

(Convenience translation of the independent auditor's limited review report and financial statements originally issued in Turkish - see section three Note XXIII)

## **Kuveyt Türk Katılım Bankası Anonim Şirketi**

**Unconsolidated financial statements including independent auditor's limited review report for the interim period ended June 30, 2010**

(Convenience translation of the independent auditor's limited review report and financial statements originally issued in Turkish - see section three Note XXIII)

**Kuveyt Türk Katılım Bankası Anonim Şirketi**  
**Independent auditors' limited review report**  
**for the interim period ended June 30, 2010**

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

We have reviewed the unconsolidated balance sheet of Kuveyt Türk Katılım Bankası A.Ş. (the Bank) as of June 30, 2010 and the related unconsolidated statements of income, income and expenses accounted under equity, unconsolidated cash flows and changes in shareholders' equity for the period then ended. These unconsolidated financial statements are the responsibility of the Bank's management. As independent auditors, our responsibility is to issue a report based on the review performed on these financial statements.

We conducted our review in accordance with the regulations on account and booking system and the accounting and independent audit principles set out as per the Banking Law No: 5411. Those principles require that we plan and perform the review to obtain limited assurance as to whether the financial statements are free of material misstatement. A review is principally limited to reviewing financial statements by applying analytical procedures, inquiring as to the integrity of the financial statements and making inquiries of management to obtain information; it is substantially less in scope than an audit and thus provides a less assurance than audit. We have not performed an audit and accordingly we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying financial statements do not give a true and fair view of the financial position of Kuveyt Türk Katılım Bankası A.Ş. as of June 30, 2010 and the results of its operations and its cash flows for the period then ended in accordance with the prevailing accounting principles and standards set out by regulations in conformity with Article No: 37 of the Banking Law No: 5411, and other regulations, communiqués, interpretations and circulars published by Banking Regulation and Supervision Agency on Accounting and Financial Reporting Principles.

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

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi  
A member firm of Ernst & Young Global Limited



Fatma Ebru Yücel, SMMM  
Partner

August 12, 2010  
Istanbul, Turkey



**THE UNCONSOLIDATED FINANCIAL REPORT OF KUVEYT TÜRK KATILIM BANKASI A.Ş.**  
**FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2010**

Address of the head office : Büyükdere Cad. No:129/1 34394 Esentepe / İSTANBUL  
Phone number : 0212 354 11 11  
Facsimile number : 0212 354 12 12  
Web page : [www.kuveytturk.com.tr](http://www.kuveytturk.com.tr)  
E-mail address : [kuveytturk@kuveytturk.com.tr](mailto:kuveytturk@kuveytturk.com.tr)

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

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

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

12 August 2010

Mohammad S.A.I.  
Alomar  
Chairman of the  
Board of Directors  
and Member of the  
Audit Committee

Azfar Hussain  
Qarni  
Member of the  
Audit Committee

Ufuk Uyan  
General  
Manager

Ahmet Karaca  
Chief Financial  
Officer

Mehmet Keleş  
External  
Reporting  
Manager

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

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Position: External Reporting Manager  
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## The unconsolidated financial report of Kuveyt Turk Katılım Bankası A.Ş. for the Six months period ended June 30, 2010

Address of the Bank Headquarters: Büyükdere Cad. No: 129 34394 Mecidiyeköy / İSTANBUL  
Bank's Phone Number : 0212 354 11 11  
Bank's Facsimile : 0212 354 12 12  
Bank's Website : www.kuveytturk.com.tr  
Electronic Mail Contact Info : kuveytturk@kuveytturk.com.tr

The unconsolidated financial report designed in line with the Banking Regulation and Supervision Agency's official communication on "Financial Statements to be Publicly Announced and the Related Policies and Disclosures" consists of the sections listed below:

- GENERAL INFORMATION ABOUT THE BANK
- UNCONSOLIDATED FINANCIAL STATEMENTS OF THE BANK
- EXPLANATIONS ON THE ACCOUNTING PRINCIPLES APPLIED IN THE RELATED PERIOD
- INFORMATION ON FINANCIAL STRUCTURE OF THE BANK
- EXPLANATORY DISCLOSURES AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS
- LIMITED REVIEW REPORT

The accompanying unconsolidated quarterly financial statements and related notes have been prepared based on the accounting books of the Bank in accordance with the Regulation on Accounting Applications for Banks and the Safeguarding of Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards and, related appendices and interpretations and unless otherwise indicated, have been prepared in thousands of Turkish Lira, are independently reviewed and presented hereby.

August 12, 2010

Mohammad S.A.I. Alomar	Azfar Hussain Qarni	Ufuk Uyan	Ahmet Karaca	Mehmet Keleş
Chairman of the Board of Directors and Member of the Audit Committee	Member of the Audit Committee	General Manager	Assistant General Manager In Charge of Financial Reporting	External Reporting Manager

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

Name-Surname: Mehmet Keleş  
Position: Budgeting and Reporting Manager  
Telephone: 0212 354 12 69  
Facsimile: 0212 354 12 12

## Section one General information

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

Kuveyt Türk Katılım Bankası A.Ş. ("the Bank") was incorporated with the approval of the Central Bank of Turkey (CBT) 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.

### 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 Year, if any and information about the Group that the Bank belongs to:

As of June 30, 2010 and December 31, 2009, 62.23% 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 1.05% of the shares are owned by other real persons and legal entities.

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

Name	Title	Date of the assignment	Educational degree	Ownership percentage %
Mohammad S.A.I. ALOMAR	Chairman of the Board of Directors and Member of Audit Committee	19/07/2000	Bachelor	-
Abdullah TIVNİKLİ	Vice Chairman of the BOD	16/05/2001	Master	%0.0836
Azfar Hussain QARNI	Member of BOD and Audit Committee	23/05/2003	Master	-
Dr. Adnan ERTEM	Member of BOD	18/10/2002	Doctorate	-
Yusuf Beyazit	Member of BOD	29/04/2010	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	%0.0133
Shaeen H.A. KH. SH. ALGHANEM	Member of BOD	18/12/2006	Bachelor	-
Ufuk UYAN	Member of BOD, General Manager	10/05/1999	Master	%0.0490
Ahmet KARACA	Assistant General Manager	12/07/2006	Master	%0.0192
Ahmet Süleyman KARAKAYA	Assistant General Manager	14/01/2003	Bachelor	-
Bilal SAYIN	Assistant General Manager	20/08/2003	Bachelor	%0.0043
İrfan YILMAZ	Assistant General Manager	27/10/2005	Bachelor	%0.0069
Dr. Ruşen Ahmet ALBAYRAK	Assistant General Manager	05/05/2005	Doctorate	%0.0061
Murat ÇETİNKAYA	Assistant General Manager	02/01/2008	Bachelor	-
Nurettin KOLAÇ	Assistant General Manager	20/04/2010	Bachelor	-
Asım ÖZGÖZÜKARA	Auditor	22/11/1988	Bachelor	-
Güven OBALI	Auditor	11/12/2007	Bachelor	-
Miktađ YETİM	Auditor	15/04/2010	Associate Degree	-

Chairman and members of the Board of Directors, members of auditing committee, general manager and assistant general managers own 0.18% of the Bank's share capital (December 31, 2009 – 0.18%).

In the Board of Directors meeting held at April 20, 2010 it has been decided to accept the resignation of the Board Member Kenan Karadeniz, to assign Yusuf Beyazit as Board Member and to transfer all rights and receivables of Kenan Karadeniz over 1 TL nominal value to Mr. Yusuf Beyazit.

#### IV. Information on qualified shareholders:

Name / Commercial Name	Share amount (Nominal)	Shareholding percentage	Paid shares (Nominal)	Unpaid shares
Kuwait Finance House	342,290	%62.23	342,290	-
Vakıflar Genel Müdürlüğü Mazbut Vakıfları	102,956	%18.72	102,956	-
P. Institution F.Social Security	49,500	%9.00	49,500	-
Islamic Development Bank	49,500	%9.00	49,500	-
<b>Total</b>	<b>544,246</b>	<b>%98.95</b>	<b>544,246</b>	<b>-</b>

#### V. Explanations of the Bank's services and field of operations:

The Bank's field of operations includes corporate banking, international banking services, and retail banking and credit card services. The Bank's core business is operating in accordance with the principles of interest-free banking as a participation bank by collecting funds through current and profit/loss sharing accounts, and lending such funds to its customers. As of June 30, 2010, the Bank is operating with 2,687 employees (December 31, 2009 - 2,447). Summary of some of the Bank's operations described in the Articles of Association are as follows:

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

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

**Section two**  
**The unconsolidated financial statements**

- I. Balance sheet (Statement of financial position)
- II. Statement of off-balance sheet (Statement of financial position)
- III. Statement of income
- IV. Statement of income and expenses accounted under equity  
(Other comprehensive income statement)
- V. Statement of changes in shareholders' equity
- VI. Statement of cash flows



**Kuveyt Türk Katılım Bankası Anonim Şirketi****Unconsolidated balance sheet (Statement of financial position)  
as of June 30, 2010 and December 31, 2009  
(Currency – Thousands of Turkish Lira)****Assets**

