-
12.1	Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2	Internal sources	310,000	-	-	-	-	-	-	(51,667)	-	(258,333)	-	-	-	-	-	-	-	-
XIII.	Share issue premium	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV.	Share cancellation profits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV.	Inflation adjustment to paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII.	Net income/(loss) for the period	-	-	-	-	-	-	-	-	288,862	-	-	-	-	-	-	288,862	1,236	290,098
XVIII.	Profit distribution (*)	-	-	-	-	27,528	-	336,679	51,667	-	(420,165)	-	-	-	-	-	(4,291)	-	(4,291)
18.1	Dividends distributed	-	-	-	-	-	-	-	-	-	(4,291)	-	-	-	-	-	(4,291)	-	(4,291)
18.2	Transfers to reserves	-	-	-	-	27,528	-	336,679	51,667	-	(415,874)	-	-	-	-	-	-	-	-
18.3	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Balances at end of the period																		
	(I+II+III+...+XVI+XVII+XVIII)	(2-11)	3,097,322	-	24,208	-	150,389	-	688,628	45,164	288,862	8,436	7,281	-	(40,493)	-	4,269,797	21,229	4,291,026

(*) In the Ordinary General Assembly Meeting dated 28 March 2017, the Bank decided on reserving primary reserves amount to TL 27,098; other reserves amount to TL 51,007 funded via retained profit from sales of real estates, cash dividend payments to shareholders, dividend payment to management amount to TL 4,291; funding capital increase from internal sources via remaining net income amount to TL 121,801 in return of distributing additional capitalized shares proportioned to shareholder's stake in share capital; secondary reserves amount to TL 430, remaining amount to TL 336,679 to extraordinary legal reserves, other reserve amount to TL 660 which obtained from research and development activities according to Law No. 5746 under Articles 3, funding capital increase from internal sources and other reserves amount to TL 136,532 via retained profit from sales of real estates in prior periods.

(**) Reversal of fx gain/loss and hedging reserves related with the liquidation of the Group's subsidiary in Dubai .

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE PERIOD ENDED 30 JUNE 2017

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

VI. CONSOLIDATED STATEMENT OF CASH FLOW

	Note	Reviewed	Reviewed
		Current period	Prior Period
		01.01.2017-30.06.2017	01.01.2016-30.06.2016
A. CASH FLOWS FROM BANKING OPERATIONS			
1.1 Operating profit before changes in operating assets and liabilities		687,593	407,305
1.1.1 Profit share income received		1,770,440	1,481,465
1.1.2 Profit share expense paid		(795,073)	(649,584)
1.1.3 Dividend received		-	509
1.1.4 Fees and commissions received		193,355	154,436
1.1.5 Other income		291,884	88,426
1.1.6 Collections from previously written off loans		39,250	42,205
1.1.7 Payments to personnel and service suppliers		(507,270)	(447,014)
1.1.8 Taxes paid		(82,708)	(74,141)
1.1.9 Others		(222,285)	(188,997)
1.2 Changes in operating assets and liabilities		(1,950,118)	(2,282,927)
1.2.1 Net (increase) decrease held for trading financial assets		(54,060)	(34,551)
1.2.2 Net (increase) decrease in financial assets at fair value through profit or loss		-	-
1.2.3 Net (increase) decrease in due from banks and other financial institutions		(55,925)	(1,936,588)
1.2.4 Net (increase) decrease in loans		(4,487,806)	(2,011,700)
1.2.5 Net (increase) decrease in other assets		(185,959)	(42,753)
1.2.6 Net increase (decrease) in bank deposits		(211,652)	(274,319)
1.2.7 Net increase (decrease) in other deposits		4,858,216	1,050,881
1.2.8 Net increase (decrease) in funds borrowed		(718,796)	185,587
1.2.9 Net increase (decrease) in due payables		-	-
1.2.10 Net increase (decrease) in other liabilities		(1,094,136)	780,516
I. Net cash provided from / (used in) banking operations		(1,262,525)	(1,875,622)
B. CASH FLOWS FROM INVESTING ACTIVITIES			
II. Net cash provided from / (used in) investing activities		(685,825)	(835,720)
2.1 Cash paid for purchase jointly controlled operations, associates and subsidiaries		-	(750)
2.2 Cash obtained from sale of jointly controlled operations, associates and subsidiaries		132,619	-
2.3 Fixed assets purchases		(29,338)	(23,773)
2.4 Fixed assets sales		1,998	6,097
2.5 Cash paid for purchase of financial assets available for sale		(1,939,995)	(1,557,180)
2.6 Cash obtained from sale of financial assets available for sale		1,179,401	766,342
2.7 Cash paid for purchase of investment securities		-	-
2.8 Cash obtained from sale of investment securities		-	-
2.9 Other		(30,510)	(26,456)
C. CASH FLOWS FROM FINANCING ACTIVITIES			
III. Net cash provided from / (used in) financing activities		(162,087)	(59,273)
3.1 Cash obtained from funds borrowed and securities issued		1,216,590	1,017,740
3.2 Cash used for repayment of funds borrowed and securities issued		(1,050,000)	(1,073,614)
3.3 Capital increase		-	-
3.4 Dividends paid		(4,291)	(3,399)
3.5 Payments for finance leases		(212)	-
3.6 Other		-	-
IV. Effect of change in foreign exchange rate on cash and cash equivalents	(V-d)	(16,854)	3,422
V. Net increase (decrease) in cash and cash equivalents (I + II + III + IV)		(1,803,117)	(2,767,193)
VI. Cash and cash equivalents at the beginning of the period	(V-a)	4,898,436	4,777,114
VII. Cash and cash equivalents at the end of the period	(V-a)	3,095,319	2,009,921

(*) As a result of the liquidation of the Group's subsidiary in Dubai, cash inflows amounting to TL 202,431 have been realized and amounted to TL 69,812 has been presented as cash and cash equivalents at the beginning of the period.

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2017

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

SECTION THREE
ACCOUNTING PRINCIPLES

I. Explanations on basis of presentation

a. The preparation of the consolidated financial statements and related notes and explanations in accordance with the Turkish Accounting Standards and Regulation on Accounting Applications for Banks and Safeguarding of Documents:

The Parent Bank prepares its financial statements in accordance with “the Banking Regulation and Supervision Agency (“BRSA”) Accounting and Reporting Regulation” which includes the regulation on “The Procedures and Principles Regarding Banks’ Accounting Practices and Maintaining Documents” published in the Official Gazette dated 1 November 2006 with No. 26333, and other regulations on accounting records of banks published by the Banking Regulation and Supervision Board and circulars and pronouncements published by the BRSA and Turkish Accounting Standards published by the Public Oversight Accounting and Auditing Standards Authority for the matters not regulated by the aforementioned legislations.

b. Classifications

None.

c. Accounting policies and valuation principles applied in the preparation of consolidated financial statements:

The consolidated financial statements have been prepared in TL, under the historical cost convention except for the financial assets and liabilities held for trading carried at fair value.

The preparation of consolidated financial statements in conformity with TAS requires the Bank management to make assumptions and estimates with respect to assets and liabilities on the balance sheet and contingent issues outstanding as of the balance sheet date. These assumptions and estimates are mainly related with the determination of the fair values of the financial instruments and determination of the impairments on assets and these assumptions are being reviewed regularly and, when necessary, appropriate corrections are made and the effects of these corrections are reflected to the income statement.

d. Preparation of the financial statements in the current purchasing power of money:

Until 31 December 2004, the financial statements of the Parent Bank were subject to inflation adjustments in accordance with Turkish Accounting Standard No: 29 “Financial Reporting in Hyperinflationary Economies” (“TAS 29”). BRSA explained with its decision numbered 1623 and dated 21 April 2005 and its circular dated 28 April 2005 that the conditions for applying inflation accounting was no longer applicable and accordingly inflation accounting has not been applied beginning from 1 January 2005.

II. Explanations on strategy of using financial instruments and foreign currency transactions

The Group follows an asset-liability management strategy that mitigates risk and increases earnings by balancing the funds borrowed and the investments in various financial assets. The main objective of asset-liability management is to limit the Bank’s exposure to liquidity risk, currency risk and credit risk while increasing profitability and strengthening the Bank’s equity. The assets-liabilities committee (ALCO) manages the assets and liabilities within the trading limits on the level of exposure placed by the Executive Risk Committee.

Gains and losses arising from foreign currency transactions have been recorded in the period in which the transaction took place. Foreign currency denominated monetary assets and liabilities are valued with the period end exchange rates published by the Central Bank of Turkey converting them into Turkish Lira. Valuation differences of foreign currencies have been recognized in the income statement under the ‘Net foreign exchange income/expense’ account. The foreign currency net investment in consolidated foreign subsidiaries is translated into Turkish Lira using the exchange rate prevailing at the balance sheet date for their assets and liabilities and average exchange rate for their income statement items. The currency translation gain arising from the consolidated subsidiaries’ foreign currency differences has been recorded in “Other Profit Reserves” under shareholders’ equity.

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

II. Explanations on strategy of using financial instruments and foreign currency transactions (continued)

The Group’s portion of risk regarding loans originating from participation accounts followed in receivables to be written off, doubtful commission, fees and other receivables, uncollectible loans and other receivables, along with foreign currency (FC) loans and receivables originating from the Bank’s equity and private current accounts are converted to Turkish Lira with the rates prevailing at the date of the transfer of such receivables to non-performing loan portfolio. The participation accounts’ portion of the risk of the foreign currency loans and FC pegged loans, originating from participation accounts, is evaluated with the current foreign currency rates and the differences are recorded foreign currency gains/losses account in the income statement.

The foreign currency exchange differences resulting from the translation of debt securities issued and monetary financial instruments into Turkish Lira are included in the income statement. There are no foreign currency differences capitalized by the Group.

III. Information about the Consolidated Subsidiaries

The consolidated financial statements have been prepared in accordance with the “Turkish Accounting Standard for the Consolidated and Separate Financial Statements (“TAS 27”).

The subsidiaries included in consolidation and their places of incorporation, nature of activities and shareholding percentages are as follows:

Description	Address (City/ Country)	Principal Activity	30 June 2017	31 December 2016	Consolidation Method
KT Bank AG	Frankfurt/Germany	Banking	%100.00	%100.00	Full consolidation
KT Portföy Yönetimi A.Ş.	Istanbul/Turkey	Financial Institution	%100.00	%100.00	Full consolidation
KT Kira Sertifikaları Varlık Kiralama A.Ş.	Istanbul/Turkey	Financial Institution	%100.00	%100.00	Full consolidation
KT Sukuk Varlık Kiralama A.Ş.	Istanbul/Turkey	Financial Institution	%100.00	%100.00	Full consolidation
Körfez Gayrimenkul Yatırım Ortaklığı A.Ş.	Istanbul/Turkey	Financial Institution	%75.00	%75.00	Full consolidation
Katılım Emeklilik ve Hayat A.Ş.	Istanbul/Turkey	Financial Institution	%50.00	%50.00	Accounted for under equity method
KT Sukuk Company Limited	George Town/ Cayman Islands	Financial Institution	%100.00	%100.00	Full consolidation

The Parent Bank and its consolidated subsidiaries of the Parent Bank, as a whole, are named as “Group”.

Consolidation principles of subsidiaries:

Subsidiaries are the entities controlled directly or indirectly by the Parent Bank. Subsidiaries are consolidated using the full consolidation method. Financial statements of related subsidiaries are consolidated from the date when the control is transferred to the Parent Bank.

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

III. Information about the Consolidated Subsidiaries (continued)

Control is received as the Bank has more than half of the voting rights directly or indirectly through subsidiaries or not has majority but has privileged shares or has half of the voting rights with respect to agreements made with other shareholders or has authority to manage financial and operating policies of the company through a regulation or an agreement or has power to control the majority of votes at the board of directors or at executive organ containing these rights or has power to appoint or disposal majority of the members of the board of directors.

In the full consolidation method, 100% of subsidiaries' assets, liabilities, income, expense and off-balance sheet items are combined with the Parent Bank's assets, liabilities, and income, expense and off-balance sheet items. The carrying amount of the Group's investment in each subsidiary and the Group's portion of the cost value of the capital of each subsidiary are eliminated. Intragroup balances and intragroup transactions and resulting unrealized profits and losses are eliminated. Minority interests in the net income of consolidated subsidiaries are identified and adjusted against the income of the Group in order to arrive at the net income attributable to the Group and presented separately in the Group's income.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

The Group enters into forward agreements to decrease its currency risk and to manage its foreign currency liquidity. The Bank classifies its derivative instruments as "Derivative Financial Instruments Held for Hedging Purposes" and "Derivative Financial Instruments Held for Trading" in accordance with "TAS 39". Even though some derivative transactions economically hedge risk, since all necessary conditions for hedge accounting are not met, they are accounted for as "held for trading" within the framework of "TAS 39", and are reflected in the "Derivative Financial Assets/Liabilities Held for Trading" account in the balance sheet. The Bank has no derivative financial assets/liabilities for hedging purposes as of balance sheet date.

The payables and receivables arising from derivative transactions are recorded in off-balance sheet accounts at their notional amounts.

Fair values of foreign currency forward transactions and swaps are calculated by using the discounted cash flow model. Differences resulting from the changes in the fair values of derivatives held for trading are accounted under 'Trading Income/Loss' line in the income statement.

Embedded derivatives are separated from the host contract if the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative and the hybrid instrument is not measured at fair value with changes in fair value recognized in profit or loss. Embedded derivatives are accounted as derivative instruments in-line with "TAS 39". If the embedded derivatives are closely related with the host contract, embedded derivatives are accounted for in-line with the relevant standard applicable for the host contract.

The Group enters into profit share and cross currency swap transactions in order to hedge the change in fair value of fixed-rate financial instruments. While applying fair value hedge accounting, the changes in fair values of hedging instrument and hedged item are recognised in income statement. If the hedging is effective, the changes in fair value of the hedged item is presented in statement of financial position together with the fixed-rate loan, and in case of fixed-rate financial assets available for sale, such changes are reclassified from shareholders' equity to income statement.

The Group performs effectiveness test at the beginning of the hedge accounting period and at each reporting period. The effectiveness tests are carried out using the "Dollar off-set model" and the hedge accounting is applied as long as the test results are between the range of 80%-125% of effectiveness. The hedge accounting is discontinued when the hedging instrument expires, is exercised, sold or no longer effective. When discontinuing fair value hedge accounting, the cumulative fair value changes in carrying value of the hedged item arising from the hedged risk are amortised to income statement over the life of the hedged item from that date of the hedge accounting is discontinued.

While discontinuing cash flow hedge accounting, the cumulative gains/losses recognised in shareholders' equity and presented under hedging reserves are continued to be kept in this account. When the cash flows of hedged item are recognised in income statement, the gain/losses accounted for under shareholders' equity, are recognised in income statement.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

V. Explanations on profit share income and expense

Profit share income is recognized in the income statement on an accrual basis by using the method of internal rate of return and is accounted under profit share income account in the financial statements. In accordance with the related regulation, the profit share accruals of non-performing loans are cancelled and are not recorded until the profit share income is realized.

The Group calculates expense accrual in accordance with the unit value calculation method on profit/loss sharing accounts and reflects these amounts in “Funds Collected” account on the balance sheet.

VI. Explanations on fees and commission income and expenses

Except for the fees and commission income and expenses obtained for some banking services which are recorded as income when collected, fees and commission income/expenses are reflected in the income statement over the period of the related transaction.

In accordance with the provisions of TAS, commission and fees collected in advance for loans granted are deferred and reflected to the income statement by using the internal rate of return method. Unearned portion of the commission and fees relating to the future periods are recorded to the “Unearned Revenues” account under “Other Liabilities” on the balance sheet.

VII. Explanations on financial assets

The Group classifies and accounts for its financial assets as “Fair value through profit/loss”, “Available for sale”, and Loans and receivables” or “Held to maturity”. Sale and purchase transactions of the financial assets mentioned above are recognized at the ‘Settlement dates’. The appropriate classification of financial assets of the Bank is determined at the time of purchase by the Bank management, taking into consideration the purpose of the investment.

a. Financial assets at fair value through profit or loss:

This category has two sub categories: “Trading financial assets” and “Financial assets designated at fair value through profit/loss at initial recognition”.

Trading financial assets are financial assets which are either acquired for generating a profit from short-term fluctuations in prices or dealers’ margin, or are financial assets included in a portfolio and derivative instruments in which a pattern of short-term profit making exists.

Trading financial assets are initially recognized at transaction prices, which are assumed to be the fair value, and subsequently measured at fair value. All gains and losses arising from these valuations are reflected in the income statement.

Other than trading financial assets, the Group has no financial assets at fair value through profit or loss.

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

b. Financial assets available for sale:

Financial assets available for sale are initially recognized at cost; which reflects their fair values; including the transaction costs. Financial assets classified as available for sale financial assets which do not have a quoted market price in an active market and whose fair values cannot be reliably measured are carried at cost, less impairment, if any.

Financial assets available-for-sale gains and losses are valued using internal rate of return and recorded in the income statement as profit share income. Financial assets available-for-sale profit share discounts recognized in the profit/share account, current value differences recognized in the “securities value increase fund” under the shareholders’ equity. In case of sales, the realized gain/losses in the shareholders’ equity are recognized directly in the income statement.

c. Loans and receivables:

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not listed in an active market and are not classified as held for trading, financial assets at the fair value through profit or loss or as available for sale. Loans and receivables are initially recognized at cost, which is assumed to reflect their fair value and subsequently recognized at the amortized cost calculated using the internal rate of return method. The expenses incurred for the loans and receivables received as collateral are not considered as transaction costs and are recognized in the expense accounts.

d. Held to maturity financial assets:

Held to maturity financial assets are financial assets with fixed maturities and fixed or determinable payments where management has the intent and ability to hold the financial assets to maturity that are not classified under ‘Loans and receivables’. Held to maturity financial assets are initially recognized at cost which is assumed to reflect their fair value, and subsequently carried at ‘Amortized Cost’ using the ‘Internal Rate of Return’. Profit share income from held to maturity financial assets is reflected in the income statement. The Group does not have any held to maturity financial assets as of the balance sheet date.

VIII. Explanations on impairment of financial assets

At each balance sheet date an assessment is made as to whether there is objective evidence that a financial asset or group of financial assets is impaired. If such evidence exists, impairment is provided for financial asset categories as explained below.

i) Loans and receivables:

If there is objective evidence that the loans might not be collected, the Parent Bank reclassifies such loans to III. IV. and V. groups and provides impairment reserve in accordance with the Communiqué of “Principles and Procedures for the Determination of the Quality of Loans and Other Receivables and Reserves to be provided for these Loans” published on 1 November 2006 in the Official Gazette No: 26333. For the loans with poor financial position and/or payment capability, the Bank can provide a specific impairment reserve in excess of the amounts calculated using the minimum required rates for the related group.

Collections related to the provisions provided in the current period for such loans are deducted from “Provisions for Loan losses and Other Receivables” account in the income statement. Subsequent recoveries of amounts previously written off or provisions made in prior periods are included in “Other Operating Income” in the income statement.

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

VIII. Explanations on impairment of financial assets

ii) Financial assets held to maturity:

If there is objective evidence indicating that the value of financial assets held to maturity is impaired, the amount of the loss is measured as the difference between the present values of future estimated cash flows discounted using the original profit share and the carrying value; provision is made for impairment and the provision is associated with expense accounts.

iii) Financial assets available for sale:

If there is objective evidence indicating that the fair value of an available for sale financial asset, for which decreases in the fair value has been accounted under the equity, has been impaired then the total loss which was accounted directly in the equity is transferred from equity to the income statement.

Impairment losses recognized in the income statement related to the investments in equity instruments classified as available for sale financial assets cannot be reversed through the income statement. If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on equity instruments cannot be reversed.

IX. Explanations on offsetting of financial assets and liabilities

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when the Group has a legally enforceable right to offset the recognized amounts and there is an intention to collect/pay the related financial assets and liabilities on a net basis, or to realize the asset and settle the liability simultaneously.

X. Explanations on sale and repurchase agreements and lending of securities

Central Bank of the Republic of Turkey ("CBRT") made some changes on orders for open market transactions ("OMT") and prepared an additional frame contract for participation banks in order to present rent certificates to open market operations of CBRT in accordance with the principles of participation banks. According to this agreement; a new type of transaction was formed which enables participation banks to resell or repurchase rent certificates on their portfolio to CBRT when they are in need of funding or in attempt to evaluate the excess liquidity. In this content, initial OMT transaction was performed with CBRT on 14 June 2013 by selling rent certificates that are recognized in the assets of the Bank in return for conditional repurchasing. Beginning from this date, the Bank performs purchase tenders which are held by CBRT of which maturities are weekly; in return for Treasury rent certificates that are reported as assets in balance sheet in order to raise funds.

As of 30 June 2017, the Group has not any repurchasing agreements (31 December 2016 – TL 1,219,873).

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XI. Explanations on assets held for sale and discontinued operations and related liabilities

According to the Turkish Financial Reporting Standard 5 (TFRS 5) “Assets Held for Sale and Discontinued Operations”, a tangible asset (or a group of assets to be disposed) classified as “asset held for sale” is measured at lower of carrying value and fair value less costs to sell. An asset (or a group of assets to be disposed) is regarded as “asset held for resale” only when the sale is highly probable and the asset (or a group of assets to be disposed) is available for immediate sale in its present condition. For a highly probable sale, there must be a valid plan prepared by the management for the sale of asset including identification of possible buyers and completion of sale process. Furthermore, the asset should be actively in the market at a price consistent with its fair value. Assets held for sale consist of tangible assets that were acquired against non-performing receivables.

