

Kuveyt Türk Katılım Bankası Anonim Şirketi

**Interim condensed consolidated
financial statements together with
independent auditors' review report
June 30, 2009**

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**Review report to the board of directors of Kuveyt Türk Katılım Bankası Anonim Şirketi
on interim condensed consolidated financial statements as at June 30, 2009**

Introduction

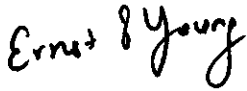
We have reviewed the accompanying interim condensed consolidated financial statements of Kuveyt Türk Katılım Bankası A.Ş. and its subsidiaries ("the Group") as at June 30, 2009 comprising of the interim consolidated statement of financial position as at June 30, 2009 and the related interim consolidated statements of comprehensive income, changes in equity and cash flows for the six months period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standard IAS 34 Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing. Consequently, it does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.



August 14, 2009
Istanbul, Turkey

Kuveyt Türk Katılım Bankası Anonim Şirketi and its Subsidiaries

**Interim consolidated statement of financial position
at June 30, 2009
(Currency- In thousands of Turkish Lira - TL)**

	Notes	June 30, 2009 Unaudited	December 31, 2008 Audited
Assets			
Cash and balances with the Central Bank	3	847,714	248,988
Deposits with banks and other financial institutions	3	327,178	938,608
Reserve deposits at the Central Bank of Turkey		204,298	213,421
Financial assets held for trading		115	64
Financial assets - available-for-sale		2,385	1,389
Financial assets - held to maturity		7,663	7,583
Due from financing activities, net	4	4,148,459	3,879,553
Minimum financial lease payment receivable, net	5	82,942	113,475
Derivative financial instruments		3,560	13,933
Other assets	8	389,893	123,008
Construction projects, net		3,071	3,087
Investment properties, net		71,715	67,586
Property and equipment, net	6	87,023	84,150
Intangible assets, net		5,418	2,847
Deferred tax assets	10	11,336	14,596
		6,192,770	5,712,288
Non-current assets held for sale or a disposal group held for sale	7	6,127	6,410
Total assets		6,198,897	5,718,698
Liabilities and shareholders' equity			
Due to other financial institutions and banks		458,369	820,954
Current accounts and profit / loss sharing investors' accounts	9	4,896,961	4,119,460
Other liabilities		46,042	46,114
Provisions		5,951	6,319
Derivative financial instruments		5,055	25,664
Income taxes payable	10	12,333	11,487
Total liabilities		5,424,711	5,029,998
Shareholders' equity :			
Share capital	11	500,000	500,000
Share issue premium		23,250	23,250
Legal reserves and retained earnings		250,936	165,450
Total shareholders' equity		774,186	688,700
Total liabilities and shareholders' equity		6,198,897	5,718,698

The policies and explanatory notes on pages 6 through 21 form an integral part of the interim condensed consolidated financial statements

Kuveyt Türk Katılım Bankası Anonim Şirketi and its Subsidiaries

**Interim consolidated statement of comprehensive income
for the six months period ended June 30, 2009
(Currency- In thousands of Turkish Lira - TL)**

	Notes	June 30, 2009 Unaudited	June 30, 2008 Unaudited
Continuing operations			
Income from financing activities:			
Profit on originated loans from profit / loss sharing accounts		218,604	149,934
Profit on originated loans from current accounts and equity		70,032	43,578
Profit on deposits with other banks and financial institutions		22,116	14,601
Profit on finance leases		4,239	8,345
Total income from financing activities		314,991	216,458
Profit shares distributed to participation accounts		(177,777)	(131,227)
Profit shares distributed to banks and financial institutions		(12,337)	(13,156)
Net financing income		124,877	72,075
Provision for impairment in due from financing activities and lease receivables, net	4,5	(28,897)	(29,044)
Net financing income after reserve for impairment in due from financing activities and lease receivables		95,980	43,031
Foreign exchange gain, net		21,153	12,851
Net financing income after net foreign exchange gain		117,133	55,882
Fee and commission income		74,054	66,882
Income/(Loss) from construction projects, net		(267)	46
Net trading income/ (expense)		30,949	22,541
Other income		11,682	10,700
Total other operating income		116,418	100,169
Fees and commission expense		(14,111)	(11,535)
Staff costs		(59,925)	(51,296)
Depreciation and amortization expense		(8,629)	(7,699)
Withholdings and other taxes		(2,493)	(2,300)
Rent expense		(9,424)	(6,483)
Other expenses		(25,075)	(23,613)
Total other operating expense		(119,657)	(102,926)
Profit before income tax		113,894	53,125
Current tax charge	10	(19,648)	(10,454)
Deferred tax (charge) / credit	10	(3,260)	(703)
Net income for the period from continuing operations		90,986	41,968
Net income after tax for the period from a discontinued operation		-	291
Net income for the period		90,986	42,259
Other comprehensive income for the period		-	-
Total comprehensive income for the period		90,986	42,259
Earnings per share for net income attributable to the ordinary equity holders of the Group during the period (in full TL per share)	13	0.182	0.126
Earnings per share for net income attributable to the ordinary equity holders of the Group during the period (in full TL per share) from continuing operations	13	0.182	0.126

The policies and explanatory notes on pages 6 through 21 form an integral part of the interim condensed consolidated financial statements.