	Note (5th section)	Current period (30.06.2010)			Prior period (31.12.2009)		
		TL	FC	Total	TL	FC	Total
I. Cash and balances with the central bank	(I-a)	236,141	700,609	936,750	216,071	651,130	867,201
II. Financial assets at fair value through profit and loss, net	(I-b)	6,844	7,133	13,977	8,515	1,410	9,925
2.1 Trading financial assets		6,844	7,133	13,977	8,515	1,410	9,925
2.1.1 Public sector debt securities		-	-	-	-	-	-
2.1.2 Share certificates		-	-	-	-	-	-
2.1.3 Derivative financial assets held for trading		6,844	7,133	13,977	8,515	1,410	9,925
2.1.4 Other marketable securities		-	-	-	-	-	-
2.2 Financial assets at fair value through profit and loss		-	-	-	-	-	-
2.2.1 Public sector debt securities		-	-	-	-	-	-
2.2.2 Share certificates		-	-	-	-	-	-
2.2.3 Loans		-	-	-	-	-	-
2.2.4 Other marketable securities		-	-	-	-	-	-
III. Banks	(I-c)	203,972	314,003	517,975	125,154	760,328	885,482
IV. Money market placements		-	-	-	-	-	-
V. Financial assets-available for sale (net)	(I-d)	27	-	27	27	-	27
5.1 Share certificates		27	-	27	27	-	27
5.2 Public sector debt securities		-	-	-	-	-	-
5.3 Other marketable securities		-	-	-	-	-	-
VI. Loans and receivables	(I-e)	5,420,584	281,522	5,702,106	4,424,005	227,443	4,651,448
6.1 Loans and receivables		5,284,402	281,522	5,565,924	4,273,407	227,443	4,500,850
6.1.1 Loans to risk group of the bank		27,189	-	27,189	19,719	-	19,719
6.1.2 Public sector debt securities		-	-	-	-	-	-
6.1.3 Other		5,257,213	281,522	5,538,735	4,253,688	227,443	4,481,131
6.2 Non-performing loans		287,160	-	287,160	298,209	-	298,209
6.3 Specific provisions (-)		(150,978)	-	(150,978)	(147,611)	-	(147,611)
VII. Investments held to maturity (net)	(I-f)	-	-	-	-	7,529	7,529
VIII. Investments in associates (net)	(I-g)	4,520	-	4,520	16,365	-	16,365
8.1 Accounted for under equity method		-	-	-	-	-	-
8.2 Unconsolidated associates		4,520	-	4,520	16,365	-	16,365
8.2.1 Financial associates		3,806	-	3,806	-	-	-
8.2.2 Non-financial associates		714	-	714	16,365	-	16,365
IX. Subsidiaries (net)	(I-h)	57,170	-	57,170	32,997	-	32,997
9.1 Unconsolidated financial subsidiaries		17,917	-	17,917	17,917	-	17,917
9.2 Unconsolidated non-financial subsidiaries		39,253	-	39,253	15,080	-	15,080
X. Joint ventures (net)	(I-i)	-	-	-	-	-	-
10.1 Accounted for under equity method		-	-	-	-	-	-
10.2 Unconsolidated		-	-	-	-	-	-
10.2.1 Financial subsidiaries		-	-	-	-	-	-
10.2.2 Non-financial subsidiaries		-	-	-	-	-	-
XI. Finance lease receivables (net)	(I-j)	63,822	-	63,822	49,995	-	49,995
11.1 Finance lease receivables		68,999	-	68,999	55,412	-	55,412
11.2 Operating lease receivables		-	-	-	-	-	-
11.3 Other		-	-	-	-	-	-
11.4 Unearned income (-)		(5,177)	-	(5,177)	(5,417)	-	(5,417)
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)		148,323	83	148,406	133,240	4	133,244
XIV. Intangible assets (net)		8,702	-	8,702	8,187	-	8,187
14.1 Goodwill		-	-	-	-	-	-
14.2 Other		8,702	-	8,702	8,187	-	8,187
XV. Investment property (net)		16,584	-	16,584	16,770	-	16,770
XVI. Tax asset	(I-l)	8,070	-	8,070	7,719	-	7,719
16.1 Current tax asset		-	-	-	-	-	-
16.2 Deferred tax asset		8,070	-	8,070	7,719	-	7,719
XVII. Assets held for sale and discontinued operations (net)		12,541	-	12,541	10,600	-	10,600
17.1 Held for sale		12,541	-	12,541	10,600	-	10,600
17.2 Discontinued operations		-	-	-	-	-	-
XVIII. Other assets	(I-m)	128,138	37,199	165,337	97,052	109,985	207,037
<b>Total assets</b>		<b>6,315,438</b>	<b>1,340,549</b>	<b>7,655,987</b>	<b>5,146,697</b>	<b>1,757,829</b>	<b>6,904,526</b>

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

**Kuveyt Türk Katılım Bankası Anonim Şirketi****Unconsolidated balance sheet (Statement of financial position)  
as of June 30, 2010 and December 31, 2009  
(Currency – Thousands of Turkish Lira)****Liabilities and equity**

	Note (5th Section)	Current period (30.06.2010)			Prior period (31.12.2009)		
		TL	FC	Total	TL	FC	Total
I. Funds collected	(II-a)	3,591,792	2,429,980	6,021,772	2,987,415	2,370,842	5,358,257
1.1 Funds from risk group of the bank		7,727	92,144	99,871	16,798	87,928	104,726
1.2 Other		3,584,065	2,337,836	5,921,901	2,970,617	2,282,914	5,253,531
II. Derivative financial liabilities held for trading	(II-b)	4,566	3,419	7,985	892	5,339	6,231
III. Funds borrowed	(II-c)	-	409,138	409,138	-	383,681	383,681
IV. Debts to money markets		-	-	-	-	-	-
V. Marketable securities issued (net)		-	-	-	-	-	-
VI. Miscellaneous payables	(II-d)	42,042	2,636	44,678	47,818	70,978	118,796
VII. Other liabilities	(II-d)	169,253	13,003	182,256	102,330	10,183	112,513
VIII. Finance lease payables (net)	(II-e)	-	2	2	-	3	3
8.1 Finance lease payables		-	2	2	-	4	4
8.2 Operating lease payables		-	-	-	-	-	-
8.3 Other		-	-	-	-	-	-
8.4 Deferred finance lease expenses (-)		-	-	-	-	(1)	(1)
IX. Hedging derivative financial liabilities	(II-f)	-	-	-	-	-	-
9.1 Fair value hedge		-	-	-	-	-	-
9.2 Cash flow hedge		-	-	-	-	-	-
9.3 Hedge of net investment in foreign operations		-	-	-	-	-	-
X. Provisions	(II-g)	65,736	5,680	71,416	73,290	9,541	82,831
10.1 General loan loss provisions		51,342	5,486	56,828	41,776	9,390	51,166
10.2 Restructuring provisions		-	-	-	-	-	-
10.3 Reserve for employee benefits		9,794	194	9,988	23,735	151	23,886
10.4 Insurance technical reserves (net)		-	-	-	-	-	-
10.5 Other provisions		4,600	-	4,600	7,779	-	7,779
XI. Tax liability	(II-h)	26,999	-	26,999	34,902	-	34,902
11.1 Current tax liability		26,999	-	26,999	34,902	-	34,902
11.2 Deferred tax liability		-	-	-	-	-	-
XII. Liabilities for the assets held for sale and discontinued operations (net)		-	-	-	-	-	-
12.1 Held for sale		-	-	-	-	-	-
12.2 Discontinued operations		-	-	-	-	-	-
XIII. Subordinated loans		-	-	-	-	-	-
XIV. Shareholders' equity	(II-i)	891,612	129	891,741	806,499	813	807,312
14.1 Paid-in capital		550,000	-	550,000	500,000	-	500,000
14.2 Capital reserves		23,250	-	23,250	23,250	-	23,250
14.2.1 Share premium		23,250	-	23,250	23,250	-	23,250
14.2.2 Share cancellation profits		-	-	-	-	-	-
14.2.3 Marketable securities revaluation reserve		-	-	-	-	-	-
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)		-	-	-	-	-	-
14.2.9 Value increase on assets held for resale		-	-	-	-	-	-
14.2.10 Other capital reserves		-	-	-	-	-	-
14.3 Profit reserves		223,787	-	223,787	156,929	-	156,929
14.3.1 Legal reserves		25,565	-	25,565	18,067	-	18,067
14.3.2 Status reserves		-	-	-	-	-	-
14.3.3 Extraordinary reserves		198,712	-	198,712	137,352	-	137,352
14.3.4 Other profit reserves		1,510	-	1,510	1,510	-	1,510
14.4 Profit or loss		94,575	129	94,704	126,320	813	127,133
14.4.1 Prior year income/(losses)		-	-	-	-	-	-
14.4.2 Current year income/(losses)		94,575	129	94,704	126,320	813	127,133
<b>Total liabilities and equity</b>		<b>4,792,000</b>	<b>2,863,987</b>	<b>7,655,987</b>	<b>4,053,146</b>	<b>2,851,380</b>	<b>6,904,526</b>

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

## Kuvveyt Türk Katılım Bankası Anonim Şirketi

Unconsolidated statement of off-balance sheet (Statement of financial position)  
As of June 30, 2010 and December 31, 2009  
(Currency – Thousands of Turkish Lira)

