

**KUVEYT TRK KATILIM BANKASI
ANONİM ŐİRKETİ AND ITS FINANCIAL SUBSIDIARIES**

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

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

Introduction

We have reviewed the accompanying consolidated balance sheet of Kuveyt Türk Katılım Bankası A.Ş. ("the Bank") and its consolidated subsidiaries together will be referred as "the Group" as at 30 June 2016, and the consolidated statement of income, consolidated statement of income and expense items under shareholders' equity, consolidated statement of changes in shareholders' equity and consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Bank management is responsible for the preparation and fair presentation of the accompanying interim financial information in accordance with "the Banking Regulation and Supervision Agency ("BRSA") Accounting and Reporting Regulations" including the regulation on "The Procedures and Principles Regarding Banks' Accounting Practices and Maintaining Documents" published in the Official Gazette dated 1 November 2006 with No. 26333, and other regulations on accounting records of banks published by the Banking Regulation and Supervision Board and circulars and pronouncements published by the BRSA and Turkish Accounting Standard 34 "Interim Financial Reporting" principles for the matters not legislated by the aforementioned regulations. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with the Independent Auditing Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial reporting process, and applying analytical and other review procedures. A review of interim financial information is substantially less in scope than an independent audit conducted in accordance with Independent Auditing Standards and the objective of which is to express an opinion on the financial statements. Consequently, a review of the interim financial information does not provide assurance that the audit firm will be aware of all significant matters which would have been identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial information does not present fairly, in all material respects, the financial position of Kuveyt Türk Katılım Bankası A.Ş. and its consolidated subsidiaries as at 30 June 2016, and of the results of its their operations and its their cash flows for the six-month period then ended in accordance with the BRSA Accounting and Reporting Regulations.

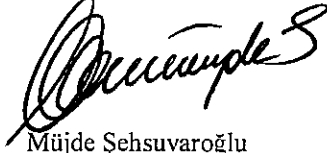
Report on Other Legal and Regulatory Requirements

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 Eight of the accompanying consolidated 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, 24 August 2016



KUVEYTTÜRK

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

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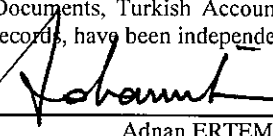
The consolidated financial report for the six months designed by the Banking Regulation and Supervision Agency in line with Communiqué on Financial Statements to be Publicly Announced and the Related Policies and Disclosures consists of the sections listed below:

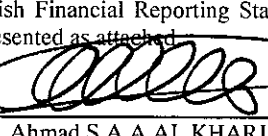
- GENERAL INFORMATION ABOUT THE PARENT BANK
- CONSOLIDATED FINANCIAL STATEMENTS OF THE PARENT BANK
- EXPLANATIONS ON ACCOUNTING POLICIES
- INFORMATION ON FINANCIAL STRUCTURE OF THE GROUP WHICH IS UNDER CONSOLIDATION
- FOOTNOTES AND EXPLANATIONS ON CONSOLIDATED FINANCIAL STATEMENTS
- OTHER EXPLANATIONS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

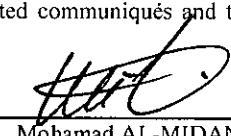
The subsidiaries, associates and jointly controlled entities, financial statements of which are consolidated within the framework of the reporting package are as follows:

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

The consolidated 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 CONSOLIDATED 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 Parent Bank including its incorporation date, initial legal status and amendments to legal status

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

The Bank's subsidiary, Kuveyt Turkish Participation Bank Dubai Ltd. which is 100% owned by the Bank was established in November, 2009. Main field of its operations are providing interest free corporate banking services, acting as investment intermediary, providing consulting services, performing asset management activities, performing investment activities and collecting funds through current and profit/loss sharing accounts in compliance with the regulation.

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

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

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

As of 30 June 2016, 62.24% of the Parent Bank's shares are owned by Kuwait Finance House located in Kuwait, 18.72% by Vakıflar Genel Müdürlüğü Mazbut Vakıfları, 9.00% by The Public Institution For Social Security in Kuwait and 9.00% by Islamic Development Bank whereas the remaining 1.04% of the shares are owned by other real persons and legal entities.

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

Name	Title	Date of the assignment	Date of Audit Committee assignment	Educational degree	Ownership Percentage
Hamad Abdulmohsen AL MARZOUQ	Head of the BOD	25/06/2014		Master	-
Dr. Adnan ERTEM	Vice Chairman of the BOD and Head of the Audit Committee	10/10/2002	19/10/2010	Doctorate	-
Nadir ALPASLAN	Member of BOD	15/04/2011		Bachelor	-
Khaled Nasser Abdulaziz AL FOUZAN	Member of BOD	02/08/2006		Bachelor	-
Fawaz KH E AL SALEH	Member of BOD	20/10/2006		Bachelor	%0.0105
Mazin S.A.S AL NAHEDH	Member of BOD	29/09/2015		Bachelor	-
Mohamad Al-MIDANI	Member of BOD and Audit Committee	05/05/2015	15/05/2015	Master	-
Ahmed S. AL KHARJI	Member of BOD and Audit Committee	26/03/2014	24/09/2014	Master	-
Ufuk UYAN	Member of BOD and General Manager	10/05/1999		Master	%0.0556
Ahmet KARACA	Assistant General Manager and Chief Financial Officer	12/07/2006		Master	%0.0002
Ahmet Süleyman KARAKAYA	Assistant General Manager, Corporate and Commercial Banking	14/01/2003		Bachelor	-
Bilal SAYIN	Assistant General Manager, Lending	20/08/2003		Bachelor	%0.0035
İrfan YILMAZ	Assistant General Manager, Banking	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 CONSOLIDATED 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 at Parent Bank

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 the Parent Bank, Kuwait Finance House ("KFH") are 52.12% publicly traded; 24.08% of KFH belongs to Kuwait Investment Authority and 10.48% belongs to Public Authority for Minors Affairs.

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

The Parent Bank's field of operations includes corporate banking, international banking services, and retail banking and credit card services. The Parent Bank's core business is to operate in accordance with the principles of interest-free banking as a participation bank by collecting funds through current and profit/loss sharing accounts, and lending such funds to its customers. As of 30 June 2016, the Group is operating through 381 branches (31 December 2015 – 362) with 5,477 employees (31 December 2015 – 5,542). Summary of some of the Parent Bank's operations described in the Articles of Association are as follows;

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

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

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

None

SECTION TWO

THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

		Reviewed Current Period 30.06.2016			Audited Prior Period 31.12.2015		
	Note	TL	FC	Total	TL	FC	Total
I. CASH AND BALANCES WITH THE CENTRAL BANK	(I-a)	1,062,902	7,293,889	8,356,791	662,376	6,950,238	7,612,614
II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (Net)	(I-b)	29,845	138,296	168,141	12,302	76,312	88,614
2.1 Held for trading financial assets		29,845	138,296	168,141	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		-	50,891	50,891	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)	39,247	2,015,487	2,054,734	10,342	3,619,174	3,629,516
IV. MONEY MARKET PLACEMENTS		-	-	-	-	-	-
V. FINANCIAL ASSETS AVAILABLE FOR SALE (Net)	(I-d)	1,638,031	1,527,681	3,165,712	1,573,904	781,195	2,355,099
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		2,999	289,445	292,444	4,110	377,998	382,108
VI. LOANS AND RECEIVABLES	(I-e)	23,299,454	4,333,985	27,633,439	21,565,734	4,423,307	25,989,041
6.1 Loans and receivables		23,169,811	4,332,543	27,502,354	21,441,275	4,421,858	25,863,133
6.1.1 Loans to risk group of the Bank		75,298	50,185	125,483	76,162	51,462	127,624
6.1.2 Public sector debt securities		-	-	-	-	-	-
6.1.3 Other		23,094,513	4,282,358	27,376,871	21,365,113	4,370,396	25,735,509
6.2 Non-performing loans		550,809	13,729	564,538	442,519	13,796	456,315
6.3 Specific provisions (-)		421,166	12,287	433,453	318,060	12,347	330,407
VII. HELD TO MATURITY INVESTMENTS (Net)	(I-f)	-	-	-	-	-	-
VIII. INVESTMENTS IN ASSOCIATES (Net)	(I-g)	-	-	-	-	-	-
8.1 Accounted for under equity method		-	-	-	-	-	-
8.2 Unconsolidated associates		-	-	-	-	-	-
8.2.1 Financial associates		-	-	-	-	-	-
8.2.2 Non-financial associates		-	-	-	-	-	-
IX. INVESTMENTS IN SUBSIDIARIES (Net)	(I-h)	23,680	-	23,680	22,930	-	22,930
9.1 Unconsolidated financial subsidiaries		-	-	-	-	-	-
9.2 Unconsolidated non-financial subsidiaries		23,680	-	23,680	22,930	-	22,930
X. ENTITIES UNDER COMMON CONTROL (JOINT VENT.) (Net)	(I-i)	8,049	-	8,049	8,378	-	8,378
10.1 Accounted for under equity method		8,049	-	8,049	8,378	-	8,378
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)		449,835	5,156	454,991	456,989	4,653	461,642
XIV. INTANGIBLE ASSETS (Net)		92,905	40,206	133,111	78,136	41,204	119,340
14.1 Goodwill		-	-	-	-	-	-
14.2 Other		92,905	40,206	133,111	78,136	41,204	119,340
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)	567,144	156,381	723,525	379,304	105,868	485,172
TOTAL ASSETS		28,365,607	15,844,312	44,209,919	25,857,458	16,237,538	42,094,996

The accompanying notes are an integral part of these financial statements

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
CONSOLIDATED BALANCE SHEET AS OF 30 JUNE 2016

