

**Kuveyt Türk  
Katılım Bankası  
Anonim Şirketi**

**Interim Condensed Consolidated  
Financial Statements Together With  
Independent Auditors' Review Report  
June 30, 2007**

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**REPORT ON REVIEW OF INTERIM CONDENSED  
CONSOLIDATED FINANCIAL STATEMENTS  
TO THE SHAREHOLDERS OF  
KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**

**Introduction**

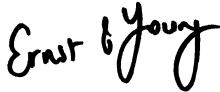
We have reviewed the accompanying interim condensed consolidated financial statements of Kuveyt Turk Katılım Bankası A.Ş. and its subsidiaries (“the Group”) as at June 30, 2007 comprising of the interim condensed consolidated balance sheet and the related interim condensed consolidated statements of income, changes in equity and cash flows for the six month 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 Standards 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 and consequently 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.



July 31, 2007  
Istanbul, Turkey

# Kuveyt Türk Katılım Bankası Anonim Şirketi and its Subsidiaries

## INTERIM CONSOLIDATED BALANCE SHEET

At June 30, 2007

(Currency- In thousands of New Turkish Lira - YTL)

	Notes	June 30, 2007 Unaudited	December 31, 2006 Audited
<b>ASSETS</b>			
Cash and balances with the Central Bank	3	135,171	79,098
Deposits with banks and other financial institutions	3	424,118	306,051
Reserve deposits at the Central Bank of Turkey	4	198,811	176,820
Financial assets held for trading		100	-
Investment securities		6,890	1,012
- available-for-sale investments		285	1,012
- held to maturity		6,605	-
Due from financing activities, net	5	2,424,902	2,076,968
Minimum financial lease payment receivable, net	6	160,099	163,547
Derivative financial instruments		254	63
Other assets		17,016	15,687
Construction projects, net		3,180	4,478
Investment properties, net		39,438	38,290
Property and equipment, net	7	70,443	68,787
Intangible assets, net		1,396	1,724
Deferred tax assets	10	18,389	18,909
<b>Total assets</b>		<b>3,500,207</b>	<b>2,951,434</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
Due to other financial institutions and banks	8	573,869	277,143
Current accounts and profit / loss sharing investors' accounts	9	2,517,106	2,375,761
Other liabilities		22,925	25,384
Provisions		2,921	2,537
Derivative financial instruments		8,873	487
<b>Total liabilities</b>		<b>3,125,694</b>	<b>2,681,312</b>
<b>Shareholders' equity :</b>			
Share capital	11	260,000	200,188
Share issue premium	11	23,250	-
Legal reserves and retained earnings		91,263	69,934
<b>Total shareholders' equity</b>		<b>374,513</b>	<b>270,122</b>
<b>Total liabilities and shareholders' equity</b>		<b>3,500,207</b>	<b>2,951,434</b>

The policies and explanatory notes on pages 6 through 19 form an integral part of the interim condensed consolidated financial statements.

## Kuveyt Türk Katılım Bankası Anonim Şirketi and its Subsidiaries

### INTERIM CONSOLIDATED INCOME STATEMENT For the six month period ended June 30, 2007 (Currency- In thousands of New Turkish Lira - YTL)

	01.01.2007- 30.06.2007	01.04.2007- 30.06.2007	01.01.2006- 30.06.2006	01.04.2006- 30.06.2006
Notes	Unaudited	Unaudited	Unaudited	Unaudited
<b>Income from financing activities:</b>				
Profit/loss sharing accounts	101,514	49,139	80,363	44,478
Current accounts and equity	50,982	30,242	27,868	15,024
Profit on deposits with other banks and financial institutions	5,244	2,587	3,758	1,768
Profit on financial leases	7,187	2,418	8,062	4,575
<b>Total income from financing activities</b>	<b>164,927</b>	<b>84,386</b>	120,051	65,845
Profit shares distributed to participation accounts	(80,695)	(41,562)	(77,784)	(46,129)
Profit shares distributed to banks and financial institutions	(15,011)	(8,460)	(2,444)	(1,553)
<b>Net financing income</b>	<b>69,221</b>	<b>34,364</b>	39,823	18,163
Provision for impairment in due from financing activities and lease receivables, net	(8,615)	(4,093)	(10,821)	(4,846)
<b>Net financing income after reserve for impairment in due from financing activities and lease receivables</b>	<b>60,606</b>	<b>30,271</b>	29,002	13,317
Foreign exchange gain, net	4,975	4,451	8,567	5,886
<b>Net financing income after net foreign exchange gain</b>	<b>65,581</b>	<b>34,722</b>	37,569	19,203
Fee and commission income	49,953	27,674	32,639	18,382
Income from construction projects, net	1,463	1,259	1,321	781
Other income	2,830	(301)	10,149	8,808
<b>Total other operating income</b>	<b>54,246</b>	<b>28,632</b>	44,109	27,971
Net trading expense	(6,331)	(2,993)	-	-
Fees and commission expense	(7,770)	(3,827)	(5,107)	(2,769)
Staff costs	(35,460)	(18,395)	(27,622)	(14,206)
Depreciation and amortization expense	(5,747)	(2,824)	(4,444)	(2,302)
Withholdings and other taxes	(2,079)	(1,212)	(1,390)	(759)
Rent expense	(4,787)	(2,461)	(3,736)	(1,964)
Other expenses	(19,963)	(11,826)	(22,129)	(14,577)
<b>Total other operating expense</b>	<b>(82,137)</b>	<b>(43,538)</b>	(64,428)	(36,577)
<b>Profit before income tax</b>	<b>37,690</b>	<b>19,816</b>	17,250	10,597
Deferred tax (charge) / credit	10	(520)	(170)	(269)
<b>Net income for the period</b>	<b>37,170</b>	<b>19,296</b>	17,080	10,328