On the other hand properties acquired by the Group due to receivables and debtors’ obligations to the Group are reflected as assets held for sale in the financial statements provided that there is a contracted term sale agreement.

A discontinued operation is a component of an entity that either has been disposed of, or is classified as held for sale. Discontinued operations are presented separately in the income statement. The Parent Bank has no discontinued operations.

XII. Explanations on goodwill and other intangible assets

Intangible assets are stated at cost adjusted for inflation until 31 December 2004, less provision for impairment, if any, and accumulated amortization and amortized with straight-line method.

The other intangible assets of the Group comprise mainly computer software. The useful lives of such assets acquired prior to 2004 have been determined as 5 years and for the year 2004 and forthcoming years, as 3 years.

There is no goodwill related to associates and subsidiaries.

XIII. Explanations on tangible assets

Fixed assets are stated at cost, less accumulated depreciation and provision for impairment, if any.

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets. The annual rates used for amortization are as follows:

Property	2%
Movables, Leased assets	6.67% - 20%

Depreciation is calculated on a pro-rata basis for the assets that have been placed in use for less than one year as of the balance sheet date. Leasehold improvements are depreciated over the term of the lease agreements by straight-line method.

If the recoverable amount (the higher of value in use and fair value) of a tangible asset is less than its carrying value, impairment loss is provided and the carrying value is written down to its recoverable amount.

Gains or losses resulting from disposals of the fixed assets are recorded in the income statement as the difference between the net proceeds and net book value of the asset.

Expenses for repairs are capitalized if the expenditure increases economic life of the asset; other repair costs are expensed.

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XIII. Explanations on tangible assets (continued)

Capital expenditures, which increase the capacity of the tangible asset and increase the future benefit, are added to the cost of the property, plant and equipment. Investment expenditures consist of cost elements such as extending the useful life of the asset, increasing the service capacity of the asset, increasing the quality of the produced goods or services, or decreasing the cost.

Property held for long-term rental yields and/or capital appreciation is classified as investment property. Investment properties are stated at cost less accumulated depreciation and any impairment in value. Depreciation is calculated on a straight-line basis over the estimated useful lives of the properties.

XIV. Explanations on leasing transactions

Group as a lessee

Assets acquired under finance lease contracts are recorded both as an asset and a liability at the beginning date of the lease. The basis for the determination of these amounts is the lower of fair value of the leased asset or the present value of the lease payments. The direct costs incurred during a finance lease transaction are capitalized as additions to the cost of the leased asset. Lease payments include the financing costs incurred due to the leasing transaction and the principal amount of the leased asset for the current period.

Depreciation is calculated on a straight-line basis over the estimated useful life of the leased assets and if a diminution in recoverable value of the leased asset is identified, a provision for impairment is recognized.

Operating lease payments are recognized as an expense in the income statement on a straight-line basis over the lease term.

Group as a lessor

The Parent Bank, as a participation bank, acts as a lessor in finance leasing transactions. The Group presents finance leased assets as a receivable equal to the net investment in the lease. Finance income is based on a pattern reflecting a constant periodic rate of return on the net investment outstanding.

XV. Explanations on provisions and contingent liabilities

Provisions and contingent liabilities are accounted for in accordance with “Turkish Accounting Standard for Provisions, Contingent Liabilities and Contingent Assets” (“TAS 37”).

Provisions are recognized when the Group has a present obligation, legal or constructive, as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The Bank recognizes provisions for obligations which arose from prior periods in current financial year, only if, the possibility of realization is high and a reliable estimation can be made.

Provisions are recognized for obligations which arose from prior periods in current financial year, only if, the possibility of realization is high and a reliable estimation can be made. A provision is provided if liabilities have been originated as a result of past events in the period they arise, if it is probable that the liability will be settled and a reliable estimate for the liability amount can be made.

When a reliable estimate of the amount of the obligation cannot be made or it is not probable that an outflow of resources will be required to settle the obligation, the obligation is considered as a “Contingent” liability and is disclosed in the related notes to the financial statements.

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XVI. Explanations on liabilities relating to employee benefits

a) Defined benefit plans:

In accordance with existing labor law, the Group is required to make severance pay to each employee who has completed over one year of service with the Group and who retires or quits the employment to receive old age or disability benefits, to fulfil the compulsory military service, because of the marriage of females employees or because of the other compulsive reasons as defined in the laws and whose employment is terminated due to reasons other than resignation or misconduct.

The retirement pay provision recognized in the accompanying financial statements, is calculated based on “Turkish Accounting Standard on Employee Benefits (“TAS 19”)), and these liabilities are calculated by an independent actuary firm. Group is accounted all actuarial profit and loss under Statement of other Comprehensive Income

The Group’s employees are not members of any pension fund, foundations, union or other similar entities.

b) Defined contribution plans:

The Parent Bank pays defined contribution plans to publicly administered Social Security Funds for its employees as mandated by the Social Security Association. The Bank has no further payment obligations other than this contribution share. The contributions are recognized as employee benefit expense when they are due.

c) Short term benefits to employees:

In accordance with “TAS 19”, vacation pay liabilities are defined as “Short Term Benefits to Employees” and accrued as earned.

Group management calculates bonus accrual if it foresees that the budgeted year-end figures approved by the Board of Directors are attainable.

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XVII. Explanations on taxation

Current tax

The corporate tax rate in Turkey is 20%. This rate is applied on taxable income which is calculated by adjusting the income before tax for certain disallowable expenses, tax exempt income and other allowances. No further tax is applicable unless the profit is distributed. According to the tax code, each quarter advance tax amount is calculated using a rate of 20% over tax base and paid, then the paid advance taxes are deducted from the corporate tax liability that is calculated for the year.

Withholding taxes is not applied to dividends distributed to companies resident in Turkey or companies who earn income in Turkey through their resident representatives in Turkey. With the Council of Minister's decision numbered 2009/14593 and 2009/14594 which are published in official gazette numbered 27130 and dated 3 February 2009, some deduction rates in 15th and 30th articles of the corporate tax law numbered 5520 were re-determined. In accordance with this, dividends distributed to companies other than companies resident in Turkey or companies who earn income in Turkey through their resident representatives in Turkey are subject to 15% withholding taxes. Double tax treaty agreements are also taken into consideration during the application of withholding taxes on dividends distributed to real persons and to foreign based taxpayers. Addition of profit to share capital is not considered as dividend distributed therefore no withholding taxes is applied.

Each quarter advance tax amount is calculated using a rate of 20% over tax base and Corporate tax returns are filed by the fourteenth day of the second month following the balance sheet date and taxes is paid by the seventeenth day of the second until evening. Paid advance taxes are paid during the year are belong to the current year, then the paid advance taxes are deducted from the corporate tax liability that is calculated for the year. If the balance of paid advance taxes remains after deduction of paid advance taxes, it can be paid back in cash or it can be deducted from financial loans to the government.

Shares held for at least two years and 75% of real estate proceeds are exempt from tax to the extent that they are included in capital as required in Corporate Tax Law or they are held under a special account in liabilities for five years.

For the purpose of issuance of certificate of leasing immovables to resource institutions, with the sale of asset leasing companies, the scope of Financial Leasing, Factoring and Financing Companies Law No.6361, dated 21 November 2012 in order to lease it back and in case of taking back at the end of the contract, with the sale of financial leasing companies and asset leasing by asset leasing companies, for gains from the sale of the immovable property inherited from the institution applies this rate as 100% and for the immovable is not compulsory to be in assets at least for a period of two years. But the mentioned immovable's; except in case of failure to fulfill the obligations arising from the source institution, the lesser or leasing agreement, immovable in question by the asset leasing company, in case of selling a third person or institutions, these immovable's with the carrying value before its transfer to resource institution or asset leasing in lesser or asset leasing company, in mentioned institutions taking into consideration the total amount of depreciation is taxable for corporation engaged in the sale.

Corporate tax returns are filed by the twenty fifth day of the fourth month following the balance sheet date and taxes is paid in one instalment by the end of that month.

Corporate tax losses can be carried forward for a maximum period of five years following the year in which the losses were incurred. However, losses cannot be carried back to offset profits from previous periods. The tax authorities can inspect tax returns and the related accounting records for a retrospective maximum period of five years.

In Turkey, there is no procedure for a final and definite agreement on tax assessments.

As of 30 June 2017, the tax rates applied in foreign countries where the Group operates is as follow:

Country	Tax Rate
Germany	15%

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XVII. Explanations on taxation (continued)

Deferred tax

The Group calculates and accounts for deferred income taxes for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in these financial statements in accordance with “Turkish Accounting Standard for Income Taxes” (“TAS 12”). Deferred tax asset is calculated on all temporary differences other than general provisions to the extent that is probable that taxable profit will be available and deferred tax liability is calculated for all temporary differences. Deferred tax asset and liabilities are shown in the accompanying financial statements on a net basis. If transactions and events are recorded directly in the shareholders’ equity, the related tax effects are recognized directly in the shareholders’ equity.

XVIII. Explanations on additional disclosures on borrowings

Borrowings other than funds collected are measured at amortized cost using the internal rate of return method after the initial recognition. The Group does not apply hedging techniques on related borrowings.

The Group has not issued convertible bonds.

Transactions of Investment Hedge

The Group applies net investment hedge accounting between its net investment in foreign subsidiaries and its long-term foreign currency denominated borrowings, the differences between foreign exchange net investments and foreign exchange arising from translation of long-term foreign currency denominated long-term borrowings into TL are accounted for under other equity reserves and hedge funds.

XIX. Explanations on share certificates issued

There is no significant amount of transaction costs on Parent Bank about share certificates.

XX. Explanations on acceptances and availed drafts

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

XXI. Explanations on government grants

There are no government grants received by the Group.

XXII. Explanations on segment reporting

The Group operates in three main segments; Retail and Enterprise Banking; Commercial Banking; Corporate and International Banking, Banking. Each segment operates with unique products, and the operational results are followed based on these segments.

Segment reporting is disclosed in Section Four, Note IX.

XXIII. Explanations on other matters

There are no other matters to be disclosed by the Group.

XXIV. Additional paragraph for convenience translation

The effects of differences between accounting principles and standards set out by regulations in conformity with article 37 of the Banking Act No. 5411, the accounting principles generally accepted in countries in which the accompanying financial statements are to be distributed and International Financial Reporting Standards (IFRS) have not been quantified in the accompanying consolidated financial statements. Accordingly, the accompanying consolidated financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

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SECTION FOUR

INFORMATION ON FINANCIAL STRUCTURE OF THE GROUP

I. Explanations on consolidated equity

Total capital and Capital adequacy ratio have been calculated in accordance with the “Regulation on Equity of Banks” and “Regulation on Measurement and Assessment of Capital Adequacy of Banks”.

As of 30 June 2017 Bank’s total capital has been calculated as TL 5,436,337. Capital adequacy ratio is 17.60 %.

As of 31 December 2016, Group’s total capital amounted to TL 5,729,368 Capital adequacy ratio was 18.19 % calculated pursuant to former regulations. This ratio is well above the minimum ratio required by the legislation.

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I. Explanations on consolidated equity (continued)

a-) Components of consolidated total capital:

	<i>Amount</i>	<i>Amount as per the regulation before 1/1/2014 ^(*)</i>
COMMON EQUITY TIER I CAPITAL		
Paid-in Capital to be Entitled for Compensation after All Creditors	3,100,000	
Share Premium	24,208	
Reserves	897,934	
Other Comprehensive Income according to TAS	11,064	
Profit	297,298	
Current Period Profit	288,862	
Prior Period Profit	8,436	
Bonus Shares from Associates, Affiliates and Joint-Ventures not Accounted in Current Period's Profit	-	
Minority Shareholder	21,229	
Common Equity Tier I Capital Before Deductions	4,351,733	
Deductions From Common Equity Tier I Capital		
Valuation adjustments calculated as per the article 9. (i) of the Regulation on Bank Capital	-	
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-)	58,029	
Leasehold Improvements on Operational Leases (-)	46,997	
Goodwill Netted with Deferred Tax Liabilities	-	
Other Intangible Assets Netted with Deferred Tax Liabilities Except Mortgage Servicing Rights	125,194	156,493
Net Deferred Tax Asset/Liability (-)	-	
Differences arise when assets and liabilities not held at fair value, are subjected to cash flow hedge accounting	-	
Total credit losses that exceed total expected loss calculated according to the Regulation on Calculation of Credit Risk by Internal Ratings Based Approach	-	
Securitization gains	-	
Unrealized gains and losses from changes in bank's liabilities' fair values due to changes in creditworthiness	-	
Net amount of defined benefit plans	-	
Direct and Indirect Investments of the Bank on its own Tier I Capital (-)	2,678	
Shares Obtained against Article 56, Paragraph 4 of the Banking Law (-)	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	
Mortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital (-)	-	
Net Deferred Tax Assets arising from Temporary Differences Exceeding the 10% Threshold of Tier I Capital (-)	-	
Amount Exceeding the 15% Threshold of Tier I Capital as per the Article 2, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital not deducted from Tier I Capital (-)	-	
Mortgage Servicing Rights not deducted (-)	-	
Excess Amount arising from Deferred Tax Assets from Temporary Differences (-)	-	
Other items to be Defined by the BRSA (-)	-	
Deductions from Tier I Capital in cases where there are no adequate Additional Tier I or Tier II Capitals (-)	-	
Total Deductions from Common Equity Tier I Capital	232,898	
Total Common Equity Tier I Capital	4,118,835	

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I. Explanations on consolidated equity (continued)

a-) Components of consolidated total capital (continued):

ADDITIONAL TIER I CAPITAL		
Preferred Stock not Included in Common Equity Tier I Capital and the Related Share Premiums	-	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	-	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-	
Additional Tier I Capital before Deductions	-	
Deductions from Additional Tier I Capital		
Direct and Indirect Investments of the Bank on its own Additional Tier I Capital (-)	-	
Investments in Equity Instruments Issued by Banks or Financial Institutions Invested in Bank's Additional Tier I Capital and Having Conditions Stated in the Article 7 of the Regulation	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital (-)	-	
Other items to be defined by the BRSA (-)	-	
Items to be Deducted from Tier I Capital during the Transition Period		
Goodwill and Other Intangible Assets and Related Deferred Taxes not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	31,299	156,493
Net Deferred Tax Asset/Liability not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	-
Deduction from Additional Tier I Capital when there is not enough Tier II Capital (-)	-	-
Total Deductions from Additional Tier I Capital	31,299	
Total Additional Tier I Capital		
Total Tier I Capital (Tier I Capital= Common Equity Tier I Capital + Additional Tier I Capital)	4,087,536	
TIER II CAPITAL		
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	1,231,615	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-	
Provisions (Amounts explained in the first paragraph of the article 8 of the Regulation on Bank Capital)	268,842	
Total Deductions from Tier II Capital	1,500,457	
Deductions from Tier II Capital		
Direct and Indirect Investments of the Bank on its own Tier II Capital (-)	-	
Investments in Equity Instruments Issued by Banks and Financial Institutions Invested in Bank's Tier II Capital and Having Conditions Stated in the Article 8 of the Regulation	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital and Tier II Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of Tier I Capital (-)	-	
Other items to be defined by the BRSA (-)	-	
Total Deductions from Tier II Capital	-	
Total Tier II Capital	1,500,457	
Total Equity (Total Tier I and Tier II Capital)	5,587,993	

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I. Explanations on consolidated equity (continued)

a-) Components of consolidated total capital (continued):

Total Tier I Capital and Tier II Capital (Total Equity)		
Loans Granted against the Articles 50 and 51 of the Banking Law (-)		-
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years (-)	15,718	
Other items to be Defined by the BRSA (-)	135,938	
Items to be Deducted from the Sum of Tier I and Tier II Capital (Capital) During the Transition Period		
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Tier I Capital, Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)		-
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)		-
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital, of the Net Deferred Tax Assets arising from Temporary Differences and of the Mortgage Servicing Rights not deducted from Tier I Capital as per the Temporary Article 2, Clause 2, Paragraph (1) and (2) and Temporary Article 2, Clause 1 of the Regulation (-)		-
CAPITAL		
Total Capital (Total of Tier I Capital and Tier II Capital)	5,436,337	
Total Risk Weighted Assets	30,934,152	
CAPITAL ADEQUACY RATIOS		
CET1 Capital Ratio (%)	13.32	
Tier I Capital Ratio (%)	13.21	
Capital Adequacy Ratio (%)	17.57	
BUFFERS		
Bank-specific total CET1 Capital Ratio	1.25	
Capital Conservation Buffer Ratio (%)	1.25	
Bank-specific Counter-Cyclical Capital Buffer Ratio (%)	-	
Additional CET1 Capital Over Total Risk Weighted Assets Ratio Calculated According to the Article 4 of Capital Conservation and Counter-Cyclical Capital Buffers Regulation	7.24	
Amounts Lower Than Excesses as per Deduction Rules		
Remaining Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital		
Remaining Total of Net Long Positions of the Investments in Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% or less of the Issued Share Capital		
Remaining Mortgage Servicing Rights		
Net Deferred Tax Assets arising from Temporary Differences		
Limits for Provisions Used in Tier II Capital Calculation		
General Loan Provisions for Exposures in Standard Approach (before limit of one hundred and twenty five per ten thousand)	268,842	
General Loan Provisions for Exposures in Standard Approach Limited by 1.25% of Risk Weighted Assets	268,842	
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach	-	
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach, Limited by 0.6% Risk Weighted Assets	-	
Debt Instruments Covered by Temporary Article 4 (effective between 1.1.2018-1.1.2022)		
Upper Limit for Additional Tier I Capital Items subject to Temporary Article 4	-	
Amount of Additional Tier I Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-	
Upper Limit for Additional Tier II Capital Items subject to Temporary Article 4	-	
Amount of Additional Tier II Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-	

(*) Under this item fully loaded amounts were reported for items that are subject to phasing in according to “Bank Capital Regulation” dated 1 January 2014.

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I. Explanations on consolidated equity (continued)

a-) Components of consolidated total capital (continued):

Reconciliation of capital items to balance sheet

<i>Current Period</i>	<i>Carrying value</i>	<i>Amount of correction</i>	<i>Value of the capital report</i>	
Paid-in Capital	3,907,322	2,678	3,100,000	Inflation adjustments included in Paid-in Capital according to Regulation's Temporary Article 1
Capital Reserves	(22,757)	-	(22,757)	Adjustment effect required by the Regulation on "Bank Capital" Article 10 Paragraph 4 (*)
Other Comprehensive Income According to TAS	(46,965)	-	(46,965)	Adjustment effect required by the Regulation on "Bank Capital" Article 10 Paragraph 4 (*)
Securities Value Increase Fund	7,281	-	7,281	Adjustment effect required by the Regulation on "Bank Capital" Article 10 Paragraph 4 (*)
Revaluation Surplus on Tangible Assets	-	-	-	Adjustment effect required by the Regulation on "Bank Capital" Article 10 Paragraph 4 (*)
Revaluation Surplus on Intangible Assets	-	-	-	
Revaluation Surplus on Investment Property	-	-	-	
Hedging Reserves (Effective Portion)	(40,493)	-	(40,493)	Items not included in the calculation as per Regulation's Article 9-1-f
Revaluation Surplus on Assets Held for Sale and Assets of Discontinued Operations	-	-	-	
Other Capital Reserves	(13,753)	-	(13,753)	Adjustment effect required by the Regulation on "Bank Capital" Article 10 Paragraph 4 (*); and Inflation adjustments included in Paid-in Capital according to Regulation's Temporary Article 1
Bonus Shares of Associates, Affiliates and Joint-Ventures	-	-	-	
Share Premium	24,208	-	24,208	
Profit Reserves	897,934	-	897,934	Adjustment effect required by the Regulation on "Bank Capital" Article 10 Paragraph 4 (*)
Profit or Loss	297,298	-	297,298	Adjustment effect required by the Regulation on "Bank Capital" Article 10 Paragraph 4 (*)
Prior Periods Profit/Loss	8,436	-	8,436	
Current Period Net Profit/Loss	288,862	-	288,862	Adjustment effect required by the Regulation on "Bank Capital" Article 10 Paragraph 4 (*)
Minority Shareholders	21,229	-	21,229	Adjustment effect required by the Regulation on "Bank Capital" Article 10 Paragraph 4 (*)
Deductions from Common Equity Tier I Capital (-)	230,220		232,898	Deductions from Common Equity Tier I Capital as per the Regulation
Common Equity Tier I Capital	4,116,156		4,118,834	
<i>Current Period</i>	<i>Carrying value</i>	<i>Amount of correction</i>	<i>Value of the capital report</i>	<i>Explanation of differences</i>
Subordinated Debts			-	
Deductions from Tier I Capital (-)			-	Deductions from Tier I Capital as per the Regulation
Tier I Capital			4,087,536	
Subordinated Debts			1,231,615	
General Provisions			268,842	General Loan Provision added to Tier II Capital as per the Regulation's Article 8
Deductions from Tier II Capital (-)			-	Deductions from Tier II Capital as per the Regulation
Tier II Capital			1,500,457	
Deductions from Total Capital (-)			151,656	Deductions from Capital as per the Regulation
Total			5,436,337	

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I. Explanations on consolidated equity (continued)

a-) Components of consolidated total capital (continued):