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

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

	Note	Reviewed Current Period 30.6.2016			Audited Prior Period 31.12.2015		
		TL	FC	Total	TL	FC	Total
I. FUND COLLECTED	(II-a)	15,935,216	12,965,904	28,901,120	14,506,929	13,618,371	28,125,300
1.1 Funds from risk group of the Bank		103,536	135,153	238,689	76,312	131,124	207,436
1.2 Other		15,831,680	12,830,751	28,662,431	14,430,617	13,487,247	27,917,864
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)	233,725	3,184,680	3,418,405	65,698	4,195,945	4,261,643
IV. MONEY MARKET BALANCES		1,094,805	-	1,094,805	711,542	-	711,542
V. MARKETABLE SECURITIES ISSUED (Net)	(II-d)	513,950	3,053,978	3,567,928	602,602	3,033,517	3,636,119
VI. SUNDRY CREDITORS	(II-e)	124,502	38,176	162,678	109,145	17,144	126,289
VII. OTHER LIABILITIES	(II-e)	585,396	378,903	964,299	426,782	30,070	456,852
VIII. FINANCE LEASE PAYABLES	(II-f)	-	131	131	-	131	131
8.1 Finance lease payables		-	145	145	-	145	145
8.2 Operating lease payables		-	-	-	-	-	-
8.3 Other		-	-	-	-	-	-
8.4 Deferred finance lease expenses (-)		-	14	14	-	14	14
IX. DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING PURPOSES	(II-g)	-	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-h)	467,392	106,398	573,790	427,667	104,938	532,605
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		95,914	464	96,378	106,460	410	106,870
10.4 Insurance technical reserves (net)		-	-	-	-	-	-
10.5 Other provisions		76,748	39,655	116,403	59,263	32,354	91,617
XI. TAX LIABILITY	(II-i)	26,603	-	26,603	36,477	-	36,477
11.1 Current tax liability		26,603	-	26,603	36,477	-	36,477
11.2 Deferred tax liability		-	-	-	-	-	-
XII. PAYABLES RELATED TO ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)		-	-	-	-	-	-
12.1 Held for sale		-	-	-	-	-	-
12.2 Discontinued operations		-	-	-	-	-	-
XIII. SUBORDINATED LOANS	(II-j)	-	1,629,171	1,629,171	-	589,734	589,734
XIV. SHAREHOLDERS' EQUITY	(II-k)	3,759,342	(15,343)	3,743,999	3,474,757	(26,626)	3,448,131
14.1 Paid-in capital		2,787,322	-	2,787,322	2,527,322	-	2,527,322
14.2 Capital reserves		(10,430)	14,660	4,230	(14,116)	(3,831)	(17,947)
14.2.1 Share premium		24,208	-	24,208	24,208	-	24,208
14.2.2 Share cancellation profits		-	-	-	-	-	-
14.2.3 Marketable securities revaluation reserve		12,886	14,660	27,546	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)		(32,608)	-	(32,608)	(32,633)	-	(32,633)
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		682,230	-	682,230	503,247	(491)	502,756
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		207,420	-	207,420	161,407	(491)	160,916
14.4 Profit or loss		280,325	(30,003)	250,322	446,046	(22,304)	423,742
14.4.1 Prior period income/(losses)		1,365	(22,304)	(20,939)	(17,060)	14,784	(2,276)
14.4.2 Current period income/(losses)		278,960	(7,699)	271,261	463,106	(37,088)	426,018
14.5 Minority shares	(II-l)	19,895	-	19,895	12,258	-	12,258
TOTAL LIABILITIES AND EQUITY		22,755,287	21,454,632	44,209,919	20,371,561	21,723,435	42,094,996

The accompanying notes are an integral part of these financial statements

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

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

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

	Note	Reviewed Current period 30.06.2016			Audited Prior period 31.12.2015		
		TL	FC	Total	TL	FC	Total
A. OFF BALANCE SHEET CONTINGENCIES AND COMMITMENTS (I+II+III)		33,274,535	17,374,030	50,648,565	33,843,259	16,526,496	50,369,755
I. GUARANTEES	(III-a)	4,837,776	4,492,686	9,330,462	4,637,394	4,319,484	8,956,878
1.1 Letters of guarantees		4,819,255	2,880,766	7,700,021	4,607,569	2,732,647	7,340,216
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	2,651,433	6,814,490	3,884,782	2,455,640	6,340,422
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	11,725,647	13,716,525
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	10,552,831	12,543,709
3.2.1 Forward foreign currency buy/sell transactions		1,143,505	1,817,535	2,961,040	1,139,111	2,027,716	3,166,827
3.2.1.1 Forward foreign currency transactions-buy		570,605	921,674	1,492,279	550,697	1,041,921	1,592,618
3.2.1.2 Forward foreign currency transactions-sell		572,900	895,861	1,468,761	588,414	985,795	1,574,209
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+B)		226,351,135	107,005,413	333,356,548	202,316,526	105,835,600	308,152,126

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

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

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

III. CONSOLIDATED 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 01.04.2016 - 30.06.2016	Prior Period Reviewed 01.04.2015 - 30.06.2015
	Notes					
I.	PROFIT SHARE INCOME	(IV-a)	1,507,773	1,209,193	782,991	630,007
1.1	Profit share on loans		1,323,818	1,075,417	681,535	560,590
1.2	Profit share on reserve deposits		13,143	940	6,060	923
1.3	Profit share on banks		15,132	10,556	12,986	4,715
1.4	Profit share on money market placements		-	-	-	-
1.5	Profit share on marketable securities portfolio		94,072	78,960	50,230	40,550
1.5.1	Held-for-trading financial assets		-	354	-	191
1.5.2	Financial assets at fair value through profit and loss		3,549	-	1,823	-
1.5.3	Available-for-sale financial assets		90,523	78,606	48,407	40,359
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		10,547	10,053	5,509	5,036
II.	PROFIT SHARE EXPENSE	(IV-b)	659,454	507,839	349,749	258,756
2.1	Expense on profit sharing accounts	(IV-d)	424,075	332,532	218,051	169,375
2.2	Profit share expense on funds borrowed		90,059	63,062	55,339	55,266
2.3	Profit share expense on money market borrowings		31,721	25,125	18,498	11,956
2.4	Expense on securities issued		113,425	87,116	57,759	22,159
2.5	Other profit share expense		174	4	102	-
III.	NET PROFIT SHARE INCOME (I - II)		848,319	701,354	433,242	371,251
IV.	NET FEES AND COMMISSIONS INCOME/EXPENSE		85,047	64,665	46,827	29,476
4.1	Fees and commissions received		152,793	125,411	81,222	66,139
4.1.1	Non-cash loans		42,950	40,453	22,055	20,832
4.1.2	Other	(IV-l)	109,843	84,958	59,167	45,307
4.2	Fees and commissions paid		67,746	60,746	34,395	36,663
4.2.1	Non-cash loans		1,906	94	1,870	54
4.2.2	Other	(IV-l)	65,840	60,652	32,525	36,609
V.	DIVIDEND INCOME	(IV-e)	509	-	-	-
VI.	NET TRADING INCOME	(IV-e)	97,717	50,098	71,502	(10,992)
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)		72,280	57,016	34,269	12,222
VII.	OTHER OPERATING INCOME	(IV-f)	139,050	98,927	79,212	62,648
VIII.	NET OPERATING INCOME (III+IV+V+VI+VII)		1,170,642	915,044	630,783	452,383
IX.	PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)	(IV-g)	268,216	185,384	152,328	95,458
X.	OTHER OPERATING EXPENSES (-)	(IV-h)	560,002	480,086	279,136	238,563
XI.	NET OPERATING INCOME/(LOSS) (VIII-IX-X)		342,424	249,574	199,319	118,362
XII.	AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER		-	-	-	-
XIII.	GAIN / (LOSS) ON EQUITY METHOD		(329)	(1,233)	242	(482)
XIV.	GAIN / (LOSS) ON NET MONETARY POSITION		-	-	-	-
XV.	PROFIT/(LOSS) FROM CONTINUED OPERATIONS BEFORE TAXES (XI+...+XIV)	(IV-i)	342,095	248,341	199,561	117,880
XVI.	TAX CHARGE FOR CONTINUED OPERATIONS (±)	(IV-j)	(63,197)	(56,658)	(33,404)	(27,507)
16.1	Current income tax charge		(42,961)	(73,640)	(26,733)	(39,258)
16.2	Deferred tax charge / benefit		(20,236)	16,982	(6,671)	11,751
XVII.	NET PROFIT/(LOSS) FROM CONTINUED OPERATIONS (XV±XVI)		278,898	191,683	166,157	90,373
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)	278,898	191,683	166,157	90,373
23.1	Group's income/loss		271,261	191,726	158,355	90,435
23.2	Minority interest income/loss (-)		7,637	(43)	7,802	(62)
	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 CONSOLIDATED 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. CONSOLIDATED STATEMENT OF PROFIT AND LOSS ACCOUNTED FOR UNDER EQUITY

	Reviewed Current Period 01.01.2016- 30.06.2016	Reviewed Prior Period 01.01.2015- 30.06.2015
I. Additions to marketable securities revaluation differences from available for sale financial assets	27,690	2,833
II. Tangible assets revaluation differences	-	-
III. Intangible assets revaluation differences	-	-
IV. Currency translation differences for foreign currency transactions	(1,808)	29,004
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)	103	-
VII. The effect of corrections of errors and changes in accounting policies	-	-
VIII. Other profit loss items accounted under equity as per Turkish accounting standards	-	-
IX. Deferred tax on valuation differences	(5,545)	(567)
X. Total net profit/loss accounted under equity (I+II+...+IX)	20,369	31,270
XI. Profit/loss	271,261	191,726
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	271,046	191,726
XII. Total profit/loss accounted for the period (X±XI)	291,630	222,996

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

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

V. CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Reviewed	Note	Paid-in capital	Effect of inflation accounting on paid-in capital and other capital reserves	Share premium	Share certificate cancellation	Legal reserves	Statutory reserves	Extraordinary reserve	Other reserve	Current period net income / (loss)	Prior period net income / (loss)	Marketable securities revaluation reserve	Intangible assets revaluation reserve	Bonus shares from investments	Hedging reserves	Asset held for sale and disc.op. valuation fund	Total excluding minority interest	Minority interest	Total equity
I.		2,287,005	-	24,525	-	77,869	-	208,951	56,559	-	368,174	21,069	-	-	-	-	3,044,152	12,258	3,056,520
II.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.		2,287,005	-	24,525	-	77,869	-	208,951	56,559	-	368,174	21,069	-	-	-	-	3,044,152	12,258	3,056,520
IV.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.		-	-	-	-	-	-	-	29,004	-	-	-	-	-	-	-	-	-	-
XII.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV.		240,000	-	-	-	-	-	-	(127)	-	(239,873)	-	-	-	-	-	-	-	-
XV.		240,000	-	-	-	-	-	-	(127)	-	(239,873)	-	-	-	-	-	-	-	-
XVI.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVIII.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIX.		-	-	-	-	-	-	-	-	191,726	-	-	-	-	-	-	191,726	(43)	191,683
XX.		-	-	-	-	-	-	-	36,634	-	(130,576)	-	-	-	-	-	(93,942)	-	(93,942)
XXI.		-	-	-	-	-	-	-	-	-	(38,923)	-	-	-	-	-	(38,923)	-	(38,923)
XXII.		-	-	-	-	-	-	-	-	-	(91,618)	-	-	-	-	-	-	-	-
XXIII.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XXIV.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XXV.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XXVI.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XXVII.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XXVIII.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
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XXXXXXXV.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
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XXXXXXXVII.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XXXXXXXVIII.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
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XXXXXXIII.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XXXXXXIV.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XXXXXXV.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XXXXXXVI.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XXXXXXVII.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XXXXXXVIII.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XXXXXXIX.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XXXXXX.		-	-	-	-	-													