Kuveyt Türk Katılım Bankası Anonim Şirketi and its Subsidiaries

**Interim consolidated statement of changes in equity
for the six month period ended June 30, 2009
(Currency - In thousands of Turkish Lira - TL)**

	Notes	Share capital	Share issue premium	Legal reserves	Retained earnings	Total
Balances at January 1, 2008		260,000	23,250	7,906	113,266	404,422
Share capital increase						
cash		200,000	-	-	-	200,000
from reserves		40,000	-	-	(40,000)	-
Transfer from retained earnings to legal reserves		-	-	4,407	(4,407)	-
Dividends paid		-	-	-	(6,990)	(6,990)
Total comprehensive income		-	-	-	42,259	42,259
Balances, at June 30, 2008, (unaudited)		500,000	23,250	12,313	104,128	639,691
Balances at January 1, 2009		500,000	23,250	12,313	153,137	688,700
Share capital increase		-	-	-	-	-
Transfer from retained earnings to legal reserves		-	-	5,754	(5,754)	-
Dividends paid	12	-	-	-	(5,500)	(5,500)
Total comprehensive income		-	-	-	90,986	90,986
Balances, at June 30, 2009, (unaudited)		500,000	23,250	18,067	232,869	774,186

The policies and explanatory notes on pages 6 through 21 form an integral part of the consolidated financial statements.

Kuveyt Türk Katılım Bankası Anonim Şirketi and its Subsidiaries

**Interim consolidated statement of cash flows
for the six months period ended June 30, 2009
(Currency- In thousands of Turkish Lira - TL)**

	Notes	June 30, 2009 Unaudited	June 30, 2008 Unaudited
Cash flows from operating activities:			
Net profit before income tax from continuing operations		113,894	53,125
Net profit from discontinued operations		-	291
Adjustments to reconcile net income to net cash used in operating activities:			
(Gain)/loss on sale of property and equipment, intangible assets and investment properties		(485)	1,990
(Gain)/loss on sale of non current asset and liabilities held for sale		(867)	-
Depreciation and amortization		8,629	7,699
Reserve for employee termination benefits		389	561
Reserve for impairment in due from financing activities	4,5	28,897	29,044
Expense accrual of participation accounts	9	7,845	6,910
Reserve for/(reversal of) impairment in construction projects, property and equipment and investment property		-	769
Fair value movement of held for trading securities		(51)	-
Income accrual of funds invested and reserve deposit		119,531	(48,545)
Expense accrual of funds borrowed		(14,197)	969
Net change in derivative financial instruments		(10,236)	(1,917)
Income taxes paid		(20,989)	(7,816)
Exchange gain of held to maturity investment		(80)	-
Gain on disposal of discontinued operation		-	(691)
Operating profit before changes in operating assets and liabilities		232,280	42,389
Net changes in :			
Reserve deposits at the Central Bank of Turkey		8,410	(33,211)
Due from financing activities		(416,134)	(558,917)
Minimum financial lease payment receivables		30,045	21,555
Other assets and construction projects		(266,870)	(30,643)
Current accounts and profit/loss sharing investors' accounts		769,656	555,698
Other liabilities		(73)	1,590
Payment for employee termination benefits		(373)	(260)
Net cash provided by / (used in) operating activities		356,941	(1,799)
Cash flows from investing activities:			
(Increase) / decrease in available-for-sale, held-to-maturity and held-for-trading securities		(1,074)	(247)
Purchase of property and equipment, intangible assets and investment properties		(18,057)	(22,473)
Proceeds from sale of property and equipment, intangible assets and investment properties		2,224	955
Proceeds from sale of a subsidiary, net of cash disposed		-	1,688
Proceeds from sale of non current asset and liabilities held for sale	7	1,150	-
Net cash used in investing activities		(15,757)	(20,077)
Cash flows from financing activities:			
Increase in share capital		-	200,000
Dividends paid	12	(5,500)	(6,990)
(Decrease) /Increase in due to financial institutions and banks		(348,388)	187,351
Net cash provided by / (used in) financing activities		(353,888)	380,361
Net increase / (decrease) in cash and cash equivalents		(12,704)	358,485
Cash and cash equivalents at the beginning of the period		1,187,596	576,939
Cash and cash equivalents at the end of the period	3	1,174,892	935,424
Profit share received		433,809	168,374
Profit share paid		198,104	151,644

The policies and explanatory notes on pages 6 through 21 form an integral part of the interim condensed consolidated financial statements.