	Notes (5th Section)	Current period (30.06.2010)			Prior period (31.12.2009)		
		TL	FC	Total	TL	FC	Total
<b>A. Off balance sheet commitments and contingencies</b>							
(I+II+III)		4,934,693	26,581,885	31,516,578	2,857,466	4,145,972	7,003,438
<b>I. Guarantees</b>	(III-a)	1,600,221	1,747,539	3,347,760	1,511,827	1,818,804	3,330,631
1.1. Letters of guarantees		1,600,221	1,288,318	2,888,539	1,511,827	1,355,609	2,867,436
1.1.1. Guarantees subject to state tender law		149,396	10,668	160,064	160,036	18,885	178,921
1.1.2. Guarantees given for foreign trade operations		41,882	1,058	42,940	69,970	1,944	71,914
1.1.3. Other letters of guarantee		1,408,943	1,276,592	2,685,535	1,281,821	1,334,780	2,616,601
1.2. Bank loans		-	18,900	18,900	-	30,567	30,567
1.2.1. Import letter of acceptances		-	18,900	18,900	-	30,567	30,567
1.2.2. Other bank acceptances		-	-	-	-	-	-
1.3. Letter of credits		-	435,022	435,022	-	426,991	426,991
1.3.1. Documentary letter of credits		-	213,156	213,156	-	165,349	165,349
1.3.2. Other letter of credits		-	221,866	221,866	-	261,642	261,642
1.4. Prefinancing given as guarantee		-	-	-	-	-	-
1.5. Endorsements		-	-	-	-	-	-
1.5.1. Endorsements to the central bank of turkey		-	-	-	-	-	-
1.5.2. Other endorsements		-	-	-	-	-	-
1.6. Other guarantees		-	5,299	5,299	-	5,637	5,637
1.7. Other collaterals		-	-	-	-	-	-
<b>II. Commitments</b>	(III-a)	2,583,401	23,281,488	25,864,889	659,395	1,265,074	1,924,469
2.1. Irrevocable commitments		618,582	1,738,145	2,356,727	659,395	1,265,074	1,924,469
2.1.1. Forward asset purchase commitments		67,790	1,738,145	1,805,935	11,406	1,265,074	1,276,480
2.1.2. Share capital commitment to associates and subsidiaries		36,594	-	36,594	23,334	-	23,334
2.1.3. Loan granting commitments		2,657	-	2,657	1,938	-	1,938
2.1.4. Securities underwriting commitments		-	-	-	-	-	-
2.1.5. Commitments for reserve deposit requirements		-	-	-	146,723	-	146,723
2.1.6. Payment commitment for checks		406,662	-	406,662	368,914	-	368,914
2.1.7. Tax and fund liabilities from export commitments		106	-	106	106	-	106
2.1.8. Commitments for credit card expenditure limits		104,773	-	104,773	101,974	-	101,974
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		-	-	-	5,000	-	5,000
2.2. Revocable commitments (*)		1,964,819	21,543,343	23,508,162	-	-	-
2.2.1. Revocable loan granting commitments		1,964,819	21,543,343	23,508,162	-	-	-
2.2.2. Other revocable commitments		-	-	-	-	-	-
<b>III. Derivative financial instruments</b>		751,071	1,552,858	2,303,929	686,244	1,062,094	1,748,338
3.1. Derivative financial instruments for hedging purposes		-	-	-	-	-	-
3.1.1. Fair value hedge		-	-	-	-	-	-
3.1.2. Cash flow hedge		-	-	-	-	-	-
3.1.3. Hedge of net investment in foreign operations		-	-	-	-	-	-
3.2. Held for trading transactions		751,071	1,552,858	2,303,929	686,244	1,062,094	1,748,338
3.2.1. Forward foreign currency buy/sell transactions		750,591	1,454,692	2,205,283	686,244	971,157	1,657,401
3.2.1.1. Forward foreign currency transactions-buy		574,433	500,554	1,074,987	679,247	172,093	851,340
3.2.1.2. Forward foreign currency transactions-sell		176,158	954,138	1,130,296	6,997	799,064	806,061
3.2.2. Other forward buy/sell transactions		480	98,166	98,646	-	90,937	90,937
3.3. Other		-	-	-	-	-	-
<b>B. Custody and pledged items (IV+V+VI)</b>		15,361,331	34,230,114	49,591,445	12,685,341	28,470,423	41,155,764
<b>IV. Items held in custody</b>		1,205,998	169,220	1,375,218	896,970	267,061	1,164,031
4.1. Assets under management		1	-	1	1	-	1
4.2. Investment securities held in custody		1,319	3	1,322	1,038	3	1,041
4.3. Checks received for collection		1,011,626	114,194	1,125,820	758,433	207,323	965,756
4.4. Commercial notes received for collection		193,052	55,023	248,075	137,498	59,735	197,233
4.5. Other assets received for collection		-	-	-	-	-	-
4.6. Assets received for public offering		-	-	-	-	-	-
4.7. Other items under custody		-	-	-	-	-	-
4.8. Custodians		-	-	-	-	-	-
<b>V. Pledged items</b>		14,155,333	34,045,147	48,200,480	11,788,371	28,188,305	39,976,676
5.1. Marketable securities		52,529	-	52,529	6,529	-	6,529
5.2. Guarantee notes		111,541	854,654	966,195	112,371	828,298	940,669
5.3. Commodity		1,175,264	31,258	1,206,522	1,030,480	37,027	1,067,507
5.4. Warranty		-	-	-	-	-	-
5.5. Properties		11,834,390	682,506	12,516,896	9,726,282	726,102	10,452,384
5.6. Other pledged items		981,609	32,476,729	33,458,338	912,709	26,596,878	27,509,587
5.7. Pledged items-depository		-	-	-	-	-	-
<b>VI. Accepted independent guarantees and warranties</b>		-	15,747	15,747	-	15,057	15,057
<b>Total off balance sheet accounts (A+B)</b>		<b>20,296,024</b>	<b>60,811,999</b>	<b>81,108,023</b>	<b>15,542,807</b>	<b>32,616,395</b>	<b>48,159,202</b>

(\*) Consists of "unused amounts of credit limits assigned to corporate customers" according to communiqué published in Official Gazete (nr. 27429) on December 11, 2009.

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

## Kuvveyt Türk Katılım Bankası Anonim Şirketi

Unconsolidated statement of income  
for the interim periods ended June 30, 2010 and 2009  
(Currency – Thousands of Turkish Lira)

Statement of income	Note (5th section)	Current period		Prior period	
		01.01.2010- 30.06.2010 Total	01.04.2010- 30.06.2010 Total	01.01.2009- 30.06.2009 Total	01.04.2009- 30.06.2009 Total
I. Profit share income	(IV-a)	327,309	168,975	335,002	159,096
1.1 Profit share on loans		308,815	160,083	302,110	142,839
1.2 Profit share on reserve deposits		-	-	-	-
1.3 Profit share on banks		10,048	4,719	21,511	11,388
1.4 Profit share on money market placements		-	-	-	-
1.5 Profit share on marketable securities portfolio		33	-	136	52
1.5.1 Held-for-trading financial assets		-	-	-	-
1.5.2 Financial assets at fair value through profit and loss		-	-	-	-
1.5.3 Available-for-sale financial assets		-	-	-	-
1.5.4 Investment-held for maturity		33	-	136	52
1.6 Finance lease income		2,378	1,221	4,207	1,830
1.7 Other profit share income		6,035	2,952	7,038	2,987
II. Profit share expense	(IV-b)	140,529	72,037	175,209	85,604
2.1 Expense on profit sharing accounts		134,759	69,546	162,835	80,542
2.2 Profit share expense on funds borrowed		5,769	2,490	12,337	5,029
2.3 Profit share expense on money market borrowings		-	-	-	-
2.4 Expense on securities issued		-	-	-	-
2.5 Other profit share expense		1	1	37	33
III. Net profit share income (I – II)		186,780	96,938	159,793	73,492
IV. Net fees and commissions income/expenses		27,125	12,817	28,268	14,029
4.1 Fees and commissions received		38,526	18,430	42,379	21,258
4.1.1 Non-cash loans		20,567	9,539	21,529	11,416
4.1.2 Other	(IV-k)	17,959	8,891	20,850	9,842
4.2 Fees and commissions paid		11,401	5,613	14,111	7,229
4.2.1 Non-cash loans		17	5	143	138
4.2.2 Other	(IV-k)	11,384	5,608	13,968	7,091
V. Dividend income		-	-	-	-
VI. Net trading income	(IV-c)	31,718	15,061	52,145	17,819
6.1 Capital market transaction gains / (losses)		1	1	26	23
6.2 Gains/ (losses) from derivative financial instruments		13,196	4,896	30,923	9,207
6.3 Foreign exchange gains / (losses)		18,521	10,164	21,197	8,589
VII. Other operating income	(IV-d)	60,774	35,681	29,040	11,536
VIII. Net operating income (III+IV+V+VI+VII)		306,397	160,497	269,247	116,876
IX. Provision for loan losses and other receivables (-)	(IV-e)	54,918	25,289	60,018	17,034
X. Other operating expenses (-)	(IV-f)	130,127	64,025	104,995	51,539
XI. Net operating income/(loss) (VIII-IX-X)		121,352	71,183	104,234	48,303
XII. Amount in excess recorded as gain after merger		-	-	-	-
XIII. Gain/(loss) on equity method		-	-	-	-
XIV. Gain/(loss) on net monetary position		-	-	-	-
XV. Profit/(loss) from continued operations before taxes (XI+...+XIV)	(IV-g)	121,352	71,183	104,234	48,303
XVI. Tax provision for continued operations (±)	(IV-h)	(26,648)	(15,265)	(21,044)	(9,770)
16.1 Provision for current income taxes		(26,999)	(17,891)	(19,648)	(12,333)
16.2 Provision for deferred taxes		351	2,626	(1,396)	2,563
XVII. Net profit/(loss) from continued operations (XV±XVI)		94,704	55,918	83,190	38,533
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. Income / (loss) on discontinued operations before taxes (XVIII-XIX)		-	-	-	-
XXI. Tax provision for discontinued operations (±)		-	-	-	-
21.1 Provision for current income taxes		-	-	-	-
21.2 Provision for deferred taxes		-	-	-	-
XXII. Net income/loss from discontinued operations (XX±XXI)	(IV-i)	-	-	-	-
XXIII. Net income/loss (XVII+XXII)	(IV-i)	94,704	55,918	83,190	38,533
Earnings per share		0.17	0.10	83,190	38,533

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

**Kuveyt Türk Katılım Bankası Anonim Şirketi**

**Unconsolidated statement of income and expenses accounted under equity  
(Other comprehensive income statement)  
for the interim periods ended June 30, 2010 and 2009  
(Currency – Thousands of Turkish Lira)**

	Current period	Prior period
Statement of income and expenses accounted under equity	(30.06.2010)	(30.06.2009)
I. Additions to marketable securities revaluation differences from available for sale financial assets	-	-
II. Tangible assets revaluation differences	-	-
III. Intangible assets revaluation differences	-	-
IV. Currency translation differences for foreign currency transactions	-	-
V. Profit/loss from derivative financial instruments for cash flow hedge purposes (effective portion of fair value differences)	-	-
VI. Profit/loss from derivative financial instruments for hedge of net investment in foreign operations (effective portion of fair value differences)	-	-
VII. The effect of corrections of errors and changes in accounting policies	-	-
VIII. Other profit loss items accounted under equity as per Turkish accounting standards	-	-
IX. Deferred tax on valuation differences	-	-
X. Total net profit/loss accounted under equity (I+II+...+IX)	-	-
XI. Profit/loss	94,704	83,190
XI.1 Change in fair value of marketable securities (transfer to profit/loss)	-	-
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	94,704	83,190
XII. Total profit/loss accounted for the period (X±XI)	94,704	83,190

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

(Convenience translation of a report and financial statements originally issued in Turkish - See section three Note XXIII)