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

V. CONSOLIDATED 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 / (loss)	Prior period net income / (loss)	Marketable securities revaluation reserve	Tangible and intangible assets revaluation fund	Bonus shares from investments	Hedging reserves	Asset held for sale and disposal 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	-	24,208	-	100,287	-	241,553	146,000	-	422,742	5,394	-	-	-	(32,633)	-	12,258	3,448,131
II.	Correction made as per TAS 8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1	Effect of revaluation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2	Effect of changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	Adjusted balances at beginning of the period (H1B)	2,527,322	-	24,208	-	100,287	-	241,553	146,000	-	422,742	5,394	-	-	-	(32,633)	-	12,258	3,448,131
IV.	Changes during the period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V.	Increase/decrease related to merger	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.	Marketable securities revaluation differences	-	-	-	-	-	-	-	(82)	-	-	22,152	-	-	-	-	22,152	-	22,152
6.1	Cash-flow hedge	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(57)	-	(57)
6.2	Hedge of net investment in foreign operations	-	-	-	-	-	-	-	(82)	-	-	-	-	-	-	-	(57)	-	(57)
VII.	Tangible assets revaluation differences	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Intangible assets revaluation differences	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	Bonus shares obtained from associates, subsidiaries and jointly controlled operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Foreign exchange differences	-	-	-	-	-	-	-	(1,726)	-	-	-	-	-	-	-	(1,726)	-	(1,726)
XI.	Changes related to the disposal of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII.	Changes related to the reclassification of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII.	The effect of change in associate's equity	-	-	-	-	-	-	-	(476)	-	(259,524)	-	-	-	-	-	-	-	-
XIV.	Capital increase	260,000	-	-	-	-	-	-	(476)	-	-	-	-	-	-	-	-	-	-
14.1	Cash	260,000	-	-	-	-	-	-	(476)	-	-	-	-	-	-	-	-	-	-
14.2	Internal sources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV.	Share issue premium	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.	Share cancellation profits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII.	Total adjustment to paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVIII.	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIX.	Net income/(loss) for the period	-	-	-	-	-	-	-	271,261	-	-	-	-	-	-	-	-	-	-
XX.	Profit distribution	-	-	-	-	-	-	110,396	48,788	-	(185,457)	-	-	-	-	-	271,261	7,637	278,898
20.1	Dividends distributed	-	-	-	-	-	-	-	-	-	(1,399)	-	-	-	-	-	(3,399)	-	(3,399)
20.2	Transfers to reserves	-	-	-	-	-	-	110,396	48,788	-	(181,758)	-	-	-	-	-	(3,399)	-	(3,399)
20.3	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balances at end of the period (H1B+IV+V+...+XVIII+XIX+XX)																			
	(H1B)	2,787,322	-	24,208	-	122,861	-	351,949	192,504	271,261	(20,939)	27,546	-	-	-	(32,608)	-	19,895	3,743,999

(*) 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 Articles3, funding capital increase from internal sources.

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

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

VI. CONSOLIDATED CASH FLOWS STATEMENT

	Note	Reviewed	Reviewed
		Current period	Prior Period
		01.01.2016-30.06.2016	01.01.2015-30.06.2015
A. CASH FLOWS FROM BANKING OPERATIONS			
1.1 Operating profit before changes in operating assets and liabilities		407,305	501,406
1.1.1 Profit share income received		1,481,465	1,160,990
1.1.2 Profit share expense paid		(649,584)	(521,506)
1.1.3 Dividend received		509	-
1.1.4 Fees and commissions received		154,436	124,697
1.1.5 Other income		88,426	171,724
1.1.6 Collections from previously written off loans		42,205	37,913
1.1.7 Payments to personnel and service suppliers		(447,014)	(277,072)
1.1.8 Taxes paid		(74,141)	(83,001)
1.1.9 Others		(188,997)	(112,339)
1.2 Changes in operating assets and liabilities		(2,282,927)	(18,742)
1.2.1 Net (increase) decrease held for trading financial assets		(34,551)	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		(2,011,700)	(4,489,743)
1.2.5 Net (increase) decrease in other assets		(42,753)	(11,569)
1.2.6 Net increase (decrease) in bank deposits		(274,319)	141,770
1.2.7 Net increase (decrease) in other deposits		1,050,881	3,649,538
1.2.8 Net increase (decrease) in funds borrowed		185,587	318,281
1.2.9 Net increase (decrease) in due payables		-	-
1.2.10 Net increase (decrease) in other liabilities		780,516	315,054
I. Net cash provided from / (used in) banking operations		(1,875,622)	482,664
B. CASH FLOWS FROM INVESTING ACTIVITIES			
II. Net cash provided from / (used in) investing activities		(835,720)	(305,478)
2.1 Cash paid for purchase jointly controlled operations, associates and subsidiaries		(750)	-
2.2 Cash obtained from sale of jointly controlled operations, associates and subsidiaries		-	-
2.3 Fixed assets purchases		(23,773)	(68,995)
2.4 Fixed assets sales		6,097	13,913
2.5 Cash paid for purchase of financial assets available for sale		(1,557,180)	(801,869)
2.6 Cash obtained from sale of financial assets available for sale		766,342	599,150
2.7 Cash paid for purchase of investment securities		-	-
2.8 Cash obtained from sale of investment securities		-	-
2.9 Other		(26,456)	(47,677)
C. CASH FLOWS FROM FINANCING ACTIVITIES			
III. Net cash provided from / (used in) financing activities		(59,273)	828,904
3.1 Cash obtained from funds borrowed and securities issued		1,017,740	1,356,417
3.2 Cash used for repayment of funds borrowed and securities issued		(1,073,614)	(488,329)
3.3 Capital increase		-	-
3.4 Dividends paid		(3,399)	(38,923)
3.5 Payments for finance leases		-	(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)		(2,767,193)	977,584
VI. Cash and cash equivalents at the beginning of the period	(V-a)	4,777,114	2,004,817
VII. Cash and cash equivalents at the end of the period	(V-a)	2,009,921	2,982,401

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED 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 consolidated financial statements and related notes and explanations in accordance with the Turkish Accounting Standards and Regulation on Accounting Applications for Banks and Safeguarding of Documents:

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

b. Classifications

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 Paid” in current period for consistency of presentation.

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

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

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

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

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

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

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

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

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

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

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

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

III. Information about the Consolidated Subsidiaries

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

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

Description	Address (City/ Country)	Principal Activity	30 June 2016	31 December 2015	Consolidation Method
Kuwait Turkish Participation Bank Dubai Ltd.	Dubai/United Arab Emirates	Banking	100.00%	100.00%	Full consolidation
KT Bank AG	Frankfurt/Germany	Banking	100.00%	100.00%	Full consolidation
KT Portföy Yönetimi A.Ş.	Istanbul/Turkey	Financial Institution	100.00%	100.00%	Full consolidation
KT Kira Sertifikaları Varlık Kiralama A.Ş.	Istanbul/Turkey	Financial Institution	100.00%	100.00%	Full consolidation
KT Sukuk Varlık Kiralama A.Ş.	Istanbul/Turkey	Financial Institution	100.00%	100.00%	Full consolidation
Körfez Gayrimenkul Yatırım Ortaklığı A.Ş.	Istanbul/Turkey	Financial Institution	75.00%	75.00%	Full consolidation
Katılım Emeklilik ve Hayat A.Ş.	Istanbul/Turkey	Financial Institution	50.00%	50.00%	Accounted for under equity method
KT Sukuk Company Limited	George Town/ Cayman Islands	Financial Institution	-	-	Full consolidation

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

Consolidation principles of subsidiaries:

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

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III. Information about the Consolidated Subsidiaries (continued)

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

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

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

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

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

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

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

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

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

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

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

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V. Explanations on profit share income and expense

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

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

VI. Explanations on fees and commission income and expenses

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

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

VII. Explanations on financial assets

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

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

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

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

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

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

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.

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VII. Explanations on financial assets (continued)

c. Loans and receivables:

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

d. Held to maturity financial assets:

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

VIII. Explanations on impairment of financial assets

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

i) Loans and receivables:

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

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

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.

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VIII. Explanations on impairment of financial assets (continued)

iii) Financial assets available for sale (continued):

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

IX. Explanations on offsetting of financial assets and liabilities

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

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

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

As of 30 June 2016, the Group has repurchasing agreements amounting to TL 1,094,805 (31 December 2015 – TL 711,542).

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.

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

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 Group has assets acquired due to receivables and debtors' obligations to the Group, 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 Group due to receivables and debtors' obligations to the Group are reflected as assets held for sale in the financial statements provided that there is a contracted term sale agreement.

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

XII. Explanations on goodwill and other intangible assets

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

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

There is no goodwill related to associates and subsidiaries.

XIII. Explanations on tangible assets

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

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

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

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XIII. Explanations on tangible assets (continued)

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.

XIV. Explanations on leasing transactions

Group as a lessee

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

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

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

Group as a lessor

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

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

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

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

XVI. Explanations on liabilities relating to employee benefits

a) Defined benefit plans:

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

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

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

b) Defined contribution plans:

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

c) Short term benefits to employees:

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

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

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XVII. Explanations on taxation

Current tax

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

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

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

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

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

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

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

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

As of 30 June 2016, the tax rates applied in foreign countries where the Group operates is as follow:

Country	Tax Rate
Germany	15%
The United Arab Emirates	0%

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XVII. Explanations on taxation (continued)

Deferred tax

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

XVIII. Explanations on additional disclosures on borrowings

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

There are no debt securities issued by the Group

The Group has not issued convertible bonds.

Borrowing through the rent certificates (Sukuk)

In order to collect funds from various investors, the Parent 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 Parent Bank has performed this issue through KT Sukuk Varlık Kiralama A.Ş. (Note V Part I-i), which is a subsidiary of the Parent 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 Parent Bank. Within the scope of the aforementioned transaction, the Parent 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. Current period TL 29,644 of the aforementioned deferred income is recognized as income in the income statement (30 June 2015 – TL 22,269). 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 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.

While preparing the consolidated financial statements as per TFRS explanation 27, the below eliminations and classifications have been performed to borrowings through the rent certificate (Sukuk) which is accounted at the stand alone financial statements as mentioned above:

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XVIII. Explanations on additional disclosures on borrowings (continued)

The difference between the sales price and the net carrying value before the sale amounting to TL 16,323 (31 December 2015: TL 47,057) of the real estate property concerning rent certificate is eliminated from “Tangible Assets”, deferred income amounting to TL 21,363 (31 December 2015: TL 51,006) is eliminated from “Other Liabilities”, current period PL effect of deferred income from real estate property amounting to TL 29,644 (31 December 2015: 22,269) and amortization expense based on the revaluation of property amounting to TL 1,092 (31 December 2015: 1,092) and fixed asset impairment amounting to TL 28,552 (31 December 2015: TL 21,177) is eliminated from other operating expenses.

Net Investment Hedge

The Group enters into foreign currency risk arising from net investments in foreign affiliates are hedged with long-term foreign currency borrowings and the currency translation differences arising from the conversion of net investments in foreign affiliates and accounts long-term foreign currency borrowings into TL for other profit reserves and hedging reserves, respectively in equity.

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 Group.

XXII. Explanations on segment reporting

The Group operates in three main segments; Retail and Enterprise Banking; Commercial Banking; Corporate and International 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 Group.