Kuveyt Türk Katılım Bankası Anonim Şirketi and its Subsidiaries

Selected notes to interim condensed consolidated financial statements June 30, 2009 (Currency - In thousands of Turkish Lira - TL)

1. Corporate information

General

Kuveyt Türk Katılım Bankası A.Ş. (a Turkish joint-stock company-the Bank) was formed in accordance with the provisions of Decree No. 83/7506, issued on December 16, 1983 relating to the establishment of Special Finance Houses in Turkey. The Bank obtained permission from the Central Bank of Turkey (CBT) on February 28, 1989 and commenced its operations on March 31, 1989. Currently, the Bank is continuing its operations under the purview of the Banking Regulation and Supervision Agency ("BRSA") and the Banking Law No. 5411, dated November 1, 2005. The Bank's head office is located at Büyükdere Caddesi No: 129, 34394 Esentepe Şişli/İstanbul/Turkey. The parent and the ultimate parent of the Institution is Kuwait Finance House.

The interim condensed consolidated financial statements were approved by the Board of Directors of the Bank on August 14, 2009. The General Assembly and certain regulatory bodies have the power to amend the statutory financial statements after issue.

Nature of activities of the bank and its subsidiaries

At June 30, 2009, the Bank's core business is operating in accordance with the principles of interest-free banking as a participation bank by collecting funds through current and profit/loss sharing accounts, and disbursing funds to its customers.

The Bank's subsidiary, Körfez Gayrimenkul İnşaat Taahhüt Turizm San. ve Tic. A.Ş. ("Körfez"), in which the Bank has a 100% shareholding was incorporated in June 1996 in Turkey. Körfez's registered address is Büyükdere Caddesi, No: 129, 34394 Esentepe Şişli/İstanbul. Körfez is engaged in development and marketing of real estate projects in Turkey. Körfez's main sources of revenue are from the sales of these projects and expert valuations carried out on behalf of third parties.

The Bank's other subsidiary, Körfez Tatil Beldesi A.Ş. ("Körfez Tatil Beldesi"), in which the Bank has a 100% shareholding was incorporated in 2001 in Edremit, Turkey. Körfez Tatil Beldesi is engaged in Güre Project, which comprises the construction of 199 "time-sharing" houses in Edremit-Balıkesir.

The Bank's 100% owned subsidiary is Auto Land Otomotiv San. ve Tic. A.Ş. ("Auto Land") was sold in 2008. Auto Land's registered address was Basın Ekspres Yolu, B Blok, No:5 Halkalı/İstanbul. Auto Land was engaged in purchase, sale and lease transactions in the automotive industry.

2. Basis of presentation and accounting policies

2.1 Basis of preparation

The interim condensed consolidated financial statements of the Bank and its subsidiaries (collectively – the Group) have been prepared in accordance with International Accounting Standards (IAS) 34 "Interim financial reporting"

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at December 31, 2008.

**Selected notes to interim condensed consolidated
financial statements June 30, 2009 (continued)
(Currency - In thousands of Turkish Lira - TL)**

2. Basis of presentation and accounting policies (continued)

2.2 Significant Accounting Policies

The accounting policies adopted in the preparation of the financial statements as of June 30, 2009 are consistent with those followed in the preparation of the financial statements for the year ended December 31, 2008, except for the change in accounting for commissions and fees on cash loans as described in "2.3 Commission and fees obtained from loans" below and except for the adoption of new standards and IFRIC interpretations which are effective after January 1, 2009.

The new standards and interpretation which do not have any effect on the financial statements of the Group are as follows:

IFRS 2 "Share Based Payment" (revised) – Vesting Conditions and Cancellations

IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations"

IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"

IAS 10 "Events after the Reporting Period"

IAS 16 "Property, Plant and Equipment"

IAS 18 "Revenue"

IAS 19 "Employee Benefits"

IAS 20 "Accounting for Government Grants and Disclosure of Government Assistance"

IAS 23 "Borrowing Costs" (revised)

IAS 27 "Consolidated and Separate Financial Statements" (revised)

IAS 28 "Investment in associates"

IAS 29 "Financial Reporting in Hyperinflationary Economies"

IAS 31 "Interest in Joint Ventures"

*IAS 32 "Financial Instruments: Presentation" and IAS 1 "Presentation of Financial Statements"
"Puttable Financial Instruments" (revised)*

IAS 34 "Interim Financial Reporting"

IAS 36 "Impairment of Assets"

IAS 38 "Intangible Assets"

IAS 39 "Financial Instruments: Recognition and Measurement"

Kuveyt Türk Katılım Bankası Anonim Şirketi and its Subsidiaries

Selected notes to interim condensed consolidated financial statements June 30, 2009 (continued) (Currency - In thousands of Turkish Lira - TL)

2. Basis of presentation and accounting policies (continued)

IFRIC 9 Reassessment of Embedded Derivatives and IAS 39 "Financial Instruments: Recognition and Measurement"

IFRIC 15 – "Agreements for the Construction of Real Estate"

IFRIC 16 – "Hedges of a Net Investment in a Foreign Operation"

IFRS 8 "Operating Segments"

IFRIC 13, "Customer Loyalty Programmes"

In May 2008, the Board issued its first omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. These are separate transitional provisions for each standard. The amendments to the following standards did not have any impact on the accounting policies or performance of the Group.

