

**KUVEYT TRK KATILIM BANKASI
ANONİM ŐİRKETİ**

**INDEPENDENT AUDITOR'S
LIMITED REVIEW REPORT,
UNCONSOLIDATED FINANCIAL
STATEMENTS AND NOTES
FOR THE PERIOD
1 JANUARY-30 JUNE 2016**

*Translated into English
from the Original Turkish Report*

**(CONVENIENCE TRANSLATION OF THE REPORT ON REVIEW OF INTERIM FINANCIAL
INFORMATION ORIGINALLY ISSUED IN TURKISH)**

**REPORT ON REVIEW OF INTERIM
FINANCIAL INFORMATION**

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

Introduction

We have reviewed the accompanying balance sheet of Kuveyt Türk Katılım Bankası A.Ş. ("the Bank") as at 30 June 2016, and the statement of income, statement of income and expense items under shareholders' equity, statement of changes in shareholders' equity and 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. as at 30 June 2016, 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

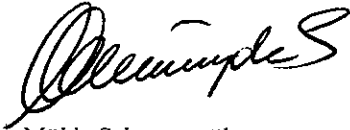
Based on our review, nothing has come to our attention that causes us to believe that the interim financial information provided in the Management's interim report included in Section 8 of the accompanying financial statements, is not presented fairly, in all material respects, and is not consistent 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 financial statements are to be distributed and International Financial Reporting Standards (IFRS) have not been quantified and reflected in the accompanying financial statements. The accounting principles used in the preparation of the accompanying financial statements differ materially from IFRS. Accordingly, the accompanying 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**



Müjde Şehsuvaroğlu
Partner

Istanbul, 8 August 2016

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KUVEYTTÜRK

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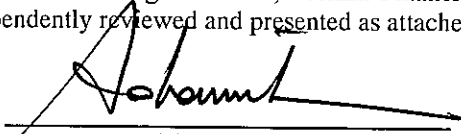
**THE UNCONSOLIDATED FINANCIAL REPORT OF KUVEYT TÜRK KATILIM BANKASI A.Ş.
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2016**


Address of the head office : Büyükdere Cad. No:129/1 34394 Esentepe / İSTANBUL
Phone number : 0212 354 11 11
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Web page : www.kuveytturk.com.tr
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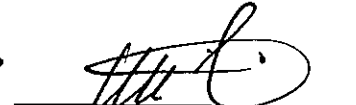
The unconsolidated financial report for the six months designed by the Banking Regulation and Supervision Agency in line with Communiqué on Financial Statements to be Publicly Announced and the Related Policies and Disclosures consists of the sections listed below:

- GENERAL INFORMATION ABOUT THE PARTICIPATION BANK
- UNCONSOLIDATED FINANCIAL STATEMENTS OF THE PARTICIPATION BANK
- EXPLANATIONS ON ACCOUNTING POLICIES
- INFORMATION ON FINANCIAL STRUCTURE OF THE BANK
- FOOTNOTES AND EXPLANATIONS ON UNCONSOLIDATED FINANCIAL STATEMENTS
- OTHER EXPLANATIONS
- INDEPENDENT LIMITED REVIEW REPORT
- INTERIM REPORT

The unconsolidated financial statements and the explanatory footnotes and disclosures, 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.

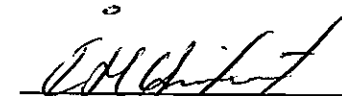

Adnan ERTEM
Deputy Chairman of the BOD and Head of
the Audit Committee


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

Contact information of the personnel in charge of the addressing of questions about this financial report:

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KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2016

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

SECTION ONE

GENERAL INFORMATION

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

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.

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 2016, 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.

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 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 KHE 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	0.0041%
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, Retail Banking	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 2015 – 0.11%).

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2016

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

IV. Information on qualified shareholders:

Name / Commercial Name	Share amount (Nominal)	Shareholding percentage	Paid shares (Nominal)	Unpaid shares
Kuwait Finance House	1,736,531	%62.24	1,736,531	-
Vakıflar Genel Müdürlüğü Mazbut Vakıfları	522,267	%18.72	522,267	-
Total	2,258,798	%80.96	2,258,798	-

As of 30 June 2016, the shares of parent shareholder of 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. Explanations of the Bank's services and field of operations

The Bank's field of operations includes corporate banking, international banking services, and retail banking and credit card services. The Bank's core business is operating 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 2016, the Bank is operating through 377 domestic branches (31 December 2015 – 359) with 5,367 employees (31 December 2015 – 5,442). Summary of some of the 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, including 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 community in the light of the legislations.

The Bank's activities are not limited to the list above. If another transaction is decided to be beneficial to the 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. Current or likely actual legal barriers to immediate transfer of equity or repayment of debts between Parent Bank and its subsidiaries:

None.

SECTION TWO

UNCONSOLIDATED FINANCIAL STATEMENTS

- I. Balance Sheet (Statement of Financial Position)
- II. Statement of Off-Balance Sheet Commitments
- III. Income Statement (Statement of Income / Loss)
- IV. Statement of Profit and Loss Accounted for Under Equity
(Statement of Other Comprehensive Income and Loss)
- V. Statement of Changes in Shareholders' Equity
- VI. Cash Flows Statement

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
UNCONSOLIDATED BALANCE SHEET AS OF 30 JUNE 2016
(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

I. BALANCE SHEET – ASSETS (STATEMENT OF FINANCIAL POSITION)

	Note	Reviewed Current period 30.06.2016			Audited Prior period 31.12.2015		
		TL	FC	Total	TL	FC	Total
I. CASH AND BALANCES WITH THE CENTRAL BANK	(I-a)	1,062,902	7,277,907	8,340,809	662,376	6,906,439	7,568,815
II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (Net)	(I-b)	31,000	138,296	169,296	12,302	76,312	88,614
2.1 Held for trading financial assets		31,000	138,296	169,296	12,302	76,312	88,614
2.1.1 Public sector debt securities		2,051	25,616	27,667	100	-	100
2.1.2 Equity securities		-	-	-	-	-	-
2.1.3 Derivative financial assets held for trading		27,794	61,789	89,583	11,995	32,613	44,608
2.1.4 Other marketable securities		1,155	50,891	52,046	207	43,699	43,906
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)	25,727	2,024,147	2,049,874	10,341	3,573,153	3,583,494
IV. MONEY MARKET PLACEMENTS		-	-	-	-	-	-
V. FINANCIAL ASSETS AVAILABLE FOR SALE (Net)	(I-d)	1,635,038	1,406,726	3,041,764	1,578,258	752,109	2,330,367
5.1 Equity securities		10,325	90,408	100,733	9,571	55,244	64,815
5.2 Public sector debt securities		1,624,707	1,147,828	2,772,535	1,560,223	347,953	1,908,176
5.3 Other marketable securities		6	168,490	168,496	8,464	348,912	357,376
VI. LOANS AND RECEIVABLES	(I-e)	23,299,454	4,200,735	27,500,189	21,565,734	4,285,266	25,851,000
6.1 Loans and receivables		23,169,811	4,200,735	27,370,546	21,441,275	4,285,266	25,726,541
6.1.1 Loans to risk group of the Bank		75,298	531,914	607,212	76,162	152,608	228,770
6.1.2 Public sector debt securities		-	-	-	-	-	-
6.1.3 Other		23,094,513	3,668,821	26,763,334	21,365,113	4,132,658	25,497,771
6.2 Non-performing loans		550,809	-	550,809	442,519	-	442,519
6.3 Specific provisions (-)		421,166	-	421,166	318,060	-	318,060
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)	300,062	-	300,062	299,312	-	299,312
9.1 Unconsolidated financial subsidiaries		276,382	-	276,382	276,382	-	276,382
9.2 Unconsolidated non-financial subsidiaries		23,680	-	23,680	22,930	-	22,930
X. ENTITIES UNDER COMMON CONTROL (JOINT VENT.) (Net)	(I-i)	15,500	-	15,500	15,500	-	15,500
10.1 Accounted for under equity method		15,500	-	15,500	15,500	-	15,500
10.2 Unconsolidated		-	-	-	-	-	-
10.2.1 Financial subsidiaries		-	-	-	-	-	-
10.2.2 Non-financial subsidiaries		-	-	-	-	-	-
XI. FINANCE LEASE RECEIVABLES	(I-j)	1,039,693	333,231	1,372,924	947,273	235,587	1,182,860
11.1 Finance lease receivables		1,188,193	377,900	1,566,093	1,084,062	278,938	1,363,000
11.2 Operating lease receivables		-	-	-	-	-	-
11.3 Other		-	-	-	-	-	-
11.4 Unearned income (-)		148,500	44,669	193,169	136,789	43,351	180,140
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)		466,062	86	466,148	503,954	95	504,049
XIV. INTANGIBLE ASSETS (Net)		92,661	-	92,661	77,966	-	77,966
14.1 Goodwill		-	-	-	-	-	-
14.2 Other		92,661	-	92,661	77,966	-	77,966
XV. INVESTMENT PROPERTIES (Net)		-	-	-	-	-	-
XVI. TAX ASSET	(I-l)	81,369	-	81,369	107,150	-	107,150
16.1 Current tax asset		-	-	-	-	-	-
16.2 Deferred tax asset		81,369	-	81,369	107,150	-	107,150
XVII. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)		33,453	-	33,453	32,640	-	32,640
17.1 Held for sale		33,453	-	33,453	32,640	-	32,640
17.2 Discontinued operations		-	-	-	-	-	-
XVIII. OTHER ASSETS	(I-m)	498,201	146,313	644,514	312,330	98,410	410,740
TOTAL ASSETS		28,581,122	15,527,441	44,108,563	26,125,136	15,927,371	42,052,507

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
UNCONSOLIDATED BALANCE SHEET AS OF 30 JUNE 2016
(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

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

	Note	Reviewed Current period 30.06.2016			Audited Prior period 31.12.2015		
		TL	FC	Total	TL	FC	Total
I. FUND COLLECTED	(II-a)	15,952,359	12,914,080	28,866,439	14,536,125	13,586,541	28,122,666
1.1 Funds from risk group of the Bank		120,680	172,520	293,200	105,516	379,359	484,875
1.2 Other		15,831,679	12,741,560	28,573,239	14,430,609	13,207,182	27,637,791
II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	(II-b)	14,356	49,589	63,945	9,962	61,561	71,523
III. FUNDS BORROWED	(II-c)	753,959	5,838,843	6,592,802	684,076	6,827,603	7,511,679
IV. MONEY MARKET BALANCES		1,094,805	-	1,094,805	711,542	-	711,542
V. MARKETABLE SECURITIES ISSUED (Net)		-	-	-	-	-	-
VI. SUNDRY CREDITORS	(II-d)	123,586	37,439	161,025	108,349	10,629	118,978
VII. OTHER LIABILITIES	(II-d)	582,646	378,903	961,549	424,538	30,070	454,608
VIII. FINANCE LEASE PAYABLES	(II-e)	-	399,828	399,828	-	401,990	401,990
8.1 Finance lease payables		-	465,884	465,884	-	468,302	468,302
8.2 Operating lease payables		-	-	-	-	-	-
8.3 Other		-	-	-	-	-	-
8.4 Deferred finance lease expenses (-)		-	66,056	66,056	-	66,312	66,312
IX. DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING PURPOSES	(II-f)	-	63,045	63,045	-	98,650	98,650
9.1 Fair value hedge		-	-	-	-	-	-
9.2 Cash flow hedge		-	63,045	63,045	-	98,650	98,650
9.3 Hedge of net investment in foreign operations		-	-	-	-	-	-
X. PROVISIONS	(II-g)	467,220	105,775	572,995	427,561	104,614	532,175
10.1 General loan loss provisions		294,730	66,279	361,009	261,944	72,174	334,118
10.2 Restructuring provisions		-	-	-	-	-	-
10.3 Reserve for employee benefits		95,742	70	95,812	106,354	86	106,440
10.4 Insurance technical reserves (net)		-	-	-	-	-	-
10.5 Other provisions		76,748	39,426	116,174	59,263	32,354	91,617
XI. TAX LIABILITY	(II-h)	26,612	-	26,612	36,472	-	36,472
11.1 Current tax liability		26,612	-	26,612	36,472	-	36,472
11.2 Deferred tax liability		-	-	-	-	-	-
XII. PAYABLES RELATED TO ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)	(II-i)	-	-	-	-	-	-
12.1 Held for sale		-	-	-	-	-	-
12.2 Discontinued operations		-	-	-	-	-	-
XIII. SUBORDINATED LOANS	(II-j)	-	1,629,171	1,629,171	-	589,734	589,734
XIV. SHAREHOLDERS' EQUITY	(II-k)	3,661,687	14,660	3,676,347	3,406,321	(3,831)	3,402,490
14.1 Paid-in capital		2,787,322	-	2,787,322	2,527,322	-	2,527,322
14.2 Capital reserves		6,614	14,660	21,274	4,258	(3,831)	427
14.2.1 Share premium		22,933	-	22,933	22,933	-	22,933
14.2.2 Share cancellation profits		-	-	-	-	-	-
14.2.3 Marketable securities revaluation reserve		11,638	14,660	26,298	9,225	(3,831)	5,394
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)		(13,041)	-	(13,041)	(12,984)	-	(12,984)
14.2.9 Value increase on assets held for resale		-	-	-	-	-	-
14.2.10 Other capital reserves		(14,916)	-	(14,916)	(14,916)	-	(14,916)
14.3 Profit reserves		611,342	-	611,342	430,060	-	430,060
14.3.1 Legal reserves		122,861	-	122,861	100,287	-	100,287
14.3.2 Status reserves		-	-	-	-	-	-
14.3.3 Extraordinary reserves		351,949	-	351,949	241,553	-	241,553
14.3.4 Other profit reserves		136,532	-	136,532	88,220	-	88,220
14.4 Profit or loss		256,409	-	256,409	444,681	-	444,681
14.4.1 Prior period income/(losses)		-	-	-	-	-	-
14.4.2 Current period income/(losses)		256,409	-	256,409	444,681	-	444,681
14.5 Minority shares	(II-l)	-	-	-	-	-	-
TOTAL LIABILITIES AND EQUITY		22,677,230	21,431,333	44,108,563	20,344,946	21,707,561	42,052,507

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
STATEMENT OF UNCONSOLIDATED OFF-BALANCE SHEET COMMITMENTS AND
CONTINGENCIES AS OF 30 JUNE 2016