	<i>Prior Period</i>	<i>Amount as per the regulation before 1/1/2014^(*)</i>
COMMON EQUITY TIER I CAPITAL		
Paid-in Capital to be Entitled for Compensation after All Creditors	2,790,000	
Share Premium	24,208	
Reserves	741,764	
Other Comprehensive Income according to TAS	-	
Profit	550,402	
Current Period Profit	571,341	
Prior Period Profit	(20,939)	
Bonus Shares from Associates, Affiliates and Joint-Ventures not Accounted in Current Period's Profit	-	
Minority Interests	19,993	
Common Equity Tier I Capital Before Deductions	4,126,367	
Deductions From Common Equity Tier I Capital		
Valuation adjustments calculated as per the article 9, (i) of the Regulation on Bank Capital	-	
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-)	119,869	
Leasehold Improvements on Operational Leases (-)	47,732	
Goodwill Netted with Deferred Tax Liabilities		
Other Intangible Assets Netted with Deferred Tax Liabilities Except Mortgage Servicing Rights	84,280	140,466
Net Deferred Tax Asset/Liability (-)	-	-
Differences arise when assets and liabilities not held at fair value, are subjected to cash flow hedge accounting	-	
Total credit losses that exceed total expected loss calculated according to the Regulation on Calculation of Credit Risk by Internal Ratings Based Approach	-	
Securitization gains	-	
Unrealized gains and losses from changes in bank's liabilities' fair values due to changes in creditworthiness	-	
Net amount of defined benefit plans	-	
Direct and Indirect Investments of the Bank on its own Tier I Capital (-)	2,678	
Shares Obtained against Article 56, Paragraph 4 of the Banking Law (-)	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	
Mortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital (-)	-	
Net Deferred Tax Assets arising from Temporary Differences Exceeding the 10% Threshold of Tier I Capital (-)	-	
Amount Exceeding the 15% Threshold of Tier I Capital as per the Article 2, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital not deducted from Tier I Capital (-)	-	
Mortgage Servicing Rights not deducted (-)	-	
Excess Amount arising from Deferred Tax Assets from Temporary Differences (-)	-	
Other items to be Defined by the BRSA (-)	-	
Deductions from Tier I Capital in cases where there are no adequate Additional Tier I or Tier II Capitals (-)	-	
Total Deductions from Common Equity Tier I Capital	254,559	
Total Common Equity Tier I Capital	3,871,808	

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I. Explanations on consolidated equity (continued)

a-) Components of consolidated total equity (continued):

ADDITIONAL TIER I CAPITAL		
Preferred Stock not Included in Common Equity Tier I Capital and the Related Share Premiums	-	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	-	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-	
Additional Tier I Capital before Deductions	-	
Deductions from Additional Tier I Capital		
Direct and Indirect Investments of the Bank on its own Additional Tier I Capital (-)	-	
Investments in Equity Instruments Issued by Banks or Financial Institutions Invested in Bank's Additional Tier I Capital and Having Conditions Stated in the Article 7 of the Regulation	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital (-)	-	
Other items to be defined by the BRSA (-)	-	
Items to be Deducted from Tier I Capital during the Transition Period		
Goodwill and Other Intangible Assets and Related Deferred Taxes not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	56,186	140,466
Net Deferred Tax Asset/Liability not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	-
Deduction from Additional Tier I Capital when there is not enough Tier II Capital (-)	-	
Total Deductions from Additional Tier I Capital	56,186	
Total Additional Tier I Capital	-	
Total Tier I Capital (Tier I Capital= Common Equity Tier I Capital + Additional Tier I Capital)	3,815,622	
TIER II CAPITAL		
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	1,794,270	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-	
Provisions (Amounts explained in the first paragraph of the article 8 of the Regulation on Bank Capital)	220,123	
Total Deductions from Tier II Capital	2,014,393	
Deductions from Tier II Capital		
Direct and Indirect Investments of the Bank on its own Tier II Capital (-)	-	
Investments in Equity Instruments Issued by Banks and Financial Institutions Invested in Bank's Tier II Capital and Having Conditions Stated in the Article 8 of the Regulation	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital and Tier II Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of Tier I Capital (-)	-	
Other items to be defined by the BRSA (-)	-	
Total Deductions from Tier II Capital	-	
Total Tier II Capital	2,014,393	
Total Equity (Total Tier I and Tier II Capital)	5,830,015	

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I. Explanations on consolidated equity (continued)

a-) Components of consolidated total capital (continued):

Total Tier I Capital and Tier II Capital (Total Equity)		
Loans Granted against the Articles 50 and 51 of the Banking Law (-)	-	
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years (-)	5,208	
Other items to be Defined by the BRSA (-)	95,439	
Items to be Deducted from the Sum of Tier I and Tier II Capital (Capital) During the Transition Period		
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Tier I Capital, Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-	
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-	
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital, of the Net Deferred Tax Assets arising from Temporary Differences and of the Mortgage Servicing Rights not deducted from Tier I Capital as per the Temporary Article 2, Clause 2, Paragraph (1) and (2) and Temporary Article 2, Clause 1 of the Regulation (-)	-	
CAPITAL		
Total Capital (Total of Tier I Capital and Tier II Capital)	5,729,368	
Total Risk Weighted Assets	31,499,103	
CAPITAL ADEQUACY RATIOS		
CET1 Capital Ratio (%)	12.29	
Tier I Capital Ratio (%)	12.11	
Capital Adequacy Ratio (%)	18.19	
BUFFERS		
Bank-specific total CET1 Capital Ratio	0.63	
Capital Conservation Buffer Ratio (%)	0.63	
Bank-specific Counter-Cyclical Capital Buffer Ratio (%)	-	
Additional CET1 Capital Over Total Risk Weighted Assets Ratio Calculated According to the Article 4 of Capital Conservation and Counter-Cyclical Capital Buffers Regulation	7.79	
Amounts Lower Than Excesses as per Deduction Rules		
Remaining Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital	-	
Remaining Total of Net Long Positions of the Investments in Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% or less of the Issued Share Capital	-	
Remaining Mortgage Servicing Rights	-	
Net Deferred Tax Assets arising from Temporary Differences	-	
Limits for Provisions Used in Tier II Capital Calculation		
General Loan Provisions for Exposures in Standard Approach (before limit of one hundred and twenty five per ten thousand)	220,123	
General Loan Provisions for Exposures in Standard Approach Limited by 1.25% of Risk Weighted Assets	220,123	
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach	-	
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach, Limited by 0.6% Risk Weighted Assets	-	
Debt Instruments Covered by Temporary Article 4 (effective between 1.1.2018-1.1.2022)	-	
Upper Limit for Additional Tier I Capital Items subject to Temporary Article 4	-	
Amount of Additional Tier I Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-	
Upper Limit for Additional Tier II Capital Items subject to Temporary Article 4	-	
Amount of Additional Tier II Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-	

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I. Explanations on consolidated equity (continued)

b-) Approaches for assessment of adequacy of internal capital requirements for current and future activities

Internal evaluation process is established for continuously evaluating and maintaining the types, components and distribution of the adequate level of capital in order to provide for various risks exposed to or to be exposed to. The final purpose of the evaluation process of the internal capital requirement, is to define and evaluate all the risks included or not in the calculations of the legal capital requirements, within the frame of the activities of the bank, and to provide the availability of adequate capital in order to cover for these risks and the application of the risk management techniques. The results obtained in this evaluation process by taking into consideration, the Bank's growth strategy, assets-liabilities structure, funding sources, liquidity position, foreign currency position, the effects of the price and market fluctuations on the capital, which are among the variables of the economy, aim to provide the continuity of the mentioned capital adequacy level at the determined level in compliance with the Bank's risk profile and risk appetite.

Within this scope, capital structure is reviewed as based on the frame of the activities and risks exposed to, and the internal capital requirement, probable to occur within the direction of targets and strategies of the Bank is evaluated. This evaluation includes interest rate risk, concentration risk, liquidation risk, reputation risk, residual risk, country risk and strategic risk arising of the banking books as well as market, credit and operational risks. Capital requirement internal evaluation is evaluated to be a developing process and the development areas for the future period are determined and plans are prepared.

II. Explanations on consolidated currency risk

Foreign currency risk represents the Group's exposure to loss due to the changes in foreign currency exchange rates. All foreign currency assets, liabilities and foreign currency forward transactions are considered in calculation of capital to be employed for foreign currency risk according to Standard Method.

The Parent Bank monitors daily the designated limits set by the Board of Directors and additionally observes the possible value changes in foreign currency positions. The limits are determined and followed both for the net foreign currency position and for the cross exchange rate risk within the position. As a tool of foreign currency risk management, foreign currency forward transactions are used when necessary to mitigate the risk.

As of 30 June 2017, the Groups carries a net foreign currency long position of TL 104,244 (31 December 2016 – TL 4,261,855 long position) comprising TL 9,051 balance sheet long position (31 December 2016 - TL 4,152,382 short position) and TL 113,295 off balance sheet long position (31 December 2016 - TL 109,473 long position).

The announced current foreign exchange buying rates of the Parent Bank as of financial statements date and the previous five working days are as follows (Full TL):

	21/06/2017	22/06/2017	23/06/2017	28/06/2017	29/06/2017	Balance sheet evaluation rate
USD	3.5345	3.5193	3.5027	3.5205	3.5130	3.5189
EURO	3.9377	3.9290	3.9146	3.9978	4.0090	4.0164
GBP	4.4702	4.4571	4.4577	4.5250	4.5584	4.5701
CHF	3.6274	3.6176	3.6091	3.6656	3.6662	3.6736
100 JPY	0.0318	0.0317	0.0315	0.0314	0.0312	0.0314

The simple arithmetic averages of the major current foreign exchange buying rates of the Parent Bank for the thirty days preceding the balance sheet date are as follows (full TL):

	Monthly average FC purchase rate
USD	3.5175
EURO	3.9462
GBP	4.4998
CHF	3.6302
100 JPY	0.0317

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II. Explanations on consolidated currency risk (continued)

Currency risk of the Group:

	EURO	USD	Other FC (****)	Total
Current period				
Assets				
Cash (cash in vault, effectives, money in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey	674,477	4,959,343	1,947,975	7,581,795
Banks	1,323,189	1,338,394	647,238	3,308,821
Financial assets at fair value through profit and loss	-	59,561	-	59,561
Money market placements	-	-	-	-
Available-for-sale financial assets (**)	24,958	2,463,731	-	2,488,689
Loans and finance lease receivables (*)	4,596,573	8,216,365	67,924	12,880,862
Associates, Subsidiaries and Joint-Ventures (**)	-	-	-	-
Held-to-maturity investments	-	-	-	-
Derivative financial assets for hedging purposes	-	-	-	-
Tangible assets	5,701	194	-	5,895
Intangible assets	46,445	-	-	46,445
Other assets	491,926	55,460	2,199	549,585
Total assets	7,163,269	17,093,048	2,665,336	26,921,653
Liabilities				
Current account and funds collected from Banks via participation accounts	29,544	75,880	218,111	323,535
Current and profit sharing accounts FC	3,461,407	11,417,581	2,784,865	17,663,853
Money market borrowings	-	-	-	-
Funds provided from other financial institutions	127,952	3,577,714	737,899	4,443,565
Marketable securities issued	-	4,201,326	-	4,201,326
Miscellaneous payables	10,199	18,582	395	29,176
Derivative financial liabilities for hedging purposes	-	-	-	-
Other liabilities (****)	41,300	90,553	24,101	155,954
Total liabilities	3,670,402	19,381,636	3,765,371	26,817,409
Net balance sheet position	3,492,867	(2,288,588)	(1,100,035)	104,244
Net off-balance sheet position	(3,461,370)	2,381,573	1,088,848	9,051
Financial derivative assets	1,071,036	5,850,503	1,385,789	8,307,328
Financial derivative liabilities	4,532,406	3,468,930	296,941	8,298,277
Non-cash loans (***)	1,467,993	2,561,965	365,828	4,395,786
Prior period				
Total assets	9,755,657	15,530,851	2,582,901	27,869,409
Total liabilities	3,205,582	17,274,519	3,127,453	23,607,554
Net balance sheet position	6,550,075	(1,743,668)	(544,552)	4,261,855
Net off-balance sheet position	(6,447,687)	1,761,924	533,381	(4,152,382)
Financial derivative assets	311,483	3,966,378	1,158,845	5,436,706
Financial derivative liabilities	6,759,170	2,204,454	625,464	9,589,088
Non-cash loans (***)	1,653,815	2,698,112	360,108	4,712,035

(*) Includes foreign currency indexed loans amounting to TL 6,843,049 (31 December 2016 – TL 7,272,665) followed as TL on the balance sheet.

(**) Includes TL 714 (31 December 2016 – TL 714) of foreign currency denominated available for sale financial assets, which are followed in Turkish Lira as TL 1,928,822 on the balance sheet.

(***) Does not have any effect to the net off-balance sheet position.

(****) Precious metals are included in "Other FC" column.

(*****) General provision for FC indexed loans amount of TL 31,157 included in Other Liabilities. General loan provisions for the Bank's share and provisions for financial assets at fair value through profit and loss amount of TL 73,795 and TL 625 respectively are not included in currency risk of the Bank.

Foreign currency amounts that are not included in the currency risk table due to the legislation related to calculation of foreign currency net position to equity standard ratio, are explained by their gradation in the financial statements below;

- Derivative financial assets held for trading : TL 10,697 (31 December 2016 – TL 87,833)
- Prepaid expenses: TL 191 (31 December 2016 – TL 646)
- Derivative financial liabilities held for trading: TL 64,954 (31 December 2016 – TL 79,147)
- Foreign currency marketable securities revaluation reserve: TL 11,064 (31 December 2016 – (30,347) TL)
- Derivative financial liabilities for hedging purposes TL 108,199 (31 December 2016 – TL 137,829)

Receivables/Payables related to derivative financial instruments include foreign currency purchase/sale transactions that are amounting to;

- Forward foreign currency purchase transactions: TL 1,257,267 (31 December 2016 - TL 306,728)
- Forward foreign currency sale transactions: TL 1,301,930 (31 December 2016 – TL : 403,440)
- Matured purchase transactions: TL 280,008 (31 December 2016 - TL 497,032)
- Matured sale transactions: TL 218,623 (31 December 2016- TL 490,039)

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III. Explanations on consolidated position risk of equity securities in banking book

a) Relation of risks with gains accounted under equity and analysing according to their aims including strategic reasons and the accounting policies applied and general information about valuation techniques with assumptions in this application, the elements that manipulate valuation and important changes:

The Group's non-quoted securities are accounted for fair value. When the fair value cannot be reliably measured, the cost method is used.

b) Carrying value of share investments, for fair value and quoted securities, comparison with market value if market value is significantly different from fair value:

		Comparison		
	Equity Securities (shares)	Carrying Value	Fair Value	Market Value
1	Securities Available-for-Sale(*)	53,481	-	-
	Quoted Securities	-	-	-
2	Investments in Associates	-	-	-
	Quoted Securities	-	-	-
3	Investment in Subsidiaries(*)	23,680	-	-
	Quoted Securities	-	-	-
4	Other	17,385	-	-
	Quoted Securities	-	-	-

		Comparison		
	Prior Period Equity Securities (shares)	Carrying Value	Fair Value	Market Value
1	Securities Available-for-Sale (*)	53,485	-	-
	Quoted Securities	-	-	-
2	Investments in Associates	-	-	-
	Quoted Securities	-	-	-
3	Investment in Subsidiaries(*)	23,680	-	-
	Quoted Securities	-	-	-
4	Other	15,301	-	-
	Quoted Securities	-	-	-

(*)Valuation of Equity shares investments are followed up at cost value because its fair value cannot be reliably measured.

c) Realized gains/losses, revaluation surpluses and unrealized gains/losses on equity securities and results included in core and supplementary capitals:

None (31 December 2016: None).

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IV. Consolidated liquidity risk management and liquidity coverage ratio

The liquidity risk of the Group is the risk of being unable to fulfill its payment obligations on time due to not having enough cash sources or cash inflows to finance its cash outflows fully and on time due to cash flow instabilities. It has been evaluated in two main categories :

Funding Liquidity Risk : It is a kind of risk which does not meet the any unexpected loss and non defaulting debts and liabilities.

Market Liquidity Risk : It is a kind of risk which consists of the position that cannot be sold without affecting market price due to insufficient market depth or market conditions' deterioration or that cannot be completed with the position of market price for any reasons.

a) Information on risk capacity of the Group, Responsibilities and structure of liquidity risk management, the Group's internal liquidity risk reporting, communication between the Board of Directors and business lines on liquidity risk strategy, policy and application:

The Group's liquidity and funding policy is to own sufficient liquidity reserve and funding opportunities to meet its liabilities even in cases of stress, resulting from the market conditions or other conditions specific to the Bank. The applications and responsibilities related to the liquidity risk has been determined according to the Treasury Liquidity and Mark Management Policies and Practices approved by Board of Directors.

The Group, with its strong capital structure and its main shareholder is Kuwait Finance House's support, spread hthe base of current and participation accounts and be stable, diversified sources of foreign borrowing has a high risk capacity. In addition, in the case that high-quality liquid assets to meet its cash outflows with the stock of the Liquidity Coverage Ratio of the Bank it is evaluated as high. There are limits to ready use in the Central Bank and financial institutions.

Senior management in the ALCO meetings are analyzed indicators of the liquidity situation and liquidity risk are weekly discussed. In addition, the Board of Directors through the Audit Committee are informed.

For the management of liquidity risk, the Risk Management Department of the funding and liquidity risks, market conditions, in the participating accounts, the distribution of different currencies, maturity, cost and expected future cash flow requirements (particularly with regard to large deposits) are followed. Reports on the liquidity gap analysis Budget and Management Reporting prepared weekly by the Department and monitored by the Asset and Liability Committee. These units also possible to estimate the Bank's liquidity needs in case of emergency and urgent action plans based on these estimates. Risk Management Department, followed by limits on liquidity risk as determined by the Board. Risk Management Department, in addition to these, is implementing monthly liquidity stress tests to measure the effects of negative scenario will make the liquidity position of the Bank. The Treasury Department is to do at any time or from any source with regard to funding deficiency funding to prevent and manage its liquidity risk and Asset and Liability Committee regularly reports regarding the Bank's liquidity position. External Reporting Directorate to track the liquidity coverage ratio and the results are reported to the BRSA.

b) Information on the centralization degree of liquidity management and funding strategy and the functioning between the Group and the Group's subsidiaries:

The Group's liquidity management is performed by the Asset and Liability Management. depending on the Group's consolidated subsidiaries are subject to liquidity risk is managed in-house, but the necessary communication and coordination within the Assistant General Manager in charge of Treasury and International Banking are provided.

c) Information on the Bank's funding strategy including the policies on funding types and variety of maturities:

The Group spread to the base of current and participation accounts and that a stable, long-term diversification and aims to be the source of the funds used. Ratio of liquid assets to total assets ratio and risk indicators related to liquidity, credit and the ratio of funds, issues such as the concentration in collected funds are being closely monitored.

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IV. Consolidated liquidity risk management and liquidity coverage ratio (continued)

d) Information on liquidity management on the basis of currencies constituting a minimum of five percent of the Group's total liabilities

Almost all total liabilities of the Group consists of the Turkish Lira, American Dollar, Euro or Gold. TL liquidity of the Bank is managed through the open market transactions implemented by the Central Bank of the Turkish Republic and interbank operations. Liabilities in the form of TL are used in order to fund assets in the form of TL, assets in the form of TL are generated through foreign exchange based funds with swap operations if necessary. Foreign currency funds are provided with the foreign sourced credits in the form of foreign currency and sukuk-financial certificates issued. Liquidity in the form of foreign currency is kept at the interbank operations and accounts of the corresponding bonds within the limits. Liabilities in the form of Gold are kept at the required reserve accounts of the Central Bank of the Turkish substantially.

e) Information on liquidity risk mitigation techniques:

Liquidity risk is mitigated by using techniques such as maintaining high quality liquid asset buffer to cover possible fund outflows, diversification of funding sources so far as possible and inclusion to the base, homogenizing the maturity distribution of repayments as far as possible, obtaining limits from funding institutions to use when necessary and ensuring that a determined portion of funding sources are comprised of deposits. In addition, core deposit analysis is performed and concentration on collected funds are closely monitored.

f) Information on the use of stress tests:

In order to analyze the source of the possible liquidity insufficiencies and whether conformably move exists on existing off-balance sheet and balance sheet positions relevant with liquidity risk expectation, 3 types liquidity stress tests are applied by Risk Management Directorate. These includes stress test scenarios are special to the Bank, related with the overall market or scenarios take in consideration both of the situations. Stress tests related with liquidity risk are repeated at monthly periods. Results are tracked with key risk indicators and monitored by Senior Management.

g) General information on urgent and unexpected liquidity situation plans:

Necessary strategy and procedures for the management of possible liquidity crisis are determined with the Liquidity Contingency Plan, which is approved and reviewed every year by the Executive Risk Committee. The actions to be taken favor the benefits of depositors, creditors of the Bank and shareholders. Indicators of Liquidity Contingency Plan were determined, in case of unexpected progress at the liquidity situation occur or at situations trigger of other indicators, plan is put into use. After Liquidity Contingency Plan is put into use, Liquidity Contingency Management Committee is responsible from the determination of actions to be taken.