**Kuveyt Türk Katılım Bankası Anonim Şirketi**

**Unconsolidated statement of changes in shareholders' equity  
for the interim periods ended June 30, 2010 and 2009  
(Currency – Thousands of Turkish Lira)**

	Note (5 th section)	Paid-in capital	Effect of inflation on paid-in capital and other capital reserves	Share premium	Share cancellation	Legal reserves	Statutory reserves	Extraordinary reserve	Other reserve	Current period net income / (loss)	Prior period net income / (loss)	Marketable securities revaluation reserve	Tangible and intangible assets revaluation fund	Bonus shares from investments	Hedging reserves	Asset held for sale and disc.op. valuation fund	Total equity
Current period (30.06.2010)		500,000	-	23,250	-	18,087	-	137,352	1,510	127,133	-	-	-	-	-	-	807,312
I. Beginning balance		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
II. Changes in period		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. Increase/decrease related to merger		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IV. Marketable securities revaluation differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V. Hedging funds (effective portion)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI. Cash-flow hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Hedge of net investment in foreign operations		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Tangible assets revaluation differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Intangible assets revaluation differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Bonus shares obtained from associates, subsidiaries and jointly controlled operations		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI. Foreign exchange differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII. Changes related to the disposal of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII. Changes related to the reclassification of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV. The effect of change in associate's equity		-	-	-	-	-	-	-	-	-	(50,000)	-	-	-	-	-	-
XV. Capital Increase		50,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI. Cash		50,000	-	-	-	-	-	-	-	-	(50,000)	-	-	-	-	-	-
XVII. Internal sources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVIII. Share issue premium		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIX. Share cancellation profit		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XX. Initiation adjustment to paid-in capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XXI. Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XXII. Net Income/(loss) for the period		-	-	-	-	-	-	-	-	94,704	-	-	-	-	-	-	94,704
XXIII. Profit distribution		-	-	-	-	-	-	-	-	(127,133)	-	-	-	-	-	-	(10,275)
XXIV. Dividends distributed		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(10,275)
XXV. Transfers to reserves		-	-	-	-	-	-	-	-	-	(66,858)	-	-	-	-	-	(66,858)
XXVI. Other		-	-	-	-	-	-	-	-	-	127,133	-	-	-	-	-	127,133
Closing balance (I+II+III+...+XXVI+XXVII+XXVIII)		500,000	-	23,250	-	25,565	-	136,712	1,510	94,704	-	-	-	-	-	-	851,741

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

(Convenience translation of a report and financial statements originally issued in Turkish - See section three Note XXIII)

**Kuveyt Türk Katılım Bankası Anonim Şirketi**

**Unconsolidated statement of changes in shareholder's equity  
for the interim periods ended June 30, 2010 and 2009  
(Currency – Thousands of Turkish Lira)**

	Note (if applicable)	Paid-in capital	Effect of inflation accounting on paid-in capital and other capital reserves	Share premium	Share certificate cancellation profits	Legal reserves	Statutory reserves	Extraordinary reserve	Other reserve	Current period net income (loss)	Prior period net income/(loss)	Marketable securities revaluation reserve	Tangible and intangible assets revaluation fund	Bonus shares from investments	Holding reserves	Asset held for sale and discop. valuation fund	Total equity
<b>Prior period (30.06.2009)</b>																	
I.		500,000	-	23,260	-	12,313	-	45,299	728	104,086	3	-	-	-	-	-	685,679
II.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IV.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.1		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.2		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.1		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII.		-	-	-	-	-	-	-	-	83,190	-	-	-	-	-	-	83,190
XVIII.		-	-	-	-	-	-	-	-	(104,086)	(3)	-	-	-	-	-	(5,500)
18.1		-	-	-	-	5,574	-	92,053	782	-	(5,500)	-	-	-	-	-	(5,500)
18.2		-	-	-	-	5,574	-	92,053	782	-	(98,580)	-	-	-	-	-	(5,500)
18.3		-	-	-	-	-	-	-	-	(104,086)	104,086	-	-	-	-	-	-
<b>Closing balance (I+II+III+...+XVI+XVII+XVIII)</b>																	
		500,000	-	23,260	-	18,057	-	137,352	1,510	83,190	-	-	-	-	-	-	763,359

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

**Kuveyt Türk Katılım Bankası Anonim Şirketi****Unconsolidated statements of cash flows  
for the interim periods ended June 30, 2010 and 2009  
(Currency – Thousands of Turkish Lira)**

Statement of cash flows		Note (5th section)	Current period 01.01.2010 – 30.06.2010	Prior period 01.01.2009 – 30.06.2009
<b>A.</b>	<b>Cash flows from banking operations</b>		(292,170)	162,539
<b>1.1</b>	<b>Operating profit (loss) before changes in operating assets and liabilities</b>		<b>164,348</b>	<b>200,919</b>
1.1.1	Profit share income received		367,251	350,682
1.1.2	Profit share expense paid		(145,861)	(202,534)
1.1.3	Dividend received		-	-
1.1.4	Fees and commissions received		27,125	28,268
1.1.5	Other income		60,774	29,040
1.1.6	Collections from previously written off loans		23,129	15,308
1.1.7	Payments to personnel and service suppliers		(68,548)	(57,222)
1.1.8	Taxes paid		(39,585)	(34,497)
1.1.9	Others		(59,937)	71,874
<b>1.2</b>	<b>Changes in operating assets and liabilities</b>		<b>(456,518)</b>	<b>(38,380)</b>
1.2.1	Net (increase) decrease trading financial assets		(4,052)	10,322
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		(31,236)	(3,243)
1.2.4	Net (increase) decrease in loans		(1,104,732)	(378,892)
1.2.5	Net (increase) decrease in other assets		45,854	(86,706)
1.2.6	Net increase (decrease) in bank deposits		-	-
1.2.7	Net increase (decrease) in other deposits		663,025	697,262
1.2.8	Net increase (decrease) in funds borrowed		28,880	(353,833)
1.2.9	Net increase (decrease) in due payables		-	-
1.2.10	Net increase (decrease) in other liabilities		(54,257)	76,710
<b>I.</b>	<b>Net cash provided from (used in) banking operations</b>		<b>(292,170)</b>	<b>162,539</b>
<b>B.</b>	<b>Cash flows from investing activities</b>			
<b>II.</b>	<b>Net cash provided from (used in) Investing activities</b>		<b>(27,733)</b>	<b>(19,457)</b>
2.1	Cash paid for purchase jointly controlled operations, associates and subsidiaries		(16,840)	(1,374)
2.2	Cash obtained from sale of jointly controlled operations, associates and subsidiaries		-	-
2.3	Fixed assets purchases		(18,422)	(18,003)
2.4	Fixed assets sales		-	-
2.5	Cash paid for purchase of financial assets available for sale		-	-
2.6	Cash obtained from sale of financial assets available for sale		-	-
2.7	Cash paid for purchase of investment securities		7,529	(80)
2.8	Cash obtained from sale of investment securities		-	-
2.9	Other		-	-
<b>C.</b>	<b>Cash flows from financing activities</b>			
<b>III.</b>	<b>Net cash provided from (used in) financing activities</b>		<b>(10,276)</b>	<b>(5,500)</b>
3.1	Cash obtained from funds borrowed and securities issued		-	-
3.2	Cash used for repayment of funds borrowed and securities issued		-	-
3.3	Capital increase		-	-
3.4	Dividends paid		(10,276)	(5,500)
3.5	Payments for finance leases		-	-
3.6	Other		-	-
<b>IV.</b>	<b>Effect of change in foreign exchange rate on cash and cash equivalents</b>		<b>(1,576)</b>	<b>(27,070)</b>
<b>V.</b>	<b>Net increase (decrease) in cash and cash equivalents (I + II + III + IV)</b>		<b>(331,755)</b>	<b>110,512</b>
<b>VI.</b>	<b>Cash and cash equivalents at the beginning of the period</b>	(V-a)	<b>1,124,410</b>	<b>1,232,151</b>
<b>VII.</b>	<b>Cash and cash equivalents at the end of the period</b>	(V-a)	<b>792,655</b>	<b>1,342,663</b>

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



## Kuveyt Türk Katılım Bankası Anonim Şirketi

### Notes related to unconsolidated financial statements for the interim period ended June 30, 2010 (Currency – Thousands of Turkish Lira)

#### Section three

#### Accounting principles

#### I. Explanations on basis of presentation

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

The unconsolidated financial statements have been prepared in accordance with the 'Regulation on Accounting Applications for Banks and Safeguarding of Documents' numbered 5411 published in the Official Gazette No.26333 dated 1 November 2006, which refers to 'Turkish Accounting Standards' (TAS) and 'Turkish Financial Reporting Standards' (TFRS) issued by the 'Turkish Accounting Standards Board' (TASB) and additional explanations and notes related to them and other decrees, notes and explanations related to accounting and financial reporting principles (all 'Turkish Accounting Standards' or 'TAS') published by the Banking Regulation and Supervision Agency. The format and content of the publicly announced unconsolidated financial statements and notes to these statements have been prepared in accordance with the "Communiqué on Publicly Announced Financial Statements, Explanations and Notes to Those Financial Statements", published in Official Gazette No. 26430, dated 10 February 2007, and amendments to this Communiqué. The Bank maintains its books in Turkish Lira in accordance with the Banking Act, Turkish Commercial Code and Turkish tax legislation.

In accordance with the Article 37 of the Banking Act 5411, the Banks must apply the uniform chart of accounts in their accounting systems in accordance with the procedures and principles identified by the Banking Regulation and Supervision Agency (BRSA) by taking into account the international standards and opinions of the TASB and other associations of the banking sector into consideration; record all transactions in accordance with their underlying nature; prepare clear, reliable, comparable, suitable for audit, analysis and interpretation, timely and accurate financial reports in a form and content that meets the information requirements of users.

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

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

##### b. **Accounting policies and valuation principles applied in the preparation of unconsolidated financial statements:**

The accounting policies and valuation principles applied in the preparation of unconsolidated financial statements are determined and applied in accordance with TAS. These accounting policies and valuation principles are explained in Notes II and XXII below.