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

II. STATEMENT OF OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES

		Reviewed Current period 30.06.2016			Audited Prior period 31.12.2015		
	Notes	TL	FC	Total	TL	FC	Total
A. OFF BALANCE SHEET CONTINGENCIES AND COMMITMENTS (I+II+III)		33,274,535	17,373,474	50,648,009	33,843,259	16,528,787	50,372,046
I. GUARANTEES	(III-a)	4,837,776	4,492,130	9,329,906	4,637,394	4,318,928	8,956,322
1.1. Letters of guarantees		4,819,255	2,880,210	7,699,465	4,607,569	2,732,091	7,339,660
1.1.1. Guarantees subject to state tender law		149,678	-	149,678	153,636	273	153,909
1.1.2. Guarantees given for foreign trade operations		506,520	229,333	735,853	569,151	276,734	845,885
1.1.3. Other letters of guarantee		4,163,057	2,650,877	6,813,934	3,884,782	2,455,084	6,339,866
1.2. Bank loans		2,564	68,114	70,678	7,656	76,452	84,108
1.2.1. Import letter of acceptances		2,564	68,114	70,678	7,656	76,452	84,108
1.2.2. Other bank acceptances		-	-	-	-	-	-
1.3. Letter of credits		287	1,067,871	1,068,158	177	1,029,087	1,029,264
1.3.1. Documentary letter of credits		78	353,980	354,058	78	315,930	316,008
1.3.2. Other letter of credits		209	713,891	714,100	99	713,157	713,256
1.4. Pre-financing given as guarantee		-	21,201	21,201	-	21,290	21,290
1.5. Endorsements		-	-	-	-	-	-
1.5.1. Endorsements to the Central Bank of Republic of Turkey		-	-	-	-	-	-
1.5.2. Other endorsements		-	-	-	-	-	-
1.6. Other guarantees		15,670	454,734	470,404	21,992	460,008	482,000
1.7. Other collaterals		-	-	-	-	-	-
II. COMMITMENTS	(III-a)	25,853,534	190,338	26,043,872	27,214,987	481,365	27,696,352
2.1. Irrevocable commitments		2,206,455	190,338	2,396,793	2,311,549	481,365	2,792,914
2.1.1. Forward asset purchase commitments		41,387	190,338	231,725	231,210	481,365	712,575
2.1.2. Share capital commitment to associates and subsidiaries		-	-	-	-	-	-
2.1.3. Loan granting commitments		153,704	-	153,704	304,107	-	304,107
2.1.4. Securities underwriting commitments		-	-	-	-	-	-
2.1.5. Commitments for reserve deposit requirements		-	-	-	-	-	-
2.1.6. Payment commitment for checks		1,149,471	-	1,149,471	1,018,655	-	1,018,655
2.1.7. Tax and fund liabilities from export commitments		99	-	99	99	-	99
2.1.8. Commitments for credit card expenditure limits		844,037	-	844,037	739,721	-	739,721
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	-	17,757	17,757	-	17,757
2.2. Revocable commitments		23,647,079	-	23,647,079	24,903,438	-	24,903,438
2.2.1. Revocable loan granting commitments		23,647,079	-	23,647,079	24,903,438	-	24,903,438
2.2.2. Other revocable commitments		-	-	-	-	-	-
III. DERIVATIVE FINANCIAL INSTRUMENTS		2,583,225	12,691,006	15,274,231	1,990,878	11,728,494	13,719,372
3.1. Derivative financial instruments for hedging purposes		-	1,201,420	1,201,420	-	1,172,816	1,172,816
3.1.1. Fair value hedge		-	-	-	-	-	-
3.1.2. Cash flow hedge		-	1,201,420	1,201,420	-	1,172,816	1,172,816
3.1.3. Hedge of net investment in foreign operations		-	-	-	-	-	-
3.2. Held for trading transactions		2,583,225	11,489,586	14,072,811	1,990,878	10,555,678	12,546,556
3.2.1. Forward foreign currency buy/sell transactions		1,143,505	1,817,535	2,961,040	1,139,111	2,030,563	3,169,674
3.2.1.1. Forward foreign currency transactions-buy		570,605	921,674	1,492,279	550,697	1,043,355	1,594,052
3.2.1.2. Forward foreign currency transactions-sell		572,900	895,861	1,468,761	588,414	987,208	1,575,622
3.2.2. Other forward buy/sell transactions		1,439,720	9,672,051	11,111,771	851,767	8,525,115	9,376,882
3.3. Other		-	-	-	-	-	-
B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)		193,076,600	89,631,383	282,707,983	168,473,267	89,309,104	257,782,371
IV. ITEMS HELD IN CUSTODY		6,954,062	2,149,419	9,103,481	5,545,140	1,330,898	6,876,038
4.1. Assets under management		40,033	-	40,033	1	-	1
4.2. Investment securities held in custody		501,521	36,314	537,835	-	-	-
4.3. Checks received for collection		5,461,696	521,171	5,982,867	4,698,688	482,005	5,180,693
4.4. Commercial notes received for collection		950,812	224,872	1,175,684	846,451	105,406	951,857
4.5. Other assets received for collection		-	-	-	-	-	-
4.6. Assets received for public offering		-	-	-	-	-	-
4.7. Other items under custody		-	-	-	-	-	-
4.8. Custodians		-	1,367,062	1,367,062	-	743,487	743,487
V. PLEDGED ITEMS		186,110,899	87,448,077	273,558,976	162,916,488	87,944,184	250,860,672
5.1. Marketable securities		247,327	53,848	301,175	351,154	53,770	404,924
5.2. Guarantee notes		101,928	1,169,141	1,271,069	101,988	1,174,760	1,276,748
5.3. Commodity		3,811,007	525,529	4,336,536	3,362,451	538,357	3,900,808
5.4. Warranty		-	-	-	-	-	-
5.5. Properties		79,989,959	2,089,822	82,079,781	71,286,808	618,846	71,905,654
5.6. Other pledged items		101,960,678	83,609,737	185,570,415	87,814,087	85,558,451	173,372,538
5.7. Pledged items-depository		-	-	-	-	-	-
VI. ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES		11,639	33,887	45,526	11,639	34,022	45,661
TOTAL OFF BALANCE SHEET ACCOUNTS (A+)		226,351,135	107,004,857	333,355,992	202,316,526	105,837,891	308,154,417

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
UNCONSOLIDATED INCOME STATEMENT FOR THE PERIOD ENDED
30 JUNE 2016

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

III. INCOME STATEMENT (STATEMENT OF INCOME / LOSS)

		Current Period Reviewed 01.01.2016 - 30.06.2016	Prior Period Reviewed 01.01.2015 - 30.06.2015	Current Period Reviewed 01.01.2016 - 30.06.2016	Prior Period Reviewed 01.04.2015 - 30.06.2015
	Notes				
I. PROFIT SHARE INCOME	(IV-a)	1,489,645	1,197,446	767,128	624,707
1.1 Profit share on loans		1,319,317	1,071,717	679,280	558,690
1.2 Profit share on reserve deposits		13,143	940	6,060	923
1.3 Profit share on banks		5,659	3,833	2,615	2,021
1.4 Profit share on money market placements		-	-	-	-
1.5 Profit share on marketable securities portfolio		90,362	77,636	47,315	39,844
1.5.1 Held-for-trading financial assets		-	-	-	-
1.5.2 Financial assets at fair value through profit and loss		3,549	-	1,823	-
1.5.3 Available-for-sale financial assets		86,813	77,636	45,492	39,844
1.5.4 Investments held-to-maturity		-	-	-	-
1.6 Finance lease income		51,061	33,267	26,671	18,193
1.7 Other profit share income		10,103	10,053	5,187	5,036
II. PROFIT SHARE EXPENSE	(IV-b)	658,103	505,566	347,090	258,518
2.1 Expense on profit sharing accounts	(IV-d)	422,834	327,872	218,113	167,211
2.2 Profit share expense on funds borrowed		192,373	141,405	104,916	73,821
2.3 Profit share expense on money market borrowings		31,721	25,125	18,498	11,956
2.4 Expense on securities issued		-	-	-	-
2.5 Other profit share expense		11,175	11,164	5,563	5,530
III. NET PROFIT SHARE INCOME (I - II)		831,542	691,880	420,038	366,189
IV. NET FEES AND COMMISSIONS INCOME/EXPENSE		85,108	65,047	46,360	29,659
4.1 Fees and commissions received		151,721	124,904	80,570	65,881
4.1.1 Non-cash loans		42,950	40,453	22,055	20,832
4.1.2 Other	(IV-l)	108,771	84,451	58,515	45,049
4.2 Fees and commissions paid		66,613	59,857	34,210	36,222
4.2.1 Non-cash loans		143	94	107	54
4.2.2 Other	(IV-l)	66,470	59,763	34,103	36,168
V. DIVIDEND INCOME	(IV-e)	509	-	-	-
VI. NET TRADING INCOME	(IV-e)	97,820	61,170	68,298	(730)
6.1 Capital market transaction gains / (losses)		4,137	5,110	3,485	260
6.2 Gains/ (losses) from derivative financial instruments		21,300	(12,028)	33,748	(23,474)
6.3 Foreign exchange gains / (losses)		72,383	68,088	31,065	22,484
VII. OTHER OPERATING INCOME	(IV-f)	136,943	120,378	63,238	73,527
VIII. NET OPERATING INCOME (III+IV+V+VI+VII)		1,151,922	938,475	597,934	468,645
IX. PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)	(IV-g)	268,216	185,384	152,328	95,458
X. OTHER OPERATING EXPENSES (-)	(IV-h)	563,765	490,385	281,598	240,127
XI. NET OPERATING INCOME/(LOSS) (VIII-IX-X)		319,941	262,706	164,008	133,060
XII. AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER		-	-	-	-
XIII. GAIN / (LOSS) ON EQUITY METHOD		-	-	-	-
XIV. GAIN / (LOSS) ON NET MONETARY POSITION		-	-	-	-
XV. PROFIT/(LOSS) FROM CONTINUED OPERATIONS BEFORE TAXES (XI+...+XIV)	(IV-i)	319,941	262,706	164,008	133,060
XVI. TAX CHARGE FOR CONTINUED OPERATIONS (±)	(IV-j)	(63,532)	(56,654)	(33,074)	(27,496)
16.1 Current income tax charge		(42,964)	(73,636)	(26,732)	(39,254)
16.2 Deferred tax charge / benefit		(20,568)	16,982	(6,342)	11,758
XVII. NET PROFIT/(LOSS) FROM CONTINUED OPERATIONS (XV±XVI)		256,409	206,052	130,934	105,564
XVIII. 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 (±)	(IV-k)	-	-	-	-
21.1 Current income tax charge		-	-	-	-
21.2 Deferred tax charge / benefit		-	-	-	-
XXII. NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XX±XXI)		-	-	-	-
XXIII. NET PROFIT/LOSS (XVII+XXII)	(IV-l)	256,409	206,052	130,934	105,564
23.1 Group's income/loss		256,409	206,052	130,934	105,564
23.2 Minority interest income/loss (-)		-	-	-	-
Earnings per share income/loss (full TL)		-	-	-	-

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
STATEMENTS OF UNCONSOLIDATED PROFIT AND LOSS ACCOUNTED FOR UNDER
EQUITY FOR THE PERIOD ENDED 30 JUNE 2016

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

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

	Reviewed	Reviewed
	Current period	Prior period
Statement of income and expenses accounted under equity	01.01.2016- 30.06.2016	01.01.2015- 30.06.2015
I. Additions to marketable securities revaluation differences from available for sale financial assets	26,130	2,833
II. Tangible assets revaluation differences	-	-
III. Intangible assets revaluation differences	-	-
IV. Currency translation differences for foreign currency transactions	-	-
V. Profit/loss from derivative financial instruments for cash flow hedge purposes (effective portion of fair value differences)	(71)	-
VI. Profit/loss from derivative financial instruments for hedge of net investment in foreign operations (effective portion of fair value differences)	-	-
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	(5,212)	(567)
X. Total net profit/loss accounted under equity (I+II+...+IX)	20,847	2,266
XI. Profit/loss	256,409	206,052
XI.1 Change in fair value of marketable securities (transfer to profit/loss)	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	256,194	206,052
XII. Total profit/loss accounted for the period (X±XI)	277,256	208,318

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
STATEMENT OF UNCONSOLIDATED CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIOD ENDED 30 JUNE 2016
(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

V. STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Reviewed	Note	Paid-in capital	Effect of inflation accounting on paid-in capital	Share premium	Share certificate cancellation profits	Legal reserves	Statutory reserves	Extraordinary reserves	Other reserve	Current period net income	Prior period net income	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 – (01.01.30.06.2015)																			
I.	Balances at beginning of the period	2,287,005	-	23,250	-	77,869	-	208,951	34,276	-	370,450	21,069	-	-	-	-	3,022,870	-	3,022,870
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)	2,287,005	-	23,250	-	77,869	-	208,951	34,276	-	370,450	21,069	-	-	-	-	3,022,870	-	3,022,870
IV.	Changes during the period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V.	Increase/decrease related to merger	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.	Marketable securities revaluation differences	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Hedging funds (effective portion)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6.1	Cash-flow hedge	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Foreign assets revaluation differences	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6.2	Foreign assets revaluation differences	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	Foreign exchange differences	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Changes related to the disposal of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	Changes related to the reclassification of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII.	The effect of change in associate's equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII.	Capital increase	240,000	-	-	-	-	-	-	(127)	-	(239,873)	-	-	-	-	-	-	-	-
XIV.	Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14.1	Internal sources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14.2	Share issue premium	240,000	-	-	-	-	-	-	(127)	-	(239,873)	-	-	-	-	-	-	-	-
XV.	Share cancellation profits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.	Inflation adjustment to paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII.	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVIII.	Net income/(loss) for the period	-	-	-	-	-	-	-	-	206,052	-	-	-	-	-	-	206,052	-	206,052
XIX.	Profit distribution	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XX.	Dividends distributed	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20.1	Transfers to reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20.2	Transfers to reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20.3	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balances at end of the period																			
(I+II+IV+V+...+XVIII+XIX+XX)		2,527,005	-	23,250	-	100,287	-	241,553	76,783	206,052	-	23,335	-	-	-	-	3,192,265	-	3,192,265

(*) In the Ordinary General Assembly Meeting dated 31 March 2015, the Bank decided on reserving primary reserves amount to TL 18,522; other reserves amount to TL 36,507 funded via retained profit from sales of real estates, cash dividend payments amount to TL 36,000; dividend to management amount to TL 2,959; funding capital increase from internal sources via remaining net income amount to TL 240,000 and in return distributing additional capitalized shares proportioned to shareholder's stake in share capital; secondary reserves amount to TL 3,896 and remaining amount to 32,565 to extraordinary legal reserves. In addition to this, the Bank has transferred dividend amounting to TL 36 that held by the Bank itself to the extraordinary reserves depending on the General Assembly Meeting decision.

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
STATEMENT OF UNCONSOLIDATED CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIOD ENDED 30 JUNE 2016
(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

V. STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (continued)

Reviewed	Note	Paid-in capital	Effect of inflation accounting on paid-in capital and other reserves	Share premium	Share certificate cancellation profits	Legal reserves	Statutory reserves	Extraordinary reserve	Other reserve	Current period net income	Prior period net income	Marketable securities revaluation reserve	Tangible and intangible assets revaluation fund	Bonus shares from investments	Helping reserves	Asset held for sale and disc. on valuation fund	Total excluding minority interest	Minority interest	Total equity
Current Period - (01.01-30.06.2016)																			
I.	Balances at beginning of the period	2,527,322	-	22,933	-	100,287	-	241,553	73,304	-	444,681	5,394	-	-	(12,984)	-	3,402,490	-	3,402,490
II.	Conversion of shares as per TAS 8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1	Effect of formation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2	Effect of changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	Adjusted balances at beginning of the period (I+II)	2,527,322	-	22,933	-	100,287	-	241,553	73,304	-	444,681	5,394	-	-	(12,984)	-	3,402,490	-	3,402,490
IV.	Changes during the period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V.	Increase/decrease related to merger	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.	Marketable securities revaluation differences	-	-	-	-	-	-	-	-	-	-	20,904	-	-	(57)	-	20,904	-	20,904
6.1	Holding funds (effective portion)	-	-	-	-	-	-	-	-	-	-	-	-	-	(57)	-	(57)	-	(57)
6.2	Cash-flow hedge	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Hedge of net investment in foreign operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Tangible assets revaluation differences	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Intangible assets revaluation differences	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	Bonus shares obtained from associates, subsidiaries and jointly controlled operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Foreign exchange differences	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
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	260,000	-	-	-	-	-	-	(476)	-	(259,524)	-	-	-	-	-	-	-	-
14.1	Cash	260,000	-	-	-	-	-	-	(476)	-	(259,524)	-	-	-	-	-	-	-	-
14.2	Internal sources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV.	Share issue premium	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.	Share cancellation profits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII.	Share adjustment to paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVIII.	Other adjustments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIX.	Net income/(loss) for the period	-	-	-	-	-	-	110,396	48,788	256,409	(185,157)	-	-	-	-	-	256,409	-	256,409
XX.	Profit distribution	-	-	-	-	-	-	-	-	-	(3,399)	-	-	-	-	-	(3,399)	-	(3,399)
20.1	Dividends distributed	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20.2	Transfers to reserves	-	-	-	-	-	-	110,396	48,788	-	(181,758)	-	-	-	-	-	-	-	-
20.3	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balances at end of the period (III+IV+V+...+XVIII+XIX+XX)																			
	(II+I)	2,787,322	-	22,933	-	122,861	-	351,949	121,616	256,409	-	26,298	-	-	(13,041)	-	3,676,347	-	3,676,347

(*) In the Ordinary General Assembly Meeting dated 4 April 2016, the Bank decided on reserving primary reserves amount to TL 22,234; other reserves amount to TL 48,788 funded via retained profit from sales of real estates, cash dividend; dividend to management amount to TL 3,399; funding capital increase from internal sources via remaining net income amount to TL 259,524 and in return distributing additional capitalized shares proportioned to shareholder's stake in share capital; secondary reserves amount to TL 340 and remaining amount to 110,396 to extraordinary legal reserves; other reserve amount to TL 476 which obtained from research and development activities according to Law No. 5746 under Articles 3, funding capital increase from internal sources.

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
CASH FLOWS STATEMENT FOR THE PERIOD ENDED 30 JUNE 2016
(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

VI. CASH FLOWS STATEMENT

	Note	Reviewed	Reviewed
		Current period 01.01.2016 – 30.06.2016	Prior period 01.01.2015 – 30.06.2015
A. CASH FLOWS FROM BANKING OPERATIONS			
1.1 Operating profit before changes in operating assets and liabilities		395,405	429,470
1.1.1 Profit share income received		1,463,337	1,149,243
1.1.2 Profit share expense paid		(648,233)	(519,233)
1.1.3 Dividend received		509	-
1.1.4 Fees and commissions received		153,364	124,190
1.1.5 Other income		54,742	254,343
1.1.6 Collections from previously written off loans		42,205	37,913
1.1.7 Payments to personnel and service suppliers		(428,757)	(269,614)
1.1.8 Taxes paid		(74,142)	(82,999)
1.1.9 Others		(167,620)	(264,373)
1.2 Changes in operating assets and liabilities		(2,357,950)	902,064
1.2.1 Net (increase) decrease held for trading financial assets		(35,706)	2,635
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		(1,936,588)	55,292
1.2.4 Net (increase) decrease in loans		(2,016,491)	(4,446,450)
1.2.5 Net (increase) decrease in other assets		(38,824)	(15,115)
1.2.6 Net increase (decrease) in bank deposits		(236,951)	439,407
1.2.7 Net increase (decrease) in other deposits		981,466	3,330,728
1.2.8 Net increase (decrease) in funds borrowed		(929,489)	1,274,777
1.2.9 Net increase (decrease) in due payables		-	-
1.2.10 Net increase (decrease) in other liabilities		1,854,633	260,790
I. Net cash provided from / (used in) banking operations		(1,962,545)	1,331,534
B. CASH FLOWS FROM INVESTING ACTIVITIES			
II. Net cash provided from / (used in) investing activities		(735,490)	(371,410)
2.1 Cash paid for purchase jointly controlled operations, associates and subsidiaries		(750)	(135,707)
2.2 Cash obtained from sale of jointly controlled operations, associates and subsidiaries		-	-
2.3 Fixed assets purchases		(22,799)	(66,335)
2.4 Fixed assets sales		6,126	13,913
2.5 Cash paid for purchase of financial assets available for sale		(1,456,634)	(777,908)
2.6 Cash obtained from sale of financial assets available for sale		764,076	603,991
2.7 Cash paid for purchase of investment securities		-	-
2.8 Cash obtained from sale of investment securities		-	-
2.9 Other		(25,509)	(9,364)
C. CASH FLOWS FROM FINANCING ACTIVITIES			
III. Net cash provided from / (used in) financing activities		(3,601)	(39,184)
3.1 Cash obtained from funds borrowed and securities issued		-	-
3.2 Cash used for repayment of funds borrowed and securities issued		-	-
3.3 Capital increase		-	-
3.4 Dividends paid		(3,399)	(38,923)
3.5 Payments for finance leases		(202)	(261)
3.6 Other		-	-
IV. Effect of change in foreign exchange rate on cash and cash equivalents	(V-d)	3,422	(28,506)
V. Net increase (decrease) in cash and cash equivalents (I + II + III + IV)		(2,698,214)	892,434
VI. Cash and cash equivalents at the beginning of the period	(V-a)	4,687,293	1,995,829
VII. Cash and cash equivalents at the end of the period	(V-a)	1,989,079	2,888,263

The accompanying notes are an integral part of these financial statements

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2016

(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 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 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. Classification

Expertise expense amount of TL 10,429 that is presented under Other Operating Income in previous period’s statement of income, is classified under “Fees and Commissions Given” in current period for consistency of presentation.