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IV. Consolidated liquidity risk management and liquidity coverage ratio (continued)

Consolidated liquidity coverage ratio

<i>Current Period (Parent Bank)</i>		Total Unweighted Value (Average) ^(*)		Total Weighted Value (Average) ^(*)	
		TL+FC	FC	TL+FC	FC
High-Quality Liquid Assets					
1	Total high-quality liquid assets (HQLA)	9,683,239	7,621,349	8,283,193	6,221,303
Cash Outflows					
2	Retail deposits and deposits from small business customers, of which:	24,681,789	11,117,596	1,846,467	958,284
3	Stable deposits	12,434,237	3,069,504	621,712	153,475
4	Less stable deposits	12,247,552	8,048,092	1,224,755	804,809
5	Unsecured wholesale funding, of which:	7,814,280	3,884,224	3,256,805	1,524,617
6	Operational deposits	3,765,291	2,072,944	941,323	518,235
7	Non-operational deposits	3,399,602	1,749,286	1,666,095	944,388
8	Unsecured funding	649,387	61,994	649,387	61,994
9	Secured wholesale funding			-	-
10	Other cash outflows of which:	17,507,993	9,791,740	10,738,629	6,945,724
11	Outflows related to derivative exposures and other collateral requirements	8,555,413	6,782,574	8,555,413	6,782,574
12	Outflows related to restructured financial instruments	-	-	-	-
13	Payment commitments and other off-balance sheet commitments granted for debts to financial markets	-	-	-	-
14	Other revocable off-balance sheet commitments and contractual obligations	-	-	-	-
15	Other irrevocable or conditionally revocable off-balance sheet obligations	8,952,580	3,009,166	2,183,216	163,150
16	Total Cash Outflows			15,841,901	9,428,625
Cash Inflows					
17	Secured receivables	-	-	-	-
18	Unsecured receivables	6,142,128	4,915,004	5,449,880	4,832,799
19	Other cash inflows	8,585,959	7,557,044	8,585,959	7,557,044
20	Total Cash Inflows	14,728,087	12,472,048	14,035,839	12,389,843
				Üst Sınır Uygulanmış Değer	
21	Total HQLA			8,283,193	6,221,303
22	Total Net Cash Outflows			3,960,475	2,357,157
23	Liquidity Coverage Ratio (%)			209.15	263.93

(*) The average of last three months' liquidity coverage ratio calculated by weekly simple averages.

The table below presents highest, lowest and average liquidity coverage ratios as at 30 June 2017:

	Highest	Date	Lowest	Date	Average
TL+FC	648.12	10/03/2017	170.37	31/03/2017	313.14
FC	980.02	10/03/2017	232.17	12/05/2017	496.86

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IV. Consolidated liquidity risk management and liquidity coverage ratio (continued)

Consolidated liquidity coverage ratio

<i>Prior Period (Parent Bank)</i>		Total Unweighted Value (Average) (*)		Total Weighted Value (Average) (*)	
		TL+FC	FC	TL+FC	FC
High-Quality Liquid Assets					
1	Total high-quality liquid assets (HQLA)	7,248,378	6,328,808	6,144,352	5,224,782
Cash Outflows					
2	Retail deposits and deposits from small business customers, of which:	23,479,779	9,318,830	1,517,332	597,257
3	Stable deposits	16,612,915	6,692,505	830,646	334,625
4	Less stable deposits	6,866,864	2,626,325	686,686	262,632
5	Unsecured wholesale funding, of which:	6,214,737	2,217,841	3,845,879	934,698
6	Operational deposits	2,319,448	1,241,513	579,862	310,379
7	Non-operational deposits	2,213,026	912,697	1,583,754	560,688
8	Unsecured funding	1,682,263	63,631	1,682,263	63,631
9	Secured wholesale funding	-	-	-	-
10	Other cash outflows of which:	5,309,816	2,511,422	424,294	274,342
11	Outflows related to derivative exposures and other collateral requirements	10,561	-	10,561	-
12	Outflows related to restructured financial Instruments	-	-	-	-
13	Payment commitments and other off-balance sheet commitments granted for debts to financial markets	5,299,255	2,511,422	413,733	274,342
14	Other revocable off-balance sheet commitments and contractual obligations	-	-	-	-
15	Other irrevocable or conditionally revocable off-balance sheet obligations	-	-	-	-
16	Total Cash Outflows			5,787,505	1,806,297
Cash Inflows					
17	Secured receivables	-	-	-	-
18	Unsecured receivables	4,589,956	4,468,844	662,942	595,905
19	Other cash inflows	44,971	3,350,234	44,971	3,350,234
20	Total Cash Inflows	4,634,927	7,819,078	707,913	3,946,139
				Total Adjusted Value	
21	Total HQLA			6,144,352	5,224,782
22	Total Net Cash Outflows			5,079,592	451,574
23	Liquidity Coverage Ratio (%)			120.96	1,157.02

(*) The average of last three months' liquidity coverage ratio calculated by weekly simple averages.

The table below presents highest, lowest and average liquidity coverage ratios of the year 2016:

Prior Period

	Highest	Date	Lowest	Date	Average
TL+FC	294.78	08.01.2016	110.53	30.12.2016	166.66
FC	1,498.10	05.08.2016	393.39	25.03.2016	1,132.26

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IV. Consolidated liquidity risk management and liquidity coverage ratio (continued)

Presentation of assets and liabilities according to their remaining maturities:

	Demand	Up to 1 month	1-3 Months	3-12 months	1-5 years	Over 5 years	Unallocated (**)	Total
Current period								
Assets								
Cash (cash in vault, effectives, cash in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey	1,939,549	6,094,916	-	-	-	-	-	8,034,465
Banks	3,319,588	-	4,949	-	-	-	-	3,324,537
Financial assets at fair value through profit and loss	-	21,701	28,712	67,337	16,408	-	-	134,158
Money market placements	-	-	-	-	-	-	-	-
Available-for-sale financial assets	-	70,605	633,793	1,206,216	1,737,331	651,318	117,534	4,416,797
Loans(*)	-	5,405,519	4,101,649	11,314,804	11,521,779	1,869,979	142,611	34,356,341
Held-to-maturity investments	-	-	-	-	-	-	-	-
Other assets (**)	118,983	982,169	31,217	-	114,189	-	801,908	2,048,466
Total assets	5,378,120	12,574,910	4,800,320	12,588,357	13,389,707	2,521,297	1,062,053	52,314,764
Liabilities								
Current account and funds collected from banks via participation accounts	321,195	7,841	14	-	-	-	-	329,050
Current and profit sharing accounts	14,214,188	17,753,903	3,410,093	914,158	42,840	-	-	36,335,182
Funds provided from other financial institutions	-	555,720	859,519	1,142,702	700,328	1,267,450	-	4,525,719
Money market borrowings	-	-	-	-	-	-	-	-
Marketable securities issued	-	-	-	694,747	4,200,593	-	-	4,895,340
Miscellaneous payables	163,054	52,932	3,471	-	-	-	-	219,457
Other liabilities (**)	-	792,804	84,382	6,542	127,773	-	4,998,515	6,010,016
Total liabilities	14,698,437	19,163,200	4,357,479	2,758,149	5,071,534	1,267,450	4,998,515	52,314,764
Net liquidity gap	(9,320,317)	(6,588,290)	442,841	9,830,208	8,318,173	1,253,847	(3,936,462)	-
Prior period								
Total assets	7,835,927	12,431,459	4,508,293	9,775,829	11,170,634	2,114,018	889,875	48,726,035
Total liabilities	12,148,944	17,951,603	3,822,475	3,717,904	5,190,194	1,267,765	4,627,150	48,726,035
Net Liquidity Gap	(4,313,017)	(5,520,144)	685,818	6,057,925	5,980,440	846,253	(3,737,275)	-

(*) This line also includes receivables from leasing transactions.

(**) Certain assets in the balance sheet that are necessary for the banking operations but cannot be readily convertible into cash in the near future, such as tangible assets, investments in associates and subsidiaries, stationary supplies and prepaid expenses are included under unallocated assets. The unallocated other liabilities column consists of equity and provisions balances.

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V. Explanations on consolidated leverage ratio

Disclosure of consolidated leverage ratio template

The leverage ratio table prepared in accordance with the communiqué “Regulation on Measurement and Assessment of Leverage Ratios of Banks” published in the Official Gazette no. 28812 dated 5 November 2013 is presented below:

On-balance sheet assets		<i>Current Period</i> (*)	<i>Prior Period</i> (*)
1	On-balance sheet items (excluding derivative financial instruments and credit derivatives but including collateral)	51,601,284	47,713,307
2	(Assets deducted in determining Tier I capital)	(203,490)	(218,855)
3	Total on-balance sheet risks (sum of lines 1 and 2)	51,397,794	47,494,452
Derivative financial instruments and credit derivatives			
4	Replacement cost associated with all derivative instruments and credit derivatives	47,794	90,391
5	Add-on amounts for PFE associated with all derivative instruments and credit derivatives	123,720	115,612
6	Total risks of derivative financial instruments and credit derivatives (sum of lines 4 to 5)	171,514	206,003
Securities or commodity financing transactions (SCFT)			
7	Risks from SCFT assets (excluding on-balance sheet)	598,668	247,175
8	Risks from brokerage activities related exposures	-	-
9	Total risks related with securities or commodity financing transactions (sum of lines 7 to 8)	598,668	247,175
Other off-balance sheet transactions			
10	Gross notional amounts of off-balance sheet transactions	53,274,333	41,997,030
11	(Adjustments for conversion to credit equivalent amounts)	(33,592,320)	(24,926,904)
12	Total risks of off-balance sheet items (sum of lines 10 and 11)	19,682,013	17,070,126
Capital and total risks			
13	Tier I capital	4,113,307	3,810,218
14	Total risks (sum of lines 3, 6, 9 and 12)	71,849,989	65,017,756
Leverage ratio			
15	Leverage ratio	5.72	5.86

(*) Amounts in the table are three-month average amounts.

In the consolidated basis, the Group's balance sheet date in the last months of the past three months, calculated on the basis of the arithmetic average of the nominal value in the leverage ratio was 5.72% (31 December 2016 - 5.86%) were realized. The main reason for the changes compared to the previous period compared to other off-balance sheet items is higher than the increase in risk item. According to this, while the core capital is observed an increase in profit for the period increased by 8% and the balance-sheet risks borne amount, balance sheet items showed a %8 increase, also off-balance sheet items increased 15%. Accordingly, the leverage ratio of the current period compared to the previous year shows an increase of 14 basis points.

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VI. Explanations on consolidated risk management

Risk Management System refers to the Board of Directors, the Audit Committee, the Risk Management Committee, Asset-Liability Committee (“ALCO”) and the Risk Management Department (“RMD”) which has been composed in order to manage systemic risks that the Bank is exposed. The Board of Directors is the owner of the Bank's Risk Management System and ensures the establishment of an effective, sufficient and appropriate risk management system as well as the continuity of the system. The main objective of the Bank's Risk Management System is to identify, measure, monitor and control the risks that the Bank is exposed to, by determining the policies, limits and procedures to control, to monitor, and if necessary to change the risk-return structure of the Bank's future cash flows and the level & the quality of related activities.

In accordance with Group’s strategies, risk policies and vision, the analyses that Risk Management Service presents to Internal Systems Committee and Audit Committee are credit risks, market risks, liquidity risks, operational risks and IT risk evaluations. Besides, in accordance to market trends, economic conduct and Bank’s strategic growth, capital adequacy stress test and scenario analyses, evaluation of economic development in the World and Turkey are presented to Internal Systems Committee and Board of Directors by Risk Management Service. These analyses contribute to Bank Top Management’s resolution process about risk appetite and awareness of risks, capital adequacy, strategy revisions and future estimation.

In addition, Risk Management Service verifies its own coordination to be ready proactively in business availability of Kuveyt Türk and situations connected with it.

Risk Management Service continues risk monitoring and analyzing operations in accordance to Board of Director’s Kuveyt Türk’s mission, vision and growth strategy to prevent the potential risks. In this context credit and market risks, liquidity risk, operational risks and all limits, internal personal scoring and corporate rating modeling with IT risks issues, IT risk evaluation, operational lost data base, key risk indicators, operational risk insurances, market risk calculations, following up of treasury transactions and asset-liability risks are being monitored.

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VI. Explanations on consolidated risk management (continued)

a. Explanations on Risk Management and Risk weighted amounts :

Risk weighted amounts:

		Risk Weighted Amounts		Minimum Capital Requirements
		Current Period 30/06/2017	Prior Period 31/12/2016	Current Period 30/06/2017
1	Credit risk (excluding counterparty credit risk) (CCR) ^(*)	26,579,996	27,753,547	2,126,400
2	Of which standardised approach (SA)	26,579,996	27,792,552	2,126,400
3	Of which internal rating-based (IRB) approach	-	-	-
4	Counterparty credit risk	95,350	94,652	7,628
5	Of which standardised approach for counterparty credit risk (SA-CCR)	95,350	94,652	7,628
6	Of which internal model method (IMM)	-	-	-
7	Equity position in banking book under basic risk weighting or internal rating-based	-	-	-
8	Equity investments in funds – look-through approach	-	-	-
9	Equity investments in funds – mandate-based approach	-	-	-
10	Equity investments in funds – 1250% risk weighting Approach	-	-	-
11	Settlement risk	-	-	-
12	Securitisation exposures in banking book	-	-	-
13	Of which IRB ratings-based approach (RBA)	-	-	-
14	Of which IRB supervisory formula approach (SFA)	-	-	-
15	Of which SA/simplified supervisory formula approach (SSFA)	-	-	-
16	Market risk	705,950	734,695	56,476
17	Of which standardised approach (SA)	705,950	734,695	56,476
18	Of which internal model approaches (IMM)	-	-	-
19	Operational risk	3,552,856	2,877,204	284,228
20	Of which basic indicator approach	3,552,856	2,877,204	284,228
21	Of which standardised approach	-	-	-
22	Of which advanced measurement approach	-	-	-
23	Amounts below the thresholds for deduction from capital (subject to 250% risk weight)	-	-	-
24	Floor adjustment	-	-	-
25	Total (1+4+7+8+9+10+11+12+16+19+23+24)	30,934,152	31,499,103	2,474,732

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VI. Explanations on consolidated risk management (continued)

b. General qualitative information on credit risk:

Credit quality of assets:

		<i>Gross carrying value as per TAS</i>		<i>Allowances/amortisation and impairments</i>	<i>Net values</i>
		<i>Defaulted</i>	<i>Non-defaulted</i>		
1	Loans	859,596	34,164,150	717,587	34,306,159
2	Debt securities	-	4,509,481	14,425	4,495,056
3	Off-balance sheet exposures	-	23,612,641	186,180	23,426,461
4	Total	859,596	62,286,272	918,192	62,227,676

Changes in stock of defaulted loans and debt securities:

		Current Period
1	Defaulted loans and debt securities at end of the previous reporting period	748,614
2	Loans and debt securities that have defaulted since the last reporting period	270,429
3	Receivables back to non-defaulted status	-
4	Amounts written off	110,830
5	Other changes	(48,617)
6	Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5)	859,596

Credit risk mitigation techniques:

		Exposures unsecured: carrying amount as per TAS	Exposures secured by collateral	Collateralized amount of exposures secured by collateral	Exposures secured by financial guarantees	Collateralized amount of exposures secured by financial guarantees	Exposures secured by credit derivatives	Collateralized amount of exposures secured by credit derivatives
1	Loans	26,379,475	7,926,684	571,104	-	-	-	-
2	Debt securities	4,495,056	-	-	-	-	-	-
3	Total	30,874,531	7,926,684	571,104	-	-	-	-
4	Overdue	115,793	26,216	45	-	-	-	-

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VI. Explanations on consolidated risk management (continued)

Credit risk using the standard approach:

Credit risk exposed and credit risk mitigation effects:

	Risk Classes	Receivable before CCF and CRM		Receivable post-CCF and CRM		RWA and RWA density	
		On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
1	Receivables from central governments and Central Banks	9,972,724	-	9,972,724	-	913,265	9
2	Receivables from regional and local government	-	-	-	-	-	-
3	Receivables from administrative bodies and non-commercial entities	-	-	-	-	-	-
4	Receivables from multilateral development banks	-	-	-	-	-	-
5	Receivables from international organizations	-	-	-	-	-	-
6	Receivables from banks and brokerage houses	5,627,543	481,143	5,627,543	264,872	2,783,858	47
7	Receivables from corporate	6,906,195	5,731,150	6,906,195	2,832,635	9,539,787	98
8	Retail receivables	4,993,048	5,420,562	4,993,048	1,828,292	5,008,856	73
9	Receivables secured by residential property	5,660,401	607,688	5,660,401	258,171	2,052,324	35
10	Receivables secured by commercial property	6,898,967	1,187,792	6,898,967	568,135	4,666,225	62
11	Non-performing receivables	73,423	-	73,423	-	57,638	79
12	Receivables in high-risk categories	12,728	-	12,728	-	19,091	150
13	Mortgage-backed securities	-	-	-	-	-	-
14	Short term receivables to banks, brokerage houses and corporates	-	-	-	-	-	-
15	Investments similar to collective investment funds	98,761	-	98,761	-	36,960	37
16	Other receivables	3,645,267	-	3,645,267	-	1,501,992	41
17	Equity share investments	-	-	-	-	-	-
18	Total	43,889,057	13,428,335	43,889,057	5,752,105	26,579,996	632

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VI. Explanations on consolidated risk management (continued)

Credit risk using the standard approach (continued):

Credit risk exposed and credit risk mitigation effects:

Risk Classes / Risk Weights *		0%	10%	20%	50%	75%	100%	150%	200%	Others	Total risk amount (**)
1	Receivables from central governments and Central Banks	8,146,195	-	-	1,826,529	-	-	-	-	-	913,265
2	Receivables from regional and local government	-	-	-	-	-	-	-	-	-	-
3	Receivables from administrative bodies and non-commercial entities	-	-	-	-	-	-	-	-	-	-
4	Receivables from multilateral development banks	-	-	-	-	-	-	-	-	-	-
5	Receivables from international organizations	-	-	-	-	-	-	-	-	-	-
6	Receivables from banks and brokerage houses	10,065	-	1,213,966	4,254,638	-	413,746	-	-	-	2,783,858
7	Receivables from corporate	113,405	-	107,048	-	-	9,518,377	-	-	-	9,539,787
8	Retail receivables	94,645	-	65,755	-	6,660,940	-	-	-	-	5,008,856
9	Receivables secured by residential property	41,347	-	31,365	-	-	-	-	-	5,845,860	2,052,324
10	Receivables secured by commercial property	62,364	-	55,164	5,388,763	-	1,960,811	-	-	-	4,666,225
11	Non-performing receivables	8	-	2	31,551	-	41,862	-	-	-	57,638
12	Receivables in high-risk categories	-	-	1	-	-	-	12,727	-	-	19,091
13	Mortgage-backed securities	-	-	-	-	-	-	-	-	-	-
14	Short term receivables to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-	-
15	Investments similar to collective investment funds	35,284	-	8,932	38,742	-	15,803	-	-	-	36,960
16	Equity share investments	-	-	-	-	-	-	-	-	-	-
17	Other receivables	1,458,558	-	855,896	-	-	1,330,813	-	-	-	1,501,992
18	Total	9,961,871	-	2,338,129	11,540,223	6,660,940	13,281,412	12,727	-	5,845,860	26,579,996

* 35% Risk Weight is classified in Others.

** Amount after Credit Valuation Adjustment ("CVA") and Credit Risk Mitigation ("CRM")

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VI. Explanations on consolidated risk management (continued)

c. Counterparty credit risk (CCR) approach analysis

		Replacement cost	Potential future exposure	EEPE (Effective Expected Positive Exposure)	Alpha used for computing regulatory EAD	EAD post-CRM	RWA
1	Standardised Approach CCR (for derivatives)	28,413	114,029	-	1.4	142,442	95,350
2	Internal Model Method (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)	-	-	-	-	-	-
3	Simple Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)	-	-	-	-	-	-
4	Comprehensive Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)	-	-	-	-	-	-
5	Value-at-Risk (VaR) for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions	-	-	-	-	-	-
6	Total	-	-	-	-	-	95,350

Capital requirement for credit valuation adjustment (CVA)

		EAD post-CRM	RWA
	Total portfolios subject to the Advanced CVA capital obligation		
1	(i) VaR component (including the 3×multiplier)	-	-
2	(ii) Stressed VaR component (including the 3×multiplier)	-	-
3	All portfolios subject to the Standardised CVA capital obligation	142,442	17,896
4	Total subject to the CVA capital obligation	142,442	17,896

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VI. Explanations on consolidated risk management (continued)

CCR exposures by risk class and risk weights

Risk Classes / Risk Weights *		0%	10%	20%	50%	75%	100%	150%	200%	Others ***	Total credit risk*
1	Receivables from central governments and Central Banks	-	-	-	-	-	-	-	-	-	-
2	Receivables from regional and local government	-	-	-	-	-	-	-	-	-	-
3	Receivables from administrative bodies and non-commercial entities	-	-	-	-	-	-	-	-	-	-
4	Receivables from multilateral development banks	-	-	-	-	-	-	-	-	-	-
5	Receivables from international organizations	-	-	-	-	-	-	-	-	-	-
6	Receivables from banks and brokerage houses	-	-	77,373	-	-	42,031	-	-	-	57,506
7	Receivables from corporate	-	-	-	-	-	12,910	-	-	-	12,910
8	Retail receivables	-	-	-	-	8,134	-	-	-	-	6,101
9	Receivables secured by residential property	-	-	-	-	-	-	-	-	775	271
10	Receivables secured by commercial property	-	-	-	1,105	-	114	-	-	-	667
11	Non-performing receivables	-	-	-	-	-	-	-	-	-	-
12	Receivables in high-risk categories	-	-	-	-	-	-	-	-	-	-
13	Mortgage-backed securities	-	-	-	-	-	-	-	-	-	-
14	Short term receivables to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-	-
15	Investments similar to collective investment funds	-	-	-	-	-	-	-	-	-	-
16	Equity share investments	-	-	-	-	-	-	-	-	-	-
17	Other receivables	-	-	-	-	-	-	-	-	-	-
17	Other assets**	-	-	-	-	-	-	-	-	-	-
18	Total	-	-	77,373	1,105	8,134	55,055	-	-	775	77,455

* Total credit risk: The amount to capital adequacy calculation after counterparty credit risk measurement techniques are applied.

** Other assets: The template includes amounts that are not included in counterparty credit risk reported in CCR8.

*** %35 Risk Weight is classified in Other.

Collaterals for Counterparty Credit Risk:

None.