XXIV. Additional paragraph for convenience translation

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

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SECTION FOUR

INFORMATION ON FINANCIAL STRUCTURE

I. Explanations on consolidated capital adequacy standard ratio

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 5,269,400. Capital adequacy ratio is % 17.06.

As of 31 December 2015, Bank’s total capital amounted to TL 3,788,700. 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 consolidated capital adequacy standard ratio

a-) Components of consolidated total capital:

	Amount	Amount as per the regulation before 1/1/2014 (*)
COMMON EQUITY TIER I CAPITAL		
Paid-in Capital to be Entitled for Compensation after All Creditors	2,790,000	
Share Premium	24,208	
Reserves	682,230	
Other Comprehensive Income according to TAS	27,546	
Profit	250,322	
Current Period Profit	271,261	
Prior Period Profit	(20,939)	
Bonus Shares from Associates, Affiliates and Joint-Ventures not Accounted in Current Period's Profit	-	
Minority Shareholder	19,895	
Common Equity Tier I Capital Before Deductions	3,794,201	
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 (-)	47,524	-
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	79,867	133,111
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	-	7,442,556
Total credit losses that exceed total expected loss calculated according to the Regulation on Calculation of Credit Risk by Internal Ratings Based Approach	-	7,442,556
Securitization gains	-	
Unrealized gains and losses from changes in bank's liabilities' fair values due to changes in creditworthiness	-	2,877,204
Net amount of defined benefit plans	-	2,877,204
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 (-)	-	30,891,971
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	227,121	
Total Common Equity Tier I Capital	3,567,080	

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I. Explanations on consolidated capital adequacy standard ratio

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

ADDITIONAL TIER I CAPITAL		
Preferred Stock not Included in Common Equity Tier I Capital and the Related Share Premiums	-	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	-	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-	-
Additional Tier I Capital before Deductions	-	-
Deductions from Additional Tier I Capital		
Direct and Indirect Investments of the Bank on its own Additional Tier I Capital (-)	-	-
Investments in Equity Instruments Issued by Banks or Financial Institutions Invested in Bank's Additional Tier I Capital and Having Conditions Stated in the Article 7 of the Regulation	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital (-)	-	-
Other items to be defined by the BRSA (-)	-	-
Items to be Deducted from Tier I Capital during the Transition Period		
Goodwill and Other Intangible Assets and Related Deferred Taxes not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	53,244	133,111
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	85,792	-
Total Additional Tier I Capital		
Total Tier I Capital (Tier I Capital= Common Equity Tier I Capital + Additional Tier I Capital)	3,481,288	-
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)	5,269,400	-

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

Total Tier I Capital and Tier II Capital (Total Equity)		
Loans Granted against the Articles 50 and 51 of the Banking Law (-)	-	-
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years (-)	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)	5,269,400	-
Total Risk Weighted Assets	30,891,971	-
CAPITAL ADEQUACY RATIOS		
CET1 Capital Ratio (%)	11.55	-
Tier I Capital Ratio (%)	11.27	-
Capital Adequacy Ratio (%)	17.06	-
BUFFERS		
Bank-specific total CET1 Capital Ratio	0.63	-
Capital Conservation Buffer Ratio (%)	0.63	-
Bank-specific Counter-Cyclical Capital Buffer Ratio (%)	-	-
Additional CET1 Capital Over Total Risk Weighted Assets Ratio Calculated According to the Article 4 of Capital Conservation and Counter-Cyclical Capital Buffers Regulation	7.05	-
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	-	-

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

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I. Explanations on consolidated capital adequacy standard ratio

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

Reconciliation of capital items to balance sheet

<i>Current Period</i>	<i>Carrying value</i>	<i>Amount of correction</i>	<i>Value of the capital report</i>	<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	4,230	-	4,230	Adjustment effect according to Regulation on Equities of the Banks of the 4 th paragraph of Article 10
Other Comprehensive Income According to TAS	(19,978)	-	(19,978)	Adjustment effect according to Regulation on Equities of the Banks of the 4 th paragraph of Article 10
Securities Value Increase Fund	27,546	-	27,546	Adjustment effect according to Regulation on Equities of the Banks of the 4 th paragraph of Article 10
Revaluation Surplus on Tangible Assets	-	-	-	
Revaluation Surplus on Intangible Assets	-	-	-	
Revaluation Surplus on Investment Property	-	-	-	
Hedging Reserves (Effective Portion)	(32,608)	-	(32,608)	Balances not included to calculation according to of Article 9-1-f
Revaluation Surplus on Assets Held for Sale and Assets of Discontinued Operations	-	-	-	
Other Capital Reserves	(14,916)	-	(14,916)	Adjustment effect according to Regulation on Equities of the Banks of the 4 th paragraph of Article 10 and Inflation adjustment effect according to Regulation on Equities of the Banks of the 4 th paragraph of Article 10
Bonus Shares of Associates, Affiliates and Joint-Ventures	-	-	-	
Share Premium	24,208	-	24,208	
Profit Reserves	682,230	-	682,230	Adjustment effect according to Regulation on Equities of the Banks of the 4 th paragraph of Article 10
Profit or Loss	250,322	-	250,322	Adjustment effect according to Regulation on Equities of the Banks of the 4 th paragraph of Article 10
Prior Periods Profit/Loss	20,939	-	20,939	
Current Period Net Profit/Loss	271,261	-	271,261	Adjustment effect according to Regulation on Equities of the Banks of the 4 th paragraph of Article 10
Minority Shareholders	19,895	-	19,895	Adjustment effect according to Regulation on Equities of the Banks of the 4 th paragraph of Article 10
Deductions from Common Equity Tier I Capital (-)	133,316	-	227,121	Deductions from Capital as per the Regulation
Common Equity Tier I Capital	3,771,628	-	3,567,080	

<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 (-)	-	-	85,792	Deductions from Tier 1 Capital as per the Regulation
Tier I Capital	-	-	3,481,288	
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	-	-	5,269,400	

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

	Prior Period
TIER 1 CAPITAL	3,298,662
Paid-in Capital to be Entitled for Compensation after All Creditors	2,527,322
Share Premium	24,208
Share Cancellation Profits	-
Reserves	414,536
Other Comprehensive Income According to TAS	97,445
Profit	423,742
Current Period Profit	426,018
Prior Period Profit	(2,276)
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	3,487,253
Deductions from Tier 1 Capital	
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-)	51,380
Leasehold Improvements on Operational Leases (-)	46,615
Goodwill and Other Intangible Assets and Related Deferred Taxes (-)	45,347
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	188,591
Total Tier 1 Capital	3,298,662
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	135,894
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 (-)	71,604
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	3,162,768

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I. Explanations on consolidated capital adequacy standard ratio

a-) Components of consolidated 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	3,821,936
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	3,788,700
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 consolidated currency risk

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

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

As of 30 June 2016, the Bank carries a net foreign currency long position of TL 1,612,089 (31 December 2015 – TL 1,002,481 long position) comprising TL 1,456,510 balance sheet short position (31 December 2015 - TL 899,306 short position) and TL 155,579 off balance sheet long position (31 December 2015 - TL 103,175 long position).

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

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

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II. Explanations on consolidated currency risk (continued)

Currency risk of the Group:

	EURO	USD	Other FC(****)	Total
Current period				
Assets				
Cash (cash in vault, effectives, money in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey	821,813	4,065,673	2,406,403	7,293,889
Banks	1,478,375	407,972	129,140	2,015,487
Financial assets at fair value through profit and loss	-	76,507	-	76,507
Money market placements	-	-	-	-
Available-for-sale financial assets (**)	5,822	1,522,573	-	1,528,395
Loans and finance lease receivables (*)	3,976,996	7,730,598	116,443	11,824,037
Associates, Subsidiaries and Joint-Ventures (**)	-	-	-	-
Held-to-maturity investments	-	-	-	-
Derivative financial assets for hedging purposes	-	-	-	-
Tangible assets	4,731	425	-	5,156
Intangible assets	40,206	-	-	40,206
Other assets	86,666	65,487	3,378	155,531
Total assets	6,414,609	13,869,235	2,655,364	22,939,208
Liabilities				
Current account and funds collected from Banks via participation accounts	1,548	44,943	103,495	149,986
Current and profit sharing accounts FC	2,673,977	9,005,707	1,136,234	12,815,918
Money market borrowings	-	-	-	-
Funds provided from other financial institutions	142,470	4,087,622	583,890	4,813,982
Marketable securities issued	-	3,053,978	-	3,053,978
Miscellaneous payables	2,782	35,049	345	38,176
Derivative financial liabilities for hedging purposes	-	-	-	-
Other liabilities (*****)	345,646	82,981	26,452	455,079
Total liabilities	3,166,423	16,310,280	1,850,416	21,327,119
Net balance sheet position	3,248,186	(2,441,045)	804,948	1,612,089
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	2,695,386	323,869	4,492,686
Prior period				
Total assets	5,578,821	15,015,174	1,963,997	22,557,992
Total liabilities	2,907,551	16,570,385	2,077,575	21,555,511
Net balance sheet position	2,671,270	(1,555,211)	(113,578)	1,002,481
Net off-balance sheet position	(2,627,455)	1,632,270	95,879	(899,306)
Financial derivative assets	431,591	4,183,696	1,038,566	5,653,853
Financial derivative liabilities	3,059,046	2,551,426	942,687	6,553,159
Non-cash loans (***)	1,391,637	2,607,875	319,972	4,319,484

(*) 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 presented as TL 1,638,031 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 27,473 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 66,819 and TL 488 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)
- Foreign Currency Marketable securities revaluation reserve: TL 14,660 (31 December 2015 - (3,831) TL)
- Derivative financial liabilities for hedging purposes TL 63,045 (31 December 2015 – TL 98,650)

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

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II. Explanations on consolidated currency risk (continued)

Currency risk of the Group (continued):

- 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 purchase transactions: TL 578,612 (31 December 2015 - TL 340,409)
- Future sale transactions: TL 1,906,585 (31 December 2015- TL 832,407)

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

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

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

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

Comparison			
Equity Securities (shares)	Carrying Value	Fair Value	Market Value
1 Securities Available-for-Sale (*)	100,733	-	-
Quoted Securities	-	-	-
2 Investments in Associates	-	-	-
Quoted Securities	-	-	-
3 Investment in Subsidiaries (*)	23,680	-	-
Quoted Securities	-	-	-
4 Other	8,049	-	-
Quoted Securities	-	-	-

Comparison			
Prior Period 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 (*)	22,930	-	-
Quoted Securities	-	-	-
4 Other	8,378	-	-
Quoted Securities	-	-	-

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

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

None (31 December 2015: None).