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

The 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 unconsolidated 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 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 January 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.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
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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

The Bank 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 and valuation differences of foreign currencies have been recognized in the income statement under the net foreign exchange income/expense account.

The Bank'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 Bank.

III. Investments in associates and subsidiaries

Turkish currency denominated associates and subsidiaries are measured at cost value in accordance with the "Consolidated and Separate Financial Statements" ("TAS 27") and then deducted by provisions for impairment losses, if any, reflected to the accompanying unconsolidated financial statements.

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

The Bank 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.

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

IV. Explanations on forward transactions and option contracts and derivative instruments (continued)

The Bank enters into profit share rate and cross currency swap transactions in order to hedge the changes in cash flows of the floating-rate financial instruments. While applying cash flow hedge accounting, the effective portion of the changes in the fair value of the hedging instrument is accounted for under hedging reserves in shareholders' equity, and the ineffective portion is recognised in income statement. The changes recognised in shareholders' equity is removed and included in income statement in the same period when the hedged cash flows effect the income or loss.

The Bank 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.

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 Bank 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.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2016

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

VII. Explanations on financial assets

The Bank classifies and accounts for its financial assets as 'Fair value through profit/loss', 'Available for sale', '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 which are "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 Bank has no financial assets at fair value through profit or loss.

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 Bank does not have any held to maturity financial assets as of the balance sheet date.

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

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 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.

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 Bank 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 2016, the Bank has repurchasing agreements amounting to TL 1,094,805 (31 December 2015 – TL 711,542).

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

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

As mandated by the Banking Act 5411 Article 57 “banks cannot participate in commercial real-estate and commodity trade with the exception of real-estate and commodity based agreements within the scope of Capital Markets Act No. 2499, and precious metal trade as seen appropriate by the board, and cannot participate in partnerships with firms whose main business activity is commercial real-estate, with the exception of real-estate investment partnerships and companies that finance mortgaged residential estates. The rules and procedures regarding the sales of real-estate and commodities that were acquired due to receivables and debtors’ obligations to the bank are determined by the board.”

The principles for valuation and accounting for disposal of assets acquired by banks in return for their nonperforming loans are determined by the official communication of “Principles and Procedures on Bank’s Disposal of Precious Metals and Assets Held for Sale” No. 26333 published on 1 November 2006 and No. 26592 published on 24 April 2007 in the Official Gazette.

Assets that meet the criteria for classification as assets held for sale are measured at the lower of the carrying amount of assets and fair value less any costs to be incurred for disposal. Assets held for sale are not amortized and presented in the financial statements separately. In order to classify an asset as held for sale, the sale should be highly probable and the asset (or disposal group) should be available for immediate sale in its present condition. Highly saleable condition requires a plan by the management regarding the sale of the asset (or the disposal group) together with an active program for the determination of buyers as well as for the completion of the plan. Also the asset (or the disposal group) should be actively in the market at a price consistent with its fair value. In addition, the sale is expected to be recognized as a completed sale within one year after the classification date and the necessary transactions and procedures to complete the plan should demonstrate the fact that there is remote possibility of making any significant changes in the plan or cancellation of the plan. Various events and conditions may extend the completion period of the disposal over one year. If such delay arises from any events and conditions beyond the control of the entity and there is sufficient evidence that the entity has an ongoing disposal plan for these assets, such assets (or disposal group) can remain to be classified as assets (or disposal group) held for sale. Extension of the period necessary to complete the sale, does not avoid the classification of the related asset (or disposal group) to be classified as asset held for sale.

Although the Bank has assets acquired due to receivables and debtors’ obligations to the Bank, such assets are classified as fixed assets rather than assets held for sale and are amortized due to inability to dispose them or to produce a solid plan for disposal within a year within the provisions of banking legislation.

On the other hand properties acquired by the Bank due to receivables and debtors’ obligations to the Bank 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 Bank has no discontinued operations.

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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 Bank 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 adjusted for inflation until 31 December 2004, 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.

The capital expenditures made in order to increase the capacity of the tangible asset or to increase its future benefits are capitalized on the cost of the tangible asset. The capital expenditures include the cost components which are used either to increase the useful life or the capacity of the asset or the quality of the product or to decrease the costs.

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.

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XIV. Explanations on leasing transactions

Bank 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.

Bank as a lessor

The Bank, as a participation bank, acts as a lessor in finance leasing transactions. The Bank 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.

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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 Bank 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.

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.

XVI. Explanations on liabilities relating to employee benefits

a) Defined benefit plans:

In accordance with existing social legislation, the Bank is required to make severance pay to each employee who has completed over one year of service with the Bank and who retires or quits the employment to receive old age or disability benefits, to fulfill the compulsory military service, because of the marriage (for females) 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.

Liabilities amount which is related to “Turkish Accounting Standard on Employee Benefits” (“TAS 19”) is reflected accompanying financial statements and these liabilities are calculated by an independent actuary firm. Bank is accounted all actuarial profit and loss under Statement of other Comprehensive Income.

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

b) Defined contribution plans:

The 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.

Bank 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 installment 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.

Deferred tax

The Bank 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.

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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 Bank does not apply hedging techniques on related borrowings.

There are no debt securities issued by the Bank.

The Bank has not issued convertible bonds.

Borrowing through the rent certificates (Sukuk)

In order to collect funds from various investors, the Bank issued a 5 year term rent certificate amounting to USD 350 million on 31 October 2011 with a profit share rate of 5.875%. The Bank has performed this issue through KT Sukuk Varlık Kiralama A.Ş. (Note V Part I-h), which is a subsidiary of the Bank that is established specifically for this transaction (the issuance of the rent certificates). Funds collected by KT Sukuk Varlık Kiralama A.Ş. from rent certificate investors, amounting to USD 350 million, is transferred to the Bank in exchange of some of the real estate assets, loan receivables and leasing receivables of the Bank. Within the scope of the aforementioned transaction, the Bank sold its real estate properties with a net book value of TL 61,195 to KT Sukuk Varlık Kiralama A.Ş. for a consideration equal to their market price of TL 248,734 (USD 136,870 thousand) and leased back these real estate assets for 5 years with a repurchase option at the end of the fifth year.

In accordance with the letter received from BRSA, numbered B.02.1.BDK.0.06.00.00-045.01(3/8)-5397 and dated 13 March 2012 this transaction is accounted for as “sale and lease back” transaction in accordance with TAS 17. As a consequence of this accounting treatment, the net book value of the real estate property transferred and leased back increased from TL 61,195 to TL 248,734. The difference of TL 187,539 between the net book value of TL 61,195 before the aforementioned transaction and the net book value of TL 248,734 after the aforementioned transaction will be recognized as income in 5 years using the effective interest method and accounted for as deferred income under other liabilities. As of 30 June 2016, TL 29,644 (30 June 2015 – TL 22,269) of the aforementioned deferred income is recognized as income in the income statement. The difference accounted as tangible assets mentioned above, will be recognized as expense by accounting under “other expenses” in the income statement during the period of lease.

As a result of the lease back of the real estate property, the total amount of semi-annual rental payments to be made to KT Sukuk Varlık Kiralama A.Ş. in 5 years and total amounting to USD 177,076 thousand is discounted with a profit share rate of 5.875% to the date of the transaction as USD 136,870 thousand and accounted for as financial lease payables.

The remaining part of the total funds of USD 350 million (full amount) transferred by KT Sukuk Varlık Kiralama A.Ş. to the Bank which is not part of the sale and leaseback transaction and amounting to USD 213,130 thousand is accounted for as Funds Borrowed in the balance sheet.

XIX. Explanations on share certificates issued

There is no significant amount of transaction costs on 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 Bank.

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XXII. Explanations on segment reporting

The Bank operates in three main segments; Corporate and Commercial Banking; Retail Banking; International Banking, Treasury and Investment 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 X.

XXIII. Explanations on other matters

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

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 unconsolidated financial statements. Accordingly, the accompanying unconsolidated 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 RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF
THE BANK**

I. Explanations on 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 2016 Bank’s total capital has been calculated as TL 5,242,198. Capital adequacy ratio is 17.01%.

As of 31 December 2015, Bank’s total capital amounted to TL 3,796,691, capital adequacy ratio was 14.23% calculated pursuant to former regulations. This ratio is well above the minimum ratio required by the legislation.

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I. Explanations on Equity (continued)

a-) Components of 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	2,790,000	
Share Premium	22,933	
Reserves	611,342	
Other Comprehensive Income according to TAS	26,298	
Profit	256,409	
Current Period Profit	256,409	
Prior Period Profit	-	
Bonus Shares from Associates, Affiliates and Joint-Ventures not Accounted in Current Period's Profit	-	
Common Equity Tier I Capital Before Deductions	3,706,982	
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 (-)	27,957	
Leasehold Improvements on Operational Leases (-)	48,231	
Goodwill Netted with Deferred Tax Liabilities	-	
Other Intangible Assets Netted with Deferred Tax Liabilities Except Mortgage Servicing Rights	55,597	92,661
Net Deferred Tax Asset/Liability (-)	48,821	81,369
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	183,284	
Total Common Equity Tier I Capital	3,523,698	

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I. Explanations on Equity (continued)

a-) Components of 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 (-)	37,064	92,661
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 (-)	32,548	81,369
Deduction from Additional Tier I Capital when there is not enough Tier II Capital (-)	-	
Total Deductions from Additional Tier I Capital	69,612	
Total Additional Tier I Capital	-	
Total Tier I Capital (Tier I Capital= Common Equity Tier I Capital + Additional Tier I Capital)	3,454,086	
TIER II CAPITAL		
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	1,591,262	
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)	263,139	
Total Deductions from Tier II Capital	1,854,401	
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	1,854,401	
Total Equity (Total Tier I and Tier II Capital)	5,242,198	

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I. Explanations on Equity (continued)

a-) Components of 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 (-)	3,544	
Other items to be Defined by the BRSA (-)	62,745	
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)	5,242,198	
Total Risk Weighted Assets	30,811,575	
CAPITAL ADEQUACY RATIOS		
CET1 Capital Ratio (%)	11.44	
Tier I Capital Ratio (%)	11.21	
Capital Adequacy Ratio (%)	17.01	
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	5.21	
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)	263,139	
General Loan Provisions for Exposures in Standard Approach Limited by 1.25% of Risk Weighted Assets	263,139	
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 Equity (continued)

a-) Components of 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>	<i>Explanation of differences</i>
Paid-in Capital	2,787,322	2,678	2,790,000	Adjustment related to its own draw backed share of the Bank
Capital Reserves	21,274	-	21,274	
Other Comprehensive Income According to TAS	(1,659)	-	(1,659)	
Securities Value Increase Fund	26,298	-	26,298	
Revaluation Surplus on Tangible Assets	-	-	-	
Revaluation Surplus on Intangible Assets	-	-	-	
Revaluation Surplus on Investment Property	-	-	-	
Hedging Reserves (Effective Portion)	(13,041)	-	(13,041)	
Revaluation Surplus on Assets Held for Sale and Assets of Discontinued Operations	-	-	-	
Other Capital Reserves	(14,916)	-	(14,916)	
Bonus Shares of Associates, Affiliates and Joint-Ventures	-	-	-	
Share Premium	22,933	-	22,933	
Profit Reserves	611,342	-	611,342	
Profit or Loss	256,409	-	256,409	Adjustment effect according to Regulation on Equities of the Banks of the 4 th paragraph of Article 6
Prior Periods Profit/Loss	-	-	-	
Current Period Net Profit/Loss	256,409	-	256,409	
Minority Shareholders	-	-	-	
Deductions from Common Equity Tier I Capital (-)	97,569		183,284	
Common Equity Tier I Capital	3,704,304		3,523,698	

<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			3,454,086	
Subordinated Debts			1,591,262	
General Provisions			263,139	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			1,854,401	
Deductions from Total Capital (-)			66,289	Deductions from Capital as per the Regulation
Total			5,242,198	

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I. Explanations on Equity (continued)

a-) Components of total capital (continued):

	Prior Period
TIER I CAPITAL	3,281,829
Paid-in Capital to be Entitled for Compensation after All Creditors	2,527,322
Share Premium	22,933
Share Cancellation Profits	-
Reserves	341,840
Other Comprehensive Income According to TAS	97,445
Profit	444,681
Current Period Profit	444,681
Prior Period Profit	-
General Reserves for Possible Losses	-
Bonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Current Period's Profit	-
Tier 1 Capital Before Deductions	3,434,221
Deductions from Tier 1 Capital	
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-)	31,731
Leasehold Improvements on Operational Leases (-)	46,615
Goodwill and Other Intangible Assets and Related Deferred Taxes (-)	28,797
Net Deferred Tax Asset/Liability (-)	45,249
Shares Obtained against Article 56, Paragraph 4 of the Banking Law (-)	-
Direct and Indirect Investments of the Bank on its own 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 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 less 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 Tier I Capital	152,392
Total Tier 1 Capital	3,281,829
ADDITIONAL CORE CAPITAL	
Preferred Stock not included in Tier 1 Capital in cases where there are no adequate Additional Tier I or Tier II Capitals (-)	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained after 1.1.2014)	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained before 1.1.2014)	-
Additional Core Capital before Deductions	
Deductions from Additional Core Capital	
Direct and Indirect Investments of the Bank on its own Additional Core Capital (-)	-
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 (-)	-
Deductions from Additional Core Capital in cases where there are no adequate Tier II Capital (-)	-
Total Deductions from Additional Core Capital	
Total Additional Core Capital	
Deductions from Core Capital	111,070
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 (-)	46,780
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 (-)	64,290
Total Core Capital	3,170,759

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I. Explanations on Equity (continued)

a-) Components of total capital (continued):

	Prior Period
TIER II CAPITAL	659,168
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained after 1.1.2014)	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained before 1.1.2014)	417,402
Pledged Assets of the Shareholders to be used for the Bank's Capital Increases	-
General Provisions	241,766
Tier II Capital Before Deductions	659,168
Deductions from Tier II Capital	
Direct and Indirect Investments of the Bank on its own Tier II Capital (-)	-
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 Core 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	659,168
CAPITAL	3,829,927
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 (-)	4,334
Loans to Banks, Financial Institutions (domestic/foreign) or Qualified Shareholders in the form of Subordinated Debts or Debt Instruments Purchased from Such Parties and Qualified as Subordinated Debts (-)	-
Deductions as per the Article 20, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-
Other items to be Defined by the BRSA (-)	28,902
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 Core 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 Core 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 (-)	-
EQUITY	3,796,691
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 Tier I Capital	-
Remaining Mortgage Servicing Rights	-
Net Deferred Tax Assets arising from Temporary Differences	-

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II. Explanations on currency risk

Foreign currency risk represents the Bank'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 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 2016, the Bank carries a net foreign currency long position of TL 113,119 (31 December 2015 – TL 52,807 long position) comprising TL 1,569,629 balance sheet long position (31 December 2015 - TL 952,092 long position) and TL 1,456,510 off balance sheet short position (31 December 2015 – TL 899,285 short position).