- IAS 1 Presentation of Financial Statements
- IAS 16 Property, Plant and Equipment
- IAS 23 Borrowing Costs
- IAS 28 Investment in Associates
- IAS 31 Interest in Joint ventures
- IAS 36 Impairment of Assets
- IAS 38 Intangible Assets
- IFRS 7 Financial Instruments: Disclosures
- IAS 8 Accounting Policies, Change in Accounting Estimates and Errors
- IAS 10 Events after the Reporting Period
- IAS 16 Property, Plant and Equipment
- IAS 18 Revenue
- IAS 19 Employee Benefits
- IAS 20 Accounting for Government Grants and Disclosures of Government Assistance
- IAS 27 Consolidated and Separate Financial Statements
- IAS 29 Financial Reporting in Hyperinflationary Economies
- IAS 34 Interim Financial Reporting
- IAS 39 Financial Instruments
- IAS 40 Investment Property
- IAS 41 Agriculture
- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations

New standards and interpretations that do not have impact on the financial position or the performance of the Group but result in changes in disclosed information are summarized below:

IFRS 7 "Financial Instruments" (revised): Additional required disclosures for IFRS 7 have not been provided in the accompanying interim condensed consolidated financial statements but will be provided at year end consolidated financial statements.

IAS 1 "Presentation of Financial Statements" (revised): The Group has renamed its balance sheet to "statement of financial position" and presented its "statement of comprehensive income" in one single statement.

Kuveyt Türk Katılım Bankası Anonim Şirketi and its Subsidiaries

Selected notes to interim condensed consolidated financial statements June 30, 2009 (continued) (Currency - In thousands of Turkish Lira - TL)

2. Basis of presentation and accounting policies (continued)

In addition to those standards and interpretations that have been disclosed in the financial statements for the year ended December 31, 2008, the following new standards, amendments to standards and interpretations have been issued but are not effective for the financial year beginning January 1, 2009 and have not been early adopted.

IFRS 2, "Share-based Payments" (Amended): Effective for annual periods beginning on or after 1 January 2010. This amendment clarifies the accounting for group cash-settled share-based payment transactions and withdraws IFRIC 8 and IFRIC 11. More specifically, it clarifies how an individual subsidiary in a group should account for share-based payment arrangements in its own financial statements. In these arrangements, the subsidiary receives goods or services from employees or suppliers but its parent or another entity in the group must pay those suppliers. The amendments make clear that an entity that receives goods or services in a share-based payment arrangement must account for those goods or services no matter which entity in the group settles the transaction, and no matter whether the transaction is settled in shares or cash. Also, it clarifies that in IFRS 2 a 'group' has the same meaning as in IAS 27 Consolidated and Separate Financial Statements, that is, it includes only a parent and its subsidiaries. This amendment must be applied retrospectively. The amendment has not yet been endorsed by the EU. The Group has concluded that the amendment will have no impact on the financial position or performance of the Group, as the Group has not entered into any such arrangements.

Improvements to IFRSs

In April 2009, International Accounting Standards Board issued its second omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. The effective dates of the improvements are various and the earliest is for the financial year beginning 1 July 2009. Changed standards are summarized below:

- IFRS 2: Scope of IFRS 2 and IFRS 3
- IFRS 5: Disclosure of assets held for sale and discontinued operations
- IFRS 8: Disclosure of segmental assets
- IAS 1: Classification of convertible instruments as current or non current
- IAS 7: Classification of expenses related to non accounted assets
- IAS 17: Classification of rentals of lands and buildings
- IAS 18: Determination of the treatment of the company acting as a principal or agent
- IAS 36: Accounting unit in testing impairment of goodwill
- IAS 38: Additional changes in revised IFRS 3
- IAS 38: Fair value determination of intangible assets acquired business combinations
- IAS 39: Assumption of prepaid penalties related to bank loans as embedded derivative instruments
- IAS 39: Exception in scope of business combination agreements
- IAS 39: Cash flow hedge accounting
- IFRIC 9: Scope of IFRIC 9 and IFRS 3
- IFRIC 16: Revision related to restrictions to company with hedging instrument

2.3 Commissions and fees obtained from loans

In 2009, the portion of the commission and fees which are related to the reporting period and collected in advance for loans granted has been reflected to the income statement by using the internal rate of return method in accordance with provisions of IFRS; remaining part of the commission and fees amounting to TL 16,502 which are related to the future periods has been recorded to the Deferred Revenues account under Other Liabilities account. Due to the difficulties in the IT systems, commissions and fees obtained for the loans granted in prior periods could not be decomposed thus the balances of deferred revenues corresponding to the prior periods could not be identified.

Kuveyt Türk Katılım Bankası Anonim Şirketi and its Subsidiaries

Selected notes to interim condensed consolidated financial statements June 30, 2009 (continued) (Currency - In thousands of Turkish Lira - TL)

2.4 Foreign currency translation

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date announced by the Central Bank of Turkey (CBT). All differences are taken to the income statement as foreign exchange gain / (loss).