## **Kuveyt Türk Katılım Bankası Anonim Şirketi**

### **Notes related to unconsolidated financial statements for the interim period ended June 30, 2010 (continued) (Currency - Thousands of Turkish Lira)**

#### **c. Preparation of the financial statements in the current purchasing power of money:**

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

#### **d. Reclassification changes on financial statements:**

In accordance with the clarification declared by the BRSA related with 'Reserve Deposits' to the Association of the Participation Banks at January 3, 2008, some changes and reclassifications has been performed on the prior period's financial statements presented for comparison purposes. 'Profit share on reserve deposits' amounting to TL 4,085 has been classified under 'Profit share on banks' account in statement of income for the interim period ended June 30, 2010 to be consistent with the presentation of the current financial statements.

The Bank has classified loans given to banks with maturity less than 3 months amounting to TL 354,087 from "Loans" account to "Banks" account in balance sheet as of December 31, 2009 to be comparative with the current year presentation. In addition, profit share income obtained from such loans amounting to TL 15,238 has been classified from "Profit Share on Loans" to "Profit Share on Banks" in the income statement for the period ending June 30, 2009.

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

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

Gains and losses arising from foreign currency transactions have been recorded in the period in which the transaction took place. Foreign currency denominated monetary assets and liabilities are valued with the period end exchange rates published by the Central Bank of Turkey converting them into Turkish Lira. Valuation differences of foreign currencies have been recognized in the income statement under the 'Net foreign exchange income/expense' account.

The Bank's portion of risk regarding loans originating from participation accounts followed in receivables to be written off, doubtful commission, fees and other receivables, uncollectible loans and other receivables, along with foreign currency (FC) and FC pegged 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, originating from participation accounts, is evaluated with the current foreign currency rates and the differences are recorded foreign currency gains/losses account in the income statement.

The foreign currency exchange differences resulting from the translation of debt securities issued and monetary financial instruments into Turkish Lira are included in the income statement.

There are no foreign currency differences capitalized by the Bank.

**Kuveyt Türk Katılım Bankası Anonim Şirketi**

**Notes related to unconsolidated financial statements  
for the interim period ended June 30, 2010 (continued)  
(Currency - Thousands of Turkish Lira)**

**III. Explanations on forward transactions and option contracts and derivative instruments:**

The Bank enters into forward agreements to decrease its currency risk and to manage its foreign currency liquidity. The Bank classifies its derivative instruments as "Held for Hedging" and "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 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 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 measures at fair value with changes in fair value recognized in profit or loss.

**IV. Explanations on profit share income and expense**

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

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

**V. 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 the 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 Deferred Revenues account under Other Liabilities on the balance sheet.

## **Kuveyt Türk Katılım Bankası Anonim Şirketi**

### **Notes related to unconsolidated financial statements for the interim period ended June 30, 2010 (continued) (Currency - Thousands of Turkish Lira)**

#### **VI. Explanations on financial assets**

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

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

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

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

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

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

##### **b. Financial assets available for sale:**

Assets available for sale consist of "mudharaba" transactions which are based on profit/loss sharing. Such transactions are reflected in the financial statements at cost and less provision for impairment if any, since their fair values could not be determined reliably. Profit obtained from related transactions is recorded in 'Profit share income received from available for sale financial assets' account.

##### **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 assets 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.

**Kuveyt Türk Katılım Bankası Anonim Şirketi**

**Notes related to unconsolidated financial statements  
for the interim period ended June 30, 2010 (continued)  
(Currency - Thousands of Turkish Lira)**

**VII. 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:

The Bank provides impairment reserve for loans collections of which may become doubtful in the future and records this as expense. Impairment provision for the non-performing loans is the amount calculated by the Bank management to cover the possible losses in the existing loan portfolio by evaluating the loan portfolio on the grounds of risk and quality and considering the related legislation, economic and other factors.

If there is objective evidence that the loans might not be collected, the Bank reclassifies such loans to III., IV. and V. groups and provides impairment reserve in accordance with the Communiqué of "Principles and Procedures for the Determination of the Quality of Loans and Other Receivables and Reserves to be provided for these Loans" published on November 1, 2006 in the official Gazette numbered 26333 and "Communiqué for the amendment of 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 January 23, 2009 in the official Gazette numbered 27119. 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. In case of collections from impaired loans, the principal amount is reimbursed first and then profit share receivables are collected.

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 income" in the income statement.

The Bank provides general provision 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 November 1, 2006 in the official Gazette numbered 26333 and Communiqué for the amendment of 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 January 23, 2009 in the official Gazette numbered 27119.

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 value 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.

**Kuveyt Türk Katılım Bankası Anonim Şirketi**

**Notes related to unconsolidated financial statements  
for the interim period ended June 30, 2010 (continued)  
(Currency - Thousands of Turkish Lira)**

iii) Financial assets available for sale:

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

**VIII. Explanations on offsetting of financial assets and liabilities**

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

**IX. Explanations on sale and repurchase agreements and lending of securities**

The Bank has no sale and repurchase agreements transactions and lending securities transactions.

**X. 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 November 1, 2006 in the Official Gazette.

**Kuveyt Türk Katılım Bankası Anonim Şirketi**

**Notes related to unconsolidated financial statements  
for the interim period ended June 30, 2010 (continued)  
(Currency - Thousands of Turkish Lira)**

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

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

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

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

As of June 30, 2010, assets held for sale amounts to TL 12,541 (December 31, 2009 – TL 10,600).

**XI. Explanations on goodwill and other intangible assets**

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

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

As of June 30, 2010 there is no goodwill related to associates and subsidiaries.

**Kuveyt Türk Katılım Bankası Anonim Şirketi**

**Notes related to unconsolidated financial statements  
for the interim period ended June 30, 2010 (continued)  
(Currency - Thousands of Turkish Lira)**

**XII. Explanations on tangible assets**

Fixed assets are stated at cost adjusted for inflation until December 31, 2004, less accumulated depreciation and provision for impairment, if any.

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

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

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

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

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

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

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.

**XIII. Explanations on leasing transactions**

*Bank as a lessee*

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

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

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

*Bank as a lessor*

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



**Kuveyt Türk Katılım Bankası Anonim Şirketi**

**Notes related to unconsolidated financial statements  
for the interim period ended June 30, 2010 (continued)  
(Currency - Thousands of Turkish Lira)**

**XIV. Explanations on provisions and contingent liabilities**

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

Provisions are recognized when the Bank has a present obligation, legal or constructive, as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

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

**XV. Explanations on liabilities relating to employee benefits**

**a) Defined benefit plans:**

In accordance with existing social legislation, the Bank is required to make severance pay to each employee who has completed over one year of service with the Bank and who retires or 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)", by using the "projection method" and based on upon factors derived using the past experience of the Bank with respect to completion of service period and eligibility to receive retirement pay and discounted by using the current market yield rate of government bonds at the balance sheet date.

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

**b) Defined contribution plans:**

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

**c) Short term benefits to employees:**

In accordance with "TAS 19", vacation pay liabilities are defined as "Short Term Benefits to Employees" and accrued as earned and not discounted.

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

## **Kuveyt Türk Katılım Bankası Anonim Şirketi**

### **Notes related to unconsolidated financial statements for the interim period ended June 30, 2010 (continued) (Currency - Thousands of Turkish Lira)**

#### **XVI. Explanations on taxation**

##### *Current tax*

In accordance with the Corporate Tax Law No 5520" published on June 21, 2006, the corporate tax rate has been decreased to 20%. 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.

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.

Effective April 24, 2003, new fixed asset investments over TL 10, which have an economic life and are directly related with the production of services, provides a deduction from the annual taxable income amounting to 40% of the cost of the fixed asset. Investment allowances with incentive certificates obtained prior to April 24, 2003, would be subject to 19.8% withholding tax unless the companies choose to convert to the new application. Before the implementation of the new investment incentive application, effective January 1, 2006, all investment incentives could be carried forward indefinitely, however, as of January 1, 2006 the investment incentive application was terminated. Unused qualifying capital investment amounts from periods prior to December 31, 2005 could be deducted from the corporate income tax base until the end of December 31, 2008. However, in this case corporate tax rate would be 30%. 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 would be subject to investment incentives until the end of December 31, 2008. In 2008, the Bank decided not to utilize its investment incentive allowance and therefore corporate tax rate for the Bank was 20%. In both 2009 and 2010, corporate tax rate applicable to the Bank is 20%.

Constitutional Court abolished 2006, 2007, 2008 phrases included in the temporary article numbered 69 of the Income Tax Law related to investment allowances. Thereby, time limitation related to investment incentive is removed. Supreme Court concluded that reasoned decision of cancellation related to investment incentive becomes effective when it is published in the Official Gazette. The reasoned decision became effective on January 8, 2010 in accordance with the Supreme Court's Principal 2006/95, decision numbered 2009/144, Constitution's article numbered 153 which has been published in Trade Registry Gazette numbered 27456 dated January 8, 2010. In this context, an opportunity has arisen to use investment incentive amounting to TL 61,108 which was not used until December 31, 2008 and transferred to 2009 with applicable withholding tax rate of 19.8%. However, the Bank's 2009 Corporate Tax Base is TL 174,508 and this amount is greater than the investment incentive to be utilized. As the remaining part of Corporate Tax Base that exceeds the investment incentive is subject to 30% corporate tax rate, this would create a disadvantage in corporate tax. Therefore, the amount of transferred investment incentive was not used.

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.

In Turkey, there is no procedure for a final and definite agreement on tax assessments. Companies file their tax returns to their tax offices until the end of 25<sup>th</sup> of the fourth month following the accounting period. The tax authorities have the right to inspect the tax returns and their underlying accounting records in a five years period and can revise the amount of taxes if any errors have been notified during the inspection.

**Kuveyt Türk Katılım Bankası Anonim Şirketi**

**Notes related to unconsolidated financial statements  
for the interim period ended June 30, 2010 (continued)  
(Currency - Thousands of Turkish Lira)**

***Deferred tax***

The Bank calculates and accounts for deferred income taxes for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in these financial statements in accordance with "Turkish Accounting Standard for Income Taxes" ("TAS 12"). Deferred tax asset is calculated on all temporary differences other than general provisions to the extent that is probable that taxable profit will be available and deferred tax liability is calculated for all temporary differences. Deferred tax asset and liabilities are shown in the accompanying financial statements on a net basis.