The policies and explanatory notes on pages 6 through 19 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, 2007**  
**(Currency- In thousands of New Turkish Lira - YTL)**

	Share Capital	Adjustment to Share Capital	Share Issue Premium	Legal Reserves	Retained Earnings	Total
Balances, at January 1, 2006	200,188	22,703	-	4,585	2,836	230,312
Dividends paid	-	-	-	-	(147)	(147)
Net income for the period	-	-	-	-	17,080	17,080
Balances, at June 30, 2006, Unaudited	200,188	22,703	-	4,585	19,769	247,245
<b>Balances at January1, 2007</b>	<b>200,188</b>	<b>-</b>	<b>-</b>	<b>6,094</b>	<b>63,840</b>	<b>270,122</b>
Share capital increase	59,812	-	-	-	(13,312)	46,500
Transfer from retained earnings to legal reserves	-	-	-	1,812	(1,812)	-
Dividends paid	-	-	-	-	(2,529)	(2,529)
Share issue premium	-	-	23,250	-	-	23,250
Net income for the period	-	-	-	-	37,170	37,170
<b>Balances, at June 30, 2007, Unaudited</b>	<b>260,000</b>	<b>-</b>	<b>23,250</b>	<b>7,906</b>	<b>83,357</b>	<b>374,513</b>

The policies and explanatory notes on pages 6 through 19 form an integral part of the consolidated financial statements.

# Kuveyt Türk Katılım Bankası Anonim Şirketi and its Subsidiaries

## INTERIM CONSOLIDATED CASH FLOW STATEMENT For the six month period ended June 30, 2007 (Currency- In thousands of New Turkish Lira - YTL)

	Notes	June 30, 2007 Unaudited	June 30, 2006 Unaudited
<b>Cash flows from operating activities:</b>			
Net profit before income tax		37,690	17,250
Adjustments to reconcile net income to net cash used in operating activities:			
Gain/(Loss) on sale of investment security		(154)	-
Gain/(Loss) on sale of property and equipment, intangible assets and investment properties		(787)	(543)
Depreciation and amortization		5,747	4,444
Reserve for employee termination benefits		775	163
Reserve for impairment in due from financing activities		8,615	10,821
Expense accrual of participation accounts		2,184	5,409
Reserve for/(reversal of) impairment in construction projects, property and equipment and investment property		988	157
Income accrual of funds invested		15,310	120,345
Expense accrual of funds borrowed		8,824	1,462
Net change in derivative financial instruments		8,195	(1,198)
<b>Operating profit before changes in operating assets and liabilities</b>		<b>87,387</b>	<b>158,310</b>
<b>Net changes in :</b>			
Reserve deposits at the Central Bank of Turkey		(21,991)	(28,455)
Due from financing activities		(371,859)	(717,645)
Minimum financial lease payment receivables		3,448	(27,136)
Other assets and construction projects		(1,082)	(2,307)
Current accounts and profit/loss sharing investors' accounts		139,161	377,351
Other liabilities		(2,459)	6,271
Payment for employee termination benefits		(392)	(846)
<b>Net cash used in operating activities</b>		<b>(167,787)</b>	<b>(234,457)</b>
<b>Cash flows from investing activities:</b>			
(Increase) / decrease in available-for-sale, held-to-maturity and held-for-trading securities		(5,824)	13,453
Purchase of property and equipment, intangible assets and investment properties		(9,122)	(8,252)
Proceeds from sale of property and equipment, intangible assets and investment properties		1,749	354
<b>Net cash provided by / (used in) investing activities</b>		<b>(13,197)</b>	<b>5,555</b>
<b>Cash flows from financing activities:</b>			
Increase in share capital		46,500	-
Share issue premium		23,250	-
Dividends paid		(2,528)	(147)
Decrease in due to financial institutions and banks		287,902	201,908
<b>Net cash provided by financing activities</b>		<b>355,124</b>	<b>201,761</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>174,140</b>	<b>(27,141)</b>
Cash and cash equivalents at the beginning of the period	3	385,149	403,089
<b>Cash and cash equivalents at the end of the period</b>	3	<b>559,289</b>	<b>375,948</b>
Profit share received		180,237	122,225
Profit share paid		93,521	78,093

The policies and explanatory notes on pages 6 through 19 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, 2007**

**(Currency - In thousands of New Turkish Lira - YTL)**

### **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 July 31, 2007. The General Assembly and certain regulatory bodies have the power to amend the statutory financial statements after issue.