Foreign currency exchange rates used by the Group as of respective period-ends are as follows :

Dates	USD / TL	EUR / TL
June 30, 2008	1.2237	1.9271
December 31, 2008	1,5123	2,1408
June 30, 2009	1.5301	2.1469

2.5 Functional and presentation currency

The functional and presentation currency of the Bank and its subsidiaries is Turkish Lira (TL). Effective from January 1, 2005 concurrent with the removal of six zero digits, the new currency unit of Turkey was introduced as New Turkish Lira (YTL). The Government resolved to remove the "New" reference in the local currency unit effective from January 1, 2009. Accordingly the Group's figures as of June 30, 2009 and comparative figures for previous periods are presented in TL using the conversion rate of TL 1= YTL 1.

3. Cash and balances with banks

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise the following at June 30, 2009 and December 31, 2008:

	June 30, 2009	December 31, 2008
Cash and balances with the Central Bank	847,714	248,988
Balances with Banks and other financial institutions	327,178	938,608
Total	1,174,892	1,187,596

Kuveyt Türk Katılım Bankası Anonim Şirketi and its Subsidiaries

Selected notes to interim condensed consolidated financial statements June 30, 2009 (continued)
(Currency - In thousands of Turkish Lira - TL)

4. Due from financing activities, net

	June 30, 2009	December 31, 2008
Performing		
Funds invested from profit/loss sharing accounts	2,279,744	1,878,013
Funds invested from current accounts and equity	1,514,400	1,587,408
Income accruals on due from financing activities (*)	198,743	316,931
	3,992,887	3,782,352
Funds in arrears		
Funds invested from profit / loss sharing accounts	157,446	144,140
Funds invested from current accounts and equity	118,421	110,729
	275,867	254,869
Total	4,268,754	4,037,221
Impairment allowance		
Funds invested from current accounts and equity	(68,932)	(76,815)
Funds invested from profit / loss sharing accounts	(51,363)	(80,853)
	(120,295)	(157,668)
Total due from financing activities	4,148,459	3,879,553

(*) Includes also foreign currency evaluation differences of foreign currency indexed loans.

As of June 30, 2009 the Bank took possession of collateral (lands and buildings) from customers amounting to TL 3,633 (December 31, 2008 - TL 14,033), which are classified as investment properties in the balance sheet as it is held for either rental income or capital appreciation through selling of those properties.

Movement in impairment allowance for funds disbursed is as follows :

	June 30, 2009	June 30, 2008
Balance at 1 January	157,668	82,109
Provisions – bank	28,409	28,778
Provisions - participation accounts	16,476	6,430
Recoveries of amounts previously provided for	(16,056)	(5,653)
Reserves written off in current period (*)	(66,202)	(11,453)
Balance at the end of period	120,295	100,211

(*) In 2009, non performing loans for which a 100% provision was made amounting in to TL 66,202 were written off (June 30, 2008 – TL 11,453).

The Bank's share in total recoveries from allowances previously provided for due from financing activities and minimum finance lease payments receivable is TL 16,056 (June 30, 2008 – TL 5,653) and this amount is included in other income.

Kuveyt Türk Katılım Bankası Anonim Şirketi and its Subsidiaries

Selected notes to interim condensed consolidated financial statements June 30, 2009 (continued)
(Currency - In thousands of Turkish Lira - TL)

4. Due from financing activities, net (continued)

The impairment allowance of TL 120,295 (June 30, 2008 – TL 100,211) is made up of a specific and collective allowance. The movement in the collective allowance is analyzed below.

The movements in the collective reserve allowance for financing receivables are as follows:

	June 30, 2009	June 30, 2008
Balance at beginning of period	19,469	12,728
Provisions - bank	834	2,111
Provisions - participation accounts	708	3,070
Allowance at the end of the period	21,011	17,909

5. Minimum financial lease payment receivable, net

	June 30, 2009	December 31, 2008
Gross investment in finance leases	79,539	113,802
Unearned finance income	(8,161)	(10,859)
Total impaired receivables	16,782	16,606
Impairment allowance	(5,218)	(6,074)
Minimum lease payment receivable, net	82,942	113,475

	June 30, 2009	June 30, 2008
Movements in the impairment allowance		
Balance at 1 January	6,074	3,574
Provisions – Bank	488	266
Provisions - participation accounts	1,762	1,309
Recoveries of amounts previously provided for	(68)	(28)
Reserves written off in current year	(3,038)	(345)
Balance at the end of the period	5,218	4,776

Gross investment in finance leases as to their maturity :

	June 30, 2009	December 31, 2008
Not later than 1 year (*)	59,419	81,271
Later than 1 year and not later than 5 years	36,902	49,137
Later than 5 years	-	-
Minimum lease payment receivables, gross	96,321	130,408
Less : Unearned finance income	(8,161)	(10,859)
Net investment in finance leases	88,160	119,549
Less : Reserve for impairment	(5,218)	(6,074)
Minimum lease payments receivables, net	82,942	113,475

(*) Includes total impaired receivables amounting to TL 16,782 (December 31, 2008 – TL 16,606).

Kuveyt Türk Katılım Bankası Anonim Şirketi and its Subsidiaries

Selected notes to interim condensed consolidated financial statements June 30, 2009 (continued) (Currency - In thousands of Turkish Lira - TL)

5. Minimum financial lease payment receivable, net (continued)

Net investment in finance leases as to their maturity:

	2008	2007
Not later than 1 year (*)	55,932	73,412
Later than 1 year and not later than 5 years	32,228	46,137
Later than 5 years	-	-
Net investment in finance leases	88,160	119,549

(*) Includes total impaired receivables amounting to TL 16,782 (December 31, 2008 – TL 16,606).