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IV. Consolidated liquidity risk management and liquidity coverage ratio

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Consolidated 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 as of 30 June 2016:

<i>Current Period</i>	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. Consolidated liquidity risk management and liquidity coverage ratio (continued)

Consolidated 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 as of 31 December 2015:

<i>Prior Period</i>	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. Consolidated liquidity risk management and liquidity coverage ratio (continued)

Presentation of assets and liabilities according to their remaining maturities:

	Demand	Up to 1 month	1-3 Months	3-12 months	1-5 years	Over 5 years	Unallocated (**)	Total
Current period								
Assets								
Cash (cash in vault, effectives, cash in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey	3,083,969	5,272,822	-	-	-	-	-	8,356,791
Banks	2,041,709	-	13,025	-	-	-	-	2,054,734
Financial assets at fair value through profit and loss	-	50,378	26,399	13,216	68,307	9,841	-	168,141
Money market placements	-	-	-	-	-	-	-	-
Available-for-sale financial assets	-	1,239,224	212,257	159,730	1,079,719	318,734	156,048	3,165,712
Loans(*)	-	4,796,538	3,863,871	9,472,868	9,445,176	1,296,825	131,085	29,006,363
Held-to-maturity investments	-	-	-	-	-	-	-	-
Other assets (**)	40,075	598,821	19,057	-	81,369	-	718,856	1,458,178
Total assets	5,165,753	11,957,783	4,134,609	9,645,814	10,674,571	1,625,400	1,005,989	44,209,919
Liabilities								
Current account and funds collected from								
banks via participation accounts	147,565	6,405	-	398	-	-	-	154,368
Current and profit sharing accounts	10,176,417	14,910,665	2,758,678	881,407	19,585	-	-	28,746,752
Funds provided from other financial institutions	-	271,382	315,661	2,570,192	261,301	1,629,171	-	5,047,707
Money market borrowings	-	1,094,805	-	-	-	-	-	1,094,805
Marketable securities issued	-	-	-	521,039	3,046,889	-	-	3,567,928
Miscellaneous payables	116,375	45,313	990	-	-	-	-	162,678
Other liabilities (**)	-	966,451	53,895	10,399	63,043	-	4,341,893	5,435,681
Total liabilities	10,440,357	17,295,021	3,129,224	3,983,435	3,390,818	1,629,171	4,341,893	44,209,919
Net liquidity gap	(5,274,604)	(5,337,238)	1,005,385	5,662,379	7,283,753	(3,771)	(3,335,904)	-
Prior period								
Total assets	6,152,724	10,805,387	4,595,348	8,812,202	9,610,926	1,322,706	795,703	42,094,996
Total liabilities	9,372,990	16,432,062	4,000,087	4,403,000	3,263,140	589,726	4,033,991	42,094,996
Net Liquidity Gap	(3,220,266)	(5,626,675)	595,261	4,409,202	6,347,786	732,980	(3,238,288)	-

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

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

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V. Explanations on consolidated leverage ratio

Disclosure of consolidated leverage ratio template

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

On-balance sheet assets		<i>Current Period (*)</i>	<i>Prior Period (*)</i>
1	On-balance sheet items (excluding derivative financial instruments and credit derivatives but including collateral)	43,965,644	42,431,360
2	(Assets deducted in determining Tier I capital)	(263,566)	(237,229)
3	Total on-balance sheet risks (sum of lines 1 and 2)	43,702,098	42,194,131
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	37,505,166	37,198,861
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)	15,858,978	14,535,727
Capital and total risks			
13	Tier I capital	3,441,004	3,214,404
14	Total risks (sum of lines 3, 6, 9 and 12)	60,105,437	57,502,305
Leverage ratio			
15	Leverage ratio	5.73	5.59

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

In the consolidated basis, the Group's balance sheet date in the last months of the past three months, calculated on the basis of the arithmetic average of the nominal value in the leverage ratio was 5.73% (31 December 2015 – 5.59%) were realized. The main reason for the changes compared to the previous period compared to other off-balance sheet items is higher than the increase in risk item. According to this, while the core capital is observed an increase in profit for the period increased by 7% and the balance-sheet risks borne amount, balance sheet items showed a %4 increase, also off-balance sheet items increased %9. 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 Group's strategies, risk policies and vision, the analyses that Risk Management Service presents to Internal Systems Committee and Audit Committee are credit risks, market risks, liquidity risks, operational risks and IT risk evaluations. Besides, in accordance to market trends, economic conduct and Bank's strategic growth, capital adequacy stress test and scenario analyses, evaluation of economic development in the World and Turkey are presented to Internal Systems Committee and Board of Directors by Risk Management Service. These analyses contribute to Bank Top Management's resolution process about risk appetite and awareness of risks, capital adequacy, strategy revisions and future estimation.

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

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

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VI. Explanations on 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) (*)	27,191,655	23,542,395	2,175,332
2	Of which standardised approach (SA)	27,191,655	23,542,395	2,175,332
3	Of which internal rating-based (IRB) approach	-	-	-
4	Counterparty credit risk	80,556	42,226	6,444
5	Of which standardised approach for counterparty credit risk (SA-CCR)	80,556	42,226	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	742,556	804,150	59,404
17	Of which standardised approach (SA)	742,556	804,150	59,404
18	Of which internal model approaches (IMM)	-	-	-
19	Operational risk	2,877,204	2,273,965	230,176
20	Of which basic indicator approach	2,877,204	2,273,965	230,176
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)	30,891,971	26,662,737	2,471,356

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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	564,538	29,004,086	433,453	29,135,171
2	Debt securities	-	2,975,879	7,388	2,968,491
3	Off-balance sheet exposures	-	11,803,198	75,943	11,727,255
4	Total	564,538	43,783,163	516,784	43,830,917

2. Changes in stock of default loans and debt securities

1	Defaulted loans and debt securities at end of the previous reporting period	456,315
2	Loans and debt securities that have defaulted since the last reporting period	202,395
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)	564,538

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	24,358,397	4,776,774	471,657	-	-	-	-
2	Debt Securities	2,968,492	-	-	-	-	-	-
3	Total	27,326,889	4,776,774	471,657	-	-	-	-
4	Defaulted	131,085	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	3,670,898	794,694	3,670,898	380,229	1,539,406	38
7	Exposures to corporates	8,098,694	6,663,324	8,098,694	3,215,596	11,097,308	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	3,691,351	-	3,691,351	-	1,353,644	37
17	Equity share investments	-	-	-	-	-	-
18	Total	40,072,302	11,565,778	40,072,302	5,011,620	27,191,655	

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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 (post-CCF and CRM)
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	8,589	-	1,753,831	2,200,338	-	88,165	204	-	-	1,539,406
7	Exposures to corporates	136,975	-	100,009	-	-	11,077,306	-	-	-	11,097,308
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	2,252,286	-	106,776	-	-	1,332,289	-	-	-	1,353,644
18	Total	5,984,615	-	2,075,358	13,352,704	4,210,004	14,955,477	35,783	-	5,524,506	27,191,655

* 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>Credit Risk 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 technics.

** 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: The Group has no securitisation transactions.

e. Market risk:

1. Market risk under standardised approach:

		<i>Risk Weighted Amount (RWA)</i>
	Outright products	742,556
1	Interest rate risk (general and specific)	370,383
2	Equity risk (general and specific)	-
3	Foreign exchange risk	316,847
4	Commodity risk	55,326
	Options	-
5	Simplified approach	-
6	Delta-plus method	-
7	Scenario approach	-
8	Securitisation	-
9	Total	742,556

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VII. Securitization positions

None.

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

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

IX. Explanations on business segments

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

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	Grup's total operation
Operating income	799,017	996,964	70,975	30,886	1,897,842
Operating expenses	716,212	165,239	114,095	559,872	1,555,418
Transfers between segments	404,722	(450,266)	45,544	-	-
Net operating income(loss)	487,527	381,459	2,424	(528,986)	342,424
Income from associates	-	-	-	(329)	(329)
Income (loss) before tax	487,527	381,459	2,424	(529,315)	342,095
Provision for taxation	-	-	-	(63,197)	(63,197)
Net income for the period	487,527	381,459	2,424	(592,512)	278,898
Current Period (1 January – 30 June 2016)					
Segment assets	10,153,960	18,350,503	14,247,251	-	42,751,741
Associates, subsidiaries and joint Ventures	-	-	-	31,729	31,729
Undistributed assets	-	-	-	1,426,449	1,426,449
Total assets	10,153,960	18,350,503	14,247,251	1,458,178	44,209,919
Segment liabilities	22,418,221	6,482,843	9,837,459	-	38,738,550
Undistributed liabilities	-	-	-	1,727,370	1,727,370
Shareholders' equity	-	-	-	3,743,999	3,743,999
Total liabilities	22,418,221	6,482,843	9,837,459	5,471,369	44,209,919

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IX. Explanations on business segments (continued)

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

Prior Period (1 January 2015 – 30 June 2015)	Retail and enterprise Banking	Commercial banking	Corporate and international banking	Unallocated	Grup's total operation
Operating income	636,239	776,474	70,916	-	1,483,629
Operating expenses	426,268	142,668	174,815	490,304	1,234,055
Transfers between segments	218,681	(293,180)	74,499	-	-
Net operating income(loss)	428,652	340,626	(29,400)	(490,304)	249,574
Income from associates	-	-	-	(1,233)	(1,233)
Income (loss) before tax	428,652	340,626	(29,400)	(491,537)	248,341
Provision for taxation	-	-	-	(56,658)	(56,658)
Net income for the period	428,652	340,626	(29,400)	(548,195)	191,683
Prior Period (31 December 2015)					
Segment assets	9,064,400	16,198,727	13,124,998	-	38,388,125
Associates, subsidiaries and joint ventures	-	-	-	32,052	32,052
Undistributed assets	-	-	-	1,237,919	1,237,919
Total assets	9,064,400	16,198,727	13,124,998	1,269,971	39,658,096
Segment liabilities	18,918,754	6,971,987	9,395,062	-	35,285,803
Undistributed liabilities	-	-	-	1,131,742	1,131,742
Shareholders' equity	-	-	-	3,240,551	3,240,551
Total liabilities	18,918,754	6,971,987	9,395,062	4,372,293	39,658,096

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SECTION FIVE

EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

I. Explanations and notes related to consolidated assets

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

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash/foreign currency	333,710	801,380	433,762	1,323,504
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	7,293,889	662,376	6,950,238

(*) 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).