Credit Derivatives:

None

Items Subject to Counterparty Risk Framework

None.

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VI. Explanations on consolidated risk management (continued)

d. Securitization Explanations: None.

e. Market risk under standardised approach:

	Risk Weighted Amounts
Outright products	705,950
1 Profit share risk (general and specific)	391,880
2 Equity risk (general and specific)	-
3 Foreign exchange risk	202,047
4 Commodity risk	112,023
Options	-
5 Simplified approach	-
6 Delta-plus method	-
7 Scenario approach	-
8 Securitisations	-
9 Total	705,950

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VII. Securitization positions

None.

VIII. Explanations on the activities carried out on behalf and account of other persons

The Group does not perform purchases, sales and custody services in the name of others. The Group has no fiduciary based transactions.

IX. Explanations on business segments

The Group operates in Corporate and Commercial Banking, Retail Banking, International Banking – Treasury and Investment Banking sectors.

Corporate and Commercial Banking: to meet the financial needs of the customers', unique cash flow and financial solutions are provided to customers through loans, non-cash loans, foreign trade financing services and similar customized products. Domestic and foreign business opportunities are supported by using different corporate banking instruments to serve the sustainability of the production of entities.

Retail Banking; there are main activities: ATMs, internet banking, telephone banking, and other banking services, as well as a wide range of products such as credit cards, funds collection, installment commercial loans, business loans, non-cash loans, consumer financing, credit cards, artisan finance, checks, POS services.

In International Banking, the relationships with foreign correspondent banks and investment institutes are executed directly or via branches abroad, representative offices and agencies. The firms, which are exceed size limits, are classified "corporate" customers and directed to the Corporate Banking. The products are the same with the Commercial Banking. The aim of international banking is to enable foreign trade financing and develop mutual long term financing agreements with foreign banks. Besides supplying syndicated loans and issue the Sukuk for the Bank, investment banking also supplies syndicated loans in corporate basis for the firms and groups in Turkey. The Treasury in addition to monitoring foreign currency position and liquidity of the Bank, also conducts spot and forward transactions in TL or foreign currencies, performs derivative transactions (Forward, Swap) with banks and customers, trades of gold within the context of membership of Istanbul Gold Exchange, trades share certificates in BIST and international markets and conducts Murabaha transactions with foreign banks.

Selected balance sheet and income statement items according to segments:

Current Period 1 January – 30 June 2017	Retail and enterprise Banking	Commercial banking	Corporate and international banking	Unallocated	Grup's total operation
Operating income	1,077,898	1,000,127	179,660	-	2,257,685
Operating expenses	738,618	234,488	274,597	621,759	1,869,462
Transfers between segments	549,073	(93,517)	(455,556)	-	-
Net operating income(loss)	888,353	672,122	(550,493)	(621,759)	388,223
Income from associates	-	-	-	2,084	2,084
Income (loss) before tax	888,353	672,122	(550,493)	(619,675)	390,307
Provision for taxation	-	-	-	100,209	100,209
Net income for the period	888,353	672,122	(550,493)	(719,884)	290,098
Current Period 1 January – 30 June 2017					
Segment assets	15,405,789	18,339,276	16,521,233	-	50,266,298
Associates, subsidiaries and joint Ventures	-	-	-	41,065	41,065
Undistributed assets	-	-	-	2,007,401	2,007,401
Total assets	15,405,789	18,339,276	16,521,233	2,048,466	52,314,764
Segment liabilities	27,993,300	8,434,766	9,844,443	-	46,272,509
Undistributed liabilities	-	-	-	1,751,229	1,751,229
Shareholders' equity	-	-	-	4,291,026	4,291,026
Total liabilities	27,993,300	8,434,766	9,844,443	6,042,255	52,314,764

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IX. Explanations on business segments

Definitive balance sheet and income statement items based on operating segments:

Prior Period 1 January 2016 – 30 June 2016	Retail and enterprise Banking	Commercial banking	Corporate and international banking	Unallocated	Grup's total operation
Operating income	799,017	996,964	70,975	30,886	1,897,842
Operating expenses	716,212	165,239	114,095	559,872	1,555,418
Transfers between segments	404,722	(450,266)	45,544	-	-
Net operating income(loss)	487,527	381,459	2,424	(528,986)	342,424
Income from associates	-	-	-	(329)	(329)
Income (loss) before tax	487,527	381,459	2,424	(529,315)	342,095
Provision for taxation	-	-	-	(63,197)	(63,197)
Net income for the period	487,527	381,459	2,424	(592,512)	278,898
Prior Period (31 December 2016)					
Segment assets	10,479,838	19,277,131	17,442,897	-	47,199,866
Associates, subsidiaries and joint ventures	-	-	-	38,981	38,981
Undistributed assets	-	-	-	1,487,188	1,487,188
Total assets	10,479,838	19,277,131	17,442,897	1,526,169	48,726,035
Segment liabilities	24,678,208	7,332,820	11,491,406	-	43,502,434
Undistributed liabilities	-	-	-	1,219,780	1,219,780
Shareholders' equity	-	-	-	4,003,821	4,003,821
Total liabilities	24,678,208	7,332,820	11,491,406	5,223,601	48,726,035

(*) Balance sheet figures reflect to 31 December 2016 figures.

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SECTION FIVE

EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

I. Explanations and notes related to consolidated assets

a. Cash and balances with the Central Bank of Republic of Turkey:

1. Cash and balances with the Central Bank of Republic of Turkey:

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash/foreign currency	337,504	739,364	429,341	1,136,330
The Central Bank of Republic of Turkey	56,280	6,105,759	266,286	5,671,920
Other (*)	58,886	736,672	-	821,937
Total	452,670	7,581,795	695,627	7,630,187

(*) As of 30 June 2017, precious metal account amounting to TL 398,324 (31 December 2016 - TL 802,280) and money in transit amounting to TL 397,234 (31 December 2016 – TL 19,657) are presented in this line.

2. Balances with the Central Bank of Turkey:

	Current period		Prior period	
	TL	FC	TL	FC
Unrestricted demand deposit	55,345	35	259,936	20
Restricted time deposit	935	6,105,724	6,350	5,671,900
Total	56,280	6,105,759	266,286	5,671,920

In accordance with the “Communiqué Regarding the Reserve Requirements no. 2013/15, the Bank is required to maintain reserves in CBRT for TL and foreign currency liabilities. The reserve requirements can be maintained as TL, USD, EUR and standard gold. CBRT started paying interest on reserve balances held in USD starting from May 2015 and held in TL starting from November 2014. The reserve rates for TL liabilities vary between 4% and 10.5% for TL deposits and other liabilities according to their maturities as of 30 June 2017 (31 December 2016: 4% and 10.5% for all TL liabilities). The reserve rates for foreign currency liabilities vary between 5% and 19% for deposit and other foreign currency liabilities according to their maturities as of 30 June 2017 (31 December 2016: 4% and 24% for all foreign currency liabilities).

b. Information on financial assets at fair value through profit and loss:

1. As of 30 June 2017, there are no financial assets at fair value through profit and loss subject to repurchase transactions, given as a collateral or blocked (31 December 2016 – None).

2. Positive Differences Related to Derivative Financial Assets Held-for-Trading:

Derivative financial assets held-for-trading	Current period		Prior period	
	TL	FC	TL	FC
Forward transactions	13,798	6,851	20,373	1,931
Swap transactions	3,934	3,846	1,844	85,902
Futures transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
Total	17,732	10,697	22,217	87,833

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c. Information on Banks:

1. Information on banks:

	Current period		Prior period	
	TL	FC	TL	FC
Banks	15,716	3,308,821	26,887	4,753,493
Domestic	15,535	2,367,260	26,859	3,555,895
Foreign	181	941,561	28	1,197,598
Branches and head office abroad	-	-	-	-
Total	15,716	3,308,821	26,887	4,753,493

2. Information on foreign bank accounts:

	Current period		Prior period	
	Unrestricted Amount	Restricted Amount	Unrestricted Amount	Restricted Amount
EU Countries	517,810	-	689,699	-
USA and Canada	381,347	-	393,755	-
OECD Countries(*)	12,897	-	7,893	-
Off-shore Banking Regions	588	-	562	-
Other	29,100	-	105,717	-
Total	941,742	-	1,197,626	-

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

d. Information on financial assets available-for-sale:

	Current Period	Prior Period
Debt Securities	4,332,467	3,699,871
Quoted on stock exchange	4,332,467	3,699,871
Not quoted on stock exchange	-	-
Share certificates	98,755	101,212
Quoted on stock exchange	44,560	47,013
Not quoted on stock exchange	54,195	54,199
Impairment provision	(14,425)	(48,356)
Total	4,416,797	3,752,727

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I. Explanations and notes related to consolidated assets
d. Information on financial assets available-for-sale:

The details of the Rent Certificates which are in Bank's Portfolio "Financial Assets Available for-Sale" are presented below as 30 June 2017.

The Bank invested in domestic currency rent certificates ("Sukuk") issued by private companies which are presented below. The "Sukuk" is classified under "Other Marketable Securities" at the accompanying financial statements.

DESCRIPTON	CURRENCY	COUPON FREQUENCY	ISSUER	ENTRY DATE	MATURITY DATE	VALUE	RATE
TRDKTVKE1724	TRY	6	KT KİRA SERTİFİKALARI V.K.Ş.	18/04/2017	06/10/2017	12,714	10.84
TRDKTVKE1716	TRY	6	KT KİRA SERTİFİKALARI V.K.Ş.	21/04/2017	06/10/2017	10,971	11.16
TRDKTVKK1718	TRY	6	KT KİRA SERTİFİKALARI V.K.Ş.	25/05/2017	16/11/2017	1,663	11.50
XS1082151868	USD	6	ALBARAKA TURK	30/06/2014	30/06/2019	17,595	6.26
XS0922143382	USD	6	TÜRKİYE FİNANS K.B.A.Ş.	02/05/2013	02/05/2018	80,017	3.96
XS1057852912	USD	6	TÜRKİYE FİNANS K.B.A.Ş.	24/04/2014	24/04/2019	23,438	3.96
XS1241110300	USD	6	DIB	03/06/2015	03/06/2020	10,567	0.58
XS1595783215	USD	3	IILM	11/04/2017	19/07/2017	70,378	1.60
XS1611859221	USD	3	IILM	22/05/2017	15/08/2017	52,783	1.32
XS1629371466	USD	3	IILM	14/06/2017	20/09/2017	105,567	1.56

In addition; the Bank included rent certificates which are presented below and these amounts are classified under "Government debt securities" at the accompanying financial statements.

DESCRIPTON	CURRENCY	COUPON FREQUENCY	ISSUER	ENTRY DATE	MATURITY DATE	VALUE	RATE
TRD140721T18	TRY	6	T.C. HAZİNE	20/07/2016	14/07/2021	8,521	9.40
TRD160817T11	TRY	6	T.C. HAZİNE	19/08/2015	16/08/2017	238,359	9.96
TRD140218T18	TRY	6	T.C. HAZİNE	17/02/2016	14/02/2018	291,415	10.64
TRD220921T16	TRY	6	T.C. HAZİNE	28/09/2016	22/09/2021	172,940	2.24
TRD260918T17	TRY	6	T.C. HAZİNE	28/09/2016	26/09/2021	99,618	8.80
TRD211118T18	TRY	6	T.C. HAZİNE	23/11/2016	21/11/2018	9,060	10.16
TRD130219T18	TRY	6	T.C. HAZİNE	15/02/2017	13/02/2019	229,819	11.04
TRD190619T18	TRY	6	T.C. HAZİNE	21/06/2017	19/06/2019	125,000	10.72
XS0831353361	USD	6	REPUBLIC OF TURKEY	26/09/2012	26/03/2018	373,751	2.80
XS1586385178	USD	6	REPUBLIC OF TURKEY	06/04/2017	06/04/2023	161,869	5.00
XS1141043296	USD	6	REPUBLIC OF TURKEY	25/11/2014	25/11/2024	21,102	4.48
XS0975124180	USD	6	REPUBLIC OF TURKEY	26/04/2016	10/10/2018	40,856	4.56
XS1303467077	USD	6	REPUBLIC OF TURKEY	08/06/2016	08/06/2021	35,189	4.26

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I. Explanations and notes related to consolidated assets

e. Information on loans and receivables:

1. All types of loans and advances given to shareholders and employees of the Bank:

	Current period		Prior period	
	Cash	Non-Cash	Cash	Non-Cash
Direct Loans Granted to Shareholders	1,486	16,400	998	16,818
Corporate Shareholders	326	16,400	-	16,656
Real Person Shareholders	1,160	-	998	162
Indirect Loans Granted to Shareholders	144,747	20,440	135,364	20,290
Loans Granted to Employees	16,980	3	14,333	319
Total	163,213	36,843	150,695	37,427

2. Information on first and second category loans and other receivables including restructured or rescheduled loans:

Current Period	Performing Loans and Other Receivables			Loans and Other Receivables under Follow-Up		
	Loans and Other Receivables (Total)	Loans and Receivables with Revised Contract Terms		Loans and Other Receivables (Total)	Loans and Receivables with Revised Contract Terms	
		Extension of Repayment Plan	Other		Extension of Repayment Plan	Other
Loans	30,933,138	751,896	-	1,512,418	946,307	-
Financing commodity against document	-	-	-	-	-	-
Exports Loan	44,586	-	-	320	-	-
Imports Loans	1,531,237	-	-	5,744	-	-
Enterprise Loans	19,664,084	736,024	-	1,191,305	860,450	-
Consumer Loans	6,103,638	11,953	-	215,143	37,440	-
Credit Cards	462,370	-	-	6,927	-	-
Precious Metal Loans	66,530	-	-	-	-	-
Loans Given to Financial Sector	861,929	-	-	-	-	-
Loans Extended Abroad	197,692	3,919	-	56,551	48,417	-
Other	2,001,073	-	-	36,428	-	-
Other Receivables	18,052	-	-	5,464	-	-
Total	30,951,191	751,896	-	1,517,882	946,307	-
Prior Period	Performing Loans and Other Receivables			Loans and Other Receivables under Follow-Up		
	Loans and Other Receivables	Loans and Receivables with Revised Contract Terms		Loans and Other Receivables	Loans and Receivables with Revised Contract Terms	
		Extension of Repayment Plan	Other		Extension of Repayment Plan	Other
Loans	26,910,523	547,437	-	1,541,100	1,006,339	-
Financing commodity against document	-	-	-	-	-	-
Exports Loan	19,007	-	-	337	-	-
Imports Loans	1,250,992	-	-	10,420	-	-
Enterprise Loans	16,903,795	540,986	-	1,246,959	909,349	-
Consumer Loans	5,363,417	6,451	-	176,927	31,340	-
Credit Cards	319,971	-	-	8,637	-	-
Precious Metal Loans	104,024	-	-	1,736	1,736	-
Loans Given to Financial Sector	609,604	-	-	-	-	-
Loans Extended Abroad	249,977	-	-	67,766	63,914	-
Other	2,089,736	-	-	28,318	-	-
Other Receivables	17,916	-	-	3,049	-	-
Total	26,928,439	547,437	-	1,544,149	1,006,339	-

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I. Explanations and notes related to consolidated assets

e. Information on loans and receivables:

2. Information on first and second category loans and other receivables including restructured or rescheduled loans:

In accordance with the Communiqué “Principles and Procedures for the Determination of the Quality of Loans and Other Receivables and Reserves to be provided for These Loans” published in Official Gazette dated 1 November 2006 and numbered 26333, information related to the restructuring (after publish date of the aforementioned Communiqué) of the standard loans and loans and other receivables under close monitoring with respect to the payment schedules and terms is as follows (average maturities and principals are taken into the account):

Number of Extensions for Repayment Plan		
Current Period	Performing Loans and Other Receivables	Performing Loans and Other Receivables
1 or 2 times	751,896	946,307
3,4 or 5 times	-	-
Over 5 times	-	-
Total	751,896	946,307

Extension Periods for Repayment Plan Changes		
Extension Periods for Repayment Plan Changes	Performing Loans and Other Receivables	Loans and Other Receivables under Follow-Up
0 - 6 months	3,935	10,980
6 - 12 months	27,682	57,772
1 - 2 years	261,770	315,747
2 - 5 years	313,390	501,649
5 years and over	145,119	60,159
Total	751,896	946,307

Prior Period		
Number of Extensions for Repayment Plan		
	Performing Loans and Other Receivables	Loans and Other Receivables under Follow-Up
1 or 2 times	547,437	1,006,339
3,4 or 5 times	-	-
Over 5 times	-	-
Total	547,437	1,006,339

Extension Periods for Repayment Plan Changes		
	Performing Loans and Other Receivables	Loans and Other Receivables under Follow-Up
0 - 6 months	4,633	31,479
6 - 12 months	15,611	107,110
1 - 2 years	153,136	313,943
2 - 5 years	238,648	497,695
5 years and over	135,409	56,112
Total	547,437	1,006,339

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I. Explanations and notes related to consolidated assets

e. Information on loans and receivables:

3. Breakdown of loans and other receivables according to their maturities:

Current Period	Performing Loans and Other Receivables		Loans and other receivables under Follow-Up	
	Loans and other receivables (Total)	Loans and Receivables with Revised Contract Terms	Loans and other receivables (Total)	Loans and Receivables with Revised Contract Terms
Cash Loans				
Short-term loans and other receivables	8,596,224	11,147	53,878	17,607
Loans	8,578,171	11,147	48,414	17,607
Other receivables	18,053	-	5,464	-
Medium and long-term loans and other receivables (*)	22,354,967	740,749	1,464,004	928,700
Loans	22,354,967	740,749	1,464,004	928,700
Other receivables	-	-	-	-
Total	30,951,191	751,896	1,517,882	946,307

Prior Period	Performing Loans and Other Receivables		Loans and other receivables under Follow-Up	
	Loans and other receivables (Total)	Loans and Receivables with Revised Contract Terms	Loans and other receivables (Total)	Loans and Receivables with Revised Contract Terms
Cash Loans				
Short-term loans and other receivables	6,732,534	7,459	107,062	40,937
Loans	6,714,618	7,459	104,013	40,937
Other receivables	17,916	-	3,049	-
Medium and long-term loans and other receivables (*)	20,195,905	539,978	1,437,087	965,402
Loans	20,195,905	539,978	1,437,087	965,402
Other receivables	-	-	-	-
Total	26,928,439	547,437	1,544,149	1,006,339

(*) Loans with have original maturities longer than a year are classified as “Medium and Long Term Loans”.