Material leasing arrangements of the Group includes several machinery and equipment with a contractual maturity of up to 4-5 years.

6. Property and equipment

Acquisitions and disposals

During the six months ended 30 June, 2009, the Group acquired assets with a cost of TL 10,966 (December 31, 2008 – TL 34,165).

Assets with a net book value of TL 1,478 were disposed of by the Group during six months ended 30 June 2009 (December 31, 2008 - TL 4,223), resulting in a net loss on disposal TL 746 (December 31, 2008 – TL 192).

7. Non-current assets or a disposal group held for sale

Movement of non-current assets held for sale is as follows:

	January 1- June 30, 2009	January 1 – June 30, 2008
Balance at the beginning of the period	6,410	2,508
Additions	-	-
Disposal	(283)	(263)
Balance at the end of the period	6,127	2,245

The assets and the determined sales prices have been announced to the public via website of the Bank.

Gain on sale of non-current assets held for sale amounting to TL 867 is included in other income in the income statement.

In February 2008, the Bank has disposed 65 % of its shares in Auto Land to Baytik Capital Holding B.S.C in return for 1,147 YTL and 35 % of its shares to A'ayan Leasing and Investment Company in return for 618 YTL with respect to sale agreement. Accordingly, in the consolidated financial statements as of June 30, 2008 Auto Land was included in the discontinued operations.

Kuveyt Türk Katılım Bankası Anonim Şirketi and its Subsidiaries**Selected notes to interim condensed consolidated
financial statements June 30, 2009 (continued)
(Currency - In thousands of Turkish Lira - TL)****8. Other assets**

Other assets comprise the following:

	June 30, 2009	December 31, 2008
Precious metals	268,420	99,762
Clearing account	73,130	5,883
Blockage for letter of guarantee	25,402	-
Prepaid expenses	5,168	3,084
Receivable from assets sold	1,800	2,387
Value added tax (VAT) receivable	1,099	1,788
Other	14,874	10,104
	389,893	123,008

9. Current and profit loss sharing investors' accounts

	June 30, 2009	December 31, 2008
Current accounts:		
Turkish lira	549,805	435,795
Foreign currency	426,522	436,794
	976,327	872,589
Profit/loss sharing investors' accounts:		
Turkish lira	2,082,593	1,674,442
Foreign currency	1,775,221	1,521,247
	3,857,814	3,195,689
Blocked accounts:		
Turkish lira	35,410	31,272
Foreign currency	1,019	1,364
	36,429	32,636
Total current accounts and profit/loss investors' accounts	4,870,570	4,100,914
Expense accrual on current accounts and profit/loss sharing investors' accounts	26,391	18,546
Total current accounts and profit/loss sharing investors' accounts	4,896,961	4,119,460

Kuveyt Türk Katılım Bankası Anonim Şirketi and its Subsidiaries

Selected notes to interim condensed consolidated financial statements June 30, 2009 (continued) (Currency - In thousands of Turkish Lira - TL)

10. Income taxes

The Bank and its subsidiaries are subject to taxation in accordance with the tax rules and the legislation effective in the countries in which the Group companies operate.

In Turkey, the corporation tax rate for the fiscal period/year ending June 30, 2009 and December 31, 2008 was 20%. Corporate tax returns are required to be filed by the twenty fifth day of the fourth month following the balance sheet date and taxes must be paid in one installment by the end of the fourth month. The tax legislation provides for a temporary tax of 20% to be calculated and paid based on earnings generated for each quarter. The amounts thus calculated and paid are offset against the final corporate tax liability for the year.

Dividends paid to non-resident corporations, which have a place of business in Turkey, or resident corporations are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 15%. An increase in capital via issuing bonus shares is not considered as a profit distribution and thus does not incur withholding tax.

A 75% portion of the capital gains derived from the sale of equity investments and immovable properties held for at least two years is tax exempt, if such gains are added to paid-in capital in accordance with the New Corporate Tax Law.

Corporate tax losses can be carried forward for a maximum period of five years following the year in which the losses were incurred. The tax authorities can inspect tax returns and the related accounting records for a retrospective maximum period of five years. The Group has not recorded a provision for any additional taxes for the fiscal years that remain unaudited (2004 - 2008), as the amount, if any, cannot be estimated with any degree of certainty.

In Turkey, the tax legislation does not permit a parent company and its subsidiaries to file a consolidated tax return. Therefore, provision for taxes, as reflected in the consolidated financial statements, has been calculated on a separate-entity basis.