The announced current foreign exchange buying rates of the Bank as of 30 June 2016 and the previous five working days are as follows (full TL):

	23/06/2016	24/06/2016	27/06/2016	28/06/2016	29/06/2016	Balance sheet evaluation rate
USD	2.9055	2.8799	2.9266	2.9365	2.9130	2.8936
EURO	3.2776	3.2728	3.2444	3.2402	3.2262	3.2044
GBP	4.2564	4.2586	4.0186	3.9007	3.8766	3.8690
CHF	3.0211	3.0060	2.9937	3.0060	2.9691	2.9440
100 JPY	0.0277	0.0274	0.0285	0.0288	0.0284	0.0282

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

	Monthly average FC purchase rate
USD	2.9153
EUR	3.2799
GBP	4.1676
CHF	2.9999
100 JPY	0.0275

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II. Explanations on currency risk (continued):

Currency risk of the Bank:

	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 (****)	805,831	4,065,673	2,406,403	7,277,907
Banks	1,393,302	501,705	129,140	2,024,147
Financial assets at fair value through profit and loss	-	76,507	-	76,507
Money market placements	-	-	-	-
Available-for-sale financial assets (**)	-	1,407,440	-	1,407,440
Loans and finance lease receivables (*)	3,881,289	7,693,055	116,443	11,690,787
Subsidiaries, associates and joint ventures (**)	-	221,109	-	221,109
Held-to-maturity investments	-	-	-	-
Derivative financial assets for hedging purposes	-	-	-	-
Tangible assets	-	86	-	86
Intangible assets	-	-	-	-
Other assets	86,029	56,056	3,378	145,463
Total assets	6,166,451	14,021,631	2,655,364	22,843,446
Liabilities				
Current account and funds collected from Banks via participation accounts	11,394	72,457	103,503	187,354
Current and profit sharing accounts FC (****)	2,602,442	8,988,058	1,136,226	12,726,726
Money market borrowings	-	-	-	-
Funds provided from other financial institutions	142,470	7,141,482	583,890	7,867,842
Marketable securities issued	-	-	-	-
Miscellaneous payables	2,301	34,793	345	37,439
Derivative financial liabilities for hedging purposes	-	-	-	-
Other liabilities (*****)	345,417	82,587	26,452	454,456
Total liabilities	3,104,024	16,319,377	1,850,416	21,273,817
Net balance sheet position	3,062,427	(2,297,746)	804,948	1,569,629
Net off-balance sheet position	(3,118,896)	2,477,306	(814,920)	(1,456,510)
Financial derivative assets	324,500	4,191,862	1,196,055	5,712,417
Financial derivative liabilities	3,443,396	1,714,556	2,010,975	7,168,927
Non-cash loans (***)	1,473,431	2,694,830	323,869	4,492,130
Prior period				
Total assets	5,412,877	15,092,420	1,963,637	22,468,934
Total liabilities	2,873,661	16,565,606	2,077,575	21,516,842
Net balance sheet position	2,539,216	(1,473,186)	(113,938)	952,092
Net off-balance sheet position	(2,626,021)	1,630,857	95,879	(899,285)
Financial derivative assets	433,025	4,183,696	1,038,566	5,655,287
Financial derivative liabilities	3,059,046	2,552,839	942,687	6,554,572
Non-cash loans (***)	1,391,637	2,607,319	319,972	4,318,928

(*) Includes foreign currency indexed loans amounting to TL 7,156,821 (31 December 2015 – TL 6,353,696) followed as TL on the balance sheet.

(**) Includes TL 714 (31 December 2015 – TL 714) of foreign currency denominated available for sale financial assets, which are followed in Turkish Lira as TL 3,041,764 on the balance sheet and TL 221,109 (31 December 2015 – TL 221,109) of foreign currency denominated subsidiaries, which are followed in Turkish Lira as TL 300,062 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 29,949 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 60,149 and TL 22 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 61,789 (31 December 2015 – TL 32,613)
- Prepaid expenses : TL 850 (31 December 2015 – TL 1,343)
- Derivative financial liabilities held for trading : TL 49,589 (31 December 2015 – TL 61,561)
- Marketable securities of FC revaluation reverse: TL 14,660 (31 December 2015 – TL (3,831))
- Derivative financial liabilities held for hedging : TL 63,045 (31 December 2015- TL 98,650)

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II. Explanations on currency risk (continued):

Currency risk of the Bank: (continued)

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

- Forward foreign currency purchase transactions TL 88,088 (31 December 2015 - TL 257,398)
- Forward foreign currency sale transactions: TL 102,250 (31 December 2015 - TL 223,967)
- Future precious metal purchase transactions: TL 578,612 (31 December 2015 - TL 340,409)
- Future precious metal sale transactions: TL 1,906,585 (31 December 2015 - TL 832,407)

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

a) Relation of risks with gains accounted under equity and analyzing 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 Bank'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:

Current Period		Comparison		
Equity Securities (shares)	Carrying Value	Fair Value	Market Value	
1 Securities Available-for-Sale (*)	100,733			
Quoted Securities	-	-	-	-
2 Investments in Associates	-	-	-	-
Quoted Securities	-	-	-	-
3 Investment in Subsidiaries	300,062	-	-	-
Quoted Securities	50,173	-	-	-
4 Other	15,500	-	-	-
Quoted Securities	-	-	-	-
Prior Period		Comparison		
Equity Securities (shares)	Carrying Value	Fair Value	Market Value	
1 Securities Available-for-Sale (*)	64,815			
Quoted Securities	-	-	-	-
2 Investments in Associates	-	-	-	-
Quoted Securities	-	-	-	-
3 Investment in Subsidiaries	299,312	-	-	-
Quoted Securities	50,173	-	-	-
4 Other	15,500	-	-	-
Quoted Securities	-	-	-	-

(*)Valuation of equity share investments are accounted at cost value due to its fair value cannot be measured reliably.

c) Realized gains/losses, revaluation surplus, unrealized gains/losses on equity securities and results included in core and supplementary capitals: None.

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IV. Liquidity risk management and liquidity coverage ratio

The liquidity risk of the Bank 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 Bank, Responsibilities and structure of liquidity risk management, the Bank's internal liquidity risk reporting, communication between the Board of Directors and business lines on liquidity risk strategy, policy and application:

The applications and responsibilities related to the liquidity risk has been determined according to the Treasury Liquidity and Market Management Policies and Practices approved by Board of Directors. The Bank'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 Bank, with its strong capital structure and its main shareholder is Kuwait Finance House's support, spread the base of current and participation accounts and be stable, diversified sources of foreign borrowing has a high risk capacity. In addition, the Liquidity Coverage Ratio of the Bank which meets its cash outflows with the high-quality liquid assets is evaluated as high.

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 are informed through the Audit Committee.

For the management of liquidity risk, the Risk Management Department follows 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). Reports on the liquidity gap analysis prepared weekly by Budget and Management Reporting and monitored by the Asset and Liability Committee. These units also estimate the possible liquidity needs of the Bank in case of urgent situations and generate action plans based on these estimates. Risk Management Department follows the limits on liquidity risk determined by the Board of Directors. Risk Management Department, in addition to these, is implementing monthly liquidity stress tests to measure the effects of negative scenarios on liquidity position of the Bank. The Treasury Group Management manages the liquidity risk and funding risk in order to prevent insufficiencies of funding relating to any time or any source and makes reports related with the liquidity position to Asset and Liability Committee regularly. External Reporting Directorate tracks 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 Bank and the Bank's subsidiaries:

The Bank's liquidity management is performed by the Asset and Liability Management. Depending on the Bank'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:

Bank 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. Liquidity risk management and liquidity coverage ratio (continued)

ç) Information on liquidity management on the basis of currencies constituting a minimum of five percent of the Bank's total liabilities (continued):

Almost all total liabilities of the Bank 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.

d) 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.

e) 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.

f) 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. Liquidity risk management and liquidity coverage ratio (continued)

Liquidity coverage ratio

<i>Current Period</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)	7,461,209	6,754,473	6,293,961	5,587,226
Cash Outflows					
2	Retail deposits and deposits from small business customers, of which:	22,094,817	9,564,770	1,421,975	617,646
3	Stable deposits	15,750,126	6,776,618	787,506	338,831
4	Less stable deposits	6,344,691	2,788,152	634,469	278,815
5	Unsecured wholesale funding, of which:	5,211,856	1,971,081	3,223,201	873,040
6	Operational deposits	1,794,918	936,091	448,729	234,023
7	Non-operational deposits	1,630,966	962,535	988,500	566,562
8	Unsecured funding	1,785,972	72,455	1,785,972	72,455
9	Secured wholesale funding	-	-	-	-
10	Other cash outflows of which:	5,151,097	2,521,453	455,446	303,639
11	Outflows related to derivative exposures and other collateral requirements	21,360	-	21,360	-
12	Outflows related to restructured financial instruments	-	-	-	-
13	Payment commitments and other off-balance sheet commitments granted for debts to financial markets	5,129,737	2,521,453	434,086	303,639
14	Other revocable off-balance sheet commitments and contractual obligations	-	-	-	-
15	Other irrevocable or conditionally revocable off-balance sheet obligations	-	-	-	-
16	Total Cash Outflows			5,100,622	1,794,325
Cash Inflows					
17	Secured receivables	-	-	-	-
18	Unsecured receivables	3,309,041	3,166,871	942,756	883,654
19	Other cash inflows	75,586	1,179,399	75,586	1,179,399
20	Total Cash Inflows	3,384,627	4,346,270	1,018,342	2,063,053
				Total Adjusted Value	
21	Total HQLA			6,293,961	5,587,226
22	Total Net Cash Outflows			4,082,281	528,501
23	Liquidity Coverage Ratio (%)			154.18	1,057.18

^(*) 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 first six months of 2016:

	Highest	Date	Lowest	Date	Average
TL+FC	294.78	08.01.2016	117.99	25.03.2016	179.29
FC	1,432.09	27.05.2016	393.39	25.03.2016	934.20

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

Liquidity coverage ratio (continued)

Prior Period		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)	7,152,259	6,495,841	5,892,554	5,236,137
Cash Outflows					
2	Retail deposits and deposits from small business customers, of which:	20,207,987	9,032,118	1,283,873	571,159
3	Stable deposits	14,738,520	6,641,070	736,926	332,054
4	Less stable deposits	5,469,467	2,391,048	546,947	239,105
5	Unsecured wholesale funding, of which:	5,117,630	2,361,450	2,829,696	984,199
6	Operational deposits	1,695,445	896,461	423,861	224,115
7	Non-operational deposits	2,025,354	1,413,310	1,027,916	708,405
8	Unsecured funding	1,396,831	51,679	1,377,919	51,679
9	Secured wholesale funding	-	-	-	-
10	Other cash outflows of which:	5,513,306	3,014,714	649,792	500,221
11	Outflows related to derivative exposures and other collateral requirements	25,821	-	25,821	-
12	Outflows related to restructured financial instruments	-	-	-	-
13	Payment commitments and other off-balance sheet commitments granted for debts to financial markets	5,487,485	3,014,714	623,971	500,221
14	Other revocable off-balance sheet commitments and contractual obligations	-	-	-	-
15	Other irrevocable or conditionally revocable off-balance sheet obligations	-	-	-	-
16	Total Cash Outflows			4,763,361	2,055,579
Cash Inflows					
17	Secured receivables	-	-	-	-
18	Unsecured receivables	5,100,784	4,292,418	1,230,262	829,902
19	Other cash inflows	69,691	617,479	69,691	617,479
20	Total Cash Inflows	5,170,475	4,909,897	1,299,953	1,447,381
				Total Adjusted Value	
21	Total HQLA			5,892,554	5,236,137
22	Total Net Cash Outflows			3,463,409	645,360
23	Liquidity Coverage Ratio (%)			170.14	811.35

^(*) 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 2015:

	Highest	Date	Lowest	Date	Average
TL+FC	318.35	27.03.2015	166.26	02.01.2015	227.12
FC	991.79	11.12.2015	181.55	02.01.2015	565.20

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

Presentation of assets and liabilities according to their remaining maturities:

Current period	Demand	Up to 1 month	1-3 Months	3-12 months	1-5 years	Over 5 years	Unallocated (**)	Total
Assets								
Cash (cash in vault, effectives, cash in transit, Cheques purchased) and balances with the Central Bank of the Republic of Turkey	3,067,987	5,272,822	-	-	-	-	-	8,340,809
Banks	2,049,874	-	-	-	-	-	-	2,049,874
Financial assets at fair value through profit and loss	-	50,378	27,554	13,216	68,307	9,841	-	169,296
Money market placements	-	-	-	-	-	-	-	-
Available-for-sale financial assets	-	1,239,224	212,257	156,737	1,073,897	203,601	156,048	3,041,764
Loans (*)	-	4,794,817	3,863,871	9,444,915	9,391,978	1,247,889	129,643	28,873,113
Held-to-maturity investments	-	-	-	-	-	-	-	-
Other assets (**)	40,075	598,821	19,057	-	81,369	-	894,385	1,633,707
Total assets	5,157,936	11,956,062	4,122,739	9,614,868	10,615,551	1,461,331	1,180,076	44,108,563
Liabilities								
Current account and funds collected from banks via participation accounts	160,320	31,018	-	398	-	-	-	191,736
Current and profit sharing accounts	10,139,065	14,886,072	2,753,984	876,474	19,108	-	-	28,674,703
Funds provided from other financial institutions	-	271,382	315,661	4,112,785	2,292,802	1,629,171	-	8,621,801
Money market borrowings	-	1,094,805	-	-	-	-	-	1,094,805
Marketable securities issued	-	-	-	-	-	-	-	-
Miscellaneous payables	115,712	45,313	-	-	-	-	-	161,025
Other liabilities (**)	-	987,814	53,895	10,399	63,043	-	4,249,342	5,364,493
Total liabilities	10,415,097	17,316,404	3,123,540	5,000,056	2,374,953	1,629,171	4,249,342	44,108,563
Net liquidity gap	(5,257,161)	(5,360,342)	999,199	4,614,812	8,240,598	(167,840)	(3,069,266)	-
Prior period								
Total assets	6,108,054	10,768,415	4,529,611	8,790,170	9,571,272	1,280,626	1,004,359	42,052,507
Total liabilities	9,395,700	16,451,251	3,999,249	5,430,098	2,251,818	589,726	3,934,665	42,052,507
Net liquidity gap	(3,287,646)	(5,682,836)	530,362	3,360,072	7,319,454	690,900	(2,930,306)	-

(*) 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 leverage ratio

Disclosure of 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)	43,714,323	42,388,827
2	(Assets deducted in determining Tier I capital)	(221,375)	(212,131)
3	Total on-balance sheet risks (sum of lines 1 and 2)	43,492,948	42,176,696
Derivative financial instruments and credit derivatives			
4	Replacement cost associated with all derivative instruments and credit derivatives	50,311	-
5	Add-on amounts for PFE associated with all derivative instruments and credit derivatives	97,476	99,214
6	Total risks of derivative financial instruments and credit derivatives (sum of lines 4 to 5)	147,787	99,214
Securities or commodity financing transactions (SCFT)			
7	Risks from SCFT assets (excluding on-balance sheet)	396,574	673,233
8	Risks from brokerage activities related exposures	-	-
9	Total risks related with securities or commodity financing transactions (sum of lines 7 to 8)	396,574	673,233
Other off-balance sheet transactions			
10	Gross notional amounts of off-balance sheet transactions	37,504,610	37,197,875
11	(Adjustments for conversion to credit equivalent amounts)	(21,646,188)	(22,663,134)
12	Total risks of off-balance sheet items (sum of lines 10 and 11)	15,858,422	14,534,741
Capital and total risks			
13	Tier I capital	3,406,551	3,189,730
14	Total risks (sum of lines 3, 6, 9 and 12)	59,895,732	57,483,884
Leverage ratio			
15	Leverage ratio	5.69	5.55

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

In the solo basis, the Bank'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 5.69% (31 December 2015 - 5:55%) 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 not observed an increase in profit for the period increased by 7% and the balance-sheet risks borne amount, off balance sheet items showed a 9% increase. 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 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 Bank'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 monitorized.