As also disclosed in detail in Note 14, in the Board of Directors meeting dated July 24, 2007, it has been resolved that the Executive Committee has been authorized to take necessary actions for an Initial Public Offering. As of the date of this report the process of the filing for the purpose of initial public offering has not been started yet.

#### **Nature of Activities of the Bank and its Subsidiaries**

At June 30, 2007, the Bank has 81 branches and 1 off-shore branch (December 31, 2006 - 78 branches and 1 off-shore branch) that are principally engaged in collecting funds through current and profit/loss sharing accounts, and disbursing funds to the customers. As at June 30, 2007, the Bank has 1,593 employees (December 31, 2006 - 1,392 employees).

The Bank's subsidiary, Körfez Gayrimenkul İnşaat Taahhüt Turizm San. ve Tic. A.Ş. ("Körfez"), in which the Bank has 100% shareholding was incorporated in June 1996 according to the Turkish Commercial Code. Körfez's head office is registered in Büyükdere Caddesi, No: 129, 34394 Esentepe Şişli/İstanbul. Körfez is engaged in development and marketing of real estate projects in Turkey, including Güre Project, which comprises the construction of 199 "time-sharing" houses in Edremit-Balıkesir. Körfez's main sources of revenue are from the sales of these projects and expert valuations carried for third parties.

The Bank's other subsidiary, Auto Land Otomotiv San. ve Tic. A.Ş. ("Auto Land"), in which the Bank has 100% shareholding was established on April 6, 2004. Auto Land is located in Basın Ekspres Yolu, B Blok, No:5 Halkalı/İstanbul. Auto Land is engaged in purchase, sales and lease transactions in 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.

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, 2006.



## Kuveyt Türk Katılım Bankası Anonim Şirketi and its Subsidiaries

### SELECTED NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

June 30, 2007

(Currency - In thousands of New Turkish Lira - YTL)

#### 2. BASIS OF PRESENTATION AND ACCOUNTING POLICIES (continued)

##### 2.2 Significant Accounting Policies

In preparation of the interim condensed consolidated financial statements of the Bank and its subsidiaries the same accounting policies and methods of computation are followed as compared with the most recent annual financial statements except for the following:

The Bank has adopted the following new and amended IFRS and IFRIC interpretations during the period. Adoption of these revised standards and interpretations did not have any effect on the financial statements of the Group. They may however give rise to additional disclosures. The accompanying interim condensed consolidated financial statements do not include the disclosures required by IFRS 7 as such disclosures are not compulsory for the condensed interim financial statements.

- IFRIC 7 – Applying the Restatement Approach under IAS 29 “Financial Reporting in Hyperinflationary Economies”
- IFRIC 8 – Scope of IFRS 2- Share-based payment
- IFRIC 9 – Reassessment of Embedded Derivatives
- IFRIC 10 – Interim Financial Reporting and Impairment
- IFRS 7 - Financial Instruments: Disclosures and complementary amendment to IAS 1, Presentation of Financial Statements, Capital Disclosures

Until December 31, 2005, the consolidated financial statements were restated for the changes in the general purchasing power of YTL based on IAS 29 (“Financial Reporting in Hyperinflationary Economies”). Since the objective conditions for the restatement in hyperinflationary economies was no longer available at that time, Turkey came off hyperinflationary status effective from January 1, 2006. The financial statements were restated until December 31, 2005 in accordance with IAS 29. Therefore, the non-monetary assets and liabilities and components of shareholders’ equity including share capital reported in the balance sheet as of December 31, 2007 and 2006 are derived by indexing the additions occurred until December 31, 2005 to December 31, 2005 and carrying the additions after this date with their nominal amounts.

##### 2.3 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 Institution as of respective year-ends are as follows :

Dates	USD / YTL	EUR / YTL	KWD / YTL
June 30, 2006	1.6029	2.0095	5.4969
December 31, 2006	1,4131	1,8586	4,8470
June 30, 2007	1,3147	1,7696	4,5251

## Kuveyt Türk Katılım Bankası Anonim Şirketi and its Subsidiaries

### SELECTED NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

June 30, 2007

(Currency - In thousands of New Turkish Lira - YTL)

#### 3. CASH AND BALANCE WITH BANKS

	June 30, 2007	December 31, 2006
Cash on hand	34,533	62,132
Precious metals	9,299	-
Balances with the Central Bank	91,339	16,966
<b>Cash and balances with the Central Bank</b>	<b>135,171</b>	<b>79,098</b>
Balances with domestic banks	48,530	224,606
Balances with foreign banks	354,358	74,404
Current accounts in participation banks	21,230	7,041
<b>Balances with banks and other financial institutions</b>	<b>424,118</b>	<b>306,051</b>
<b>Cash and balances with banks</b>	<b>559,289</b>	<b>385,149</b>

As of June 30, 2007 and December 31, 2006, time deposits with banks and other financial institutions which have maturities less than a month are as follows:

	June 30, 2007				December 31, 2006			
	Amount		Effective profit rate		Amount		Effective profit rate	
	New Turkish Lira	Foreign currency	New Turkish Lira	Foreign currency	New Turkish Lira	Foreign currency	New Turkish Lira	Foreign currency
Deposits with other banks and other financial institutions	130,373	208,805	17.82	5.14	-	209,782	-	4.95
<b>Total</b>	<b>130,373</b>	<b>208,805</b>			<b>-</b>	<b>209,782</b>	<b>-</b>	<b>-</b>

#### 4. RESERVE DEPOSITS AT THE CENTRAL BANK OF TURKEY

	June 30, 2007		December 31, 2006	
	Foreign Currency (full)	YTL Equivalent	Foreign Currency (full)	YTL Equivalent
US\$	445,399	586	445,399	629
EUR	110,894,788	196,239	93,830,114	174,393
YTL		1,986	-	1,798
		<b>198,811</b>		<b>176,820</b>

As of June 30, 2007, the interest rate applied for New Turkish Lira, US\$ and Euro reserve deposits are 12.93%, 2.53% and 1.96% (December 31, 2006 – 13.12%, 2.52% and 1.70%), respectively

According to the regulations of the Central Bank of Turkey, banks are obliged to reserve a portion of certain liability accounts as specified in the related decrees. Such mandatory reserves are not available for use in the Bank's day to day operations.

As of June 30, 2007 and December 31, 2006 reserve deposit rates are 6% and 11% for YTL and foreign currency deposits, respectively.

**Kuveyt Türk Katılım Bankası Anonim Şirketi and its Subsidiaries**

**SELECTED NOTES TO INTERIM CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS (Continued)**

**June 30, 2007**

**(Currency - In thousands of New Turkish Lira - YTL)**

**5. DUE FROM FINANCING ACTIVITIES, NET**

	<b>June 30, 2007</b>	December 31, 2006
<b>Performing</b>		
Funds invested from profit/loss sharing accounts	<b>1,485,648</b>	1,284,146
Funds invested from current accounts and equity	<b>858,155</b>	706,358
Income accruals on due from financing activities	<b>40,213</b>	55,523
	<b>2,384,016</b>	2,046,027
<b>Funds in arrears</b>		
Funds invested from profit / loss sharing accounts	<b>74,892</b>	65,606
Funds invested from current accounts and equity	<b>54,451</b>	45,985
	<b>129,343</b>	111,591
<b>Total</b>	<b>2,513,359</b>	2,157,618
<b>Impairment allowance</b>		
Funds invested from current accounts and equity	<b>(35,425)</b>	(35,266)
Funds invested from profit / loss sharing accounts – YTL	<b>(20,012)</b>	(29,280)
Funds invested from profit / loss sharing accounts foreign currency	<b>(33,020)</b>	(16,104)
	<b>(88,457)</b>	(80,650)
<b>Total due from financing activities</b>	<b>2,424,902</b>	2,076,968

As of June 30, 2007, foreign currency denominated and foreign currency indexed loans - excluding non performing funds - amounts to YTL 1,334,516 YTL (December 31, 2006 – YTL 994,725).

Movement in impairment allowance for funds disbursed is as follows :

	<b>June 30, 2007</b>	June 30, 2006
Balance at 1 January	<b>80,650</b>	47,547
Provisions – bank	<b>8,567</b>	10,608
Provisions - participation accounts	<b>4,727</b>	19,971
Recoveries of amounts previously provided for	<b>(5,487)</b>	(11,632)
Reserves written off in current period	<b>-</b>	(2,463)
<b>Balance at the end of period</b>	<b>88,457</b>	64,031

The nominal value of collaterals obtained from customers for the due from financing activities as of June 30, 2007 and December 31, 2006 constituting blocked cash, collaterals and guarantee letters, etc. amounts to YTL 1,561,832 and YTL 1,266,010 respectively.

**Kuveyt Türk Katılım Bankası Anonim Şirketi and its Subsidiaries**

**SELECTED NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**June 30, 2007**

**(Currency - In thousands of New Turkish Lira - YTL)**

**6. MINIMUM FINANCIAL LEASE PAYMENT RECEIVABLE, NET**

	<b>June 30, 2007</b>	December 31, 2006
Gross investment in finance leases	<b>170,381</b>	183,721
Unearned finance income	<b>(21,751)</b>	(27,460)
Total impaired receivables	<b>18,258</b>	14,466
Impairment allowance	<b>(6,789)</b>	(7,180)
<b>Minimum lease payment receivable, net</b>	<b>160,099</b>	163,547

**Movements in the impairment allowance**

	<b>June 30, 2007</b>	June 30, 2006
Balance at 1 January	<b>7,180</b>	11,011
Provisions – Institution	<b>48</b>	213
Provisions - participation accounts	<b>539</b>	3,966
Recoveries of amounts previously provided for	<b>(978)</b>	(1,097)
Reserves written off in current year	<b>-</b>	(6,304)
<b>Balance at the end of the period</b>	<b>6,789</b>	7,789

Gross investment in finance leases as to their maturity :

	<b>June 30, 2007</b>	December 31, 2006
Not later than 1 year	<b>113,993</b>	109,635
Later than 1 year and not later than 5 years	<b>73,088</b>	86,766
Later than 5 years	<b>1,558</b>	1,786
<b>Minimum lease payment receivables, gross</b>	<b>188,639</b>	198,187
<b>Less : Unearned finance income</b>	<b>(21,751)</b>	(27,460)
Net investment in finance leases	<b>166,888</b>	170,727
Less : Reserve for impairment	<b>(6,789)</b>	(7,180)
<b>Minimum lease payments receivables, net</b>	<b>160,099</b>	163,547

As of June 30, 2007 YTL 155,642 (2006 - YTL 163,269) gross lease receivables are denominated in foreign currency (US\$ and EUR).