	June 30, 2009	December 31, 2008
Current tax expense	19,648	32,215
Prepaid tax (-)	7,315	20,728
Income taxes payable	12,333	11,487

Kuveyt Türk Katılım Bankası Anonim Şirketi and its Subsidiaries

Selected notes to interim condensed consolidated financial statements June 30, 2009 (continued)
(Currency - In thousands of Turkish Lira - TL)

10. Income taxes (continued)

	June 30, 2009	June 30, 2008
Current tax expense	19,648	10,454
Deferred tax charge	3,260	703
Total income tax benefit	22,908	11,157

A reconciliation of income tax expense applicable to profit from operating activities before income tax at the statutory income tax rate to income tax expense at the Bank's effective income tax rate for the periods June 30, 2009 and 2008 are as follows :

	June 30, 2009	June 30, 2008
Profit before income tax from continuing operations	113,894	53,125
Income/(Loss) before tax from a discontinued operation	-	291
Net profit before income tax	113,894	53,416
At Turkish statutory income tax rate of 20%	22,779	10,683
Effect of income not subject to tax	(1,691)	(1,745)
Effect of expenditure not allowable for income tax purposes	1,974	2,282
Effect of restatement pursuant to IAS 29 and others	(154)	(63)
Income tax charge	22,908	11,157

Deferred income tax as of June 30, 2009 and December 31, 2008 are attributable to the following items :

	Deferred tax assets/(liabilities)	
	June 30, 2009	December 31, 2008
Provision for impairment in due from financing activities	4,282	6,221
Derivative accrual	299	2,351
Provision for impairment in subsidiaries	3,680	3,476
Reserve for employment termination benefits	822	744
Deferred income	4,469	1,973
Bonus and vacation pay liability accrual of personnel	398	2,750
Effect of other temporary differences	205	272
Deferred tax assets	14,155	17,787
Restatement of property and equipment, intangible assets and other non-monetary items	2,353	2,474
Accounting for finance leases	466	717
Deferred tax liabilities	2,819	3,191
Deferred tax asset - net	11,336	14,596

Kuveyt Türk Katılım Bankası Anonim Şirketi and its Subsidiaries

Selected notes to interim condensed consolidated financial statements June 30, 2009 (continued)
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10. Income taxes (continued)

Movement of net deferred tax (liability) / asset is:

	June 30, 2009	June 30, 2008
Balance at the beginning of the year	14,596	7,886
Deferred income tax recognized in income statement	(3,260)	(703)
Balance at the end of the period	11,336	7,183

11. Share capital

	June 30, 2009	December 31, 2008
Number of common shares, 1 TL, par value. Authorized, issued and outstanding.	500.00 million	500.00 million

The movement of the share capital of the Group (in number and in historical TL) is as follows :

	June 30, 2009		June 30, 2008	
	Number	TL	Number	TL
At January 1	500,000,000	500,000	260,000,000	260,000
Shares issued in				
- bonus shares from retained earnings	-	-	40,000,000	40,000
- cash	-	-	200,000,000	200,000
At period/year end	500,000,000	500,000	500,000,000	500,000

The Group does not have any share type other than common shares. There is no differentiation in the rights, preferences and restriction of the common shares.

As of June 30, 2009 and December 31, 2008, the composition of shareholders and their respective % of ownership can be summarized as follows :

	June 30, 2009		December 31, 2008	
	Amount	%	Amount	%
Kuwait Finance House	311,173	62.2	311,173	62.2
Directorate of Foundations, Turkey	93,596	18.7	93,596	18.7
The Public Institution for Social Security, Kuwait	45,000	9.0	45,000	9.0
Islamic Development Bank	45,000	9.0	45,000	9.0
Other	5,231	1.1	5,231	1.1
Historical amount	500,000	100.00	500,000	100.00
Adjustment to share capital	-		-	
Total share capital	500,000		500,000	

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Selected notes to interim condensed consolidated financial statements June 30, 2009 (continued) (Currency - In thousands of Turkish Lira - TL)

12. Dividends paid and proposed

Dividends paid and proposed

During the current period, the Bank has paid a dividend of TL 5,500 (2008 - TL 6,990).

	June 30, 2009	December 31, 2008
Ordinary shares		
Amount	5,500	6,990
TL (full) per share	0.011	0.029

13. Earnings per share

Basic earnings per share (EPS) amounts are calculated by dividing the net profit for the period attributable to ordinary equity holders of the Bank by the weighted average number of ordinary shares outstanding during the period.

In Turkey, companies can increase their share capital by making a pro rata distribution of shares ("Bonus Shares") to existing shareholders without consideration for amounts resolved to be transferred to share capital from retained earnings and revaluation surplus. For the purpose of the EPS calculation such Bonus Share issues are regarded as stock dividends. Dividend payments, which are immediately reinvested in the shares of the Bank are similarly treated. Accordingly the weighted average number of shares used in EPS calculation is derived by giving retroactive effect to the issue of such shares.

The following reflects the income and per share data used in the basic earnings per share computations:

	June 30, 2009	June 30, 2008
Net profit attributable to continuing operations of the Bank for basic earnings per share	90,986	41,968
Net loss attributable to discontinued operations for basic earnings per share	-	291
Net profit attributable to ordinary equity holders of the Bank for basic earnings per share	90,986	42,259
Weighted average number of ordinary shares for basic earnings per share (thousands)	500,000	334,254
Basic earnings per share (expressed in full TL per share)	0.182	0.126

Kuveyt Türk Katılım Bankası Anonim Şirketi and its Subsidiaries

Selected notes to interim condensed consolidated financial statements June 30, 2009 (continued) (Currency - In thousands of Turkish Lira - TL)

14. Commitments and contingencies

In the normal course of its banking activities, the Group undertakes various commitments and incurs certain contingent liabilities that are not presented in the financial statements. Such commitments include mainly letters of guarantee, letters of credit and acceptance credits.