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I. Explanations and notes related to consolidated assets

e. Information on loans and receivables:

4. Information on consumer loans, retail credit cards, loans given to personnel and personnel credit cards:

Current Period	Short term	Medium and long term	Total
Consumer Loans-TL	51,978	6,079,577	6,131,555
Housing Loans	14,015	5,476,395	5,490,410
Vehicle Loans	12,211	336,309	348,520
Consumer Loans	18,154	170,614	188,768
Other	7,598	96,259	103,857
Consumer Loans-FC Indexed	-	2,744	2,744
Housing Loans	-	2,744	2,744
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Consumer Loans-FC	2,807	170,289	173,096
Housing Loans	-	97,213	97,213
Vehicle Loans	-	7,639	7,639
Consumer Loans	-	32,973	32,973
Other	2,807	32,464	35,271
Retail Credit Cards-TL	233,986	78	234,064
With Instalment	49,094	78	49,172
Without Instalment	184,892	-	184,892
Retail Credit Cards-FC	-	-	-
With Instalment	-	-	-
Without Instalment	-	-	-
Personnel Loans-TL	1,008	10,378	11,386
Housing Loans	-	1,394	1,394
Vehicle Loans	242	5,149	5,391
Consumer Loans	764	3,835	4,599
Other	2	-	2
Personnel Loans-FC Indexed	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Loans-FC	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Credit Cards-TL	9,804	22	9,826
With Instalment	3,215	22	3,237
Without Instalment	6,589	-	6,589
Personnel Credit Cards-FC	-	-	-
Instalment based	-	-	-
Without-instalment	-	-	-
Overdraft Account-TL (Real Person)	-	-	-
Overdraft Account-FC (Real Person)	-	-	-
Total	299,583	6,263,088	6,562,671

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e. Information on loans and receivables:

4. Information on consumer loans, retail credit cards, loans given to personnel and personnel credit cards:

Prior Period	Short term	Medium and long term	Total
Consumer Loans-TL	36,077	5,327,039	5,363,116
Housing Loans	8,603	4,832,622	4,841,225
Vehicle Loans	8,669	286,162	294,831
Consumer Loans	16,578	156,424	173,002
Other	2,227	51,831	54,058
Consumer Loans-FC Indexed	-	4,754	4,754
Housing Loans	-	4,754	4,754
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Consumer Loans-FC	16	162,231	162,247
Housing Loans	-	96,990	96,990
Vehicle Loans	16	5,298	5,314
Consumer Loans	-	13,065	13,065
Other	-	46,878	46,878
Retail Credit Cards-TL	179,305	79	179,384
With Instalment	31,809	79	31,888
Without Instalment	147,496	-	147,496
Retail Credit Cards-FC	-	-	-
With Instalment	-	-	-
Without Instalment	-	-	-
Personnel Loans-TL	1,064	9,163	10,227
Housing Loans	-	1,396	1,396
Vehicle Loans	302	4,632	4,934
Consumer Loans	760	3,135	3,895
Other	2	-	2
Personnel Loans-FC Indexed	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Loans-FC	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Credit Cards-TL	7,614	22	7,636
With Instalment	2,256	22	2,278
Without Instalment	5,358	-	5,358
Personnel Credit Cards-FC	-	-	-
Instalment based	-	-	-
Without-instalment	-	-	-
Overdraft Account-TL (Real Person)	-	-	-
Overdraft Account-FC (Real Person)	-	-	-
Total	224,076	5,503,288	5,727,364

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e. Information on loans and receivables:

5. Information on commercial installment loans and corporate credit cards:

Current Period	Short term	Medium and long term	Total
Commercial Instalment Loans-TL	189,261	4,258,340	4,447,601
Business Loans	7,698	1,218,692	1,226,390
Vehicle Loans	124,927	1,261,263	1,386,190
Consumer Loans	56,636	1,778,265	1,834,901
Other	-	120	120
Commercial Instalment Loans-FC Indexed	13,309	1,585,122	1,598,431
Business Loans	2,038	369,951	371,989
Vehicle Loans	8,272	389,524	397,796
Consumer Loans	2,999	825,647	828,646
Other	-	-	-
Commercial Instalment Loans-FC	94,420	391,552	485,972
Business Loans	42,605	306,391	348,996
Vehicle Loans	-	21,958	21,958
Consumer Loans	-	32,821	32,821
Other	51,815	30,382	82,197
Corporate Credit Cards-TL	225,407	-	225,407
With Instalment	77,028	-	77,028
Without Instalment	148,379	-	148,379
Corporate Credit Cards-FC	-	-	-
With Instalment	-	-	-
Without Instalment	-	-	-
Overdraft Account-TL (Legal Entity)	-	-	-
Overdraft Account-FC (Legal Entity)	-	-	-
Total	522,397	6,235,014	6,757,411

Prior Period	Short term	Medium and long term	Total
Commercial Instalment Loans-TL	131,542	3,350,939	3,482,481
Business Loans	8,363	805,525	813,888
Vehicle Loans	53,877	899,076	952,953
Consumer Loans	69,302	1,646,104	1,715,406
Other	-	234	234
Commercial Instalment Loans-FC Indexed	19,738	1,600,468	1,620,206
Business Loans	518	361,055	361,573
Vehicle Loans	13,966	401,823	415,789
Consumer Loans	5,254	836,926	842,180
Other	-	664	664
Commercial Instalment Loans-FC	44,004	279,574	323,578
Business Loans	-	144,340	144,340
Vehicle Loans	-	13,693	13,693
Consumer Loans	44,004	41,386	85,390
Other	-	80,155	80,155
Corporate Credit Cards-TL	141,588	-	141,588
With Instalment	20,605	-	20,605
Without Instalment	120,983	-	120,983
Corporate Credit Cards-FC	-	-	-
With Instalment	-	-	-
Without Instalment	-	-	-
Overdraft Account-TL (Legal Entity)	-	-	-
Overdraft Account-FC (Legal Entity)	-	-	-
Total	336,872	5,230,981	5,567,853

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e. Information on loans and receivables:

6. Breakdown of domestic and foreign loans:

	Current period	Prior period
Domestic loans	32,214,830	28,154,845
Foreign loans	254,243	317,743
Total	32,469,073	28,472,588

7. Loans granted to subsidiaries and associates:

	Current period	Prior period
Loans granted directly to subsidiaries and associates (*)	26	14
Loans granted indirectly to subsidiaries and associates	-	-
Total	26	14

(*) The amount of loans granted directly to subsidiaries and associates is presented under "Banks" in financial statements.

8. Specific provisions for loans:

	Current period	Prior period
Specific provisions		
Loans and receivables with limited collectability	87,876	71,172
Loans and receivables with doubtful collectability	176,853	211,227
Uncollectible loans and receivables	452,858	304,120
Total	717,587	586,519

9. Information on non-performing loans (net):

(i) Information on non-performing loans and other receivables restructured or rescheduled:

	Group III	Group IV	Group V
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Current period			
(Gross amounts before specific provision)	-	-	-
Restructured loans and other receivables	-	-	-
Rescheduled loans and other receivables	-	-	-
Prior period			
(Gross amounts before specific provision)	-	-	-
Restructured loans and other receivables	-	-	-
Rescheduled loans and other receivables	-	-	-

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e. Information on loans and receivables:

9. Information on non-performing loans (net):

(ii). Information on the movement of total non-performing loans:

	Group III	Group IV	Group V
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Ending balance of prior period-31.12.2016	128,436	278,874	341,304
Additions in the current period (+)	132,551	59,744	78,134
Transfers from other categories of non-performing loans(+)	-	99,108	207,103
Transfers to other categories of non-performing loans (-)	99,117	207,094	-
Collections in the current period (-)	4,153	17,882	26,582
Write offs (-)	-	-	110,830
Corporate and commercial loans	-	-	73,407
Retail loans	-	-	34,304
Credit Cards	-	-	3,119
Other	-	-	-
Ending balance of the current period	157,717	212,750	489,129
Specific provisions (-)	87,876	176,853	452,858
Net balance at the balance sheet	69,841	35,897	36,271

(iii). Information on non-performing loans granted as foreign currency: None (31 December 2016- None).

(iv). Gross and net amounts of non-performing loans with respect to user groups:

	Group III	Group IV	Group V
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Current period (Net)	69,841	35,897	36,271
Loans granted to real persons and legal entities (Gross)	157,717	212,750	489,129
Specific provision (-)	87,876	176,853	452,858
Loans to real persons and legal entities (Net)	69,841	35,897	36,271
Banks (Gross)	-	-	-
Specific provision (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	-	-	-
Specific provision (-)	-	-	-
Other loans and receivables (Net)	-	-	-
Prior period (net)	57,264	67,647	37,184
Loans to real persons and legal entities (Gross)	128,436	278,874	341,304
Specific provision (-)	71,172	211,227	304,120
Loans to real persons and legal entities (Net)	57,264	67,647	37,184
Banks (Gross)	-	-	-
Specific provision (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	-	-	-
Specific provision (-)	-	-	-
Other loans and receivables (Net)	-	-	-

The Parent Bank holds collaterals like mortgage pledge, customer cheques and other collaterals against these financial assets.

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e. Information on loans and receivables:

10. Main guidelines for liquidation process of uncollectible loans and other receivables:

Loans and other receivables, which were deemed uncollectible according to the “Principles and Procedures for the Determination of the Quality of Loans and Other Receivables and Reserves to be provided for these Loans” published in the Official Gazette No. 26333 dated 1 November 2006 and for which a full impairment provision has been made, are written-off per the decision of the Bank top management. In 2017, non-performing loans amounting to TL 110,830 have been written-off (31 December 2016 – TL 150,682).

11. Information on the write-off policy:

The Bank ‘s write-off policy is to write-off the loan receivables that have been already transferred to legal follow-up and fully provided for and for which there is no possibility of collection through legal process and for which there is no collateral. Such loans are written off as per the decision of top management.

f. Information on held-to-maturity investments:

None (31 December 2016 – None).

g. Information on investment in associates (Net):

1. The 1.69% ownership of Kredi Garanti Fonu A.Ş. of TL 4,719 (31 December 2016 – TL 4,719), 8.36% ownership of Islamic International Rating Agency of TL 714 (31 December 2016 – TL 714), and 6.99% ownership of Neova Sigorta A.Ş. of TL 5,201 (31 December 2016 – TL 5,201), TL 390 amount of swift shares (31 December 2016 – TL 390) and 0.0035% ownership of share of TL 15 (31 December 2016 – TL 15) that is traded in Borsa İstanbul A.Ş.and VISA Inc.share of TL 6,659 (31 December 2016 – TL 6,660) are classified as financial assets available for sale since the Bank’s ownership in these institutions is less than 10% and the Bank does not have a significant influence on these institutions.
2. Information about investments in unconsolidated associates: None (31 December 2016 – None).
3. Information related to consolidated associates: None (31 December 2016 – None).

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h. Information on subsidiaries (Net):

1. Although the Bank has control power over the management and capital of its non-financial subsidiaries, Körfez Tatil Beldesi Turistik Tesisler ve Devremülk İşletmeciliği San. Ve Tic. A.Ş does not confirm to the definition of financial subsidiary in accordance with “Regulation related to the Preparation of Consolidated Financial Statements by Banks” published in the Official Gazette No. 26340 dated 8 November 2006; hence this subsidiary has not been consolidated. The Bank has reflected its subsidiary at restated cost less any provision for impairment in its financial statements until 31 December 2004.

The Parent Bank has liquidated its subsidiary in Dubai, which was in its possession on 21 May 2017. The final result of the liquidation was USD 50,000,000 with a capital amount of USD 7,388,069.

2. Information on subsidiaries:

Title	Address (City/ Country)	Bank's share percentage, if different-voting Percentage (%)	Bank's risk group share Percentage (%)
Körfez Tatil Beldesi Turistik Tesisler ve Devremülk İşletmeciliği San.ve Tic. A.Ş. (**)	İstanbul/Türkiye	%99.99	%99.99
Körfez Gayrimenkul Yatırım Ortaklığı A.Ş.	İstanbul/Türkiye	%75.00	%97.61
KT Sukuk Varlık Kiralama A.Ş. (**)	İstanbul/Türkiye	%100	%100
KT Kira Sertifikaları Varlık Kiralama A.Ş.	İstanbul/Türkiye	%100	%100
KT Bank AG (*)	Frankfurt/Almanya	%100	%100
KT Portföy Yönetimi A.Ş (**).	İstanbul/Türkiye	%100	%100
Architech Bilişim Sistemleri ve Pazarlama Tic A.Ş (**)	İstanbul/Türkiye	%100	%100
KT Sukuk Company Limited (***)	George Town/Cayman Adaları	%100	%100

Information on subsidiaries in the order presented in the above table:

Total assets	Equity	Total fixed assets	Profit share income	Income from marketable securities	Current period profit/loss	Prior period profit /loss	Fair value
37,046	36,447	-	-	-	7,255	3,267	-
140,024	85,433	-	-	-	142	35,165	-
50,450	215	-	-	-	61	4	-
4,895,624	110	-	-	-	15	1	-
641,033	361,476	-	-	-	(15,205)	(17,771)	-
7,049	6,780	-	-	-	(720)	(1,004)	-
5,760	1,000	-	-	-	2,968	-	-
1,267	-	-	-	-	-	-	-

(*) As of 30 June 2017, financial figures for this entity in the table above are based on the financial information prepared in accordance with the local regulations.

(**) These figures are shown per Turkish Commercial Code financial statements as of 30 June 2017.

(***) KT Sukuk Company Limited is established in Cayman on 31 July 2015, for the need of a second subordinated loan at the Bank. According to relevant article of IFRS 10, it is described as a subsidiary.

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h. Information on subsidiaries (Net):

Movement for subsidiaries

	Current period	Prior period
Balance at the beginning of the year	23,680	22,930
Movements during the year	-	-
Purchases	-	750
Transfers from subsidiaries	-	-
Bonus shares	-	-
Dividends from current year income	-	-
Sales	-	-
Revaluation increase	-	-
(Impairment)/reversal of impairment	-	-
Capital commitment payments	-	-
Balance at the end of the year	23,680	23,680
Capital commitments	-	-
Share percentage at the end of the year (%)	-	-

3. Information on consolidated subsidiaries:

Description	Address (City/ Country)	Bank's share percentage- If different voting percentage (%)	Bank's risk group share percentage (%)
KT Sukuk Varlık Kiralama A.Ş.	İstanbul/Turkey	% 100.00	% 100.00
KT Kira Sertifikaları Varlık Kiralama A.Ş.	İstanbul/Turkey	% 100.00	% 100.00
Körfez Gayrimenkul Yatırım Ortaklığı A.Ş.	İstanbul/Turkey	% 75.00	% 97.61
KT Bank AG (*)	Frankfurt/Germany	% 100.00	% 100.00
KT Portföy Yönetimi A.Ş.	İstanbul/Turkey	% 100.00	% 100.00
KT Sukuk Company Limited (**)	George Town/Cayman Islands	% 100.00	% 100.00

(*) Financial figures as of 30 June 2017 for this entity in the table above are based on the financial information prepared in accordance with the local regulations of the country in which this entity operates.

(**) KT Sukuk Varlık Kiralama A.Ş. ("Special Purpose Entity"), which had 100% control power established for the issuance of Islamic Bond ("Sukuk") in the absence of a subsidiary of the Parent Bank. Has been included in the scope of consolidation.

3. Information on subsidiaries:

Sectoral information on consolidated subsidiaries and the related carrying amounts:

	Current Period	Prior Period
Banks	293,694	270,560
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	-	-
Finance Companies	-	-
Other Financial Subsidiaries	60,273	55,273

Subsidiaries that are quoted on the stock exchange: None (31 December 2016- None).

4. Information on capital adequacies of major subsidiaries:

Equity amount calculated by the Parent Bank's subsidiary KT Bank AG in Germany as of 30 June 2017 is EUR 63,370,480 and the capital adequacy ratio is 39.7%.

a.) The consolidation of unconsolidated subsidiaries accounted for their causes and methods used in the:

Companies excluded from the scope of consolidation because they are not financial subsidiaries are stated at their value after impairment losses, if any cost.

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I. Explanations and notes related to assets:

h. Information on subsidiaries (Net):

i. Information on joint ventures (business partnerships) (Net):

	Bank's share percentage	Total assets	Equity	Total fixed assets	Current period profit/loss	Prior period profit /loss
Katılım Emeklilik ve Hayat A.Ş. (*) (**)	%50	896,788	32,341	1,535	4,169	(658)

(*) As of 30 June 2017, financial figures for this entity in the table above are based on the financial information prepared in accordance with the local regulations

(**) In accordance with decision of the Bank's Board of Directors on 25 April 2013, Kuveyt Türk Katılım Bankası A.Ş. and Albaraka Türk Katılım Bankası A.Ş. decided to establish the Pension Company in line with main shares. Bank decided to establish that pension company with the equal share amounts with Albaraka Türk Katılım Bankası A.Ş., and that pension company is registered with the trade name "Katılım Emeklilik ve Hayat Anonim Şirketi", 895027 registry numbered dated 17 December 2013 by İstanbul Ticaret Sicil Müdürlüğü.

j. Information on finance lease receivables (Net):

1. Presentation of remaining maturities of net finance leases:

	Current period		Prior period	
	Gross	Net	Gross	Net
Less than 1 year	1,123,124	917,153	1,119,851	958,746
1 to 4 years	664,449	620,337	493,529	461,817
More than 4 years	216,730	207,769	131,810	123,980
Total	2,004,303	1,745,259	1,745,190	1,544,543

2. Net investments in finance leases:

	Current period	Prior period
Gross receivable from finance leases	2,004,303	1,745,190
Unearned finance lease income (-)	(259,044)	(200,647)
Cancelled amounts (-)	-	-
Net receivable from finance leases	1,745,259	1,544,543

j. Information on finance lease receivables (Net):

3. Information on finance lease contracts:

The Group determines the settlements of the financial lease agreements in accordance with related legislations. Payment terms and amounts may be rearranged with additional agreements upon customers' requests. On the agreements, the Bank gives the customer the option to buy the related property. According to the Financial Lease Law, if a customer does not fulfill its obligations, the Bank sends a notice to the customer and the Bank takes legal action against the customer if necessary. Non performing finance lease receivables amounting to TL 16,533 are included in the non-performing loans in the balance sheet (31 December 2016– TL 13,086).

Impairment provision amounting to TL 15,229 (31 December 2016– TL 12,126) for financial lease receivables are included under the specific provision account under loans in the balance sheet.

k. Information on derivative financial assets for hedging purposes:

None. (31 December 2016 – None).

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I. Explanations and notes related to assets:

1. Information on deferred tax asset:

In accordance with the related regulations deferred tax asset calculated as of 30 June 2017 is TL 128,942 (31 December 2016 – TL 130,520) and deferred tax liability is TL 14,753 (31 December 2016 – TL 12,408).

	Current Period	Prior Period
Reserve for employee benefits	10,419	14,755
Retirement pay liability	12,588	11,058
Deferred income	36,486	29,683
Rediscount on held for trading transactions (Net)	30,156	27,731
Impairment provision for subsidiaries, fixed assets and assets held for sale, precious metals valuation difference	36,425	36,425
Other	2,868	10,868
Deferred tax asset	128,942	130,520
Difference between carrying value and tax base of tangible assets	(7,521)	(7,754)
Valuation difference on available for sale financial asset	(3,965)	(220)
Precious metals valuation difference	(96)	(3,131)
Other	(3,171)	(1,304)
Deferred tax liability	(14,753)	(12,409)
Deferred tax asset, (net)	114,189	118,111

Table of deferred tax asset movement:

	Current period	Prior period
As of January 1	118,111	107,150
Deferred tax (expense)/income	2,967	(20,236)
Deferred tax accounted under other comprehensive income	(6,889)	(5,545)
Deferred tax asset	114,189	81,369

m. Information on other assets

As of balance sheet date, the Group's other assets amount to TL 1,233,942 (31 December 2016 - TL 735,464). Other assets balance does not exceed 10% of the total assets on the balance sheet excluding off balance sheet commitments.

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SECTION FIVE

II. Explanations and notes related to consolidated liabilities

a. Information on funds collected:

1. Information on maturity structure of funds collected:

Current period	Demand	Up to 1 Month	Up to 3 Months	Up to 6 months	Up to 9 months	Up to 1 year	1 year and over	Accumulated profit sharing accounts	Total
I. Real persons current accounts-TL	3,667,895	-	-	-	-	-	-	-	3,667,895
II. Real persons profit sharing accounts TL	-	3,517,502	6,184,669	462,588	-	221,117	167,750	-	10,553,626
III. Other current accounts-TL	2,661,300	-	-	-	-	-	-	-	2,661,300
Public sector	142,378	-	-	-	-	-	-	-	142,378
Commercial sector	2,482,559	-	-	-	-	-	-	-	2,482,559
Other institutions	30,862	-	-	-	-	-	-	-	30,862
Commercial and other institutions	-	-	-	-	-	-	-	-	-
Banks and participation banks	5,501	-	-	-	-	-	-	-	5,501
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	-	-	-	-	-	-	-	-	-
Foreign banks	4,191	-	-	-	-	-	-	-	4,191
Participation banks	774	-	-	-	-	-	-	-	774
Others	536	-	-	-	-	-	-	-	536
IV. Profit sharing accounts-TL	-	373,086	970,995	148,188	-	165,371	136,383	-	1,794,023
Public sector	-	86	34,447	-	-	44	-	-	34,577
Commercial sector	-	346,615	859,038	139,467	-	158,726	134,749	-	1,638,595
Other institutions	-	26,371	77,496	8,721	-	6,593	1,634	-	120,815
Commercial and other institutions	-	14	-	-	-	8	-	-	22
Banks and participation banks	-	-	14	-	-	-	-	-	14
V. Real persons current accounts-FC	4,342,333	-	-	-	-	-	-	-	4,342,333
VI. Real persons profit sharing accounts-FC	-	2,166,389	3,530,138	711,945	-	404,293	173,465	-	6,986,230
VII. Other current accounts-FC	2,289,137	-	-	-	-	-	-	-	2,289,137
Commercial residents in Turkey	1,943,610	-	-	-	-	-	-	-	1,943,610
Commercial residents in Abroad	240,971	-	-	-	-	-	-	-	240,971
Banks and participation banks	104,556	-	-	-	-	-	-	-	104,556
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	-	-	-	-	-	-	-	-	-
Foreign banks	99,763	-	-	-	-	-	-	-	99,763
Participation banks	4,793	-	-	-	-	-	-	-	4,793
Others	-	-	-	-	-	-	-	-	-
VIII. Profit sharing accounts- FC	-	332,450	1,097,389	89,983	-	14,587	31,192	-	1,565,601
Public sector	-	5	40	-	-	-	-	-	45
Commercial sector	-	267,584	964,237	63,869	-	13,445	12,925	-	1,322,060
Other institutions	-	46,442	82,503	12,834	-	599	18,181	-	160,559
Commercial and other institutions	-	18,415	42,858	13,280	-	543	-	-	75,096
Banks and participation banks	-	4	7,751	-	-	-	86	-	7,841
IX. Precious metal funds	1,574,718	237	1,096,912	86,916	-	45,301	3	-	2,804,087
X. Profit sharing accounts special funds - TL	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
XI. Profit sharing accounts special funds – FC	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
Total	14,535,383	6,389,664	12,880,103	1,499,620	-	850,669	508,793	-	36,664,232

There are no 7 day notification and accumulative deposit accounts of the Group.