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VI. Explanations on risk management (continued)

a. Explanations on Risk Management and Risk weighted amounts :

1. Risk weighted amounts:

		Risk Weighted Amounts		Minimum Capital Requirements
		Current Period 30.06.2016	Prior Period 31.12.2015	Current Period 30.06.2016
1	Credit risk (excluding counterparty credit risk) (CCR) (*)	27,166,822	23,609,084	2,173,346
2	Of which standardised approach (SA)	27,166,822	23,609,084	2,173,346
3	Of which internal rating-based (IRB) approach	-	-	-
4	Counterparty credit risk	80,556	15,602	6,444
5	Of which standardised approach for counterparty credit risk (SA-CCR)	80,556	15,602	6,444
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	663,362	755,386	53,069
17	Of which standardised approach (SA)	663,362	755,386	53,069
18	Of which internal model approaches (IMM)	-	-	-
19	Operational risk	2,900,835	2,307,997	232,067
20	Of which basic indicator approach	2,900,835	2,307,997	232,067
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)	30,811,575	26,688,069	2,464,926

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VI. Explanations on risk management (continued)

b. General information on credit risk

1. Credit quality of assets

		<i>Gross carrying value in financial statements prepared in accordance with Turkish Accounting Standards (TAS)</i>		<i>Allowances/amortisation and impairments</i>	<i>Net values</i>
		<i>Defaulted</i>	<i>Non-defaulted</i>		
1	Loans	550,809	28,743,470	421,166	28,873,113
2	Debt securities	-	3,129,580	8,103	3,121,477
3	Off-balance sheet exposures	-	11,802,642	75,943	11,726,699
4	Total	550,809	43,675,692	505,212	43,721,289

2. Changes in stock of default loans and debt securities

1	Defaulted loans and debt securities at end of the previous reporting period	442,519
2	Loans and debt securities that have defaulted since the last reporting period	202,462
3	Receivables back to non-defaulted status	89
4	Amounts written off	51,154
5	Other changes	(42,929)
6	Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5)	550,809

3. Credit risk mitigation techniques

		<i>Exposures unsecured: carrying amount as per TAS</i>	<i>Exposures secured by collateral</i>	<i>Collateralized amount of exposures secured by collateral</i>	<i>Exposures secured by financial guarantees</i>	<i>Collateralized amount of exposures secured by financial guarantees</i>	<i>Exposures secured by credit derivatives</i>	<i>Collateralized amount of exposures secured by credit derivatives</i>
1	Loans	24,096,339	4,776,774	471,657	-	-	-	-
2	Debt Securities	2,968,497	-	-	-	-	-	-
3	Total	27,064,836	4,776,774	471,657	-	-	-	-
4	Defaulted	128,440	1,203	4	-	-	-	-

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VI. Explanations on risk management (continued)

b. General information on credit risk(continued)

4. Standart Approach - Credit risk exposure and credit risk mitigation techniques

		<i>Exposures before CCF and CRM</i>		<i>Exposures post-CCF and CRM</i>		<i>RWA and RWA density</i>	
		<i>On-balance sheet amount</i>	<i>Off-balance sheet amount</i>	<i>On-balance sheet amount</i>	<i>Off-balance sheet amount</i>	<i>RWA</i>	<i>RWA density</i>
	Risk classes						
1	Exposures to sovereigns and their central banks	8,461,841	-	8,461,841	-	3,049,465	36
2	Exposures to regional and local governments	-	-	-	-	-	-
3	Exposures to administrative bodies and non-commercial entities	-	-	-	-	-	-
4	Exposures to multilateral development banks	-	-	-	-	-	-
5	Exposures to international organizations	-	-	-	-	-	-
6	Exposures to banks and brokerage houses	3,542,095	794,695	3,542,095	380,230	1,472,572	38
7	Exposures to corporates	7,965,444	6,662,768	7,965,444	3,215,318	10,963,780	98
8	Retail exposures	3,485,859	2,673,342	3,485,859	811,269	3,163,143	74
9	Exposures secured by residential property	5,377,516	521,171	5,377,516	188,532	1,936,348	35
10	Exposures secured by commercial property	7,112,423	913,247	7,112,423	415,995	4,930,821	65
11	Past-due items	55,990	-	55,990	-	46,564	83
12	Exposures in high-risk categories	35,579	-	35,579	-	53,369	150
13	Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-
14	Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-
15	Exposures in the form of collective investment undertakings	82,151	-	82,151	-	21,588	26
16	Other exposures	3,850,892	-	3,850,892	-	1,529,172	40
17	Equity share investments	-	-	-	-	-	-
18	Total	39,969,790	11,565,223	39,969,790	5,011,343	27,166,822	

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VI. Explanations on risk management (continued)

b. General information on credit risk(continued)

5. Standart Approach- Exposures by asset classes and risk weights

	Regulatory portfolio	0%	10%	20%	50%	75%	100%	150%	200%	Others	Total risk amount (**)
1	Exposures to sovereigns and their central banks	3,413,772	-	6,108	6,096,486	-	-	-	-	-	3,049,465
2	Exposures to regional and local government	-	-	-	-	-	-	-	-	-	-
3	Exposures to administrative bodies and non-commercial entities	-	-	-	-	-	-	-	-	-	-
4	Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-
5	Exposures to international organizations	-	-	-	-	-	-	-	-	-	-
6	Exposures to banks and brokerage houses	8,595	-	1,753,831	2,076,390	-	83,305	204	-	-	1,472,572
7	Exposures to corporates	136,975	-	100,009	-	-	10,943,778	-	-	-	10,963,780
8	Retail exposures	58,925	-	28,199	-	4,210,004	-	-	-	-	3,163,143
9	Exposures secured by residential property	27,688	-	13,854	-	-	-	-	-	5,524,506	1,936,348
10	Exposures secured by commercial property	40,432	-	65,573	5,009,411	-	2,413,001	-	-	-	4,930,821
11	Past-due items	-	-	2	18,849	-	37,139	-	-	-	46,564
12	Exposures in high-risk categories	-	-	-	-	-	-	35,579	-	-	53,369
13	Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-	-	-	-	-
14	Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-	-
15	Exposures in the form of collective investment undertakings	45,948	-	1,006	27,620	-	7,577	-	-	-	21,588
16	Equity share investments	-	-	-	-	-	-	-	-	-	-
17	Other exposures	2,236,298	-	106,776	-	-	1,507,818	-	-	-	1,529,172
18	Total	5,968,633	-	2,075,358	13,228,756	4,210,004	14,992,618	35,783	-	5,524,506	27,166,822

* 35% Risk Weights are classed into "Others" section.

** The amount remained after Credit Conversion Factor and Credit Risk Mitigation.

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VI. Explanations on risk management (continued)

c. Counterparty credit risk

1. Counterparty credit risk (CCR) approach analysis

		<i>Replacement cost</i>	<i>Potential future exposure</i>	<i>EEPE(Effective Expected Positive Exposure)</i>	<i>Alpha used for computing regulatory EAD</i>	<i>EAD post-CRM</i>	<i>RWA</i>
1	Standardised Approach - CCR (for derivatives)	89,579	99,337		1.4	209,956	80,556
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						80,556

2 Capital requirement for credit valuation adjustment (CVA):

		<i>EAD post-CRM</i>	<i>RWA</i>
	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	188,916	21,040
4	Total subject to the CVA capital obligation	188,916	21,040

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VI. Explanations on risk management (continued)

c. Counterparty credit risk (continued)

3. CCR exposures by risk class and risk weights

Risk weight(*)	0%	10%	20%	50%	75%	100%	150%	200%	Other(***)	Total credit exposure(*)
Regulatory portfolio										
Exposures to sovereigns and their central banks	-	-	-	-	-	-	-	-	-	-
Exposures to regional and local governments	-	-	-	-	-	-	-	-	-	-
Exposures to administrative bodies and non-commercial entities	-	-	-	-	-	-	-	-	-	-
Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-	-	-	-	-	-
Exposures to banks and brokerage houses	-	-	132,450	43,565	-	-	-	-	-	48,275
Exposures to corporates	-	-	-	-	-	9,221	-	-	-	9,221
Retail exposures	-	-	-	-	905	-	-	-	-	679
Exposures secured by residential property	-	-	-	-	-	-	-	-	1,488	521
Exposures secured by commercial property	-	-	-	928	-	359	-	-	-	823
Past-due items	-	-	-	-	-	-	-	-	-	-
Exposures in high-risk categories	-	-	-	-	-	-	-	-	-	-
Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-	-
Exposures in the form of collective investment undertakings	-	-	-	-	-	-	-	-	-	-
Equity share investments	-	-	-	-	-	-	-	-	-	-
Other exposures	-	-	-	-	-	-	-	-	-	-
Other assets (**)	-	-	-	-	-	-	-	-	-	-
Total	-	-	132,450	44,493	905	9,580	-	-	1,488	59,516

* Total Credit Risk: Amount related to capital adequacy calculation after implementing counterparty credit risk measurement techniques.

** Other assets: Includes the amount of counterparty risks which is not reported in KKR8 template

*** 35% Risk Weights are classed into "Others" section.

4. Collaterals for Counterparty Credit Risk: None.

5. Credit Derivatives: None.

6. Risks for Central Counter Parties: None.

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VI. Explanations on risk management (continued)

d. Securitisations: Bank has no securitisation transactions.

e. Market risk:

1. Market risk under standardised approach:

		<i>Risk Weighted Amount (RWA)</i>
	Outright products	663,362
1	Interest rate risk (general and specific)	370,383
2	Equity risk (general and specific)	-
3	Foreign exchange risk	237,653
4	Commodity risk	55,326
	Options	-
5	Simplified approach	-
6	Delta-plus method	-
7	Scenario approach	-
8	Securitisation	-
9	Total	663,362

VII . Securitization Positions

None.

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

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

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IX. Explanations on business segments

The Bank 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 four main activities: fund collection, consumer financing, credit cards and alternative distribution channels. The Bank serves in the range of products of profit share accounts creation, banking services, Trade Finance, Checks, POS services, Credit Cards, ATM services, Online Banking and Mobile Banking in these fields.

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 2016	Retail and enterprise Banking	Commercial banking	Corporate and international banking	Unallocated	Bank's total operation
Operating income	798,938	1,021,428	56,272	-	1,876,638
Operating expenses	746,663	163,513	113,337	533,184	1,556,697
Transfers between segments	404,722	(450,266)	45,544	-	-
Net operating income(loss)	456,997	407,649	(11,521)	(533,184)	319,941
Income from associates	-	-	-	-	-
Income (loss) before tax	456,997	407,649	(11,521)	(533,184)	319,941
Provision for taxation	-	-	-	63,532	63,532
Net income for the period	456,997	407,649	(11,521)	(596,716)	256,409
Current Period 1 January – 30 June 2016					
Segment assets	10,153,960	18,349,061	13,971,835	-	42,474,856
Associates, subsidiaries and joint Ventures	-	-	-	315,562	315,562
Undistributed assets	-	-	-	1,318,145	1,318,145
Total assets	10,153,960	18,349,061	13,971,835	1,633,707	44,108,563
Segment liabilities	22,418,221	6,448,189	9,843,625	-	38,710,035
Undistributed liabilities	-	-	-	1,722,181	1,722,181
Shareholders' equity	-	-	-	3,676,347	3,676,347
Total liabilities	22,418,221	6,448,189	9,843,625	5,398,528	44,108,563

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IX. Explanations on business segments (continued)

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

Prior Period 1 January 2015 – 30 June 2015	Retail and enterprise Banking	Commercial banking	Corporate and international banking	Unallocated	Bank's total operation
Operating income	636,239	811,049	56,610	-	1,503,898
Operating expenses	452,114	141,857	172,464	474,757	1,241,192
Transfers between segments	218,681	(293,180)	74,499	-	-
Net operating income(loss)	402,806	376,012	(41,355)	(474,757)	262,706
Income from associates	-	-	-	-	-
Income (loss) before tax	402,806	376,012	(41,355)	(474,757)	262,706
Provision for taxation	-	-	-	56,654	56,654
Net income for the period	402,806	376,012	(41,355)	(531,411)	206,052
Prior Period 31 December 2015					
Segment assets	9,345,689	17,310,032	13,949,429	-	40,605,150
Associates, subsidiaries and joint ventures	-	-	-	314,812	314,812
Undistributed assets	-	-	-	1,132,545	1,132,545
Total assets	9,345,689	17,310,032	13,949,429	1,447,357	42,052,507
Prior Period 31 December 2015					
Segment liabilities	20,903,219	7,217,038	9,387,527	-	37,507,784
Undistributed liabilities	-	-	-	1,142,233	1,142,233
Shareholders' equity	-	-	-	3,402,490	3,402,490
Total liabilities	20,903,219	7,217,038	9,387,527	4,544,723	42,052,507

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SECTION FIVE

EXPLANATIONS AND NOTES ON THE UNCONSOLIDATED FINANCIAL STATEMENTS

I. Explanations and notes related to 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	333,710	785,398	433,762	1,279,705
The Central Bank of Republic of Turkey	691,883	5,272,832	220,583	5,136,523
Other (*)	37,309	1,219,677	8,031	490,211
Total	1,062,902	7,277,907	662,376	6,906,439

(*) As of 30 June 2016, precious metal account amounting to TL 1,150,210 (31 December 2015 - TL 471,703) and money in transit amounting to TL 106,776 (31 December 2015 - TL 26,539) are presented in this line.

2. Balances with the Central Bank of Turkey:

	Current period		Prior period	
	TL	FC	TL	FC
Unrestricted demand deposit	685,822	10	215,802	9
Unrestricted time deposit	-	-	-	-
Restricted time deposit	6,061	5,272,822	4,781	5,136,514
Total	691,883	5,272,832	220,583	5,136,523

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 5% and 11.5% for TL deposits and other liabilities according to their maturities as of 30 June 2016 (31 December 2015: 5% and 11.5% for all TL liabilities). The reserve rates for foreign currency liabilities vary between 5% and 25% for deposit and other foreign currency liabilities according to their maturities as of 30 June 2016 (31 December 2015: 5% and 25% for all foreign currency liabilities).

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

- As of 30 June 2016, there are no financial assets at fair value through profit and loss subject to repurchase transactions, given as a collateral or blocked (31 December 2015 - None).
- 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	14,275	2,722	10,574	5,262
Swap transactions	13,519	59,067	1,421	27,351
Futures transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
Total	27,794	61,789	11,995	32,613

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I. Explanations and notes related to assets (continued)

c. Information on Banks:

1. Information on Banks:

	Current period		Prior period	
	TL	FC	TL	FC
Banks	25,727	2,024,147	10,341	3,573,153
Domestic	25,690	968,128	10,291	1,765,435
Foreign	37	1,056,019	50	1,807,718
Branches and head office abroad	-	-	-	-
Total	25,727	2,024,147	10,341	3,573,153

2. Information on foreign bank accounts:

	Current period		Prior period	
	Unrestricted Amount	Restricted Amount	Unrestricted Amount	Restricted Amount
EU Countries	852,419	-	960,042	-
USA and Canada	159,776	-	647,305	-
OECD Countries (*)	6,576	-	21,339	-
Off-shore Banking Regions	664	-	419	-
Other	36,621	-	178,663	-
Total	1,056,056	-	1,807,768	-

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

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

	Current period	Prior period
Debt Securities	2,892,738	2,268,627
Quoted on stock exchange	2,892,738	2,268,627
Not quoted on stock exchange	-	-
Share certificates	156,557	70,463
Quoted on stock exchange	55,110	4,933
Not quoted on stock exchange	101,447	65,530
Impairment provision	(7,531)	(8,723)
Total	3,041,764	2,330,367

The details of the Rent Certificates which are in Bank's Portfolio "Financial Assets Available for-Sale" are presented below as of 30 June 2016.

- a) 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.

DESCRIPTION	CURRENCY	COUPON FREQUENCY	ISSUER	ENTRY DATE	MATURITY DATE	VALUE	RATE
TRDKTVKK1619	TRY	3	KT KİRA SERTİFİKALARI V.K.Ş.	13/05/2016	08/11/2016	5	9.56
XS1082151868	USD	6	ALBARAKA TURK	30/06/2014	30/06/2019	115,744	6.26
XS1418708316	USD	3	IILMH	24/05/2016	23/08/2016	202,552	1.12
XS1396779198	USD	3	IILMH	19/04/2016	19/07/2016	144,680	1.04
XS1120403313	USD	6	DUBAI INTERNATIONAL FINANCIAL CENTRE (DIFC)	27/04/2016	12/11/2024	6,054	4.32

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d. Information on financial assets available-for-sale: (continued)

- b) 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.

DESCRIPTION	CURRENCY	COUPON FREQUENCY	ISSUER	ENTRY DATE	MATURITY DATE	VALUE	RATE
TRD150217T18	TRY	6	T.C. HAZİNE	18/02/2015	15/02/2017	467,435	7.8
TRD280916T17	TRY	6	T.C. HAZİNE	01/10/2014	28/09/2016	294,444	9.68
TRD160817T11	TRY	6	T.C. HAZİNE	19/08/2015	16/08/2017	317,238	9.96
TRD140218T18	TRY	6	T.C. HAZİNE	17/02/2016	14/02/2018	435,680	10.64
XS0831353361	USD	6	T.C. HAZİNE	26/09/2012	26/03/2018	242,756	2.8
XSI141043296	USD	6	T.C. HAZİNE	25/11/2014	25/11/2024	192,642	4.48

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	1,187	13,628	1,014	13,543
Corporate Shareholders	-	13,478	-	13,543
Real Person Shareholders	1,187	150	1,014	-
Indirect Loans Granted to Shareholders	124,285	16,686	126,600	600
Loans Granted to Employees	13,533	3	11,943	3
Total	139,005	30,317	139,557	14,146

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 Close Monitoring		
	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		Extension of Repayment Plan	Other		Extension of Repayment Plan	Other
Loans	25,515,052	513,724	-	539,045	771,451	-
Financing commodity against document	-	-	-	-	-	-
Exports Loan	16,281	-	-	43	-	-
Imports Loans	1,203,877	-	-	10,473	-	-
Enterprise Loans	16,269,727	455,339	-	323,059	743,079	-
Consumer Loans	5,217,425	6,426	-	149,692	10,140	-
Credit Cards	289,356	-	-	6,198	-	-
Precious Metal Loans	112,180	-	-	-	1,837	-
Loans Given to Financial Sector	119,648	-	-	-	-	-
Loans Extended Abroad	174,785	51,959	-	39,257	16,395	-
Other	2,111,773	-	-	10,323	-	-
Other Receivables	14,652	-	-	16,622	-	-
Total	25,529,704	513,724	-	555,667	771,451	-

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I. Explanations and notes related to assets (continued)

e. Information on loans and receivables (continued):

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

Prior Period	Performing Loans and Other Receivables			Loans and Other Receivables under Close Monitoring		
Cash Loans	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	24,141,604	347,322	-	499,331	715,135	-
Financing commodity against document	-	-	-	-	-	-
Exports Loan	22,796	-	-	247	-	-
Imports Loans	1,034,926	-	-	1,981	-	-
Enterprise Loans	15,501,924	287,782	-	329,471	705,718	-
Consumer Loans	4,742,925	5,853	-	126,684	7,896	-
Credit Cards	246,452	-	-	5,967	-	-
Precious Metal Loans	149,169	-	-	2,598	-	-
Loans Given to Financial Sector	195,951	-	-	-	-	-
Loans Extended Abroad	237,965	53,687	-	14,339	1,521	-
Other	2,009,496	-	-	18,044	-	-
Other Receivables	19,064	-	-	4,085	-	-
Total	24,160,668	347,322	-	503,416	715,135	-