**XVII. Explanations on additional disclosures on borrowings**

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

There are no debt securities issued by the Bank.

The Bank has not issued convertible bonds.

**XVIII. Explanations on share certificates issued**

The Bank has no material costs for issuance of share certificates.

**XIX. 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.

**XX. Explanations on government grants**

There are no government grants received by the Bank.

**XXI. Explanations on segment reporting**

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

Segment reporting is disclosed in Section 4, Note VI.

**XXII. Explanations on other matters**

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

**XXIII. Additional paragraph for convenience translation**

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

**Kuveyt Türk Katılım Bankası Anonim Şirketi****Notes related to unconsolidated financial statements  
for the interim period ended June 30, 2010 (continued)  
(Currency - Thousands of Turkish Lira)****Section four****Information on financial structure****I. Explanations on capital adequacy standard ratio**

Capital Adequacy Standard Ratio is calculated in accordance with the Communiqué on "Measurement and Assessment of Capital Adequacy of Banks", which was published on November 1, 2006 in the Official Gazette numbered 26333. The calculation of Capital Adequacy Ratio includes the methods used in determining the Capital Adequacy Ratio, determination of risk weighted assets and non-cash credits in line with the relevant banking regulation and measuring the market risk and operational risk ratio in line with the same regulation. Based on the "Measurement and Assessment of Capital Adequacy of Banks", the capital adequacy ratio of the Bank is 13.54% (December 31, 2009 – 14.56%).

**Information for capital adequacy standard ratio: Thousands of TL, %**

	Risk weights				
	0%	20%	50%	100%	Bank
					150%
<b>Amount subject to credit risk</b>					
Balance sheet items (Net)	999,288	416,482	2,557,044	2,641,464	3,679
Cash and cash equivalents	515,879	-	-	-	-
Matured marketable securities	-	-	-	-	-
The Central Bank of the Republic of Turkey	178,857	-	-	-	-
Domestic Banks, Foreign Banks, Foreign Head Offices and Branches	-	408,340	-	52,161	-
Money market placements	-	-	-	-	-
Receivables from reverse repo transactions	-	-	-	-	-
Reserve deposits	167,873	-	-	-	-
Loans	111,915	7,939	2,480,217	2,039,803	3,679
Non-performing loans (Net)	-	-	-	109,976	-
Financial lease receivables	174	-	13,544	42,708	-
Available-for-sale financial assets	-	-	-	27	-
Held to maturity investments	-	-	-	-	-
Receivables from installment sales of assets	-	-	-	-	-
Miscellaneous receivables	-	-	-	51,775	-
Accrued profit share and income accruals	5,051	203	63,283	52,045	-
Investment in associates, subsidiaries and joint ventures (Business Partnerships) (net)	-	-	-	43,773	-
Tangible assets	-	-	-	156,342	-
Other assets	19,539	-	-	92,854	-
Off-balance sheet items	81,395	13,162	288,861	1,462,884	-
Guarantees and commitments	81,395	1,465	288,861	1,455,978	-
Derivative financial instruments	-	11,697	-	6,906	-
Accounts without weighted risk	-	-	-	-	-
Total risk weighted assets	1,080,683	429,644	2,845,905	4,104,348	3,679

**Summary of the capital adequacy standard ratio of the Bank:**

	Current period	Prior period
Total Risk Weighted Assets (TRWA)	5,618,748	4,858,537
Amount Subject to Market Risk (ASMR)	64,350	23,575
Amount Subject to Operational Risk (ASOR)	795,684	583,487
Shareholders' Equity	877,364	795,749
Shareholders' Equity / (TRWA + ASMR + ASOR) *100	13.54	14.56

**Kuveyt Türk Katılım Bankası Anonim Şirketi****Notes related to unconsolidated financial statements  
for the interim period ended June 30, 2010 (continued)  
(Currency - Thousands of Turkish Lira)****Components of shareholders' equity:**

	Current period	Prior period
<b>Core capital</b>		
Paid-in capital	860,783	500,000
Nominal capital	550,000	500,000
Capital commitments (-)	-	-
Inflation adjustment to Share Capital	-	-
Share premium	23,250	23,250
Share cancellations profits	-	-
<b>Legal reserves</b>	25,565	18,067
First legal reserve (Turkish Commercial Code 466/1)	20,371	14,015
Second legal reserve (Turkish Commercial Code 466/2)	5,194	4,052
Other legal reserve per special legislation	-	-
<b>Status reserves</b>	-	-
<b>Extraordinary reserves</b>	198,222	138,862
Reserves allocated by the General Assembly	198,222	138,862
Retained earnings	-	-
Accumulated losses	-	-
Foreign currency share capital exchange difference	-	-
Inflation Adjustments to Legal Reserve, status reserves and extraordinary reserves	-	-
<b>Profit</b>	94,704	127,133
Current year profit	94,704	127,133
Prior years' profits	-	-
Provision for possible losses up to 25% of the core capital	4,600	7,452
Gains on sale of associates and subsidiaries and properties to be added to capital	-	-
Primary subordinated loans up to 15% of the core capital	-	-
<b>Losses that cannot be covered by reserves (-)</b>	-	-
Net current period loss	-	-
Prior years' losses	-	-
Leasehold Improvements (-)(*)(**)	(17,798)	(17,416)
Prepaid Expenses (-) (**)	(9,059)	(3,797)
Intangible Assets (-) (**)	(8,702)	(8,187)
Deferred Tax Asset in excess of 10% of Core Capital (-)(**)	-	-
Excess amount in the Article 56, Clause 3 of the Banking Law (-)	-	-
<b>Total core capital</b>	860,783	785,364
<b>Supplementary capital</b>		
General provisions	37,891	32,100
45% of the revaluation reserve for movable fixed assets	-	-
45% of the of revaluation reserve for properties	-	-
Bonus shares of investment in associates, subsidiaries and joint ventures	-	-
Primary subordinated loans excluded in the calculation of the core capital	-	-
Secondary subordinated loans	-	-
45 % of the marketable securities value increase fund	-	-
Associates and subsidiaries	-	-
Available for sale securities	-	-
Indexation differences for capital reserves, profit reserves and retained earnings (Except for indexation differences for legal reserves, statutory reserves and extraordinary reserves)	-	-
<b>Total supplementary capital</b>	37,891	32,100
<b>TIER III capital</b>	-	-
<b>Capital</b>	898,674	817,464
<b>Deductions from the capital</b>	21,310	21,715
Shareholdings of banks and financial institutions (Domestic, Foreign) in which the Bank has investments of ten percent or more	17,917	17,917
Shareholdings of banks and financial institutions (Domestic, Foreign) in which the Bank has investments less than ten percent total of which exceed ten percent of Bank's Core and Supplementary Capital	-	-
Loans to Banks, Financial Institutions (domestic/foreign) or Qualified Shareholders in the form of Secondary Subordinated Debts and Debt Instruments purchased from Such Parties qualified as Primary or Secondary Subordinated Debts	-	-
Loan granted to Customer against the Articles 50 and 51 of the Banking Law	-	-
The net book value of properties exceeding fifty percent of equity and properties held for sale and properties and commodity to be disposed, acquired in exchange of loans and receivables according to the Article 57 of the Banking Law and have not been disposed yet after 5 years from foreclosure	3,393	3,798
Other	-	-
<b>Total shareholder's equity</b>	<b>877,364</b>	<b>795,749</b>

(\*) Leasehold Improvements amounting to TL 17,798 as of June 30, 2010, have been classified under tangible assets in the accompanying financial statements and are presented as deductions from the capital due to declaration of BRSA numbered 5379 dated March 18, 2009 (As of December 31, 2009- TL, 17,416 TL).

(\*\*) In accordance with the first provisional article of the regulation on the equity of the banks considered as a deduction from capital up to January 1, 2009. Since January 1, 2009, it is considered as a deduction from core capital.

## Kuveyt Türk Katılım Bankası Anonim Şirketi

### Notes related to unconsolidated financial statements for the interim period ended June 30, 2010 (continued) (Currency - Thousands of Turkish Lira)

#### II. Explanations on market risk

The Bank has established market risk operations and has taken the necessary precautions in order to manage market risk within its financial risk management purposes under "Risk Management Systems" in accordance with BRSA Regulation on "Banks' Internal Systems" published in the Official Gazette No. 26333 dated November 1, 2006.

Organizational and functional internal applications of risk management systems have been determined by the Board of Directors in accordance with the regulation mentioned above. The Bank approved the regulation related to the "Risk Management Systems and Working Procedures and Principles of the Risk Management Presidency". With this internal regulation and Treasury Directorship's Marketing and Liquidity Risk Management Policy and Application Procedures which are also approved by the Board of Directors, the procedures with respect to management of market risk are determined. Additionally, the Board of Directors, without transfer of its responsibility, requires the consent of the risk management group and the top management of the Bank to take necessary actions in order to identify, measure, control and manage the risks that the Bank is exposed to.

Additionally, in accordance with the official communication on "Measurement and Assessment of Capital Adequacy of Banks", published in the same Official Gazette as mentioned above, and in the context of other related regulations, the Bank has started to calculate and report to BRSA the amount subject to market risk with the Standard Method and the amount thus calculated has been considered in the capital adequacy calculation of the Bank.

The capital which should be kept against general market risk and specific risks, is calculated and monthly reported in accordance with the "Marketing risk measurement process with standard method" which is the third chapter of "Calculation of Marketing Risk Amount" of the "Communiqué on the "Measurement and Assessment of Capital Adequacy of Banks". As of June 30, 2010, the details of market risk calculated in accordance with the mentioned method are as follows:

#### a. Information related to market risk:

	<b>Amount</b>
(I) Capital Requirement to be Employed For General Market Risk - Standard Method	117
(II) Capital Requirement to be Employed For Specific Risk - Standard Method	-
(III) Capital Requirement to be Employed For Currency Risk - Standard Method	2,650
(IV) Capital Requirement to be Employed For Commodity Risk - Standard Method	2,381
(V) Capital Requirement to be Employed For Settlement Risk - Standard Method	-
(VI) Total Capital Requirement to be Employed For Market Risk Resulting From Options - Standard	-
(VII) Total Capital Requirement to be Employed For Market Risk in Banks Using Risk Measurement	-
(VIII) Total Capital Requirement to be Employed For Market Risk (I+II+III+IV+V+VI)	5,148
(IX) Amount Subject to Market Risk (12.5 x VIII)	64,350

#### b. Average market risk table calculated at the end of each month in the current period:

This section has not been prepared in accordance with the article 25 of the Communiqué on Bank's Publicly Disclosed Financial Statements and Relevant Explanations and Footnotes.