**Kuveyt Türk Katılım Bankası Anonim Şirketi and its Subsidiaries**

**SELECTED NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**June 30, 2007**

**(Currency - In thousands of New Turkish Lira - YTL)**

**7. PROPERTY AND EQUIPMENT**

	Land and buildings	Furniture and office equipment	Leasehold improvements	Motor vehicles	Total
At December 31, 2006, net of accumulated depreciation and impairment	40,626	14,080	11,717	2,364	68,787
Additions	346	3,621	1,956	1,393	7,316
Disposals	-	(126)	-	(182)	(308)
Depreciation charge for the period	(895)	(2,354)	(1,711)	(392)	(5,352)
<b>At June 30, 2007, net of accumulated depreciation and impairment</b>	<b>40,077</b>	<b>15,221</b>	<b>11,962</b>	<b>3,183</b>	<b>70,443</b>
<b>At January 1, 2007</b>					
Cost	44,837	38,760	18,922	4,386	106,905
Accumulated depreciation	(4,211)	(24,680)	(7,205)	(2,022)	(38,118)
Accumulated impairment	-	-	-	-	-
<b>Net carrying amount</b>	<b>40,626</b>	<b>14,080</b>	<b>11,717</b>	<b>2,364</b>	<b>68,787</b>
<b>At June 30, 2007</b>					
Cost	45,183	41,631	20,878	5,296	112,988
Accumulated depreciation	(5,106)	(26,410)	(8,916)	(2,113)	(42,545)
Accumulated impairment	-	-	-	-	-
<b>Net carrying amount</b>	<b>40,077</b>	<b>15,221</b>	<b>11,962</b>	<b>3,183</b>	<b>70,443</b>
At December 31, 2005, net of accumulated depreciation and impairment	40,861	11,454	10,195	2,068	64,578
Additions	12	3,059	2,570	797	6,438
Disposals	(80)	(6)	-	(190)	(276)
Depreciation charge for the period	(352)	(1,808)	(1,338)	(325)	(3,823)
<b>At June 30, 2006, net of accumulated depreciation and impairment</b>	<b>40,441</b>	<b>12,699</b>	<b>11,427</b>	<b>2,350</b>	<b>66,917</b>
<b>At January 1, 2006</b>					
Cost	44,461	32,032	14,512	4,269	95,274
Accumulated depreciation	(3,503)	(20,578)	(4,317)	(2,201)	(30,599)
Accumulated impairment	(97)	-	-	-	(97)
<b>Net carrying amount</b>	<b>40,861</b>	<b>11,454</b>	<b>10,195</b>	<b>2,068</b>	<b>64,578</b>
<b>At June 30, 2006</b>					
Cost	44,393	34,811	17,082	4,126	100,412
Accumulated depreciation	(3,855)	(22,112)	(5,655)	(1,776)	(33,398)
Accumulated impairment	(97)	-	-	-	(97)
<b>Net carrying amount</b>	<b>40,441</b>	<b>12,699</b>	<b>11,427</b>	<b>2,350</b>	<b>66,917</b>

**Kuveyt Türk Katılım Bankası Anonim Şirketi and its Subsidiaries**

**SELECTED NOTES TO INTERIM CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS (Continued)**

**June 30, 2007**

**(Currency - In thousands of New Turkish Lira - YTL)**

**8. DUE TO OTHER FINANCIAL INSTITUTIONS AND BANKS**

Original Foreign Currency	Amount in YTL		Effective cost rate	
	June 30, 2007	December 31, 2006	June 30, 2007	December 31, 2006
US\$	539,458	218,660	6.31 %	6.66 %
Euro	34,411	58,483	5.02 %	4.46 %
<b>Total</b>	<b>573,869</b>	<b>277,143</b>		

As of June 30, 2007, other than YTL 134,594 all borrowings of the Group comprise short-term borrowings (As of December 31, 2006, all borrowings of the Group comprise short-term borrowings).

As a result of the master murabaha agreement with ABC Islamic Bank on December 19, 2006, the Group acquired a revolving murabaha loan amounting to USD 200,000,000 in February 2007, which has two years maturity.