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 are taken into the account):

Number of Extensions for Repayment Plan		
Current Period	Performing Loans and Other Receivables	Loans and Other Receivables under Close Monitoring
1 or 2 times	513,724	771,451
3,4 or 5 times	-	-
Over 5 times	-	-
Total	513,724	771,451

Extensions Periods for Repayment Plan Changes		
Extension Periods for Repayment Plan Changes	Performing Loans and Other Receivables	Loans and Other Receivables under Close Monitoring
0 - 6 months	8,977	15,404
6 - 12 months	17,566	48,653
1 - 2 years	79,342	233,615
2 - 5 years	261,337	465,048
5 years and over	146,502	8,731
Total	513,724	771,451

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I. Explanations and notes related to assets (continued)

e. Information on loans and receivables(continued):

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

Prior Period	Number of Extensions for Repayment Plan	
	Performing Loans and Other Receivables	Loans and Other Receivables under Close Monitoring
1 or 2 times	347,322	715,135
3,4 or 5 times	-	-
Over 5 times	-	-
Total	347,322	715,135

Extension Periods for Repayment Plan Changes	Performing Loans and Other Receivables	Loans and Other Receivables under Close Monitoring
0 - 6 months	3,386	16,447
6 - 12 months	17,113	50,730
1 - 2 years	67,989	231,651
2 - 5 years	133,004	415,379
5 years and over	125,830	928
Total	347,322	715,135

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I. Explanations and notes related to assets (continued)

e. Information on loans and receivables (continued)

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

Current Period	Performing Loans and Other Receivables		Loans and other receivables under Close Monitoring	
	Loans and other receivables	Loans and Receivables with Revised Contract Terms	Loans and other receivables	Loans and Receivables with Revised Contract Terms
Cash loans				
Short-term loans and other receivables	6,372,505	17,760	78,970	27,069
Loans	6,357,853	17,760	62,348	27,069
Other receivables	14,652	-	16,622	-
Medium and long-term loans and other receivables (*)	19,157,199	495,964	476,697	744,382
Loans	19,157,199	495,964	476,697	744,382
Other receivables	-	-	-	-
Total	25,529,704	513,724	555,667	771,451

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

Prior Period	Performing Loans and Other Receivables		Loans and other receivables under Close Monitoring	
	Loans and other receivables	Loans and Receivables with Revised Contract Terms	Loans and other receivables	Loans and Receivables with Revised Contract Terms
Cash Loans				
Short-term loans and other receivables	6,497,940	13,522	81,700	25,134
Loans	6,478,876	13,522	77,615	25,134
Other receivables	19,064	-	4,085	-
Medium and long-term loans and other receivables (*)	17,662,728	333,800	421,716	690,001
Loans	17,662,728	333,800	421,716	690,001
Other receivables	-	-	-	-
Total	24,160,668	347,322	503,416	715,135

(*) 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 assets: (continued)

e. Information on loans and receivables: (continued)

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	37,813	5,220,189	5,258,002
Housing Loans	4,540	4,767,503	4,772,043
Vehicle Loans	5,470	272,823	278,293
Consumer Loans	19,568	144,791	164,359
Other	8,235	35,072	43,307
Consumer Loans-FC Indexed	-	6,317	6,317
Housing Loans	-	6,317	6,317
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Consumer Loans-FC	79	105,357	105,436
Housing Loans	79	48,897	48,976
Vehicle Loans	-	39	39
Consumer Loans	-	-	-
Other	-	56,421	56,421
Retail Credit Cards-TL	166,279	137	166,416
With Installment	33,495	137	33,632
Without Installment	132,784	-	132,784
Retail Credit Cards-FC	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Personnel Loans-TL	751	13,177	13,928
Housing Loans	1	1,545	1,546
Vehicle Loans	131	4,329	4,460
Consumer Loans	616	7,303	7,919
Other	3	-	3
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	6,937	23	6,960
With Installment	2,142	23	2,165
Without Installment	4,795	-	4,795
Personnel Credit Cards-FC	-	-	-
Installment based	-	-	-
Without-installment	-	-	-
Overdraft Account-TL (Real Person)	-	-	-
Overdraft Account-FC (Real Person)	-	-	-
Total	211,859	5,345,200	5,557,059

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I. Explanations and notes related to assets: (continued)

e. Information on loans and receivables: (continued)

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

Prior Period	Short term	Medium and long term	Total
Consumer Loans-TL	97,352	4,656,748	4,754,100
Housing Loans	2,681	4,371,412	4,374,093
Vehicle Loans	3,997	226,999	230,996
Consumer Loans	89,695	36,603	126,298
Other	979	21,734	22,713
Consumer Loans-FC Indexed	-	8,775	8,775
Housing Loans	-	8,775	8,775
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Consumer Loans-FC	193	113,354	113,547
Housing Loans	193	51,882	52,075
Vehicle Loans	-	18	18
Consumer Loans	-	-	-
Other	-	61,454	61,454
Retail Credit Cards-TL	140,945	821	141,766
With Installment	28,719	821	29,540
Without Installment	112,226	-	112,226
Retail Credit Cards-FC	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Personnel Loans-TL	2,317	4,619	6,936
Housing Loans	3	1,579	1,582
Vehicle Loans	166	2,406	2,572
Consumer Loans	2,126	634	2,760
Other	22	-	22
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	6,693	40	6,733
With Installment	2,045	40	2,085
Without Installment	4,648	-	4,648
Personnel Credit Cards-FC	-	-	-
Installment based	-	-	-
Without-installment	-	-	-
Overdraft Account-TL (Real Person)	-	-	-
Overdraft Account-FC (Real Person)	-	-	-
Total	247,500	4,784,357	5,031,857

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I. Explanations and notes related to assets: (continued)

e. Information on loans and receivables: (continued)

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

Current Period	Short term	Medium and long term	Total
Commercial Installment Loans-TL	238,078	3,548,701	3,786,779
Business Loans	7,867	856,455	864,322
Vehicle Loans	65,136	888,145	953,281
Consumer Loans	165,074	1,803,903	1,968,977
Other	1	198	199
Commercial Installment Loans-FC Indexed	29,036	1,629,778	1,658,814
Business Loans	3,653	387,326	390,979
Vehicle Loans	9,370	382,413	391,783
Consumer Loans	16,013	859,982	875,995
Other	-	57	57
Commercial Installment Loans-FC	-	151,773	151,773
Business Loans	-	138,129	138,129
Vehicle Loans	-	13,644	13,644
Consumer Loans	-	-	-
Other	-	-	-
Corporate Credit Cards-TL	122,178	-	122,178
With Installment	17,306	-	17,306
Without Installment	104,872	-	104,872
Corporate Credit Cards-FC	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Overdraft Account-TL (Legal Entity)	-	-	-
Overdraft Account-FC (Legal Entity)	-	-	-
Total	389,292	5,330,252	5,719,544
Prior Period			
Commercial Installment Loans-TL	101,510	3,178,876	3,280,386
Business Loans	3,143	760,710	763,853
Vehicle Loans	55,812	772,597	828,409
Consumer Loans	42,303	1,633,848	1,676,151
Other	252	11,721	11,973
Commercial Installment Loans-FC Indexed	22,962	1,616,759	1,639,721
Business Loans	1,222	423,948	425,170
Vehicle Loans	4,632	347,961	352,593
Consumer Loans	7,829	765,312	773,141
Other	9,279	79,538	88,817
Commercial Installment Loans-FC	-	148,328	148,328
Business Loans	-	129,225	129,225
Vehicle Loans	-	16,169	16,169
Consumer Loans	-	-	-
Other	-	2,934	2,934
Corporate Credit Cards-TL	103,920	-	103,920
With Installment	14,186	-	14,186
Without Installment	89,734	-	89,734
Corporate Credit Cards-FC	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Overdraft Account-TL (Legal Entity)	-	-	-
Overdraft Account-FC (Legal Entity)	-	-	-
Total	228,392	4,943,963	5,172,355

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

I. Explanations and notes related to assets: (continued)

e. Information on loans and receivables: (continued)

6. Breakdown of domestic and foreign loans:

	Current period	Prior period
Domestic loans	27,088,150	25,419,029
Foreign loans	282,396	307,512
Total	27,370,546	25,726,541

7. Loans granted to subsidiaries and associates:

	Current period	Prior period
Loans granted directly to subsidiaries and associates (*)	481,740	101,156
Loans granted indirectly to subsidiaries and associates	-	-
Total	481,740	101,156

(*) 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	68,961	67,565
Loans and receivables with doubtful collectability	105,158	104,178
Uncollectible loans and receivables	247,047	146,317
Total	421,166	318,060

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 31.12.2015			
(Gross amounts before specific provision)	-	-	-
Restructured loans and other receivables	1,961	-	-
Rescheduled loans and other receivables	-	-	-

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

I. Explanations and notes related to assets: (continued)

e. Information on loans and receivables: (continued)

9. Information on non-performing loans (Net): (continued)

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

	Group III	Group IV	Group V
	Loans and	Loans and	
	receivables with	receivables with	Uncollectible
	limited	doubtful	loans and
Current Period	collectability	collectability	receivables
Ending balance of prior period 31.12.2015	112,924	160,172	169,423
Additions in the current period (+)	102,188	49,951	50,323
Transfers from other categories of non-performing loans(+)	108	72,919	129,762
Transfers to other categories of non-performing loans (-)	91,508	111,173	108
Collections in the current period (-)	8,598	11,297	23,123
Write offs (-)	-	662	50,492
Corporate and commercial loans	-	570	30,634
Retail loans	-	65	18,479
Credit Cards	-	27	1,379
Other	-	-	-
Ending balance	115,111	159,910	275,788
Specific provisions (-)	68,961	105,158	247,047
Net balance at the balance sheet	46,150	54,752	28,741

(iii). Information on non-performing loans granted as foreign currency: None (31 December 2015 – None).

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

	Group III	Group IV	Group V
	Loans and	Loans and	
	receivables with	receivables with	Uncollectible
	limited	doubtful	loans and
	collectability	collectability	receivables
Current period (Net)	46,150	54,752	28,741
Loans granted to real persons and legal entities (Gross)	115,111	159,910	275,788
Specific provision (-)	68,961	105,158	247,047
Loans to real persons and legal entities (Net)	46,150	54,752	28,741
Banks (Gross)	-	-	-
Specific provision (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	-	-	-
Specific provision (-)	-	-	-
Other loans and receivables (Net)	-	-	-
Prior period (net) 31.12.2015	45,359	55,994	23,106
Loans to real persons and legal entities (Gross)	112,924	160,172	169,423
Specific provision (-)	67,565	104,178	146,317
Loans to real persons and legal entities (Net)	45,359	55,994	23,106
Banks (Gross)	-	-	-
Specific provision (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	-	-	-
Specific provision (-)	-	-	-
Other loans and receivables (Net)	-	-	-

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

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I. Explanations and notes related to assets: (continued)

e. Information on loans and receivables: (continued)

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 2016, non-performing loans amounting to TL 51,154 have been written-off. (31 December 2015 – TL 333,185).

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 2015 – 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 2015 – TL 4,210), 8.36% ownership of Islamic International Rating Agency of TL 714 (31 December 2015 – TL 714), and 6.99% ownership of Neova Sigorta A.Ş. of TL 5,201 (31 December 2015 – TL 4,956), TL 390 amount of swift shares (31 December 2015 – TL 390) and 0.0035% ownership of share of TL 15 (31 December 2015 – TL 15) that is traded in Borsa İstanbul A.Ş. and VISA Inc. share of TL 5,476 (31 December 2015 – TL 0) are classified as financial assets available for sale since the Bank’s ownership in these institutions is less than 10% and the Parent Bank does not have a significant influence on these institutions.
2. Information about investments in unconsolidated associates: None (31 December 2015 – None).
3. Information related to consolidated associates: None (31 December 2015 – None).

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.

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I. Explanations and notes related to assets (continued)

h. Information on subsidiaries (Net): (continued)

2. Information on subsidiaries:

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

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
243,245	174,595	339	17,005	-	8,377	(6,584)	-
25,768	25,713	2	-	-	3,267	(951)	-
128,397	103,105	38,441	-	-	35,165	103	-
1,022,624	147	-	-	-	4	6	-
2,552,011	90	-	-	-	1	8	-
248,158	144,198	-	-	-	(17,771)	(7,492)	-
3,380	5,000	-	-	-	(1,004)	6	-
1,183	1,037	-	-	-	-	-	-
1,042	-	-	-	-	-	-	-

(*) As of 30 June 2016, financial figures 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.

(**) These figures are shown per Turkish Trade Law financial statements as at 30 June 2016.

(***) KT Sukuk Company Limited is established in Cayman on July 31, 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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I. Explanations and notes related to assets (continued)

h. Information on subsidiaries (Net) (continued):

2. Information on subsidiaries (continued) :

Movement for subsidiaries

	Current period 30.06.2016	Prior period 30.06.2015
Balance at the beginning of the year	299,312	168,355
Movements during the year	-	-
Purchases (*)	750	130,707
Transfers from subsidiaries	-	-
Bonus shares	-	-
Dividends from current year income	-	-
Sales	-	-
Revaluation increase	-	-
Impairment	-	-
Capital commitment payments	-	-
Balance at the end of the year	300,062	299,062
Capital commitments	-	-
Share percentage at the end of the year (%)	-	-

(*) Purchase is the capital payments to Architech Bilişim Sistemleri amounting to TL 750.

Sectoral information on consolidated subsidiaries and the related carrying amounts:

	Current period	Prior period
Banks	221,109	221,109
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	-	-
Finance Companies	-	-
Other Financial Subsidiaries	55,273	55,273

Subsidiaries that are quoted on the stock exchange

	Current period	Prior period
Quoted in Domestic Stock Exchange	50,173	50,173
Quoted in Foreign Stock Exchange	-	-
Toplam	50,173	50,173

3. Information on capital adequacies of major subsidiaries:

The Bank does not have any major subsidiary.

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I. Explanations and notes related to assets: (continued)

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	261,443	14,295	1,954	(4,454)	(11,147)

(*) These figures are shown per Turkish Trade Law financial statements as of 30 June 2016.

(**) 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	965,824	824,135	1,008,185	850,194
1 to 4 years	505,809	463,409	305,026	285,153
More than 4 years	94,460	85,380	49,789	47,513
Total	1,566,093	1,372,924	1,363,000	1,182,860

2. Net investments in finance leases:

	Current period	Prior period
Gross receivable from finance leases	1,566,094	1,363,000
Unearned finance lease income (-)	(193,170)	(180,140)
Cancelled amounts (-)	-	-
Net receivable from finance leases	1,372,924	1,182,860

3. Information on finance lease contracts:

The Bank 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 5,405 are included in the non-performing loans in the balance sheet (31 December 2015 – TL 3,506).

Impairment provision amounting to TL 5,102 (31 December 2015– 2,941) 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 2015 – None).

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I. Explanations and notes related to assets: (continued)

1. Information on deferred tax asset

In accordance with the related regulations deferred tax asset calculated as of 30 June 2016 is TL 96,601 (31 December 2015– TL 117,108) and deferred tax liability is TL 15,232 (31 December 2015 – TL 9,958).