## Kuveyt Türk Katılım Bankası Anonim Şirketi

### Notes related to unconsolidated financial statements for the interim period ended June 30, 2010 (continued) (Currency - Thousands of Turkish Lira)

#### III. Explanations on operational risk

The "Basic Indicator Method" is used in the calculation of Bank's operational risk. The base amount of operational risk is calculated using the gross income of the Bank as of the end of years 2009, 2008, and 2007 in accordance with Part IV the "Calculation of the Operational Risk "of the "Regulation Regarding Measurement and Evaluation of the Bank's Capital Sufficiency Ratio" published in the Official Gazette No. 26333 dated November 1, 2006, which came into effect on June 1, 2007. Not all of the TL 795,684 used in the calculation of operational risk in the scope of "Capital Adequacy Standard Ratio" stated in Note 1 of this section, but only the TL 63,655 corresponding to the 8%, represents the operational risk the Bank is exposed to. TL 63,655 also represents the minimum capital amount required to compensate for the related risk.

#### IV. Explanations on currency risk

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

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

As of June 30, 2010, the Bank carries a net foreign currency long position of TL 31,484 (December 31, 2009 – TL – 5,680 long position) comprising TL 420,376 (December 31, 2009 - TL 657,432 long position) long balance sheet position and TL 388,892 off balance sheet short position (December 31, 2009 - TL 651,662 short position).

The announced current foreign exchange buying rates of the Bank as of June 30, 2010 and the previous five working days are as follows (Full TL):

	23/06/2010	24/06/2010	25/06/2010	28/06/2010	29/06/2010	Balance sheet evaluation rate
USD	1.5539	1.5580	1.5708	1.5750	1.5643	1.5747
CHF	1.3982	1.4044	1.4194	1.4278	1.4370	1.4453
GBP	2.2875	2.3208	2.3514	2.3472	2.3537	2.3696
JPY	0.0171	0.0172	0.0175	0.0175	0.0175	0.0177
EUR	1.9099	1.9134	1.9307	1.9373	1.9327	1.9217

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

	Monthly average FC purchase rate
USD	1.5704
CHF	1.3865
GBP	2.3126
JPY	0.0172
EUR	1.9191

**Kuveyt Türk Katılım Bankası Anonim Şirketi****Notes related to unconsolidated financial statements  
for the interim period ended June 30, 2010 (continued)  
(Currency - Thousands of Turkish Lira)****Currency risk of the Bank:**

	EURO	USD	Yen	Other FC	Total
<b>Current period</b>					
<b>Assets</b>					
Cash (cash in vault, effectives, money in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey	249,351	27,788	1	423,469	700,609
Banks	8,531	289,624	257	15,591	314,003
Financial assets at fair value through profit and loss	556	3,864	23	90	4,533
Money market placements	-	-	-	-	-
Available-for-sale financial assets	-	-	-	-	-
Loans and finance lease receivables (*)	546,984	1,655,056	-	-	2,202,040
Subsidiaries, associates and joint ventures (**)	-	18,632	-	-	18,632
Held-to-maturity investments	-	-	-	-	-
Derivative financial assets for hedging purposes	-	-	-	-	-
Tangible assets	62	21	-	-	83
Intangible assets	-	-	-	-	-
Other assets	3,835	33,297	-	20	37,152
<b>Total assets</b>	<b>809,319</b>	<b>2,028,282</b>	<b>281</b>	<b>439,170</b>	<b>3,277,052</b>
<b>Liabilities</b>					
Current account and funds collected from Banks via participation accounts	47,282	160,611	-	6,218	214,111
Current and profit sharing accounts FC	785,657	1,176,101	121	253,990	2,215,869
Money market borrowings	-	-	-	-	-
Funds provided from other financial institutions	13,514	395,624	-	-	409,138
Marketable securities issued	-	-	-	-	-
Miscellaneous payables	97	2,393	-	146	2,636
Derivative financial liabilities for hedging purposes	-	-	-	-	-
Other liabilities	1,217	13,611	31	63	14,922
<b>Total liabilities</b>	<b>847,767</b>	<b>1,748,340</b>	<b>152</b>	<b>260,417</b>	<b>2,856,676</b>
Net balance sheet position	(38,448)	279,942	129	178,753	420,376
Net off-balance sheet position	42,821	(259,750)	456	(172,419)	(388,892)
Financial derivative assets	314,540	758,624	3,363	374,529	1,451,056
Financial derivative liabilities	271,719	1,018,374	2,907	546,948	1,839,948
Non-cash loans (***)	529,651	1,154,595	499	62,794	1,747,539
<b>Prior period</b>					
Total assets	878,393	2,204,862	160	425,307	3,508,722
Total liabilities	849,239	1,818,285	142	183,714	2,851,380
Net balance sheet position	29,154	386,577	18	241,593	657,342
Net off-balance sheet position	(27,220)	(388,809)	-	(235,633)	(651,662)
Financial derivative assets	101,941	503,832	-	231,980	837,753
Financial derivative liabilities	129,161	892,641	-	467,613	1,489,415
Non-cash loans (***)	601,470	1,149,020	4,823	63,491	1,818,804

(\*) Includes foreign currency indexed loans amounting to TL 1,920,518 (December 31, 2009 – TL 1,732,262) followed as TL on the balance sheet.

(\*\*) Includes TL 714 (December 31, 2009 – TL 714) of foreign currency denominated investments in associates, which are followed as TL in TL 4,520 of investments in associates on the balance sheet and TL 17,917 (December 31, 2009 – TL 17,917) of foreign currency denominated subsidiaries, which are followed as TL in TL 32,997 of investments in subsidiaries on the balance sheet.

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



**Kuveyt Türk Katılım Bankası Anonim Şirketi**

**Notes related to unconsolidated financial statements  
for the interim period ended June 30, 2010 (continued)**  
(Currency - Thousands of Turkish Lira)

**Foreign currency sensitivity:**

The Bank is mainly exposed to EUR and USD currency risks.

The following table details the Bank's sensitivity to a change of 10% in the USD and EURO exchange rates. A negative amount indicates a decrease in profit/loss and equity when the TL weakens with ratio of %10 against USD and EUR.

	Change in currency rate in %	Effect on profit or loss		Effect on equity	
		Current period	Prior period	Current period	Prior period
USD	%10	2,019	1,333	-	-
EURO	%10	437	(595)	-	-

**V. Explanations on liquidity risk**

Liquidity risk represents risk of not having sufficient cash or cash inflows to completely meet the cash outflows on time as a result of imbalance in cash flows.

Liquidity risk may also result from inability to penetrate to market or change positions quickly at suitable prices and amounts due to market disruptions or barriers. To mitigate liquidity risk, the Bank diversifies funding sources (customer funds and funds borrowed from abroad) and keeps a certain level of assets as cash and cash equivalents.

The Bank determines the liquidity position daily and the treasury department manages market transactions in accordance with the liquidity position of the Bank. Indicators of liquidity conditions are analyzed at the weekly Asset/Liability meetings with the participation of top management.

As required by the general strategy of the Bank, maturity structure of the assets, liabilities and profit share ratios are maintained in line with the Asset/Liability Management strategies. In addition, the Bank tries to have a positive difference between revenues and costs of TL and foreign currency assets and liabilities.

**Kuveyt Türk Katılım Bankası Anonim Şirketi****Notes related to unconsolidated financial statements  
for the interim period ended June 30, 2010 (continued)  
(Currency - Thousands of Turkish Lira)****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
<b>Current period</b>								
<b>Assets</b>								
Cash (cash in vault, effectives, cash in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey	936,750	-	-	-	-	-	-	936,750
Banks	276,812	232,877	8,097	189	-	-	-	517,975
Financial assets at fair value through profit and loss	-	9,578	1,170	3,229	-	-	-	13,977
Money market placements	-	-	-	-	-	-	-	-
Available-for-sale financial assets	27	-	-	-	-	-	-	27
Loans	-	1,629,190	677,513	1,711,030	1,610,667	1,346	-	5,629,746
Held-to-maturity investments	-	-	-	-	-	-	-	-
Other assets (*)	-	140,931	10,610	12,755	8,070	-	385,146	557,512
<b>Total assets</b>	<b>1,213,589</b>	<b>2,012,576</b>	<b>697,390</b>	<b>1,727,203</b>	<b>1,618,737</b>	<b>1,346</b>	<b>385,146</b>	<b>7,655,987</b>
<b>Liabilities</b>								
Current account and funds collected from banks via participation accounts	8,903	202,698	6,218	-	-	-	-	217,819
Current and profit sharing accounts	1,335,428	1,030,177	2,708,269	352,649	377,430	-	-	5,803,953
Funds provided from other financial institutions	-	-	13,516	371,988	23,634	-	-	409,138
Money market borrowings	-	-	-	-	-	-	-	-
Marketable securities issued	-	-	-	-	-	-	-	-
Miscellaneous payables	33,052	11,626	-	-	-	-	-	44,678
Other liabilities (*)	-	185,721	3,465	29,932	-	-	961,281	1,180,399
<b>Total liabilities</b>	<b>1,377,383</b>	<b>1,430,222</b>	<b>2,731,468</b>	<b>754,569</b>	<b>401,064</b>	<b>-</b>	<b>961,281</b>	<b>7,655,987</b>
<b>Net liquidity gap</b>	<b>(163,794)</b>	<b>582,354</b>	<b>(2,034,078)</b>	<b>972,634</b>	<b>1,217,673</b>	<b>1,346</b>	<b>(576,135)</b>	<b>-</b>
<b>Prior period</b>								
Total assets	1,398,623	1,105,026	748,732	1,719,540	1,561,830	13	370,762	6,904,526
Total liabilities	1,254,796	314,044	3,167,788	806,186	471,569	-	890,143	6,904,526
Net liquidity gap	143,827	790,982	(2,149,056)	913,354	1,090,261	13	(519,381)	-

(\*) 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, prepaid expenses and non-performing loans, are included under unallocated assets. The unallocated other liabilities column consists of equity and provisions balances.