**9. CURRENT AND PROFIT LOSS SHARING INVESTORS' ACCOUNTS**

	June 30, 2007	December 31, 2006
Current accounts:		
New Turkish lira	252,004	207,401
Foreign currency	318,805	356,054
	<b>570,809</b>	<b>563,455</b>
Profit/loss sharing investors' accounts:		
New Turkish lira	786,965	694,309
Foreign currency	1,122,822	1,094,231
	<b>1,909,787</b>	<b>1,788,540</b>
Blocked accounts:		
New Turkish lira	22,639	18,203
Foreign currency	7,017	894
	<b>29,656</b>	<b>19,097</b>
<b>Total current accounts and profit/loss investors' accounts</b>	<b>2,510,252</b>	<b>2,371,092</b>
Expense accrual on current accounts and profit/loss sharing investors' accounts	6,854	4,669
<b>Total current accounts and profit/loss sharing investors' accounts</b>	<b>2,517,106</b>	<b>2,375,761</b>

## Kuveyt Türk Katılım Bankası Anonim Şirketi and its Subsidiaries

### SELECTED NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

June 30, 2007

(Currency - In thousands of New Turkish Lira - YTL)

#### 9. CURRENT AND PROFIT LOSS SHARING INVESTORS' ACCOUNTS (continued)

Current accounts and profit/loss sharing investors' accounts, excluding expense accruals, can be analyzed according to their original maturities as follows :

	June 30, 2007 (in YTL)			December 31, 2006 (in YTL)		
	YTL	Foreign Currency	Total	YTL	Foreign Currency	Total
Up to 1 month	880,867	1,083,241	1,964,108	776,047	1,140,235	1,916,282
From 1 month to 3 months	128,707	231,597	360,304	89,459	173,529	262,988
From 3 months to 1 year	32,518	95,026	127,544	31,257	82,206	113,463
Over one year	19,516	38,780	58,296	23,150	55,209	78,359
	<b>1,061,608</b>	<b>1,448,644</b>	<b>2,510,252</b>	<b>919,913</b>	<b>1,451,179</b>	<b>2,371,092</b>

At June 30, 2007, foreign currency current and profit/loss sharing investors' accounts are as follows :

	June 30, 2007		December 31, 2006	
	Foreign currency (full)	YTL Equivalent	Foreign currency (full)	YTL Equivalent
Current accounts:				
US\$	280,008,004	212,982	171,372,532	242,167
Euro	166,349,248	94,004	58,600,554	108,915
Other	-	11,819	-	4,995
	-	<b>318,805</b>	-	<b>356,077</b>
Profit/loss sharing investors' accounts:				
US\$	870,600,289	662,205	472,838,159	668,168
Euro	815,108,791	460,617	229,238,494	426,063
Other	-	-	-	-
	-	<b>1,122,822</b>	-	<b>1,094,231</b>
	-	<b>1,441,627</b>	-	<b>1,450,308</b>

The Bank mainly collects profit/loss sharing accounts from domestic companies and domestic individuals.

Profit/loss sharing accounts include the gain or loss resulting from the investment activities of the Bank and there is no predetermined return on these accounts when depositing money.

#### 10. INCOME TAXES

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

In Turkey, the corporation tax rate beginning from for the fiscal years ending December 31, 2006 is 20% (2005 - 30%). 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% (2005 - 30%) 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.

**Kuveyt Türk Katılım Bankası Anonim Şirketi and its Subsidiaries**

**SELECTED NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**June 30, 2007**

**(Currency - In thousands of New Turkish Lira - YTL)**

**10. INCOME TAXES (continued)**

In addition, the Turkish government offers investment incentives to companies that make certain qualifying capital investments in Turkey. Prior to April 24, 2003, the total amount of qualifying capital investments was deducted from taxable income and the remainder of taxable income, if any, was taxed at the corporate rate. A withholding tax of 19.8% was applied to the total amount of qualifying capital investments. With effect from April 24, 2003, the investment incentives scheme was amended such that companies are no longer subject to a withholding tax, but rather directly deduct 40% of qualifying capital investments from their annual taxable income. In addition, corporations that had unused qualifying capital investment amounts from periods prior to April 24, 2003 were entitled to carry forward these and apply the 19.8% withholding tax to these amounts in the manner described above. With the new law enacted, effective from January 1, 2006, Turkish government ceased to offer investment incentives for capital investments. Companies having unused qualifying capital investment amounts from periods prior to December 31, 2005 will be able to deduct such amounts from corporate income until the end of December 31, 2008; however, the corporate tax rate will be 30% for them. Furthermore, qualifying capital investments to be made until the end of December 31, 2008 within the scope of the investment projects started before December 31, 2005 will be subject to investment incentive until the end of December 31, 2008. In 2006 and 2007, the Bank utilized its investment incentive allowance, whereas for 2008 the Bank has decided not to utilize its investment incentive allowances, therefore in 2008 the corporate tax rate for the Bank will be 20%.

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.

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.