	Current period	Prior period
Reserve for employee benefits	8,178	11,646
Retirement pay liability	10,985	9,642
Deferred income	33,564	27,131
Rediscounts for derivative instruments held for trading	4,154	21,827
Impairment provision for subsidiaries, fixed assets and assets held for sale	32,152	26,223
Precious metals valuation difference	3,188	14,440
Other	4,380	6,199
Deferred tax asset	96,601	117,108
Difference between carrying value and tax base of tangible assets	(6,587)	(6,852)
Valuation difference on available for sale financial asset	(975)	(482)
Other	(7,670)	(2,624)
Deferred tax liability	(15,232)	(9,958)
Deferred tax asset, (net)	81,369	107,150

Table of deferred tax asset movement:

	Current period	Prior period
As of January 1	107,150	50,016
Deferred tax (expense)/income	(20,568)	16,982
Deferred tax accounted under other comprehensive income	(5,213)	(567)
Deferred tax asset	81,369	66,431

m. Information on other assets:

As of balance sheet date, the Bank's other assets amount to TL 644,514 (31 December 2015 - TL 410,740). 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 liabilities

a. Information on funds collected:

1. Information on maturity structure of funds collected:

i. 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	3,128,668	-	-	-	-	-	-	-	3,128,668
II. Real persons profit sharing accounts TL	-	3,124,194	5,470,701	450,940	-	211,499	151,307	-	9,408,641
III. Other current accounts-TL	2,104,887	-	-	-	-	-	-	-	2,104,887
Public sector	93,682	-	-	-	-	-	-	-	93,682
Commercial sector	1,970,294	-	-	-	-	-	-	-	1,970,294
Other institutions	36,542	-	-	-	-	-	-	-	36,542
Commercial and other institutions	-	-	-	-	-	-	-	-	-
Banks and participation banks	4,369	-	-	-	-	-	-	-	4,369
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	2,791	-	-	-	-	-	-	-	2,791
Foreign banks	1,089	-	-	-	-	-	-	-	1,089
Participation banks	489	-	-	-	-	-	-	-	489
Others	-	-	-	-	-	-	-	-	-
IV. Profit sharing accounts-TL	-	262,691	729,453	70,006	-	133,402	111,309	-	1,306,861
Public sector	-	251	24,493	7,243	-	24	-	-	32,011
Commercial sector	-	236,567	664,319	55,276	-	128,749	110,538	-	1,195,449
Other institutions	-	25,873	40,440	7,487	-	4,614	373	-	78,787
Commercial and other institutions	-	-	188	-	-	15	-	-	203
Banks and participation banks	-	-	13	-	-	-	398	-	411
V. Real persons current accounts-FC	3,071,306	-	-	-	-	-	-	-	3,071,306
VI. Real persons profit sharing accounts-FC	-	1,719,397	2,927,216	602,930	-	424,897	150,433	-	5,824,873
VII. Other current accounts-FC	1,574,929	-	-	-	-	-	-	-	1,574,929
Commercial residents in Turkey	1,427,452	-	-	-	-	-	-	-	1,427,452
Commercial residents in Abroad	90,447	-	-	-	-	-	-	-	90,447
Banks and participation banks	57,030	-	-	-	-	-	-	-	57,030
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	8,552	-	-	-	-	-	-	-	8,552
Foreign banks	46,606	-	-	-	-	-	-	-	46,606
Participation banks	1,872	-	-	-	-	-	-	-	1,872
Others	-	-	-	-	-	-	-	-	-
VIII. Profit sharing accounts- FC	-	358,607	732,381	87,285	-	28,323	101,531	-	1,308,127
Public sector	-	-	179	-	-	-	-	-	179
Commercial sector	-	229,321	631,231	71,069	-	21,705	55,380	-	1,008,706
Other institutions	-	84,043	76,679	278	-	2,617	-	-	163,617
Commercial and other institutions	-	25,028	13,583	15,938	-	4,001	46,065	-	104,615
Banks and participation banks	-	20,215	10,709	-	-	-	86	-	31,010
IX. Precious metal funds	419,595	-	633,681	47,203	-	34,366	-	-	1,134,845
X. Profit sharing accounts special funds - TL	-	-	-	-	-	-	3,302	-	3,302
Residents in Turkey	-	-	-	-	-	-	3,302	-	3,302
Residents Abroad	-	-	-	-	-	-	-	-	-
XI. Profit sharing accounts special funds - FC	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
Total	10,299,385	5,464,889	10,493,432	1,258,364	-	832,487	517,882	-	28,866,439

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

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II. Explanations and notes related to liabilities (continued)

a. Information on funds collected: (continued)

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

ii. 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	2,647,535	-	-	-	-	-	-	-	2,647,535
II. Real persons profit sharing accounts-TL	-	2,725,707	4,697,143	545,322	-	212,632	218,604	-	8,399,408
III. Other current accounts-TL	1,944,033	-	-	-	-	-	-	-	1,944,033
Public sector	66,484	-	-	-	-	-	-	-	66,484
Commercial sector	1,843,791	-	-	-	-	-	-	-	1,843,791
Other institutions	24,319	-	-	-	-	-	-	-	24,319
Commercial and other institutions	-	-	-	-	-	-	-	-	-
Banks and participation banks	9,439	-	-	-	-	-	-	-	9,439
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	1,202	-	-	-	-	-	-	-	1,202
Foreign banks	4,839	-	-	-	-	-	-	-	4,839
Participation banks	398	-	-	-	-	-	-	-	398
Others	3,000	-	-	-	-	-	-	-	3,000
IV. Profit sharing accounts-TL	-	285,158	1,016,935	50,342	-	107,013	78,509	-	1,537,957
Public sector	-	43	22,580	5,000	-	19	-	-	27,642
Commercial sector	-	261,501	941,747	38,593	-	103,772	78,126	-	1,423,739
Other institutions	-	23,614	50,911	6,749	-	3,222	383	-	84,879
Commercial and other institutions	-	-	1,685	-	-	-	-	-	1,685
Banks and participation banks	-	-	12	-	-	-	-	-	12
V. Real persons current accounts-FC	2,802,853	-	-	-	-	-	-	-	2,802,853
VI. Real persons profit sharing accounts-FC	-	1,647,358	3,055,045	607,343	-	393,923	169,584	-	5,873,253
VII. Other current accounts-FC	1,337,892	-	-	-	-	-	-	-	1,337,892
Commercial residents in Turkey	1,169,549	-	-	-	-	-	-	-	1,169,549
Commercial residents in Abroad	114,891	-	-	-	-	-	-	-	114,891
Banks and participation banks	53,452	-	-	-	-	-	-	-	53,452
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	4,215	-	-	-	-	-	-	-	4,215
Foreign banks	47,939	-	-	-	-	-	-	-	47,939
Participation banks	1,298	-	-	-	-	-	-	-	1,298
Others	-	-	-	-	-	-	-	-	-
VIII. Profit sharing accounts- FC	-	312,332	1,482,288	67,155	-	69,741	294,886	-	2,226,402
Public sector	-	-	15	-	-	-	-	-	15
Commercial sector	-	170,129	1,373,343	47,301	-	43,511	94,839	-	1,729,123
Other institutions	-	72,423	56,230	348	-	353	-	-	129,354
Commercial and other institutions	-	26,189	39,467	19,506	-	17,006	-	-	102,168
Banks and participation banks	-	43,591	13,233	-	-	8,871	200,047	-	265,742
IX. Precious metal funds	585,999	-	679,839	47,987	-	32,316	-	-	1,346,141
X. Profit sharing accounts special funds - TL	-	-	-	-	-	-	7,192	-	7,192
Residents in Turkey	-	-	-	-	-	-	7,192	-	7,192
Residents Abroad	-	-	-	-	-	-	-	-	-
XI. Profit sharing accounts special funds - FC	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
Total	9,318,312	4,970,555	10,931,250	1,318,149	-	815,625	768,775	-	28,122,666

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II. Explanations and notes related to liabilities (continued)

a. Information on funds collected: (continued)

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	8,256,013	7,234,693	4,237,875	3,775,703
FC accounts	4,167,325	4,001,565	5,697,589	5,831,455
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 issued in official gazette no. 25893 on 1 November 2005.

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 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 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	3,420	2,887
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	291	291

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II. Explanations and notes related to liabilities (continued)

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	14,291	1,319	9,669	4,070
Swap transactions	65	48,270	293	57,491
Futures transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
Total	14,356	49,589	9,962	61,561

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	591,039	2,885,585	628,868	2,786,766
From Foreign Banks, Institutions and Funds	162,920	2,953,258	55,208	4,040,837
Total	753,959	5,838,843	684,076	6,827,603

2. Information on maturity structure of borrowings:

	Current period		Prior period	
	TL	FC	TL	FC
Short-term	743,726	3,556,274	684,076	4,684,992
Medium and Long-Term	10,233	2,282,569	-	2,142,611
Total	753,959	5,838,843	684,076	6,827,603

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I. Explanations and notes related to liabilities (continued)

c. Information on funds borrowed: (continued)

2. Information on maturity structure of borrowings: (continued)

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

Current Period:

Type	Customer	Opening Date	Maturity	Currency	Rate (Yearly)	Principal	Profit Share
KT Issue	KT KİRA SERTİFİKALARI V.K.Ş	23/06/2016	11/10/2016	TRY	10.16%	170,000,000	5,276,987
KT Issue	KT KİRA SERTİFİKALARI V.K.Ş	13/05/2016	08/11/2016	TRY	10.09%	300,000,000	15,050,738
KT Issue	KT KİRA SERTİFİKALARI V.K.Ş	15/07/2015	15/07/2020	MYR	5.64%	300,000,000	85,894,027
KT Issue	KT KİRA SERTİFİKALARI V.K.Ş	15/05/2015	15/05/2020	MYR	5.64%	200,000,000	57,262,685
KT Issue	KT KİRA SERTİFİKALARI V.K.Ş	31/03/2015	31/03/2020	MYR	5.72%	300,000,000	87,095,343
KT Issue	KT KİRA SERTİFİKALARI V.K.Ş	26/06/2014	26/06/2019	USD	5.07%	500,000,000	128,767,923
Sukuk	KT Sukuk V.K.Ş.	31/10/2011	31/10/2016	USD	5.87%	213,129,648	63,545,937
Syndicated	EMIRATES NBD BANK PJSC (HEAD OFFICE) – DUBAI	29/12/2014	29/12/2016	EUR	1.08%	30,000,000	657,291
Syndicated	EMIRATES NBD BANK PJSC (HEAD OFFICE) – DUBAI	29/12/2014	29/12/2016	USD	1.25%	300,000,000	7,642,605
Wakala	PUBLIC INSTITUTE FOR SOCIAL SECURITIES KW	22/10/2015	31/10/2016	USD	2.00%	100,000,000	1,666,667
Wakala	KFH – KUWAIT	27/05/2016	02/06/2017	USD	2.00%	120,000,000	2,349,667
Wakala	KFH – KUWAIT	21/06/2016	27/06/2017	USD	2.00%	100,000,000	2,112,639

Previous Period:

Type	Customer	Opening Date	Maturity	Currency	Rate (Yearly)	Principal	Profit Share
KT Issue	KT KİRA SERTİFİKALARI V.K.Ş	16/12/2015	16/03/2016	TRY	10.72%	150,000,000	4,065,075
KT Issue	KT KİRA SERTİFİKALARI V.K.Ş	13/11/2015	10/05/2016	TRY	10.82%	200,000,000	10,759,610
KT Issue	KT KİRA SERTİFİKALARI V.K.Ş	15/07/2015	15/07/2020	MYR	5.64%	300,000,000	85,894,027
KT Issue	KT KİRA SERTİFİKALARI V.K.Ş	30/06/2015	05/01/2016	TRY	10.48%	160,000,000	8,806,880
KT Issue	KT KİRA SERTİFİKALARI V.K.Ş	15/05/2015	15/05/2020	MYR	5.64%	200,000,000	57,262,685
KT Issue	KT KİRA SERTİFİKALARI V.K.Ş	31/03/2015	31/03/2020	MYR	5.72%	300,000,000	87,095,343
KT Issue	KT KİRA SERTİFİKALARI V.K.Ş	26/06/2014	26/06/2019	USD	5.08%	500,000,000	128,767,923
Sukuk	KT Sukuk V.K.Ş.	31/10/2011	31/10/2016	USD	5.88%	213,129,648	63,545,937
Wakala	KFH – KUWAIT	20/01/2015	27/01/2016	USD	1.80%	125,000,000	2,454,167
Wakala	KFH – KUWAIT	21/05/2015	27/05/2016	USD	1.80%	120,000,000	2,232,000
Wakala	KFH – KUWAIT	15/06/2015	21/06/2016	USD	1.80%	100,000,000	1,911,667
Wakala	PIFSS – KUWAIT	22/10/2015	31/10/2016	USD	1.80%	100,000,000	1,666,667
Syndicated	EMIRATES NBD BANK PJSC (HEAD OFFICE) – DUBAI	29/12/2014	29/12/2016	USD	1.25%	300,000,000	7,642,605

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II. Explanations and notes related to liabilities (continued)

c. Information on funds borrowed: (continued)

3. Explanations Related to the Concentrations of the Bank's Major Liabilities:

Majority of the borrowings consist of foreign currency loans. There is no risk concentration of the Bank's current and profit sharing accounts.

d. Information on other liabilities and miscellaneous payables:

As of 30 June 2016, other liabilities amount to TL 961,549 (31 December 2015 – TL 454,608), sundry creditors amount to TL 161,025 (31 December 2015- TL 118,978), both of them do not exceed 10% of the balance sheet total.

e. Information on finance lease payables (net):

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

As of 30 June 2016, finance lease payables details of the transaction of issuing certificate of rent (Sukuk) is explained under section three and disclosure XVIII, with the permission of BRSA's decision numbered B.02.1.BDK.0.06.00.00-045.01(3/8)-5397 and as of 13 March 2012, it is accounted as sale and leaseback transaction in accordance with TAS 17.

- i. Information on the changes in agreements and new obligations originating from these changes: None (31 December 2015 – None).
- ii. Information on Financial Lease Obligations

	Current period		Prior period	
	Gross	Net	Gross	Net
Less than 1 year	465,884	399,828	468,302	401,990
Between 1-4 years	-	-	-	-
More than 4 years	-	-	-	-
Total	465,884	399,828	468,302	401,990

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 installments.

iv. Information on sale and leaseback transactions:

The transaction of issuing certificate of rent (sukuk) is explained under section three and disclosure XVIII, with the permission of BRSA's decision numbered B.02.1.BDK.0.06.00.00-045.01(3/8)-5397 and dated as 13 March 2012, it is accounted as sale and leaseback transaction in accordance with TAS 17.

f. Information on hedging derivative financial liabilities:

	Current Period		Prior Period	
	TL	FC	TL	FC
Fair value hedge	-	-	-	-
Cash flow hedge	-	63,045	-	98,650
Hedge of net investment in foreign operations	-	-	-	-
Total	-	63,045	-	98,650

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II. Explanations and notes related to liabilities (continued)

g. Information on provisions:

1. Information on general provisions:

	Current period	Prior Period
General Provisions	361,009	334,118
I.For Loans and Receivables in Group I (Total)	273,131	242,204
Profit Sharing Accounts' Share	72,706	70,988
The Bank's Share	179,748	158,152
Other	-	-
I.Additional Provision for Loans and Receivables with Extended Maturities	20,677	13,064
Profit Sharing Accounts' Share	3,943	3,482
The Bank's Share	16,734	9,582
Other	-	-
II.Loans and Receivables in Group II (Total)	48,832	45,256
Profit Sharing Accounts' Share	672	584
The Bank's Share	13,369	10,692
Other	-	-
II.Additional Provision for Loans and Receivables with Extended Maturities	34,791	33,980
Profit Sharing Accounts' Share	20,549	17,298
The Bank's Share	14,242	16,682
Other	-	-
Provisions for Non Cash Loans	20,394	19,363
Other	18,652	27,295

According to the subclause 6 in article 8 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." The Bank did not utilize that decision in the current period.

2. Information on provisions related with foreign currency evaluation difference of foreign currency indexed loans:

As of 30 June 2016, effect of decrease in exchange rates on foreign currency indexed loans amounting to TL 61,384 (31 December 2015 – TL 28,352) and TL 36,900 for leasing receivables (31 December 2015 – TL 37,431) is offset against loans and receivables.

3. Information on other provisions:

	Current period	Prior period
Provisions for non- liquidated non cash loans (*)	75,943	66,746
Provisions for cheque books (*)	7,079	8,768
Provisions from equity/profit sharing accounts	13,350	7,564
Provisions for Promotion Activities for Credit Cards	674	551
Other(**)	19,128	7,988
Total	116,174	91,617

(*) Effective from 1 March 2011, 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 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 4,450 litigation provision in current period (31 December 2015 – TL 4,450). In addition to this, 13,250 TL include provision amount which belongs to audit related penalty from Ministry of Customs and Trade . (31 December 2015 – TL 0)

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II. Explanations and notes related to liabilities (continued)

4. Information on provisions for employee benefits:

Provisions for employee benefits consist of reserve for employee termination benefits amounting to TL 54,923 (31 December 2015 – TL 48,208), vacation pay liability amounting to TL 10,404 (31 December 2015 – TL 355), performance premium amounting to TL 18,988 (31 December 2015 – TL 49,677), retirement bonuses on payment of TL 6,893 (31 December 2015 – TL 3,360), and committee fee amounting to TL 4,604 (31 December 2015- TL 4,840).

Under the Turkish Labor 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 4,093 (full amount) (31 December 2015 – TL 4,093) 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 Bank 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 (%)	9.80	10.83
Inflation rate (%)	6.70	7.40
Interest rate (%)	9.80	8.40

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

	Current period	Prior period
Balance at the beginning of the period	48,208	41,916
Provisions recognized during the period	10,114	13,063
Paid during the period	(3,399)	(3,151)
Actuarial gain/loss	-	(3,620)
Balances at the end of the period	54,923	48,208

h. Explanations on tax liability:

1. Explanations on current tax liability:

i. Information on tax provisions: As of 30 June 2016, the Bank has current tax liability after deducting temporary taxes paid during the period from the provision for corporate income tax amounting to TL 26,612.

	Current period	Prior period
Provision for corporate income tax(*)	42,842	159,529
Prepaid taxes	(16,230)	(123,057)
Total (**)	26,612	36,472

(*) Related amount is not included amounting to TL 122 of current year adjustment for prior year provision for corporate income tax

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

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II. Explanations and notes related to liabilities (continued)

h. Explanations on tax liability: (continued)

1. Explanations on current tax liability: (continued)

ii. Information on taxes payable :

	Current period	Prior period
Taxation of marketable securities	12,785	10,502
Taxation of immovable property	1,167	997
Banking insurance transaction tax (BITT)	13,916	13,200
Value added tax payable	692	1,020
Income tax deducted from wages	6,272	6,488
Other	966	1,001
Total	35,798	33,208

iii. Information on premiums (*):

	Current period	Prior period
Social Security Premiums-Employee	4,152	3,636
Social Security Premiums-Employer	4,441	3,913
Unemployment insurance-Employee	297	260
Unemployment insurance-Employer	625	573
Total	9,515	8,382

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

iv. Information on deferred tax liability: None (31 December 2015 - None).

i. Information on payables related to assets held for sale:

None (31 December 2015 – None).

j. Information on subordinated loans:

	Current Period		Prior Period	
	TL	FC	TL	FC
From Domestic Banks	-	-	-	-
From Other Domestic Institutions	-	-	-	-
From Foreign Banks	-	1,629,171	-	589,734
From Other Foreign Institutions	-	-	-	-
Total	-	1,629,171	-	589,734

The Bank obtained a subordinated loan with 10-years maturity, amounting to USD 200 million, from Kuwait Finance House on 29 September 2011. Profit share amount will be calculated as the purchase price multiplied by a profit return rate equal to the applicable margin in the Murabaha period. Classification of this subordinated loan as tier-II capital upon the receipt of the cash amounting to USD 200 million by the Bank for the purpose of supplementary capital calculation was confirmed by the BRSA by their notification dated 30 September 2011.