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

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

c. Information on Banks:

- Information on banks:

	Current period		Prior period	
	TL	FC	TL	FC
Banks	39,247	2,015,487	10,342	3,619,174
Domestic	39,210	968,121	10,292	1,765,434
Foreign	37	1,047,366	50	1,853,740
Branches and head office abroad	-	-	-	-
Total	39,247	2,015,487	10,342	3,619,174

- Information on foreign bank accounts:

	Current period		Prior period	
	Unrestricted Amount	Restricted Amount	Unrestricted Amount	Restricted Amount
EU Countries	840,825	-	1,005,193	-
USA and Canada	159,776	-	647,305	-
OECD Countries (*)	6,576	-	21,339	-
Off-shore Banking Regions	664	-	419	-
Other	39,562	-	179,534	-
Total	1,047,403	-	1,853,790	-

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

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

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

	Current Period	Prior Period
Debt Securities	3,016,686	2,293,359
Quoted on stock exchange	3,016,686	2,293,359
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	3,165,712	2,355,099

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

- a) 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
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

- b) 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
TRD150217T18	TRY	6	T.C. HAZINE	18/02/2015	15/02/2017	467,435	7.8
TRD280916T17	TRY	6	T.C. HAZINE	01/10/2014	28/09/2016	294,444	9.68
TRD160817T11	TRY	6	T.C. HAZINE	19/08/2015	16/08/2017	317,238	9.96
TRD140218T18	TRY	6	T.C. HAZINE	17/02/2016	14/02/2018	435,680	10.64
XS0831353361	USD	6	T.C. HAZINE	26/09/2012	26/03/2018	242,756	2.8
XS1141043296	USD	6	T.C. HAZINE	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

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I. Explanations and notes related to consolidated 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:

Current Period	Performing Loans and Other Receivables			Loans and Other Receivables under Follow-Up		
Cash Loans	Loans and Other Receivables	Loans and Receivables with Revised Contract Terms		Loans and Other Receivables	Loans and Receivables with Revised Contract Terms	
		Extension of Repayment Plan	Other		Extension of Repayment Plan	Other
Loans	25,646,860	513,724	-	539,045	771,451	-
Financing commodity against document	-	-	-	-	-	-
Exports Loan	16,281	-	-	43	-	-
Imports Loans	1,203,877	-	-	10,473	-	-
Enterprise Loans	16,392,583	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	1,837	-
Loans Given to Financial Sector	119,648	-	-	-	-	-
Loans Extended Abroad	183,737	51,959	-	39,257	16,395	-
Other	2,111,773	-	-	10,322	-	-
Other Receivables	14,652	-	-	16,622	-	-
Total	25,661,512	513,724	-	555,667	771,451	-

Prior Period	Performing Loans and Other Receivables			Loans and Other Receivables under Follow-Up		
Cash Loans	Loans and Other Receivables	Loans and Receivables with Revised Contract Terms		Loans and Other Receivables	Loans and Receivables with Revised Contract Terms	
		Extension of Repayment Plan	Other		Extension of Repayment Plan	Other
Loans	24,278,196	347,322	-	499,331	715,135	-
Financing commodity against document	-	-	-	-	-	-
Exports Loan	22,796	-	-	247	-	-
Imports Loans	1,034,926	-	-	1,981	-	-
Enterprise Loans	15,585,317	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	291,164	53,687	-	14,339	1,521	-
Other	2,009,496	-	-	18,044	-	-
Other Receivables	19,064	-	-	4,085	-	-
Total	24,297,260	347,322	-	503,416	715,135	-

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I. Explanations and notes related to consolidated 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)

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

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

Extension Periods for Repayment Plan Changes		
Extension Periods for Repayment Plan Changes	Performing Loans and Other Receivables	Loans and Other Receivables under Follow-Up
0 - 6 months	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

Number of Extensions for Repayment Plan		
Prior Period	Performing Loans and Other Receivables	Loans and Other Receivables under Follow-Up
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		
Extension Periods for Repayment Plan Changes	Performing Loans and Other Receivables	Loans and Other Receivables under Follow-Up
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 consolidated 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 Follow-Up	
	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	6,389,912	17,760	78,970	27,069
Loans	6,375,260	17,760	62,348	27,069
Other receivables	14,652	-	16,622	-
Medium and long-term loans and other receivables (*)	19,271,600	495,964	476,697	744,382
Loans	19,271,600	495,964	476,697	744,382
Other receivables	-	-	-	-
Total	25,661,512	513,724	555,667	771,451
Prior Period	Performing Loans and Other Receivables		Loans and other receivables under Follow-Up	
	Loans and other receivables	Loans and Receivables with Revised Contract Terms	Loans and other receivables	Loans and Receivables with Revised Contract Terms
Cash Loans				
Short-term loans and other receivables	6,533,399	13,522	81,700	25,134
Loans	6,514,335	13,522	77,615	25,134
Other receivables	19,064	-	4,085	-
Medium and long-term loans and other receivables (*)	17,763,861	333,800	421,716	690,001
Loans	17,763,861	333,800	421,716	690,001
Other receivables	-	-	-	-
Total	24,297,260	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 consolidated 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 Instalment	33,495	137	33,632
Without Instalment	132,784	-	132,784
Retail Credit Cards-FC	-	-	-
With Instalment	-	-	-
Without Instalment	-	-	-
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 Instalment	2,142	23	2,165
Without Instalment	4,795	-	4,795
Personnel Credit Cards-FC	-	-	-
Instalment based	-	-	-
Without-instalment	-	-	-
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 consolidated 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 Instalment	28,719	821	29,540
Without Instalment	112,226	-	112,226
Retail Credit Cards-FC	-	-	-
With Instalment	-	-	-
Without Instalment	-	-	-
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 Instalment	2,045	40	2,085
Without Instalment	4,648	-	4,648
Personnel Credit Cards-FC	-	-	-
Instalment based	-	-	-
Without-instalment	-	-	-
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 consolidated 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 Instalment 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 Instalment 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 Instalment 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 Instalment	17,306	-	17,306
Without Instalment	104,872	-	104,872
Corporate Credit Cards-FC	-	-	-
With Instalment	-	-	-
Without Instalment	-	-	-
Overdraft Account-TL (Legal Entity)	-	-	-
Overdraft Account-FC (Legal Entity)	-	-	-
Total	389,292	5,330,252	5,719,544

Prior Period	Short term	Medium and long term	Total
Commercial Instalment 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 Instalment 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 Instalment 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 Instalment	14,186	-	14,186
Without Instalment	89,734	-	89,734
Corporate Credit Cards-FC	-	-	-
With Instalment	-	-	-
Without Instalment	-	-	-
Overdraft Account-TL (Legal Entity)	-	-	-
Overdraft Account-FC (Legal Entity)	-	-	-
Total	228,392	4,943,963	5,172,355

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

e. Information on loans and receivables (continued):

6. Breakdown of domestic and foreign loans:

	Current period	Prior period
Domestic loans	27,211,006	25,502,422
Foreign loans	291,348	360,711
Total	27,502,354	25,863,133

7. Loans granted to subsidiaries and associates:

	Current period	Prior period
Loans granted directly to subsidiaries and associates (*)	11	10
Loans granted indirectly to subsidiaries and associates	-	-
Total	11	10

(*) 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	259,334	158,664
Total	433,453	330,407

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

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

	Group III	Group IV	Group V
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables

Current period

(Gross amounts before specific provision)

Restructured loans and other receivables	-	-	-
Rescheduled loans and other receivables	-	-	-

Prior period

(Gross amounts before specific provision)

Restructured loans and other receivables	1,961	-	-
Rescheduled loans and other receivables	-	-	-

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I. Explanations and notes related to consolidated 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 receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Ending balance of prior period-31.12.2015	112,924	160,172	183,219
Additions in the current period (+)	102,188	49,951	50,256
Transfers from other categories of non-performing loans(+)	108	72,919	129,765
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 of the current period	115,111	159,910	289,517
Specific provisions (-)	68,961	105,158	259,334
Net balance at the balance sheet	46,150	54,752	30,183

(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 receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Current period (Net)	46,150	54,752	30,183
Loans granted to real persons and legal entities			
(Gross)	115,111	159,910	289,517
Specific provision (-)	68,961	105,158	259,334
Loans to real persons and legal entities (Net)	46,150	54,752	30,183
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	24,555
Loans to real persons and legal entities (Gross)	112,924	160,172	183,219
Specific provision (-)	67,565	104,178	158,664
Loans to real persons and legal entities (Net)	45,359	55,994	24,555
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):

- 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 5,746 (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 Bank does not have a significant influence on these institutions.
- Information about investments in unconsolidated associates: None (31 December 2015 – None).
- Information related to consolidated associates: None (31 December 2015 – None).

h. Information on subsidiaries (Net):

- 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.

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 Bilgi Sistemleri ve Pazarlama Tic A.Ş. (**)	İstanbul/Turkey	100%	100%
KT Sukuk Company Limited (***)	George Town/Cayman Islands	-	-

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

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

2. Information on subsidiaries: (continued)

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

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

Movement for subsidiaries

	Current period	Prior period
Balance at the beginning of the year	22,930	22,680
Movements during the year	-	-
Purchases (*)	750	250
Transfers from subsidiaries	-	-
Bonus shares	-	-
Dividends from current year income	-	-
Sales	-	-
Revaluation increase	-	-
(Impairment)/reversal of impairment	-	-
Capital commitment payments	-	-
Balance at the end of the year	23,680	22,930
Capital commitments	-	-
Share percentage at the end of the year (%)	-	-

(*) Purchase is the capital payments to Architech Bilişim Sistemleri ve Pazarlama Tic A.Ş amounting to TL 750.

3. Information on consolidated subsidiaries:

Description	Address (City/ Country)	Bank's share percentage- If different voting percentage (%)	Bank's risk group share percentage (%)
Kuwait Turkish Participation Bank Dubai Ltd. (*)	Dubai/BAE	100%	100%
KT Sukuk Varlık Kiralama A.Ş.	İstanbul/Turkey	100%	100%
KT Kira Sertifikaları Varlık Kiralama A.Ş.	İstanbul/Turkey	100%	100%
Körfez Gayrimenkul Yatırım Ortaklığı A.Ş.	İstanbul/Turkey	75.00%	97.61%
KT Bank AG (*)	Frankfurt/Germany	100%	100%
KT Portföy Yönetimi A.Ş.	İstanbul/Turkey	100%	100%
KT Sukuk Company Limited (**)	George Town/Cayman Islands	-	-

(*) Financial figures as of 30 June 2016 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.

(**) The special purpose entity, Kuveyt Turk Sukuk is not a subsidiary of the Parent Bank. Since the Bank has 100% control power on the subsidiary it is included in the scope of consolidation.

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

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

3. Information on subsidiaries: (continued)

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

4. Information on capital adequacies of major subsidiaries:

The Bank does not have any major subsidiary.

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

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

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	438,205	13,668	1,774	(658)	(3,081)

(*) 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

(**) 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	1,566,093	1,363,000
Unearned finance lease income (-)	(193,169)	(180,140)
Cancelled amounts (-)	-	-
Net receivable from finance leases	1,372,924	1,182,860

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

j. Information on finance lease receivables (Net):

3. Information on finance lease contracts:

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

l. 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
Rediscount on held for trading transactions (Net)	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)
Accrual of held for trading assets	-	-
Valuation differences from available for sale financial assets	(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	(20,236)	50,599
Deferred tax accounted under other comprehensive income	(5,545)	6,535
Deferred tax asset	81,369	107,150

m. Information on other assets:

As of balance sheet date, the Group's other assets amount to TL 723,525 (31 December 2015 - TL 485,172). Other assets balance does not exceed 2% of the total assets on the balance sheet excluding off balance sheet commitments.