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II. Explanations and notes related to consolidated liabilities

a. Information on funds collected:

1. Information on maturity structure of funds collected (continued):

Prior period	Demand	Up to 1 month	Up to 3 Months	Up to 6 months	Up to 9 months	Up to 1 year	1 year and over	Accumulated profit sharing accounts	Total
I. Real persons current accounts-TL	3,573,258	-	-	-	-	-	-	-	3,573,258
II. Real persons profit sharing accounts-TL	-	3,455,975	6,185,646	481,322	-	227,354	160,993	-	10,511,290
III. Other current accounts-TL	2,350,257	-	-	-	-	-	-	-	2,350,257
Public sector	57,536	-	-	-	-	-	-	-	57,536
Commercial sector	2,260,763	-	-	-	-	-	-	-	2,260,763
Other institutions	27,325	-	-	-	-	-	-	-	27,325
Commercial and other institutions	-	-	-	-	-	-	-	-	-
Banks and participation banks	4,633	-	-	-	-	-	-	-	4,633
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	741	-	-	-	-	-	-	-	741
Foreign banks	3,090	-	-	-	-	-	-	-	3,090
Participation banks	802	-	-	-	-	-	-	-	802
Others	-	-	-	-	-	-	-	-	-
IV. Profit sharing accounts-TL	-	349,795	821,092	44,001	-	132,379	135,889	-	1,483,156
Public sector	-	301	33,481	-	-	40	-	-	33,822
Commercial sector	-	321,734	738,429	32,343	-	126,604	135,150	-	1,354,260
Other institutions	-	27,021	48,987	11,658	-	5,725	401	-	93,792
Commercial and other institutions	-	739	182	-	-	10	-	-	931
Banks and participation banks	-	-	13	-	-	-	338	-	351
V. Real persons current accounts-FC	3,090,964	-	-	-	-	-	-	-	3,090,964
VI. Real persons profit sharing accounts-FC	-	1,625,988	2,820,800	651,610	-	454,239	164,990	-	5,717,627
VII. Other current accounts-FC	1,718,839	-	-	-	-	-	-	-	1,718,839
Commercial residents in Turkey	1,341,943	-	-	-	-	-	-	-	1,341,943
Commercial residents in Abroad	277,192	-	-	-	-	-	-	-	277,192
Banks and participation banks	99,704	-	-	-	-	-	-	-	99,704
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	7,665	-	-	-	-	-	-	-	7,665
Foreign banks	89,721	-	-	-	-	-	-	-	89,721
Participation banks	2,318	-	-	-	-	-	-	-	2,318
Others	-	-	-	-	-	-	-	-	-
VIII. Profit sharing accounts- FC	-	378,656	649,008	93,215	-	63,706	40,797	-	1,225,382
Public sector	-	-	80	-	-	-	-	-	80
Commercial sector	-	286,537	559,916	80,034	-	57,366	29,608	-	1,013,461
Other institutions	-	59,622	37,781	28	-	741	-	-	98,172
Commercial and other institutions	-	28,971	47,051	13,153	-	5,599	11,103	-	105,877
Banks and participation banks	-	3,526	4,180	-	-	-	86	-	7,792
IX. Precious metal funds	1,299,314	-	930,175	73,925	-	36,607	-	-	2,340,021
X. Profit sharing accounts special funds - TL	-	-	-	-	-	-	2,184	-	2,184
Residents in Turkey	-	-	-	-	-	-	2,184	-	2,184
Residents Abroad	-	-	-	-	-	-	-	-	-
XI. Profit sharing accounts special funds - FC	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
Total	12,032,632	5,810,414	11,406,721	1,344,073	-	914,285	504,853	-	32,012,978

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II. Explanations and notes related to consolidated liabilities

a. Information on funds collected:

2. Information's on current and profit share accounts that are in the scope of Saving Deposit/Saving Deposit Insurance Fund:

i. Current and Participation Accounts Attributable to Real Entities/Persons under the Guarantee of Saving Deposit Insurance Fund Exceeding the Limit of the Deposit Insurance Fund:

	Under the guarantee of saving deposit insurance		Exceeding the limit of saving Deposit	
	Current period	Prior period	Current period	Prior period
Real persons current and profit sharing accounts that are not subject to commercial activities				
TL accounts	9,218,839	8,985,542	4,955,870	5,052,687
FC accounts	5,421,173	4,058,175	8,269,550	6,504,045
Foreign branches' deposits under foreign authorities' insurance	-	-	-	-
Off-shore banking regions' under foreign authorities' insurance	-	-	-	-

Funds collected by Participation Banks (except for foreign branches) through current and profit share accounts which are opened by real persons and denominated in Turkish Lira or foreign currency with a limit of maximum of TL 100 (including both capital and profit shares) for each person is under the guarantee of Saving Deposit Insurance Fund in accordance with the Banking Law No. 5411 which is published in the Official Gazette dated 1 November 2005 with No. 25983.

ii. If the headquarters of the Bank is abroad and the deposit account in its Turkish branch is in the scope of the insurance policy in the country of the headquarter of the Bank is founded, it should be explained:

The headquarters of the Parent Bank is in Turkey.

iii. Current and Profit Share Accounts of the real persons who are not in the scope of Saving Deposits Insurance Fund:

The Parent Bank has no current or profit sharing accounts which are not under the guarantee of the Saving Deposit Insurance Fund except for the current and profit sharing accounts of shareholders, member of Board of Directors, CEO, the Vice Presidents and their first degree relatives.

	Current period	Prior period
Foreign branches' profit sharing accounts and other accounts	-	-
Profit sharing accounts and other accounts of controlling shareholders and profit sharing accounts of their mother, father, spouse, children in care	-	-
Profit sharing account and other accounts of President and Members of Board of Directors, CEO and Vice Presidents and profit sharing accounts of their mother, father, spouse and children in care	5,205	3,046
Profit sharing account and other accounts in scope of the property holdings derived from crime defined in article 282 of Turkish Criminal Law No:5237 dated 26 September 2004	-	-
Profit sharing accounts in participation banks which are established in Turkey in order to engage in off-shore banking activities solely		355

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II. Explanations and notes related to consolidated liabilities

b. Information on derivative financial liabilities held for trading:

Derivative financial liabilities held for trading:

	Current period		Prior period	
	TL	FC	TL	FC
Forward transactions	10,626	2,703	15,459	1,294
Swap transactions	3,439	62,251	25,121	77,853
Futures transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
Total	14,065	64,954	40,580	79,147

c. Information on funds borrowed:

1. Information on banks and other financial institutions:

	Current period		Prior period	
	TL	FC	TL	FC
Loans from The Central Bank of the Republic of Turkey	-	-	-	-
From Domestic Banks and Institutions	36,425	299,388	73	281,737
From Foreign Banks, Institutions and Funds	45,729	2,876,714	59,007	2,933,925
Total	82,154	3,176,102	59,080	3,215,662

2. Information on maturity structure of borrowings:

	Current period		Prior period	
	TL	FC	TL	FC
Short-term	82,154	2,475,774	48,852	3,059,071
Medium and Long-Term	-	700,328	10,228	156,591
Total	82,154	3,176,102	59,080	3,215,662

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II. Explanations and notes related to consolidated liabilities

c. Information on funds borrowed:

Important transactions that are accounted under Funds Borrowed are presented below:

Current Period:

Type	Customer	Opening Date	Maturity	Currency	Rate (Year)	Principal	Cost
Wakala	KFH - KUWAIT	27/04/2017	26/07/2017	USD	2.20%	100,000,000	550,000
Wakala	KFH - KUWAIT	08/05/2017	07/08/2017	USD	2.20%	100,000,000	556,111
Wakala	KFH - KUWAIT	27/06/2017	03/07/2018	USD	2.40%	100,000,000	2,473,333
Wakala	KFH - KUWAIT	02/06/2017	08/06/2018	USD	2.25%	120,000,000	2,782,500
Wakala	PUBLIC INSTITUTE FOR SOCIAL SECURITIES KW	31/10/2016	07/11/2017	USD	2.15%	101,666,667	2,258,694

Prior Period:

Type	Customer	Opening Date	Maturity	Currency	Rate (Yearly)	Principal	Cost
Wakala	PUBLIC INSTITUTE FOR SOCIAL SECURITIES KW	27/10/2016	27/01/2017	USD	2.20%	100,000,000	562,222
Wakala	KFH - KUWAIT	04/11/2016	06/02/2017	USD	2.20%	100,000,000	574,444
Wakala	PUBLIC INSTITUTE FOR SOCIAL SECURITIES KW	27/05/2016	02/06/2017	USD	1.90%	120,000,000	2,349,667
Wakala	KFH - KUWAIT	21/06/2016	27/06/2017	USD	2.05%	100,000,000	2,112,639
Wakala	KFH - KUWAIT	31/10/2016	07/11/2017	USD	2.15%	101,666,667	2,258,694

3. Explanations related to the concentrations of the Parent Bank's major liabilities:

All of the borrowings consist of foreign currency loans and majorly they are formed by the transactions with the off-shore financial institutions.

There is no risk concentration of the Parent Bank's current and profit sharing accounts.

d. Information on issued securities

The group has issued sukuk that the details given below. The yield rates for issued securities are 10% for Turkish Lira and 5% for USD on average and for 6% Malasian Ringgit . The maturity range of issued securities in TRY is September 2017 – March 2019 and securities (sukuk) in USD is June 2019- November 2021 and securities (sukuk) in Malasian Ringgit is March 2020-July 2020.

Current Period	TL		FC	
	Short Term Maturity	Mid-Long Term Maturity	Short Term Maturity	Mid-Long Term Maturity
Nominal	639,921	45,000	-	4,174,540
Distributed Yields	32,006	-	-	714,663
Book Value	648,783	45,231	-	4,201,326

Prior Period	TL		FC	
	Short Term Maturity	Mid-Long Term Maturity	Short Term Maturity	Mid-Long Term Maturity
Nominal	561,657	10,000	-	4,147,352
Distributed Yields	15,203	-	-	818,891
Book Value	570,343	10,228	-	4,174,842

e. Information on other liabilities and miscellaneous payables:

As of 30 June 2017, other liabilities amounting to TL 801,440 (31 December 2016 - TL 439,785), sundry creditors amounting to TL 219,457 (31 December 2016 - TL 169,150), both of them do not exceed 10% of the balance sheet total.

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II. Explanations and notes related to consolidated liabilities

f. Information on finance lease payables (net):

The Group bought some of the information technology equipment through financial lease and the liabilities originated from the agreements are paid in monthly instalments to the leasing firms. These agreements do not raise any further liabilities other than already committed payments by the Group.

- i. Information on the changes in agreements and new obligations originating from these changes: None (31 December 2016 – None).
 ii. Information on Financial Lease Obligations

	Current period		Prior period	
	Gross	Net	Gross	Net
Less than 1 year	53	13	265	226
Between 1-4 years	-	-	-	-
More than 4 years	-	-	-	-
Total	53	13	265	226

iii. Information on Operational Leases:

The leasing transactions, in which all risks and benefits of the leased asset are held by the lessor, are classified as operational leases. Such transactions consist of rent contracts of branches which may be cancelled by declaration.

There are no significant commitments regarding the changes at the operational lease agreements.

The payments related with operational leases are recognized as expense in the income statement during the period of the agreement in equal instalments.

- iv. Information on sale and leaseback transactions: None (31 December 2016: None).

g. Information on hedging derivative financial liabilities:

	Current Period		Prior Period	
	TL	FC	TL	FC
Fair value hedge	-	-	-	-
Cash flow hedge	-	108,199	-	137,829
Hedge of net investment in foreign operations	-	-	-	-
Total	-	108,199	-	137,829

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II. Explanations and notes related to consolidated liabilities

h. Information on provisions:

1. Information on general provisions:

	Current period	Prior Period
General Provisions	387,947	318,825
I.For Loans and Receivables in Group I (Total)	312,144	238,477
Profit Sharing Accounts' Share	105,475	85,063
The Bank's Share	206,669	153,414
Other	-	-
I.Additional Provision for Loans and Receivables with Extended Maturities	-	-
Profit Sharing Accounts' Share	-	-
The Bank's Share	-	-
Other	-	-
II.Loans and Receivables in Group II (Total)	30,684	31,063
Profit Sharing Accounts' Share	14,432	13,639
The Bank's Share	16,252	17,424
Other	-	-
II.Additional Provision for Loans and Receivables with Extended Maturities	-	-
Profit Sharing Accounts' Share	-	-
The Bank's Share	-	-
Other	-	-
Provisions for Non Cash Loans	24,347	21,629
Other	20,772	27,656

According to the subclause 6 in article 7 which was added on 8 October 2013 to "Regulation on Procedures and Principles for Determination of Qualifications of Loans and Other Receivables by Banks and Provisions to be set aside" that is published in Official Gazette numbered 26333 on 1 November 2006; it has been stated that the banks can apply the rates for general provisions as zero percent (0%) for cash and non-cash exporting loans in Group I; five over thousand percent (0.5%) for cash loans to SMEs in Group I, and one over thousand percent (0.1%) for non-cash loans for SMEs in Group I."

2. Information on provisions related with foreign currency evaluation difference of foreign currency indexed loans: As of 30 June 2017, effect of decrease in exchange rates on foreign currency indexed loans amounting to TL 46,618 (31 December 2016 - TL 651) and TL 2,135 for leasing receivables (31 December 2016 - TL 5,953) is offset against loans and receivables.

3. Information on other provisions:

	Current Period	Prior Period
Provisions for non- liquidated non cash loans (*)	89,804	74,736
Provisions for cheque books (*)	7,975	4,633
Provisions from equity/profit sharing accounts	14,046	14,668
Credit card bonus provisions	1,017	818
Other (**)	40,394	40,086
Total	153,236	134,941

(*) According to temporary article 2 of "Regulation on Procedures and Principles for Determination of Qualifications of Loans and Other Receivables by Banks and Provisions to be Set Aside", the Parent Bank recognizes provisions for non- liquidated non-cash loans and check books of customers who have any other non-performing exposures within the Bank.

(**) Other item includes TL 4,050 litigation provision in current period (31 December 2016 :- TL 4,050). In addition to this, TL 14,450 include provision amount which belongs to audit related penalty from Ministry of Customs and Trade . (31 December 2016 – TL 14,450). The provision amounting to TL 18,850 includes provision for delayed repayments (31 December 2016 - TL 18,850).

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II. Explanations and notes related to consolidated liabilities

h. Information on provisions:

4. Information on provisions for employee benefits:

Provisions for employee benefits consist of reserve for employee termination benefits amounting to TL 63,228 (31 December 2016 – TL 55,465), vacation pay liability amounting to TL 10,815 (31 December 2016 – TL 792), performance premium amounting to TL 26,544 (31 December 2016 – TL 55,927), retirement bonus payment provision of TL 10,316 (31 December 2016 – TL 10,340) and committee fee amounting to TL 4,421 (31 December 2016 – TL 6,714) and amount to 118 TL ((31 December 2016 – none) other provisions for employee benefits.

Under the Turkish Labour Law, the Bank is required to pay termination benefits to each employee who has completed at least one year of service and whose employment is terminated without due cause, is called up for military service, dies or retires or earns the right to retire.

The amount payable consists of one month's salary limited to a maximum of TL 4,426 (31 December 2016 – TL 4,297) for each year of service. The liability is not funded, as there is no funding requirement.

The reserve has been calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of its employees. TAS 19 requires actuarial valuation methods to be developed to estimate the enterprise's obligation for such benefits. Accordingly, the following actuarial assumptions were used in the calculation of the total liability:

	Current period	Prior period
Discount rate (%)	11.46	11.46
Inflation rate (%)	7.78	7.78
Salary increase rate (%)	8.78	8.78

Movements in the reserve for employment termination benefits during period are as follows:

	Current period	Prior period
Balance at the beginning of the period	55,465	48,638
Provisions recognized during the period	10,580	10,250
Paid during the period	(2,817)	(3,399)
Actuarial loss	-	-
Balances at the end of the period	63,228	55,489

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II. Explanations and notes related to consolidated liabilities

i. Explanations on tax liability:

1. Explanations on current tax liability:

i. Information on tax provisions: As of 30 June 2017, the Group has current tax liability after deducting temporary taxes paid during the period from the provision for corporate income tax amounting to TL 73,709.

	Current period	Prior period
Provision for corporate income tax	105,040	124,960
Prepaid taxes	(31,331)	(96,988)
Total (*)	73,709	27,842

(*) Related amount is presented in the current tax liability line, under liabilities.

ii. Information on taxes payable (*):

	Current period	Prior period
Taxation of marketable securities	14,897	14,130
Taxation of immovable property	1,298	1,111
Banking Insurance Transaction Tax (BITT)	16,157	17,170
Value added tax payable	1,444	1,324
Income tax deducted from wages	7,171	7,331
Other	1,129	1,065
Total	42,096	42,131

(*) Included in sundry creditors line item on the balance sheet.

iii. Information on premiums (*):

	Current period	Prior period
Social Security Premiums-Employee	4,715	4,287
Social Security Premiums-Employer	5,003	4,622
Unemployment insurance-Employee	337	307
Unemployment insurance-Employer	783	698
Total	10,838	9,914

(*) Included in sundry creditors line item on the balance sheet.

iv. Information on deferred tax liability: None (31 December 2016- None).

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II. Explanations and notes related to consolidated liabilities

j. Information on subordinated loans:

	Current Period		Prior Period	
	TL	FC	TL	FC
From Domestic Banks			-	-
From Other Domestic Institutions			-	-
From Foreign Banks	-	1,267,450	-	1,981,646
From Other Foreign Institutions			-	-
Total	-	1,267,450	-	1,981,646

Kuveyt Turk Participation Bank Inc. has provided funding (credit) for Kuveyt Finance House in the amount of US \$ 200 million with 10-year maturity capital ("secondary subordinated debt" as defined in the previous legislation) According to the letter dated 29 September 2011, it was considered appropriate to consider this contribution capital amount of US \$ 200 million in the contribution capital account as secondary capital-like debt as of the date of transfer to the bank records in cash and in advance. In order to comply with the amendments made in the Regulation Regarding the Equity of Banks published by the Banking Regulation and Supervision Agency in order to comply with the amendments entered into force as of 31 March 2016, the related loan agreement was amended as of 29 March 2016 and the loan pursuant to the BRSA dated 25 April 2016 It was deemed appropriate to continue taking into account. The Bank used the early repayment option and terminated the supplementary capital loan as of 30 March 2017

Kuwait Turkish Participation Bank, on 17 February 2016 Cayman Islands' as resident Special Purpose Vehicle (SPV) KT Sukuk Company Limited with over 350 million US dollars worth of sukuk issued by the BRSA by the issue in the Regulation on the Capital Adequacy requirements having a contribution, it has provided capital loans. BRSA dated 2 September 2015 and 20008792101.01[93]E.12819 Letter of Conformity No included in the loan be included in the calculation of capital contribution to the Bank / sukuk annual rate of return is 7.90%, 5 year maturity and repayment option at the end of the Bank 10 it is determined as years. Sukuk returns under the said payment, the implementation of the transfer price of the assets, expressed as a yearly rate of return will be calculated by and principal will be made in two equal installments on 17 July and 17 February each year.

k. Information on shareholders' equity:

1. Presentation of paid-in capital:

	Current period	Prior period
Common shares	3,100,000	2,790,000
Preference shares	-	-
Repurchased shares amount (*)	(2,678)	(2,678)
Total	3,097,322	2,787,322

(*) It represents the Bank's acquisition of its own shares as a result of the Bank's shareholders not using their right of preference according to the commitment made in the capital increase in the Bank.

2. Amount of paid-in capital, disclosure on whether the bank applies the registered share capital system, and, if so, the ceiling amount of the registered share capital: Registered capital system is not applied in the Parent Bank.
3. Information on the share capital increases during the period and their sources; other information on increased capital shares in the current period

Date for Increase	Increased Amount	Internal Sources	Retained Earnings for Increased
23 March 2017	310,000	310,000	-

4. Information on share capital increases from capital reserves during the current period: None. (31 December 2016 – None)

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II. Explanations and notes related to consolidated liabilities

k. Information on shareholders' equity:

5. Possible effect of estimations made for the Group's revenues, profitability and liquidity on equity considering prior period indicators and uncertainties:
 Based on the evaluation made considering the Group's prior and current period indicators related to net profit share and commission income, it is observed that the Group continues its operations profitably.
6. Summary of privileges given to shares representing the capital: None.
7. Information on marketable securities value increase fund:

	Current period		Prior period	
	TL	FC	TL	FC
From Associates, Subsidiaries and Entities Under Common Control (Joint Vent.)	-	-	-	-
Valuation Difference (*)	(3,783)	11,064	(4,933)	(30,347)
Foreign Exchange Difference			-	-
Total	(3,783)	11,064	(4,933)	(30,347)

(*)Valuation difference is calculated taking the tax effect of the rent certifications in the account, which are classified as "Government Debt Securities" and "Other Marketable Securities" under available for sale in the balance sheet.

- l. Information on minority shares:** TL 21,229 (31 December 2016 — TL 19,993).

III. Explanations and notes related to off-balance sheet commitments

a. Explanations on off-balance sheet accounts:

1. Type and amount of irrevocable commitments: Commitment for credit card limits, as of 30 June 2017 is TL 1,173,248 (31 December 2016 – TL 904,427); payment commitments for cheque books are TL 1,305,368 (31 December 2016 – TL 1,178,750)
2. Type and amount of probable losses and obligations arising from off-balance sheet items:
- i. Non-cash loans including guarantees, bank acceptances, collaterals and others that are accepted as financial commitments and other letter of credits:

As of 30 June 2017, the Group has guarantees and surety ships constituting of TL 9,252,120 (31 December 2016 – TL 8,116,025) letters of guarantee; TL 75,632 (31 December 2016 – TL 52,044) acceptances and TL 996,656 (31 December 2016 – TL 1,019,786) letters of credit. In addition, the Group has also other guarantees and securities amounting to TL 393,393 (31 December 2016: TL 701,362).

- ii. Revocable, irrevocable guarantees and other similar commitments and contingencies: There are no other than those explained in 2.i).

3. Total amount of non-cash loans:

	Current period	Prior period
Non-cash loans given against cash loans	-	-
With original maturity of 1 year or less	-	-
With original maturity of more than 1 year	-	-
Other non-cash loans	10,717,801	9,889,217
Total	10,717,801	9,889,217

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IV. Explanations and notes related to the consolidated income statement

a. Information on profit share income:

1. Information on profit share received from loans:

	Current period		Prior period	
	TL	FC	TL	FC
Profit share on loans	1,399,885	106,166	1,240,579	83,239
Short term loans	365,383	14,164	329,943	10,269
Medium and long term loans	1,030,503	92,002	907,579	72,970
Profit share on non-performing loans	3,999	-	3,057	-
Premiums received from resource utilization support fund	-	-	-	-

2. Information on profit share received from banks:

	Current period		Prior period	
	TL	FC	TL	FC
The Central Bank of the Republic of Turkey	-	-	-	-
Domestic Banks	-	-	-	-
Foreign Banks	-	9,949	330	14,802
Branches and head office abroad	-	-	-	-
Total	-	9,949	330	14,802

3. Information on profit share income from securities portfolio:

The Parent Bank has received TL 134,173 profit share income from rent certificates (sukuk) which is given the details in available for sale financial assets information (1 January - 30 June 2016: TL 94,072).