Kuwait Turkish Participation Bank, on February 17, 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 July 17 and February 17 each year.

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II. Explanations and notes related to liabilities (continued)

k. Information on shareholders' equity:

1. Presentation of paid-in capital:

	Current period	Prior period
Common shares	2,790,000	2,530,000
Preference shares	-	-
Repurchased shares amount (*)	(2,678)	(2,678)
Total	2,787,322	2,527,322

(*) 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 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
5 April 2016	260,000	260,000	-

4. Information on share capital increases from capital reserves during the current period: None (31 December 2015 – None).

5. Possible effect of estimations made for the Bank's revenues, profitability and liquidity on equity considering prior period indicators and uncertainties:

Based on the evaluation made considering the Bank's prior and current period indicators related to net profit share and commission income, it is observed that the Bank 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 (*)	11,638	14,660	9,225	(3,831)
Foreign Exchange Difference	-	-	-	-
Total	11,638	14,660	9,225	(3,831)

(*) 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.

1. Information on minority shares: None (31 December 2015 – None).

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

a. Explanations on off-balance sheet accounts:

1. Type and amount of irrevocable commitments: Commitment for credit card limits, as of 30 June 2016 is TL 844,037 (31 December 2015 – TL 739,721); payment commitments for cheque books are TL 1,149,471 (31 December 2015 – TL 1,018,655).
2. Type and amount of probable losses and obligations arising from off-balance sheet items including below 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 2016, the Bank has guarantees and surety ships constituting of TL 7,699,465 (31 December 2015 – TL 7,339,660) letters of guarantee; TL 70,678 (31 December 2015 – TL 84,108) acceptances and TL 1,068,158 (31 December 2015 – TL 1,029,264) letters of credit. Also banks has other acceptances amount of TL 491,605 (31 December 2015 – TL 503,290).
 - ii. Revocable, irrevocable guarantees and other similar commitments and contingencies: There are no other than those explained in 2.i.)
3. (i). 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	9,329,906	8,956,322
Total	9,329,906	8,956,322

IV. Explanations and notes related to the statement of income

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	1,240,579	78,738	1,011,905	59,812
Short term loans	329,943	5,768	265,790	5,794
Medium and long term loans	907,579	72,970	741,805	54,018
Profit share on non-performing loans	3,057	-	4,310	-
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	330	5,329	-	3,833
Branches and head office abroad	-	-	-	-
Total	330	5,329	-	3,833

i. Information on profit share income from securities portfolio:

The Bank has received TL 90,362 profit share income from rent certificates (sukuk) which is given the details in available for sale financial assets information. (1 January-30 June 2015 - TL 77,636)

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

	Current period	Prior period
Profit share income received from associates and subsidiaries	1,253	573

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IV. Explanations and notes related to the income statement (continued)

b. Information on profit share expenses:

	Current period		Prior period	
	TL	FC	TL	FC
Banks	13,492	32,784	2,711	38,296
The Central Bank of the Republic of Turkey	-	-	-	-
Domestic banks	9,174	2,130	399	466
Foreign banks	4,318	30,654	2,312	37,830
Branches and head office abroad	-	-	-	-
Other Institutions	29,697	116,400	20,214	80,184
Total	43,189	149,184	22,925	118,480

i. Profit share expense given to associates and subsidiaries:

	Current period	Prior period
Profit share expenses given to associates and subsidiaries	25,823	76,132

ii. Profit share expense paid to securities issued: None (1 January-30 June 2015: None).

c. Information on dividend income:

	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 amount related to capitalization issue of Kredi Garanti Fonu A.Ş. which is presented in Available for sale financial assets.

d. 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	-	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	-	-	37,177
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	-	-	371,030
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	-	-	6,795
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	-	-	51,804
Grand Total	126,526	246,421	27,926	-	11,816	10,145	-	-	422,834

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IV. Explanations and notes related to the income statement (continued)

d. Distribution of profit share on funds based on maturity of funds: (continued)

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								
Real person's non-trading profit sharing account	75,280	130,726	19,124	-	6,328	8,681	-	240,139
Public sector profit sharing account	4	120	1	-	596	256	-	977
Commercial sector profit sharing account	8,051	20,158	4,092	-	802	712	-	33,815
Other institutions profit sharing account	1,318	1,107	199	-	36	14	-	2,674
Total	84,653	152,111	23,416	-	7,762	9,663	-	277,605
FC								
Banks	252	394	283	-	241	1,745	-	2,915
Real person's non-trading profit sharing account	8,537	16,096	4,129	-	2,488	1,671	-	32,921
Public sector profit sharing account	-	-	-	-	-	-	-	-
Commercial sector profit sharing account	1,361	6,308	526	-	882	512	-	9,589
Other institutions profit sharing account	858	538	98	-	31	56	-	1,581
Precious metal accounts	-	2,938	190	-	133	-	-	3,261
Total	11,008	26,274	5,226	-	3,775	3,984	-	50,267
Grand Total	95,661	178,385	28,642	-	11,537	13,647	-	327,872

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

	Current period	Prior period
Net	97,820	61,170
Income	15,026,645	6,512,087
Gain on capital market transactions	4,880	5,209
Gain on derivative financial instruments	172,502	148,770
Foreign exchange gains	14,849,263	6,358,108
Losses (-)	(14,928,825)	(6,450,917)
Losses on capital market transactions	(743)	(99)
Losses on derivative financial instruments	(151,202)	(160,798)
Foreign exchange losses	(14,776,880)	(6,290,020)

f. 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 Bank.

	Current period	Prior period
Reversal of prior period provisions	56,830	82,647
Income from sale of assets	46,478	9,384
Income from the real estate sales' gains by rent certificates	29,644	22,269
Lease income	1,170	1,152
Other Income	2,821	4,926
Total	136,943	120,378

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IV. Explanations and notes related to the income statement (continued)

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

	Current period	Prior period
Specific provisions for loans and other receivables	207,619	144,189
III. group loans and receivables	71,943	47,134
IV. group loans and receivables	72,989	64,135
V. group loans and receivables	62,687	32,920
Doubtful commissions, fees and other receivables	807	40
General provision expenses	32,786	36,336
Provision expenses for possible losses	-	-
Impairment provision of marketable securities	-	126
Financial Assets at fair value through profit and loss	-	126
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 (*)	27,004	4,693
Total	268,216	185,384

(*) According to the provision regulation, it consists of the provision is allocated 5% of profit to be distributed to participation accounts for up to 5% general reserve and securities impairment expenses, and obtain non-depreciable assets from real estate to be removed. Also, 13,250 TL include provision amount which belongs to audit related penalty from Ministry of Customs and Trade . (31 December 2015 – TL 0)

h. Information on other operating expenses:

	Current period	Prior period
Personnel expenses	294,878	252,331
Provision for retirement pay liability	6,715	5,956
Depreciation expenses of fixed assets	24,412	20,746
Impairment expenses of tangible assets	29,644	22,269
Depreciation expenses of intangible assets	10,814	10,023
Depreciation expenses of assets held for sale	518	329
Other operating expenses	116,536	116,612
Rent expenses	47,058	41,197
Maintenance expenses	10,151	8,586
Advertisement expenses	13,943	6,218
Communication expenses	14,278	12,000
Heating, electricity and water expenses	6,221	5,085
Cleaning expenses	2,587	2,254
Vehicle expenses	1,920	2,312
Stationery expenses	2,473	1,800
Other expenses	17,905	37,160
Losses on sales of assets	130	212
Deposit insurance fund expenses	30,581	26,056
Other	49,537	35,851
Total	563,765	490,385

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IV. Explanations and notes related to the income statement (continued)

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

Income before tax amounting to TL 319,941 increased by 21.79 % as compared to the prior period (1 January-30 June 2015 – TL 262,706). Income before tax includes TL 831,542 (1 January-30 June 2015 – TL 691,880) net profit share income and TL 85,108 (1 January-30 June 2015 – TL 65,047) net fees and commission income. Other operating expense amount is TL 563,765 (1 January-30 June 2015 – TL 490,385).

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

As of 30 June 2016, current tax provision expense of the Bank is TL 42,964 (1 January-30 June 2015 – TL 73,636) and deferred tax expense is TL 20,568 (1 January-30 June 2015 – TL 16,982 deferred tax income).

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

There is no income or loss for discontinued operation in net operating income after tax.

l. 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 Bank's performance for the period: As of 30 June 2016, net profit share income is TL 831,542 (1 January-30 June 2015 – TL 691,880), net fees and commission income is TL 85,108 (1 January-30 June 2015 – TL 65,047).
- ii. Effect of changes in accounting estimates on income statement for the current and, if any for subsequent periods: None (1 January-30 June 2015 – None).
- iii. Profit/Loss attributable to minority interest: None (30 June 2015 – None).

m. Details of sub accounts comprising at least 20% of other items in income statement, exceeding 10% of total income statement:

As of 30 June 2016, other fees and commissions received is TL 108,771 (1 January-30 June 2015 – TL 84,451), TL 20,962 of this amount is related with credit card fees and commissions (30 June 2015 – TL 13,716) and TL 22,169 of this amount is related with POS machine commissions (1 January-30 June 2015 – TL 15,689).

As of 30 June 2016, other fees and commissions given is TL 66,470 (1 January-30 June 2015 – TL 59,763), TL 26,211 (1 January-30 June 2015 – TL 17,724) of this amount is related with POS clearing commissions and installation expenses, TL 3,388 (1 January-30 June 2015 – TL 2,528) of this amount is related with fees and commissions paid for credit cards.

V. Explanations and notes related to cash flow statement

a. Information regarding the balances of cash and cash equivalents at the beginning of the period:

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.

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V. Explanations and notes related to cash flow statement (continued)

a. Information regarding the balances of cash and cash equivalents at the beginning of the period (continued):

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

	Current period	Prior period
Cash	4,687,293	1,995,829
Cash in TL/foreign currency, others	1,713,467	756,737
Demand deposits at banks	2,973,826	1,239,092
Cash equivalents	-	-
Interbank money markets	-	-
Time deposits at banks	-	-
Marketable securities	-	-
Total cash and cash equivalents	4,687,293	1,995,829

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

	Current period	Prior period
Cash	1,989,079	2,888,263
Cash in TL/foreign currency, others	1,119,108	1,422,776
Demand deposits at banks	869,971	1,465,487
Cash equivalents	-	-
Interbank money markets	-	-
Time deposits at banks	-	-
Marketable securities	-	-
Total cash and cash equivalents	1,989,079	2,888,263

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 (167,620) (30 June 2015: TL (264,373)) 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 1,854,633 (30 June 2015: TL 260,790) 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 (38,824) (30 June 2015: TL (15,115)) 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 3,442 as of 30 June 2016 (30 June 2015 – TL (28,506)). 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 Bank:

a. Information on the volume of transactions relating to the 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	Cash	Cash	Non-Cash
Loans and other receivables						
Balance at beginning of period	101,156	132	1,014	13,543	126,600	600
Balance at end of period	481,740	132	1,187	13,628	124,285	16,686
Profit share and commission income	1,253	1	22	1	2,519	-

(*) 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	20,036	25,640	580	13,638	79,663	283
Balance at end of period	101,156	132	1,014	13,543	126,600	600
Profit share and commission income	1,562	4	75	-	6,050	1

(*) 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 beginning of period	290,113	224,299	57,602	42,633	137,160	207,428
Balance at end of period	74,992	290,113	47,394	57,602	170,814	137,160
Profit share expense	566	2,205	898	1,071	756	1,846

(*) 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.

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VI. Explanations and notes related to risk group of the Bank: (continued)

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

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
Current and profit sharing accounts						
Balance at beginning of period	3,651,891	2,220,205	2,607,122	2,618,833	166,742	26,640
Balance at end of period	3,574,211	3,651,891	1,403,373	2,607,122	167,344	166,742
Profit share expense	25,257	73,927	31,030	34,654	2,264	459

b. Information on remunerations provided to top management:

As of 1 January-30 June 2016, the Bank has paid TL 15,337 to top management (1 January-30 June 2015- TL 13,073).

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

The Bank decided to decrease paid-in capital of Kuwait Turkish Participation Bank Dubai Limited from USD 54,099,362 to USD 50,000,000 with the decision no 1658 of board of directors dated 27 July 2016.

The Bank, decided to increase it's capital on it's subsidiaries KT Bank AG from EUR 45,000,000 to EUR 60,000,000 with the decision no 1658 of board of directors dated 27 July 2016.

The Bank made a deal on turn over and sale all equity interest on KT Portföy Yönetimi A.Ş. located Bank's associates portfolio to KFH Capital Investments Company K.S.C or Kuwait Finance House K.S.C.P's direct or indirect associates and subsidiaries or any other partnership .The Bank will make an application to Capital Markets Board of Turkey for transfer of equity interest.

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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 unconsolidated financial statements as of and for the six months period then ended 30 June 2016 have been reviewed by DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (Member of Deloitte Touche Tohmatsu Limited) and the independent auditors' limited review report dated 8 August 2016 is presented preceding the 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 2016, 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 (cont'd)

b. Financial Informations Summary

UNCONSOLIDATED BALANCE SHEET	30 June 2016	31 December 2015
CASH BALANCES AND CENTRAL BANK	8,340,809	7,568,815
BANKS	2,049,874	3,583,494
LOANS	27,500,189	25,851,000
FINANCE LEASE RECEIVABLES	1,372,924	1,182,860
TANGIBLE ASSETS (Net)	466,148	504,049
OTHER ASSETS	4,378,619	3,362,289
TOTAL ASSETS	44,108,563	42,052,507
FUND COLLECTED	28,866,439	28,122,666
FUNDS BORROWED	6,592,802	7,511,679
MARKETABLE SECURITIES ISSUED (Net)	-	-
FINANCE LEASE PAYABLES	399,828	401,990
SUBORDINATED LOANS	1,629,171	589,734
OTHER LIABILITIES	2,943,976	2,023,948
SHAREHOLDERS EQUITY	3,676,347	3,402,490
TOTAL LIABILITIES	44,108,563	42,052,507

UNCONSOLIDATED STATEMENT OF PROFIT AND LOSS	30 June 2016	30 June 2015
PROFIT SHARE INCOME	1,489,645	1,197,446
PROFIT SHARE EXPENSE	658,103	505,566
NET PROFIT SHARE INCOME/EXPENSE	831,542	691,880
NET FEES AND COMMISSION INCOME/EXPENSE	85,108	65,047
DIVIDEND INCOME	509	-
NET TRADING INCOME	97,820	61,170
OTHER OPERATING INCOME	136,943	120,378
PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)	268,216	185,384
OTHER OPERATING EXPENSES (-)	563,765	490,385
NET OPERATING INCOME/(LOSS)	319,941	262,706
TAX CHARGE FOR CONTINUED OPERATIONS	(63,532)	(56,654)
CURRENT PERIOD INCOME/(LOSSES)	256,409	206,052

	30 June 2016	31 December 2015
Total Loans/Total Assets*	65.46%	64.29%
Total Loans/Fund Collected*	100.02%	96.13%
Average Equity Profit **	14.49%	13.84%
Average Assets Profit **	1.19%	1.17%
Capital Adequacy Ratio	17.01%	14.23%

* Finance Lease Receivables is included in total loans.

** Related ratios calculated by included in interim periods' profit amounts to year-end balances.

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I- Explanations on interim report (cont'd)

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

As of 30 June 2016, unconsolidated financial statements asset size is TL 44 million 109 thousand, amount of the utilization of funds is TL 27 million 500 thousand and funds collected amount is TL 28 million 866 thousand. Due to the effect of the first six months' profit (TL 256 thousand), the ratio of shareholder equity increased 8 % by reaching TL 3 million 676 thousand. As of 30 June, 2016, unconsolidated capital adequacy ration has been reached 17.01 %.

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

d. Announcement regarding important developments during the period

The Bank obtained a subordinated loan with 10-years maturity (the old legislation with the definition of "subordinated debt"), amounting to USD 200 million, from Kuwait Finance House on 29 September 2011. Published by the BRSA made to the Regulation on Equities of Banks and at March 31st, 2016 contract to adapt to the changes that came into force has been amended on March 29, 2016, 25.04.2016 the BRSA should be considered as a capital contribution of credit monitoring capital contribution in the bank records continue to be particularly suitable.

Kuwait Turkish Participation Bank, on February 17, 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.

Our bank, KT Kira Sertifikaları Varlık Kiralama A.Ş. through two separate process with a total nominal value of 515,000 thousand, different term minimum and maximum 9.66% and 10.18% cost has issued Sukuk.

The number of branches of the Bank in the beginning of the year was 359, and as of report date the number of branches of the Bank is 377. The number of employee was 5,442 in the beginning of the year, as of report date it reached 5,367.