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SECTION FIVE

II. Explanations and notes related to consolidated liabilities

a. Information on funds collected:

1. Information on maturity structure of funds collected:

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	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	2,087,744	-	-	-	-	-	-	-	2,087,744
Public sector	93,682	-	-	-	-	-	-	-	93,682
Commercial sector	1,953,152	-	-	-	-	-	-	-	1,953,152
Other institutions	36,542	-	-	-	-	-	-	-	36,542
Commercial and other institutions	-	-	-	-	-	-	-	-	-
Banks and participation banks	4,368	-	-	-	-	-	-	-	4,368
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	2,791	-	-	-	-	-	-	-	2,791
Foreign banks	1,088	-	-	-	-	-	-	-	1,088
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
Commercial residents in Turkey	1,616,669	-	-	-	-	-	-	-	1,616,669
Commercial residents in Abroad	1,427,452	-	-	-	-	-	-	-	1,427,452
Banks and participation banks	44,276	-	-	-	-	-	-	-	44,276
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	8,552	-	-	-	-	-	-	-	8,552
Foreign banks	33,852	-	-	-	-	-	-	-	33,852
Participation banks	1,872	-	-	-	-	-	-	-	1,872
Others	-	-	-	-	-	-	-	-	-
VIII. Profit sharing accounts- FC	-	358,607	737,075	92,218	-	28,780	101,531	-	1,318,211
Public sector	-	-	179	-	-	-	-	-	179
Commercial sector	-	249,533	640,326	76,002	-	22,162	55,380	-	1,043,403
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	-	3	6,308	-	-	-	86	-	6,397
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	10,323,982	5,464,889	10,498,126	1,263,297	-	832,944	517,882	-	28,901,120

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

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II. Explanations and notes related to consolidated liabilities (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	1,914,837	-	-	-	-	-	-	-	1,914,837
Public sector	66,484	-	-	-	-	-	-	-	66,484
Commercial sector	1,814,603	-	-	-	-	-	-	-	1,814,603
Other institutions	24,319	-	-	-	-	-	-	-	24,319
Commercial and other institutions	-	-	-	-	-	-	-	-	-
Banks and participation banks	9,431	-	-	-	-	-	-	-	9,431
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	1,202	-	-	-	-	-	-	-	1,202
Foreign banks	4,831	-	-	-	-	-	-	-	4,831
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	1,337,905	-	-	-	-	-	-	-	1,337,905
Commercial residents in Turkey	1,169,549	-	-	-	-	-	-	-	1,169,549
Commercial residents in Abroad	141,076	-	-	-	-	-	-	-	141,076
Banks and participation banks	27,280	-	-	-	-	-	-	-	27,280
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	4,215	-	-	-	-	-	-	-	4,215
Foreign banks	21,767	-	-	-	-	-	-	-	21,767
Participation banks	1,298	-	-	-	-	-	-	-	1,298
Others	-	-	-	-	-	-	-	-	-
VIII. Profit sharing accounts- FC	-	312,332	1,514,105	67,155	-	69,741	294,886	-	2,258,219
Public sector	-	-	15	-	-	-	-	-	15
Commercial sector	-	213,720	1,414,812	47,301	-	52,321	254,832	-	1,982,986
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	-	-	3,581	-	-	61	40,054	-	43,696
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	9,289,129	4,970,555	10,963,067	1,318,149	-	815,625	768,775	-	28,125,300

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II. Explanations and notes related to consolidated 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 is published in the Official Gazette dated 1 November 2005 with No. 25983.

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

The headquarters of the Parent Bank is in Turkey.

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

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

	Current period	Prior period
Foreign branches' profit sharing accounts and other accounts	-	-
Profit sharing accounts and other accounts of controlling shareholders and profit sharing accounts of their mother, father, spouse, children in care	-	-
Profit sharing account and other accounts of President and Members of Board of Directors, CEO and Vice Presidents and profit sharing accounts of their mother, father, spouse and children in care	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 consolidated 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	70,805	231,304	10,490	155,108
From Foreign Banks, Institutions and Funds	162,920	2,953,376	55,208	4,040,837
Total	233,725	3,184,680	65,698	4,195,945

2. Information on maturity structure of borrowings:

	Current period		Prior period	
	TL	FC	TL	FC
Short-term	223,492	2,933,612	65,698	4,059,263
Medium and Long-Term	10,233	251,068	-	136,682
Total	233,725	3,184,680	65,698	4,195,945

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II. Explanations and notes related to consolidated liabilities (continued)

c. Information on funds borrowed (continued):

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

Current Period:

Type	Customer	Opening Date	Maturity	Currency	Rate (Year)	Principal	Cost
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

Prior Period:

Type	Customer	Opening Date	Maturity	Currency	Rate (Yearly)	Principal	Cost
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

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

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

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

d. Information on issued securities

The group has issued sukuk that the details given below. The yield rates for issued securities are 10% for Turkish Lira and 5% for USD on average and for 6% Malaysian Ringgit. The maturity range of issued securities in TRY is October 2016 – April 2018 and securities (sukuk) in USD is June 2019 and securities (sukuk) in Malaysian Ringgit is March 2020-July 2020.

Current Period	TL		FC	
	Short Term Maturity	Mid-Long Term Maturity	Short Term Maturity	Mid-Long Term Maturity
Nominal	498,716	-	-	3,033,640
Distributed Yields	22,008	-	-	392,049
Book Value	503,718	10,232	-	3,053,978

Prior Period	TL		FC	
	Short Term Maturity	Mid-Long Term Maturity	Short Term Maturity	Mid-Long Term Maturity
Nominal	589,240	-	-	3,013,900
Distributed Yields	26,296	-	-	468,721
Book Value	602,602	-	-	3,033,517

e. Information on other liabilities and miscellaneous payables:

As of 30 June 2016, other liabilities amounting to TL 964,299 (31 December 2015 - TL 456,852), sundry creditors amounting to TL 162,678 (31 December 2015 - TL 126,289), both of them do not exceed 10% of the balance sheet total.

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II. Explanations and notes related to consolidated liabilities (continued)

f. Information on finance lease payables (net):

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

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

	Current period		Prior period	
	Gross	Net	Gross	Net
Less than 1 year	145	131	-	-
Between 1-4 years	-	-	145	131
More than 4 years	-	-	-	-
Total	145	131	145	131

iii. Information on Operational Leases:

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

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

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

iv. Information on sale and leaseback transactions:

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.

g. 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

h. 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

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II. Explanations and notes related to consolidated liabilities (continued)

h. Information on provisions (continued):

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
Credit card bonus provisions	674	551
Other (**)	19,357	7,988
Total	116,403	91,617

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

(**) Other item includes TL 4,450 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)

4. Information on provisions for employee benefits:

Provisions for employee benefits consist of reserve for employee termination benefits amounting to TL 55,489 (31 December 2015 – TL 48,638), 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 bonus payment provision of TL 6,893 (31 December 2015 – TL 3,360) and committee fee amounting to TL 6,366 (31 December 2015 – TL 4,840).

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

The amount payable consists of one month's salary limited to a maximum of TL 4,093 (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 Group arising from the retirement of its employees. TAS 19 requires actuarial valuation methods to be developed to estimate the enterprise's obligation for such benefits. Accordingly, the following actuarial assumptions were used in the calculation of the total liability:

	Current period	Prior period
Discount Rate (%)	9.80	10.83
Inflation rate (%)	6.70	7.40
Interest rate (%)	9.80	8.40

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II. Explanations and notes related to consolidated liabilities (continued)

h. Information on provisions (continued):

4. Information on provisions for employee benefits (continued):

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

	Current period	Prior period
Balance at the beginning of the period	48,638	42,212
Provisions recognized during the period	10,250	13,197
Paid during the period	(3,399)	(3,151)
Actuarial loss	-	(3,620)
Balances at the end of the period	55,489	48,638

i. Explanations on tax liability:

1. Explanations on current tax liability:

- i. Information on tax provisions: As of 30 June 2016, the Group has current tax liability after deducting temporary taxes paid during the period from the provision for corporate income tax amounting to TL 26,603.

	Current period	Prior period
Provision for corporate income tax	42,833	159,534
Prepaid taxes	(16,230)	(123,057)
Total (*)	26,603	36,477

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

ii. Information on taxes payable (*):

	Current period	Prior period
Taxation of marketable securities	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	967	1,001
Total	35,799	33,208

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

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).

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II. Explanations and notes related to consolidated liabilities (continued)

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

Kuwait Turkish Participation 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. To comply with changes on BRSA regulations which published as of 31 March 2016, subordinated loan agreement amended as of 29 March 2016. BRSA approved that to continue using an existing subordinated loan like as additional capital with approval article dated 25 April 2016.

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.

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

- Amount of paid-in capital, disclosure on whether the bank applies the registered share capital system, and, if so, the ceiling amount of the registered share capital: Registered capital system is not applied in the Parent Bank.
- 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	-

- Information on share capital increases from capital reserves during the current period: None. (31 December 2015 – None)
- Possible effect of estimations made for the Group's revenues, profitability and liquidity on equity considering prior period indicators and uncertainties:
Based on the evaluation made considering the Group's prior and current period indicators related to net profit share and commission income, it is observed that the Group continues its operations profitably.
- Summary of privileges given to shares representing the capital: None.

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k. Information on shareholders' equity (continued):

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 (*)	12,886	14,660	9,225	(3,831)
Foreign Exchange Difference	-	-	-	-
Total	12,886	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.

l. Information on minority shares:

	Current Period	Prior Period
Beginning Balance	12,258	12,368
Minority Share in Net Income of Subsidiaries	7,637	(110)
Increase / (Decrease) in Minority Shares due to Sales	-	-
Ending Balance	19,895	12,258

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

a. Explanations on off-balance sheet accounts:

1. Type and amount of irrevocable commitments: Commitment for credit card limits, as of 30 June 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:
 - 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 Group has guarantees and surety ships constituting of TL 7,700,021 (31 December 2015 – TL 7,340,216) 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. In addition, the Group has also Other Guarantees and Securities amounting to 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. 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	9,330,462	8,956,878
Total	9,330,462	8,956,878

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IV. Explanations and notes related to the consolidated income statement

a. Information on profit share income:

1. Information on profit share received from loans:

	Current period		Prior period	
	TL	FC	TL	FC
Profit share on loans	1,240,579	83,239	1,011,905	63,512
Short term loans	329,943	10,269	265,790	9,494
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	14,802	-	10,556
Branches and head office abroad	-	-	-	-
Total	330	14,802	-	10,556

3. Information on profit share income from securities portfolio:

The Parent Bank has received TL 94,072 profit share income from rent certificates (sukuk) which is given the details in available for sale financial assets information (30 June 2015: TL 78,960).

4. Information on profit share income received from associates and subsidiaries:
None. (30 June 2015- None).

b. Information on profit share expenses:

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

	Current period		Prior period	
	TL	FC	TL	FC
Banks	13,492	32,720	2,711	35,905
The Central Bank of the Republic of Turkey	-	-	-	-
Domestic banks	9,174	2,130	399	466
Foreign banks	4,318	30,590	2,312	35,439
Branches and head office abroad	-	-	-	-
Other Institutions	29,697	14,150	20,214	4,232
Total	43,189	46,870	22,925	40,137

2. Profit share expense given to associates and subsidiaries:

	Current Period	Prior Period
Profit share expenses given to associates and subsidiaries	205	148

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

b. Information on profit share expenses (continued):

3. Profit share expense paid to securities issued:

The Group has accrued TL 113,425 for securities issued within 2016 (30 June 2015: TL 87,116).