4. Information on profit share income received from associates and subsidiaries:

None (30 June 2016- None).

b. Information on profit share expenses:

1. Information on profit share expense given to funds borrowed:

	Current period		Prior period	
	TL	FC	TL	FC
Banks	2,694	31,679	13,492	32,720
The Central Bank of the Republic of Turkey	-	-	-	-
Domestic banks	617	4,426	9,174	2,130
Foreign banks	2,077	27,253	4,318	30,590
Branches and head office abroad	-	-	-	-
Other Institutions	31,242	37,179	29,697	14,150
Total	33,936	68,858	43,189	46,870

2. Profit share expense given to associates and subsidiaries:

	Current Period	Prior Period
Profit share expenses given to associates and subsidiaries	1,114	205

3. Profit share expense paid to securities issued:

The Group has accrued TL 140,473 for securities issued within 2017 (1 January - 30 June 2016: TL 113,425).

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IV. Explanations and notes related to the consolidated income statement

b. Information on profit share expenses:

4. Distribution of profit share on funds based on maturity of funds:

Current period		Profit Sharing Accounts					Accumulated profit sharing accounts	Total
Account Name	Up to 1 month	Up to 3 month	Up to 6 month	Up to 9 month	Up to 1 year	Above 1 year		
TL								
Collected funds from banks through current and profit share accounts	-	-	-	-	-	-	-	-
Real person's non-trading profit sharing Account	129,887	239,639	18,661	-	8,543	7,423	-	404,153
Public sector profit sharing account	8	1,555	-	-	-	-	-	1,563
Commercial sector profit sharing account	14,009	33,716	5,808	-	444	398	-	54,375
Other institutions profit sharing account	1,012	2,556	365	-	110	42	-	4,085
Total	144,916	277,466	24,834	-	9,097	7,863	-	464,176
FC								
Banks	716	64	-	-	-	-	-	780
Real person's non-trading profit sharing account	17,529	28,971	6,810	-	4,011	1,817	-	59,138
Public sector profit sharing account	-	-	-	-	-	-	-	-
Commercial sector profit sharing account	1,978	7,454	1,608	-	57	50	-	11,147
Other institutions profit sharing account	1,048	857	197	-	13	97	-	2,212
Precious metal accounts	8	4,233	330	-	182	-	-	4,753
Total	21,279	41,579	8,945	-	4,263	1,964	-	78,030
General Total	166,195	319,045	33,779	-	13,360	9,827	-	542,206
Prior period		Profit Sharing Accounts					Accumulated profit sharing accounts	Total
Account Name	Up to 1 month	Up to 3 month	Up to 6 month	Up to 9 month	Up to 1 year	Above 1 year		
TL								
Collected funds from banks through current and profit share accounts	-	2,967	-	-	-	-	-	2,967
Real person's non-trading profit sharing Account	104,378	186,548	20,370	-	8,148	7,035	-	326,479
Public sector profit sharing account	5	1,013	259	-	-	-	-	1,277
Commercial sector profit sharing account	8,671	25,018	1,970	-	492	1,026	-	36,919
Other institutions profit sharing account	1,029	1,733	282	-	70	16	-	3,130
Total	114,083	217,279	22,881	-	8,710	8,077	-	370,772
FC								
Banks	189	1,588	-	-	17	230	-	2,024
Real person's non-trading profit sharing account	10,302	19,253	4,258	-	2,731	1,120	-	37,664
Public sector profit sharing account	-	-	-	-	-	-	-	-
Commercial sector profit sharing account	1,140	4,861	459	-	135	200	-	8,294
Other institutions profit sharing account	812	683	140	-	65	518	-	2,218
Precious metal accounts	-	2,757	188	-	158	-	-	3,103
Total	12,443	29,142	5,045	-	3,106	2,068	-	53,303
General Total	126,526	246,421	27,926	-	11,816	10,145	-	424,075

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IV. Explanations and notes related to the consolidated income statement

c. Information on dividend income:

d.

	Current period	Prior period
Held for Trading Financial Assets	-	-
Fair Value Through Profit or Loss FV	-	-
Available for Sale Financial Assets	-	-
Other (*)	-	509
Total	-	509

(*) This is due to the bonus capital increase of Kredi Garanti Fonu A.Ş which is included in the available for sale financial assets.

d. Information on trading income/loss (Net):

	Current period	Prior period
Trading income/loss (net)	200,755	97,717
Income	7,229,962	15,026,542
Gain on capital market transactions	4,661	4,880
Gain on derivative financial instruments	996,169	172,502
Foreign exchange gains	6,229,132	14,849,160
Losses (-)	(7,029,207)	(14,928,825)
Losses on capital market transactions	(1,461)	(743)
Losses on derivative financial instruments	(1,298,565)	(151,202)
Foreign exchange losses	(5,729,181)	(14,776,880)

e. Information on other operating income:

The details of other operating income are presented below. There are no unusual items in the other operating income which materially affect the income of the Parent Bank.

	Current period	Prior period
Reversal of prior period provisions	56,159	56,830
Income from sale of assets	55,404	124,988
Lease income	1,274	1,170
Other Income	9,585	3,375
Total	122,422	139,050

(*) Amounting to TL 45,977 from the liquidation of Kuwait Turkish Participation Bank Dubai Ltd..

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IV. Explanations and notes related to the consolidated income statement

f. Provisions for loan losses and other receivables of the Bank:

	Current period	Prior period
Specific provisions for loans and other receivables	311,855	207,619
III. group loans and receivables	94,766	71,943
IV. group loans and receivables	141,360	72,989
V. group loans and receivables	75,729	62,687
Doubtful commissions, fees and other receivables	970	807
General provision expenses	70,301	32,786
Provision expenses for possible losses	-	-
Impairment provision of marketable securities	76	-
Financial Assets at fair value through profit and loss	76	-
Investment securities available for sale	-	-
Impairment provision of associates, subsidiaries, joint ventures and held to maturity investments	-	-
Associates	-	-
Subsidiaries	-	-
Joint ventures	-	-
Held to maturity investments	-	-
Other	676	27,004
Total	383,878	268,216

(*) According to the provision regulation, it consists of the provision is allocated 5% of profit to be distributed to participation accounts.

g. Information on other operating expenses:

	Current period	Prior period
Personnel expenses	340,878	309,908
Provision for retirement pay liability	7,763	6,851
Depreciation expenses of fixed assets	27,076	23,804
Depreciation expenses of intangible assets	14,483	12,690
Depreciation expenses of assets held for sale	-	518
Other operating expenses	144,715	119,763
Rent expenses	55,676	48,340
Maintenance expenses	15,992	10,916
Advertisement expenses	11,915	14,840
Communication expenses	17,986	14,561
Heating, electricity and water expenses	6,847	6,221
Cleaning expenses	2,670	2,587
Vehicle expenses	2,685	1,920
Stationery expenses	3,299	2,473
Other expenses	27,645	17,905
Losses on sales of assets	49	130
Deposit insurance fund expenses	39,964	30,581
Other	46,880	55,757
Total	621,808	560,002

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h. Information on profit/loss from continued and discontinued operations before taxes:

Income before tax amounting TL 390,307 increased by % 14.09 as compared to the prior period (1 January - 30 June 2016 – TL 342,095). Income before tax income TL 957,185 (1 January - 30 June 2016 – 848,319) net profit share income and TL 113,547 (1 January - 30 June 2016 – TL 85,047) net fees and commission income. Other operating expense amount is TL 621,808 (1 January - 30 June 2016 – TL 560,002).

i. Information on tax provision for continued and discontinued operations:

At current period, deferred tax charge of the Group is TL 2,967 (1 January-30 June 2016 – TL 20,236 deferred tax charge) and current tax provision expense is TL 103,176 (1 January-30 June 2016 – TL 42,961).

j. Information on net income/loss from continued and discontinued operations:

Income and loss from discontinued operations: None.

k. Information on net income/loss:

i. The nature and amount of certain income and expense items from ordinary operations is disclosed if the disclosure for nature, amount and repetition rate of such items is required for a complete understanding of the Group's performance for the period: As of 1 January - 30 June 2017, net profit share income is TL 957,185 (1 January - 30 June 2016 – TL 848,319), net fees and commission income is TL 113,547 (1 January - 30 June 2016 – TL 85,047).

ii. Effect of changes in accounting estimates on income statement for the current and, if any for subsequent periods: None (30 June 2016 – None).

l. Sub accounts comprising at least 20% of other items in income statement, exceeding 10% of total income statement:

As of 1 January - 30 June 2017, other fees and commissions received is TL 134,339 (1 January - 30 June 2016 – TL 109,843), TL 29,630 of this amount is related with credit card fees and commissions (1 January - 30 June 2016 – TL 20,962) and TL 25,213 of this amount is related with POS machine commissions (1 January - 30 June 2016 – TL 22,169).

As of 1 January - 30 June 2017, other fees and commissions given is TL 75,892 (1 January - 30 June 2016 – TL 65,840), TL 29,065 (1 January - 30 June 2016 – TL 26,211) of this amount is related with POS clearing commissions and installation expenses, TL , 4,865 (1 January - 30 June 2016 – TL 3,388) of this amount is related with fees and commissions paid for credit cards.

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V. Explanations and notes related to consolidated statement of cash flow

a. Information regarding the balances of cash and cash equivalents:

1. Components of cash and cash equivalents and accounting policy applied in their determination:

“Cash” is defined as cash in vault and foreign currency cash, cash in transit, checks purchased, unrestricted amount in the Central Bank and demand deposits in Banks. “Cash equivalents” is defined as money market placements, investments in securities and time deposits in banks with original maturity less than three months.

(i). Cash and cash equivalents at the beginning of the period:

	Current period	Prior period
Cash	4,898,436	4,777,114
Cash in TL/foreign currency, others	763,391	1,757,266
Demand deposits at banks	4,135,045	3,019,848
Cash equivalents	-	-
Interbank money markets	-	-
Time deposits at banks	-	-
Marketable securities	-	-
Total cash and cash equivalents	4,898,436	4,777,114

(ii). Cash and cash equivalents at the end of the period:

	Current period	Prior period
Cash	3,095,319	2,009,921
Cash in TL/foreign currency, others	678,543	1,135,090
Demand deposits at banks (up to 3 months)	2,416,776	874,831
Cash equivalents	-	-
Interbank money markets	-	-
Time deposits at banks	-	-
Marketable securities	-	-
Total cash and cash equivalents	3,095,319	2,009,921

b. Cash and cash equivalent items which are restricted for the usage of the Bank by legal or other limitations: None.

c. Information on other account in cash flow statement

“Other items” amounting to TL (222,285) (1 January-30 June 2016: TL (188,997)) in “Operating profit before changes in operating assets and liabilities” consists of fees and commissions paid and other operating expenses except for collection from non-performing loans and personnel expenses.

“Net increase/decrease in other liabilities” amounting to TL 1,094,136 (1 January-30 June 2016: TL 780,516) in “Changes in operating assets and liabilities” consists of changes in sundry creditors, other liabilities and taxes and other duties payables.

“Net increase/decrease in other assets” amounting to TL (185,959) (1 January-30 June 2016: TL (42,753) TL) in “Changes in operating assets and liabilities” consist of changes in prepaid rent expense and other asset.

d. Effects of the change in foreign currency rates on cash and cash equivalents:

Effect of the changes in foreign currency rates on cash and cash equivalents has been calculated approximately TL (16,854) as of 30 June 2017 (30 June 2016 – TL 3,422). The effects of the change in foreign currency rates on cash and cash equivalents is calculated according to multiplying fx difference between balance sheet date and cash entered date and related cash amount.

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VI. Explanations and notes related to risk group of the Parent Bank

a. Information on the volume of transactions relating to the Parent Bank's risk group, outstanding loans and funds collected and income and expenses for the period:

1. Current period:

Risk group of the Bank (*)	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the Bank		Other real or legal persons included in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Balance at beginning of period	14	132	998	16,818	135,364	20,290
Balance at end of period	26	447	1,486	16,400	144,747	20,440
Profit share and commission income	-	1	47	-	4,341	-

(*) Defined in the Subsection 2, Article 49 of the Banking Law No. 5411.

2. Prior period:

Risk group of the Bank (*)	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the Bank		Other real or legal persons included in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Balance at beginning of period	10	132	1,014	13,543	126,600	600
Balance at end of period	14	132	998	16,818	135,364	20,290
Profit share and commission income	-	1	22	1	2,519	-

(*) Defined in the Subsection 2, Article 49 of the Banking Law No. 5411.

3. (i). Information on current and profit sharing accounts of the Bank's risk group:

Risk group of the Bank (*)	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the bank		Other real or legal persons included in the risk group	
	Current Period	Prior period	Current period	Prior period	Current period	Prior Period
Current and profit sharing accounts						
Balance at the beginning of period	18,799	12,674	58,441	57,602	113,915	137,160
Balance at the end of period	24,007	18,799	81,142	58,441	245,400	113,915
Profit share expense	1,114	205	1,957	898	5,483	756

(*) Defined in the Subsection 2, Article 49 of the Banking Law No. 5411

(ii) Forward and option agreements and other similar agreements with the risk group of the Bank: None (31 December 2016 – None).

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VI. Explanations and notes related to risk group of the Parent Bank

a. Information on the volume of transactions relating to the Parent Bank's risk group, outstanding loans and funds collected and income and expenses for the period:

4. Information on loans received from the Bank's risk group:

Risk group of the Bank (*)	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the bank		Other real or legal persons included in the risk group	
	Current period	Prior period	Current period	Prior period	Current period	Prior Period
Loans Received						
Balance at beginning of period	-	-	2,954,769	2,607,122	-	166,742
Balance at end of period	-	-	2,236,805	2,954,769	-	-
Profit share expense	-	-	23,895	34,654	-	2,264

(*) Defined in the Subsection 2, Article 49 of the Banking Law No. 5411

b. Information on remunerations provided to top management:

Between 1 January – 30 June 2017, the Group paid TL 20,540 to top management (1 January – 30 June 2016 – TL 15,337).

VII. Significant Events and Matters Arising Subsequent to Balance Sheet Date

The Bank has decided to sell its 50% shareholding in KT Portföy Yönetimi A.Ş. to KFH Capital Investment Company K.S.C.C. with a resolution of Board of Directors numbered 1691 dated 26 July 2017 amounting to TL 16,901.

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SECTION SIX

OTHER EXPLANATIONS AND DISCLOSURES

I- Other matters which must be explained in terms of explicitly, interpretability and understandability of the balance sheet:

None.

SECTION SEVEN
LIMITED REVIEW REPORT

I- Explanations on the limited review report:

The consolidated financial statements of the Bank have been reviewed by DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member of Deloitte Touche Tohmatsu Limited) and the independent auditors' limited review report dated 18 August 2017 is presented before the accompanying consolidated financial statements.

II- Notes and disclosures prepared by independent auditors: None.

SECTION EIGHT
INTERIM REPORT

I- Explanations on interim report

a. About Kuveyt Türk

Kuveyt Türk Katılım Bankası A.Ş. ("The Bank") was incorporated with the approval of the Central Bank of the Republic of Turkey (CBRT) on 28 February 1989 and commenced its operations on 31 March 1989, with the name of Kuveyt Türk Evkaf Finans Kurumu A.Ş. To comply with the Banking Act 5411, the title of the Bank has been changed to Kuveyt Türk Katılım Bankası A.Ş. with a change in the Articles of Association which was approved in the annual general meeting dated 26 April 2006. Main field of operation is, in addition to the Bank's equity, to collect funds from domestic and foreign customers through "Current Accounts" and "Profit/ Loss Sharing Accounts" and allocate such funds to the economy, to perform all kinds of financing activities in accordance with the regulations, to encourage the investments of all individuals and legal entities operating in agricultural, industrial, trading and service industries, participating into the operations of these entities or individuals and to form joint business partnerships and to perform all these activities in a non-interest environment.

As of 30 June 2017, 62.24% of the Bank's shares are owned by Kuwait Finance House located in Kuwait, 18.72% by Vakıflar Genel Müdürlüğü Mazbut Vakıfları, 9.00% by The Public Institution For Social Security in Kuwait and 9.00% by Islamic Development Bank whereas the remaining 1.04% of the shares are owned by other real persons and legal entities.

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I- Explanations on interim report

b. Financial Informations Summary

CONSOLIDATED BALANCE SHEET	30 June 2017	31 December 2016
CASH BALANCES AND CENTRAL BANK	8,034,465	8,325,814
BANKS	3,324,537	4,780,380
LOANS	32,611,082	28,634,683
FINANCE LEASE RECEIVABLES	1,745,259	1,544,543
TANGIBLE ASSETS (Net)	458,159	445,172
OTHER ASSETS	6,141,262	4,995,443
TOTAL ASSETS	52,314,764	48,726,035
FUND COLLECTED	36,664,232	32,012,978
FUNDS BORROWED	3,258,256	3,274,742
MARKETABLE SECURITIES ISSUED (Net)	4,895,340	4,755,413
FINANCE LEASE PAYABLES (Net)	13	226
SUBORDINATED LOANS	1,267,450	1,981,646
OTHER LIABILITIES	1,938,447	2,697,210
SHAREHOLDERS EQUITY	4,291,026	4,003,820
TOTAL LIABILITIES	52,314,764	48,726,035
CONSOLIDATED STATEMENT OF PROFIT AND LOSS	30 June 2017	30 June 2016
PROFIT SHARE INCOME	1,745,062	1,507,773
PROFIT SHARE EXPENSE	787,877	659,454
NET PROFIT SHARE INCOME / EXPENSE	957,185	848,319
NET FEES AND COMMISSION INCOME/ EXPENSE	113,547	85,047
DIVIDEND INCOME	-	509
NET TRADING INCOME / LOSS (Net)	200,755	97,717
OTHER OPERATING INCOME	122,422	139,050
PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)	383,878	268,216
OTHER OPERATING EXPENSES (-)	621,808	560,002
GAIN / (LOSS) ON EQUITY METHOD	2,084	(329)
PROFIT/LOSS BEFORE TAX	390,307	342,095
TAX PROVISION	(100,209)	(63,197)
CURRENT PERIOD INCOME / (LOSSES) (NET)	290,098	278,898

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I- Explanations on interim report

c. Financial Informations Summary

	30 June 2017	31 December 2016
Total Loans/Total Assets*	65.67%	61.94%
Total Loans/Fund Collected*	93.71%	94.27%
Average Equity Profit **	13.93%	15.54%
Average Assets Profit **	1.14%	1.28%
Capital Adequacy Ratio	17.60%	17.06%

* Finance Lease Receivables is included in total loans.

** These ratios are calculated by bringing the end of the year interim profit figures

d. Financial Position, Performance and Assessment of the Prospects for the Future

As of 30 June 2017, consolidated financial statements asset size is TL 52 million 315 thousand, amount of the utilization of funds is TL 34 million 356 thousand and funds collected amount is TL 36 million 664 thousand. Due to the effect of the first six months of 2017's profit TL 290 thousand, the ratio of shareholder equity increased 7 % by reaching TL 4 million 291 thousand. As of 30 June 2017, consolidated capital adequacy ratio has been reached 17.60 %.

The expectations for growth and profitability will continue in the development line.

e. Anouncement regarding important developments during the period

Kuveyt Turk Participation Bank Inc. has provided funding (credit) for Kuveyt Finance House in the amount of USD 200 million with 10-year maturity capital ("secondary subordinated debt" as defined in the previous legislation). According to the letter dated September 2011, it was considered appropriate to consider this contribution capital amount of USD 200 million in the contribution capital account as secondary capital-like debt as of the date of transfer to the bank records in cash and in advance. In order to comply with the amendments made in the Regulation Regarding the Equity of Banks published by the Banking Regulation and Supervision Agency in order to comply with the amendments entered into force as of 31 March 2016, the related loan agreement was amended as of 29 March 2016 and the loan pursuant to the BRSA dated 25 April 2016 It was deemed appropriate to continue taking into account. The Bank has closed its Contribution Capital Loan as of 30 March 2017 using the early payment option.

At the ordinary meeting of the General Assembly held on 23 March 2017, the Parent Bank accepted the proposal of the Bank to increase the capital of the capital by 310 million TL from the internal sources and the Bank Capital increased from TL 2,790 Million to TL 3,100 million.

The Parent Bank has increased its capital in its subsidiary KT Bank AG by EUR 30,000,000 from EUR 60,000,000 to EUR 90,000,000 in accordance with the resolution of the Board of Directors dated 25 January 2017 and numbered 1672.

The Bank has liquidated its subsidiary operating in Dubai on 21 May 2017. The liquidation result has been transferred to bank accounts with USD 50,000,000 capital and USD 7,388,069 as profit.

Bank, KT Rent Certificates Asset Hire Inc. issued a sukuk with a total nominal value of TL 675,000, with a different minimum maturity of 11% and a maximum of 11.84%.

The Bank's subsidiary KT Sukuk Varlık Kiralama A.Ş. has issued a sukuk on 22 June 2017 with a maturity date of 728 days, a quarterly interim dividend payment, a nominal value of TRY 50,000,000, an annual return of 14.8335% and a periodical return of 3.6982%. with TRDKTSK61912 ISIN code for Derindere Turizm Otomotiv San. Tic. Inc.

f. Assessments about regarding expectations on the subsequent interim period

The parent company bank is continuing to open new branches after the period. The number of branches is planned to reach 400 by the end of 2017.