- a) The following is a brief summary of significant contingencies and commitments as of June 30, 2009 and December 31, 2008 :

	June 30, 2009	December 31, 2008
Letters of guarantee issued by the Bank	2,766,580	2,799,023
Letters of credits	339,087	363,745
Commitments	605,692	655,231
Acceptance credits	33,506	25,757
Other guarantees	5,681	4,775
Total	3,750,546	3,848,531

Except for the Head-Office, and three branch buildings, all branch premises of the Group are leased under operational leases. The lease periods vary between 2-10 years and lease arrangements are cancelable. There are no restrictions placed upon the lessee by entering into these leases.

Future minimum rental payables under operating leases are as follows :

	June 30, 2009	December 31, 2008
Within one year	10,642	14,446
After one year but not more than five years	36,089	34,414
More than five years	1,256	328
	47,987	49,188

Fiduciary Activities

Other than checks and notes received for collections in favor of the customers, the Group does not have any fiduciary assets and those are not included in the accompanying financial statements. As of June 30, 2009, the amounts of such checks and notes are TL 884,771 (December 31,2008 – TL 858,409) and TL 178,497 (December 31,2008 - TL 147,863), respectively.

Kuveyt Türk Katılım Bankası Anonim Şirketi and its Subsidiaries

Selected notes to interim condensed consolidated financial statements June 30, 2009 (continued)
(Currency - In thousands of Turkish Lira - TL)

15. Related party disclosures

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making the financial and operating decisions. For the purpose of these financial statements, shareholders and parties associated with them are referred to as related parties. A number of transactions were entered into with related parties in the normal course of business. The related parties also include individuals who are principal owners, management and members of the Group's Board of Director's and their families.

The following tables provides the total amount of balances due from and due to related parties as of June 30, 2009 and December 31, 2008 and also transactions which have been entered into with related parties during the six months period ended June 30, 2009 and 2008.

i) Due from financial institutions :

		June 30, 2009		December 31, 2008	
		Foreign currency (full)	TL equivalent	Foreign currency (full)	TL equivalent
Kuwait Finance House (1)	Kuwait Dinar	2,710	14	748	4
	US\$	145,677	223	10,272,815	15,531
	EUR	-	-	-	-
	BHD	27,566	112	49,101	197
			349		15,732

ii) Due to other financial institutions :

		June 30, 2009		December 31, 2008	
		Foreign currency (full)	TL equivalent	Foreign currency (full)	TL equivalent
Kuwait Finance House, Bahrain (1)	US\$	-	-	43,804,833	65,811
Kuwait Finance House (*)	US\$	13,452,982	20,584	13,452,282	20,345
Kuwait Finance House, Bahrain	EUR	-	-	-	-
Other	US\$	-	-	-	-
			20,584		86,156

(*) The balance due to Kuwait Finance House is because of the purchase of investment property on behalf of Kuwait Finance House.

iii) Profit/loss sharing investors' accounts :

		June 30, 2009		December 31, 2008	
		Foreign currency (full)	TL equivalent	Foreign currency (full)	TL equivalent
Kuwait Finance House (1)	EUR	-	-	-	-
Kuwait Finance House (1)	US\$	1,294,796	1,981	1,350,170	2,042
Kuwait Finance House (1)	TL	-	2,632	-	-
Kuwait Finance House (1)	BHD	-	-	-	-
Islamic Development Bank (1)	US\$	5,146	8	5,146	8
Islamic Development Bank (1)	TL	-	-	-	-
Directorate of Foundations, Turkey (1)	TL	-	3	-	2
			4,624		2,052

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Selected notes to interim condensed consolidated financial statements June 30, 2009 (continued) (Currency - In thousands of Turkish Lira - TL)

15. Related party disclosures (continued)

iv) Profit shares distributed :

		June 30, 2009		June 30, 2008	
		Foreign currency (full)	TL Equivalent	Foreign currency (full)	TL Equivalent
Kuwait Finance House (1)	US\$	23,840	37	23,643	29
Directorate of Vakıf Foundations, Turkey (1)	YTL	-	-	-	1
			37		30

v) Non cash credits issued :

		June 30, 2009		December 31, 2008	
		Foreign currency (full)	TL Equivalent	Foreign currency (full)	TL equivalent
Kuwait Finance House (1)	US\$	264,095	404	489,087	740
Other	TL	-	-	-	-
			404		740

(1) Shareholders

Directors' remuneration

The executive members of the Board of Directors and key management of the Bank received remuneration totaling TL 4,514 during the six months period ended June 30, 2009 (As of June 30, 2008 - TL 3,631). As of June 30, 2009 the key management personnel did not receive any termination benefits (As of June 30, 2008 - nil).