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

Current period		Profit Sharing Accounts						Accumulated profit sharing accounts	Total
Account Name	Up to 1 month	Up to 3 month	Up to 6 month	Up to 9 month	Up to 1 year	Above 1 year			
TL									
Collected funds from banks through current and profit share accounts	-	2,967	-	-	-	-	-	2,967	
Real person's non-trading profit sharing Account	104,378	186,548	20,370	-	8,148	7,035	-	326,479	
Public sector profit sharing account	5	1,013	259	-	-	-	-	1,277	
Commercial sector profit sharing account	8,671	25,018	1,970	-	492	1,026	-	36,919	
Other institutions profit sharing account	1,029	1,733	282	-	70	16	-	3,130	
Total	114,083	217,279	22,881	-	8,710	8,077	-	370,772	
FC									
Banks	189	1,588	-	-	17	230	-	2,024	
Real person's non-trading profit sharing account	10,302	19,253	4,258	-	2,731	1,120	-	37,664	
Public sector profit sharing account	-	-	-	-	-	-	-	-	
Commercial sector profit sharing account	1,140	4,861	459	-	135	200	-	8,294	
Other institutions profit sharing account	812	683	140	-	65	518	-	2,218	
Precious metal accounts	-	2,757	188	-	158	-	-	3,103	
Total	12,443	29,142	5,045	-	3,106	2,068	-	53,303	
General Total	126,526	246,421	27,926	-	11,816	10,145	-	424,075	
Prior period									
Profit Sharing Accounts									
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	Accumulated profit sharing accounts	Total	
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	20,043	4,092	-	802	712	-	33,700	
Other institutions profit sharing account	1,318	1,107	199	-	36	14	-	2,674	
Total	84,653	151,996	23,416	-	7,762	9,663	-	277,490	
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	11,083	526	-	882	512	-	14,364	
Other institutions profit sharing account	858	538	98	-	31	56	-	1,581	
Precious metal accounts	-	2,938	190	-	133	-	-	3,261	
Total	11,008	31,049	5,226	-	3,775	3,984	-	55,042	
General Total	95,661	183,045	28,642	-	11,537	13,647	-	332,532	

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

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. Information on trading income/loss (Net):

	Current period	Prior period
Trading income/loss (net)	97,717	50,098
Income	15,026,542	6,512,087
Gain on capital market transactions	4,880	5,209
Gain on derivative financial instruments	172,502	148,770
Foreign exchange gains	14,849,160	6,358,108
Losses (-)	(14,928,825)	6,461,989
Losses on capital market transactions	(743)	99
Losses on derivative financial instruments	(151,202)	160,798
Foreign exchange losses	(14,776,880)	6,301,092

e. Information on other operating income:

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

	Current period	Prior period
Reversal of prior period provisions	56,830	82,647
Income from sale of assets	124,988	9,384
Lease income	1,170	1,152
Other Income	3,375	5,744
Total	139,050	98,927

(*) Amount TL 39,197 is gained from sale of time-share estate of Parent Bank's subsidiaries Körfez Gayrimenkul Yatırım Ortaklığı A.Ş.

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

f. 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)

g. Information on other operating expenses:

	Current period	Prior period
Personnel expenses	309,908	259,789
Provision for retirement pay liability	6,851	6,069
Depreciation expenses of fixed assets	23,804	19,760
Depreciation expenses of intangible assets	12,690	11,026
Depreciation expenses of assets held for sale	518	329
Other operating expenses	119,763	119,574
Rent expenses	48,340	42,030
Maintenance expenses	10,916	9,044
Advertisement expenses	14,840	6,494
Communication expenses	14,561	12,073
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	38,482
Losses on sales of assets	130	212
Deposit insurance fund expenses	30,581	26,145
Other	55,757	37,182
Total	560,002	480,086

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

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

Income before tax amounting TL 342,095 increased by 25.32 % as compared to the prior period (30 June 2015 – TL 248,341). Income before tax includes TL 848,319 (30 June 2015 – TL 701,354) net profit share income and TL 85,047 (30 June 2015 – TL 64,665) net fees and commission income. Other operating expense amount is TL 560,002 (30 June 2015 – TL 480,086).

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

At current period, deferred tax expense of the Group is TL 20,236 (30 June 2015 – TL 16,982 deferred tax income) and current tax provision expense is TL 42,961 (30 June 2015 – TL 73,640).

j. 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.

k. Information on net income/loss:

i. The nature and amount of certain income and expense items from ordinary operations is disclosed if the disclosure for nature, amount and repetition rate of such items is required for a complete understanding of the Group's performance for the period: As of 30 June 2016, net profit share income is TL 848,319 (30 June 2015 – TL 701,354), net fees and commission income is TL 85,047 (30 June 2015 – TL 64,665).

ii. Effect of changes in accounting estimates on income statement for the current and, if any for subsequent periods: None (30 June 2015 – None).

l. 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 109,843 (30 June 2015 – TL 84,958), 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 (30 June 2015 – TL 15,689).

As of 30 June 2016, other fees and commissions given is TL 65,840 (30 June 2015 – TL 60,652), TL 26,211 (30 June 2015 – TL 17,724) of this amount is related with POS clearing commissions and installation expenses, TL 3,388 (30 June 2015 – TL 2,258) of this amount is related with fees and commissions paid for credit cards.

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V. Explanations and notes related to consolidated cash flow statement

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

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

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

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

	Current period	Prior period
Cash	4,777,114	2,004,817
Cash in TL/foreign currency, others	1,757,266	756,738
Demand deposits at banks	3,019,848	1,248,079
Cash equivalents	-	-
Interbank money markets	-	-
Time deposits at banks	-	-
Marketable securities	-	-
Total cash and cash equivalents	4,777,114	2,004,817

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

	Current period	Prior period
Cash	2,009,921	2,982,401
Cash in TL/foreign currency, others	1,135,090	1,422,792
Demand deposits at banks (up to 3 months)	874,831	1,559,609
Cash equivalents	-	-
Interbank money markets	-	-
Time deposits at banks	-	-
Marketable securities	-	-
Total cash and cash equivalents	2,009,921	2,982,401

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 (188,997) (30 June 2015: TL (112,339)) 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 780,516 (30 June 2015: TL (315,054)) 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 (42,753) (30 June 2015: TL (11,569)) 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 3,422 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 Parent Bank

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

1. Current period:

Risk group of the Bank (*)	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the Bank		Other real or legal persons included in the risk group	
	Cash	Non-Cash	Cash		Cash	Non-Cash
Loans and other receivables						
Balance at beginning of period	10	132	1,014	13,543	126,600	600
Balance at end of period	11	132	1,187	13,628	124,285	16,686
Profit share and commission income	-	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		Cash	Non-Cash
Loans and other receivables						
Balance at beginning of period	5	25,640	580	13,638	79,663	283
Balance at end of period	10	132	1,014	13,543	126,600	600
Profit share and commission income	-	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 the beginning of period	12,674	8,382	57,602	42,633	137,160	207,428
Balance at the end of period	20,481	12,674	47,394	57,602	170,814	137,160
Profit share expense	205	148	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 (30 June 2015 – None).

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

a. Information on the volume of transactions relating to the Parent Bank's risk group, outstanding loans and funds collected and income and expenses for the period (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
Loans Received						
Balance at beginning of period	-	-	2,607,122	2,618,833	166,742	26,640
Balance at end of period	-	-	1,403,373	2,780,741	167,344	30,802
Profit share expense	-	-	31,568	34,654	2,264	459

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

b. Information on remunerations provided to top management:

Between 1 January - 30 June 2016, the Parent Bank 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 Parent 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 Parent Bank, decided to increase it's capital amount to 15,000,000 EUR 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 Parent 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 consolidated financial statements of the Bank have been reviewed by DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member of Deloitte Touche Tohmatsu Limited) and the independent auditors' limited review report dated 24 August 2016 is presented before the accompanying consolidated financial statements.

- II- Notes and disclosures prepared by independent auditor: 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 (continued)

b. Financial Informations Summary

CONSOLIDATED BALANCE SHEET	30 June 2016	31 December 2015
CASH BALANCES AND CENTRAL BANK	8,356,791	7,612,614
BANKS	2,054,734	3,629,516
LOANS	27,633,439	25,989,041
FINANCE LEASE RECEIVABLES	1,372,924	1,182,860
TANGIBLE ASSETS (Net)	454,991	461,642
OTHER ASSETS	4,337,040	3,219,323
TOTAL ASSETS	44,209,919	42,094,996

FUND COLLECTED	28,901,120	28,125,300
FUNDS BORROWED	3,418,405	4,261,643
MARKETABLE SECURITIES ISSUED (Net)	3,567,928	3,636,119
FINANCE LEASE PAYABLES	131	131
SUBORDINATED LOANS	1,629,171	589,734
OTHER LIABILITIES	2,949,165	2,033,938
SHAREHOLDERS EQUITY	3,743,999	3,448,131
TOTAL LIABILITIES	44,209,919	42,094,996

CONSOLIDATED STATEMENT OF PROFIT AND LOSS	30 June 2016	30 June 2015
PROFIT SHARE INCOME	1,507,773	1,209,193
PROFIT SHARE EXPENSE	659,454	507,839
NET PROFIT SHARE INCOME	848,319	701,354
NET FEES AND COMMISSION INCOME	85,047	64,665
DIVIDEND INCOME	509	-
NET TRADING INCOME	97,717	50,098
OTHER OPERATING INCOME	139,050	98,927
PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)	268,216	185,384
OTHER OPERATING EXPENSES (-)	560,002	480,086
GAIN / (LOSS) ON EQUITY METHOD	(329)	(1,233)
PROFIT/LOSS BEFORE TAX	342,095	248,341
TAX PROVISION	(63,197)	(56,658)
CURRENT PERIOD INCOME/(LOSSES)	278,898	191,683

	30 June 2016	31 December 2015
Total Loans/Total Assets*	65.61%	64.55%
Total Loans/Fund Collected*	100.36%	96.61%
Average Equity Profit **	15.51%	12.46%
Average Assets Profit **	1.29%	1, 07%
Capital Adequacy Ratio	17.06%	14.23%

* Finance Lease Receivables is included in total loans.

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

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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 June 30, consolidated financial statements asset size is TL 44 million 209 thousand, amount of the utilization of funds is TL 29 million 6 thousand and funds collected amount is TL 28 million 901 thousand. Due to the effect of the first six months of 2016' profit TL 279 thousand, the ratio of shareholder equity increased 9 % by reaching TL 3 million 744 thousand. As of June 30 2016, consolidated capital adequacy ratio has been reached 17.06 %.

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

d. Announcement regarding important developments during the period

The Parent 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 April 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.

The Parent 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% 10.18% cost has issued Sukuk.

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