	<b>June 30, 2007</b>	June 30, 2006
Current tax expense	-	-
Deferred tax charge	<b>520</b>	-
<b>Total income tax benefit</b>	<b>520</b>	-

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 2007 and 2006 are as follows :

	<b>June 30, 2007</b>	June 30, 2006
Profit before income tax	<b>37,690</b>	17,250
At Turkish statutory income tax rate of 30%	<b>11,307</b>	5,175
Effect of change in tax rate	<b>1,195</b>	(665)
Effect of income not subject to tax	<b>(9,625)</b>	(5,642)
Effect of expenditure not allowable for income tax purposes	<b>930</b>	3,465
Effect of investment incentive	<b>(3,402)</b>	(2,450)
Effect of restatement pursuant to IAS 29 and others	<b>115</b>	287
<b>Income tax charge</b>	<b>520</b>	170



**Kuveyt Türk Katılım Bankası Anonim Şirketi and its Subsidiaries**

**SELECTED NOTES TO INTERIM CONDENSED CONSOLIDATED  
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**June 30, 2007**

**(Currency - In thousands of New Turkish Lira - YTL)**

**10. INCOME TAXES (continued)**

Deferred income tax as of June 30, 2007 and December 31, 2006 are attributable to the following items :

	<b>Deferred tax assets/(liabilities)</b>	
	<b>June 30, 2007</b>	<b>December 31 2006</b>
Derivative accrual	2,586	127
Accounting for finance leases	2,390	4,392
Provision for impairment in subsidiaries	3,095	-
Reserve for employment termination benefits	569	507
Effect of other temporary differences	1,588	903
Investment incentive	10,930	17,871
Bonus accrual of personnel	-	2,387
<b>Deferred tax assets</b>	<b>21,158</b>	<b>26,187</b>
Restatement of property and equipment, intangible assets and other non-monetary items	1,069	1,084
Provision for impairment in due from financing activities	1,020	2,206
Effect of other temporary differences	680	953
<b>Deferred tax liabilities</b>	<b>2,769</b>	<b>4,243</b>
<b>Deferred tax asset – net</b>	<b>18,389</b>	<b>21,944</b>
<b>Deferred tax asset not recognized (*)</b>	<b>-</b>	<b>(3,035)</b>
<b>Deferred tax asset - net</b>	<b>18,389</b>	<b>18,909</b>

(\*) The deferred tax assets arising on temporary differences has not been fully recognized as of December 31, 2006, on the basis that a portion amounting to YTL 3,035 will not be realized in the foreseeable future due to the taxable income generation projections of the Bank.

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

	<b>June 30, 2007</b>	<b>June 30, 2006</b>
Balance at the beginning of the year	18,909	18,623
Deferred income tax recognized in income statement	(520)	(170)
<b>Balance at the end of the period / year</b>	<b>18,389</b>	<b>18,453</b>

**11. SHARE CAPITAL**

	<b>June 30, 2007</b>	<b>December 31, 2006</b>
<b>Number of common shares, 1 YTL, par value. Authorized, issued and outstanding.</b>	<b>260.00 million</b>	<b>200.19 million</b>

## Kuveyt Türk Katılım Bankası Anonim Şirketi and its Subsidiaries

### SELECTED NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

June 30, 2007

(Currency - In thousands of New Turkish Lira - YTL)

#### 11. SHARE CAPITAL (continued)

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

	June 30, 2007		June 30, 2006	
	Number	YTL	Number	YTL
At January 1	200,188,000	200,188	1,991,060,000	199,106
Shares issued in				
- bonus shares from retained earnings	13,312,000	13,312	10,820,000	1,082
- bonus shares from revaluation adjustment	-	-	-	-
- cash	46,500,000	46,500	-	-
-effect of change of par value	-	-	(1,801,692,000)	-
At period/year end	260,000,000	260,000	200,188,000	200,188

In the Ordinary General Meeting dated April 26, 2006 it was decided that the par value of the common shares is increased to YTL 1 (full) from YTL 0.1 (full).

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, 2007 and December 31, 2006, the composition of shareholders and their respective % of ownership can be summarized as follows :

	June 30, 2007		December 31, 2006	
	Amount	%	Amount	%
Kuwait Finance House	161,810	62.2	124,586	62.2
Directorate of Foundations, Turkey	48,670	18.7	37,473	18.7
The Public Institution for Social Security, Kuwait	23,400	9.0	18,017	9.0
Islamic Development Bank	23,400	9.0	18,017	9.0
Other	2,720	1.1	2,095	1.1
Historical Amount	260,000	100.00	200,188	100.0
Adjustment to share capital	-		-	
Total share capital	260,000		200,188	

Adjustment to share capital represents the restatement effect of the cash contributions and dividends reinvested to share capital. In December 2006, the Bank has reclassified this balance to retained earnings.

The bank has increased its share capital at May 2, 2007. The share capital increase was funded from the retained earnings amounting to YTL 13,312 and by the cash payment of shareholders amounting to YTL 69,750 for 46,500,000 shares. As the shareholders paid YTL 1.5 per share instead of 1 YTL per share, YTL 23,250 has been recorded as share issue premium in the financial statements.

## Kuveyt Türk Katılım Bankası Anonim Şirketi and its Subsidiaries

### SELECTED NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

June 30, 2007

(Currency - In thousands of New Turkish Lira - YTL)

#### 12. 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, 2007 and December 31, 2006 :

	June 30, 2007	December 31, 2006
Letters of guarantee issued by the Bank	1,184,441	774,846
Letters of credits	263,751	260,379
Acceptance credits	9,370	13,668
Other guarantees	15,239	4
Total	1,472,801	1,048,897

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, 2007	December 31, 2006
Within one year	9,630	8,274
After one year but not more than five years	23,980	17,854
More than five years	285	39
	33,895	26,167

#### 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, 2007, the amounts of such checks and notes are YTL 746,541 (December 31,2006 – YTL 626,658) and YTL 147,574 (December 31,2006 - YTL 166,889), respectively.

#### 13. 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. These transactions were carried out on commercial terms and at market rates. The related parties also include individuals who are principal owners, management and members of the Group's Board of Director's and their families.

## Kuveyt Türk Katılım Bankası Anonim Şirketi and its Subsidiaries

### SELECTED NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

June 30, 2007

(Currency - In thousands of New Turkish Lira - YTL)

#### 13. RELATED PARTY DISCLOSURES (continued)

The following tables provides the total amount of balances due from and due to related parties as of June 30, 2007 and December 31, 2006 and also transactions which have been entered into with related parties during the six months period ended June 30, 2007 and 2006.

##### i) Due from financial institutions :

		June 30, 2007		December 31, 2006	
		Foreign currency (full)	YTL equivalent	Foreign currency (full)	YTL equivalent
Kuwait Finance House (1)	Kuwait Dinar	1,314	6	842	5
	US\$	355,402	467	1,557,757	2,201
	BHD	17,866	62	14,999	56
			535		2,262

##### ii) Available for sale investments and financial assets held for trading :

		June 30, 2007		December 31, 2006	
		Foreign currency (full)	YTL equivalent	Foreign currency (full)	YTL equivalent
Islamic Development Bank participation fund (1)	US\$	-	-	500,000	707
			-		707

##### iii) Due to other financial institutions :

		June 30, 2007		December 31, 2006	
		Foreign currency (full)	YTL equivalent	Foreign currency (full)	YTL equivalent
Kuwait Finance House, Bahrain (1)	US\$	73,926,707	97,191	15,940,830	22,526
	EUR	2,523,157	4,465	-	-
Kuwait Finance House, Bahrain (*)	US\$	13,875,409	18,242	14,164,603	20,016
Other	US\$	-	-	2,102,500	2,991
			119,898		45,533

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

##### iv) Profit/loss sharing investors' accounts :

		June 30, 2007		December 31, 2006	
		Foreign currency (full)	YTL equivalent	Foreign currency (full)	YTL equivalent
Kuwait Finance House (1)	EUR	-	-	8,037,489	14,939
Kuwait Finance House (1)	US\$	1,135,743	1,493	155,454	220
Kuwait Finance House (1)	YTL	-	127	-	133
Islamic Development Bank (1)	US\$	21,426	28	11,910	17
Islamic Development Bank (1)	YTL	-	-	-	144
Directorate of Foundations, Turkey (1)	YTL	-	299	-	2,489
			1,947		17,942

## Kuveyt Türk Katılım Bankası Anonim Şirketi and its Subsidiaries

### SELECTED NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

June 30, 2007

(Currency - In thousands of New Turkish Lira - YTL)

#### 13. RELATED PARTY DISCLOSURES (continued)

##### v) Profit shares distributed :

		June 30, 2007		June 30, 2006	
		Foreign currency (full)	YTL Equivalent	Foreign currency (full)	YTL Equivalent
Kuwait Finance House (1)	US\$	3,747	5	81,080	130
Directorate of Vakıf Foundations, Turkey (1)	YTL	-	192	-	143
Other	US\$	-	-	-	-
			<b>197</b>		<b>273</b>

##### vi) Non cash credits issued :

		June 30, 2007		December 31, 2006	
		Foreign currency (full)	YTL equivalent	Foreign currency (full)	YTL equivalent
Kuwait Finance House (1)	US\$	1,429,981	1,880	5,212,120	7,365
Other	YTL	-	-	-	622
			<b>1,880</b>		<b>7,987</b>

(1) Shareholders

#### Directors' Remuneration

The executive members of the Board of Directors and key management received remuneration totalling YTL 2,933 during the six month period ended June 30, 2007 (As of June 30, 2006 - YTL 1,898). As of June 30, 2007 and 2006 termination benefits of the key management personnel is YTL 263 and YTL 517, respectively.

#### 14. SUBSEQUENT EVENTS

In the Board of Directors meeting dated July 24, 2007 it has been resolved that the Executive Committee has been authorized to choose the Intermediary Institutions, to determine the offering amount, the timing, to set the price range and also to decide the date of Ordinary General Assemble, to make the necessary changes in the Articles of Incorporation, to apply to authorities like Capital Market Board , BRSA, Istanbul Stock Exchange, Takasbank, Intermediary Institutions and other Institutions with the aim of all other legal affairs, to sign the necessary agreements, commitments and others, to make the payments including advances, to authorize partially or completely the required persons in case of necessity for Initial Public Offering of the bank. As of the date of this report, the process of the filing for the purpose of initial public offering has not been started yet.