**Kuveyt Türk Katılım Bankası Anonim Şirketi**

**Notes related to unconsolidated financial statements  
for the interim period ended June 30, 2010 (continued)  
(Currency - Thousands of Turkish Lira)**

**Breakdown of derivative instruments according to their remaining contractual maturities:**

<b>Current period – June 30, 2010</b>	<b>Up to 1 month</b>	<b>1-3 months</b>	<b>3-12 months</b>	<b>1-5 years</b>	<b>Over 5 years</b>	<b>Total</b>
<b>Derivatives held for trading</b>						
Foreign exchange derivatives:						
Inflow	899,664	50,549	219,456	-	-	1,169,669
Outflow	892,148	50,473	191,160	-	-	1,133,781
<b>Derivatives held for hedging</b>						
Foreign exchange derivatives:						
Inflow	-	-	-	-	-	-
Outflow	-	-	-	-	-	-
<b>Total cash inflow</b>	<b>899,664</b>	<b>50,549</b>	<b>219,456</b>	<b>-</b>	<b>-</b>	<b>1,169,669</b>
<b>Total cash outflow</b>	<b>892,148</b>	<b>50,473</b>	<b>191,160</b>	<b>-</b>	<b>-</b>	<b>1,133,781</b>
<b>Prior period - December 31, 2009</b>						
Derivatives held for trading						
Foreign exchange derivatives:						
Inflow	840,738	10,340	29,014	-	-	880,092
Outflow	836,577	10,400	21,269	-	-	868,246
Derivatives held for hedging						
Foreign exchange derivatives:						
Inflow	-	-	-	-	-	-
Outflow	-	-	-	-	-	-
<b>Total cash inflow</b>	<b>840,738</b>	<b>10,340</b>	<b>29,014</b>	<b>-</b>	<b>-</b>	<b>880,092</b>
<b>Total cash outflow</b>	<b>836,577</b>	<b>10,400</b>	<b>21,269</b>	<b>-</b>	<b>-</b>	<b>868,246</b>

**VI. Explanations on business segments**

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

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

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

**Kuveyt Türk Katılım Bankası Anonim Şirketi****Notes related to unconsolidated financial statements  
for the interim period ended June 30, 2010 (continued)  
(Currency - Thousands of Turkish Lira)**

International Banking: In International Banking, the relationships with foreign correspondent banks and investment institutes are executed directly or via branches abroad, representative offices and agencies. The aim of international banking is to enable foreign trade financing and develop mutual long term financing agreements with foreign banks. The Matched Murabaha is offered to SME's and international investors to meet the financing needs of SME's with international funds. Besides supplying syndicated loans 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 Istanbul Stock Exchange and international markets and conducts Murabaha transactions with foreign banks.

**Specific balance sheet and income statement items according to segments:**

June 30, 2010	Retail Banking	Corporate and Commercial Banking	Treasury, Investment Banking and International Banking	Unallocated	Bank's total operation
Operating income	163,639	235,077	48,210	-	446,926
Operating expenses	(127,273)	(68,267)	(5,769)	(124,265)	(325,574)
Transfers between segments	62,849	(64,521)	1,672	-	-
<b>Net operating income(loss) (*)</b>	<b>99,215</b>	<b>102,289</b>	<b>44,113</b>	<b>(124,265)</b>	<b>121,352</b>
Income from associates	-	-	-	-	-
<b>Income (loss) before tax</b>	<b>99,215</b>	<b>102,289</b>	<b>44,113</b>	<b>(124,265)</b>	<b>121,352</b>
Provision for taxation	-	-	-	(26,648)	(26,648)
<b>Net income for the period</b>	<b>99,215</b>	<b>102,289</b>	<b>44,113</b>	<b>(150,913)</b>	<b>94,704</b>
Segment assets	1,986,400	3,779,468	1,468,789	-	7,234,657
Associates, subsidiaries and joint ventures	-	-	-	61,690	61,690
Undistributed assets	-	-	-	359,640	359,640
<b>Total assets</b>	<b>1,986,400</b>	<b>3,779,468</b>	<b>1,468,789</b>	<b>421,330</b>	<b>7,655,987</b>
Segment liabilities	4,269,199	1,752,573	417,123	-	6,438,895
Undistributed liabilities	-	-	-	325,351	325,351
Shareholders' equity	-	-	-	891,741	891,741
<b>Total liabilities</b>	<b>4,269,199</b>	<b>1,752,573</b>	<b>417,123</b>	<b>1,217,092</b>	<b>7,655,987</b>
Other segment items					
Capital investment	-	-	-	-	-
Depreciation	-	-	-	10,592	10,592
Non- cash income- expense	-	-	-	1,099	1,099
Restructuring expenses	-	-	-	-	-

**Kuveyt Türk Katılım Bankası Anonim Şirketi****Notes related to unconsolidated financial statements  
for the interim period ended June 30, 2010 (continued)  
(Currency - Thousands of Turkish Lira)**

June 30, 2009	Retail Banking	Corporate and Commercial Banking	Treasury, Investment Banking and International Banking	Unallocated	Bank's total operation
Operating income	205,239	176,176	63,041	-	444,456
Operating expenses	(171,162)	(51,805)	(16,864)	(100,391)	(340,222)
Transfers between segments	79,185	(78,165)	(1,020)	-	-
<b>Net operating income/loss</b>	<b>113,262</b>	<b>46,206</b>	<b>45,157</b>	<b>(100,391)</b>	<b>104,234</b>
Income from associates	-	-	-	-	-
<b>Income(loss) before tax</b>	<b>113,262</b>	<b>46,206</b>	<b>45,157</b>	<b>(100,391)</b>	<b>104,234</b>
Provision for taxation	-	-	-	(21,044)	(21,044)
<b>Net income for the period</b>	<b>113,262</b>	<b>46,206</b>	<b>45,157</b>	<b>(121,435)</b>	<b>83,190</b>
Segment assets	1,425,388	2,844,196	1,657,812	-	5,927,396
Associates, subsidiaries and joint ventures	-	-	-	41,773	41,773
Undistributed assets	-	-	-	254,710	254,710
<b>Total assets</b>	<b>1,425,388</b>	<b>2,844,196</b>	<b>1,657,812</b>	<b>296,483</b>	<b>6,223,879</b>
Segment liabilities	3,494,722	1,261,100	453,837	-	5,209,659
Undistributed liabilities	-	-	-	250,851	250,851
Shareholders' equity	-	-	-	763,369	763,369
<b>Total liabilities</b>	<b>3,494,722</b>	<b>1,261,100</b>	<b>453,837</b>	<b>1,014,220</b>	<b>6,223,879</b>
Other segment items					
Capital investment	-	-	-	4,374	4,374
Depreciation	-	-	-	8,287	8,287
Non-cash income- expense	-	-	-	65,171	65,171
Restructuring expenses	-	-	-	-	-

**Kuveyt Türk Katılım Bankası Anonim Şirketi**

**Notes related to unconsolidated financial statements  
for the interim period ended June 30, 2010 (continued)  
(Currency - Thousands of Turkish Lira)**

**Section five**

**Explanations and notes on the unconsolidated financial statements**

**I. Explanations and notes related to assets:**

**a. Cash and balances with the CBRT:**

**1. Cash and balances with the CBRT:**

	Current period		Prior period	
	TL	FC	TL	FC
Cash/foreign currency	55,912	35,568	34,264	23,614
The CBRT	179,802	241,069	181,687	217,931
Other(*)	427	423,972	120	409,585
<b>Total</b>	<b>236,141</b>	<b>700,609</b>	<b>216,071</b>	<b>651,130</b>

(\*) As of June 30, 2010 precious metal depot account amounting to TL 420,056 is reflected in this line (December 31, 2009 - TL 409,585).

**2. Information on CBRT:**

	Current period		Prior period	
	TL	FC	TL	FC
Unrestricted demand deposit	177,607	1,250	179,692	1,237
Unrestricted time deposit	-	-	-	-
Restricted time deposit	2,195	239,819	1,995	216,694
<b>Total</b>	<b>179,802</b>	<b>241,069</b>	<b>181,687</b>	<b>217,931</b>

In line with the "Communiqué on Obligatory Reserves" No. 2005/1 issued by the Central Bank of the Republic of Turkey, the banks operating in Turkey set aside obligatory reserves at the Central Bank of the Republic of Turkey at the rate of 6% in Turkish Lira for their Turkish currency obligations and at the rate of 9.5% in USD and/or Euro for their foreign currency obligations.

**Kuveyt Türk Katılım Bankası Anonim Şirketi****Notes related to unconsolidated financial statements  
for the interim period ended June 30, 2010 (continued)  
(Currency - Thousands of Turkish Lira)****b. Information on financial assets at fair value through profit and loss:**

- As of June 30, 2010, there are no financial assets at fair value through profit and loss subject to repurchase transactions, given as a collateral or blocked (December 31, 2009 – 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	3,069	4,848	910	515
Swap transactions	3,775	2,285	7,605	895
Futures transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>6,844</b>	<b>7,133</b>	<b>8,515</b>	<b>1,410</b>

**c. Information on Banks:**

- Information on Banks:

	Current period		Prior period	
	TL	FC	TL	FC
Banks	203,972	314,003	125,154	760,328
Domestic	14,196	248,327	20,507	364,263
Foreign	189,776	65,676	104,647	396,065
Branches and head office abroad	-	-	-	-
<b>Total</b>	<b>203,972</b>	<b>314,003</b>	<b>125,154</b>	<b>760,328</b>

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

- There are no financial assets available for sale subject to repurchase transactions, given as a guarantee or blocked (December 31, 2009 – None).
- Information on Financial Assets Available-for-Sale:

	Current period	Prior period
Debt Securities	-	-
Quoted on stock exchange	-	-
Not quoted on stock exchange	-	-
Share certificates	27	27
Quoted on stock exchange	-	-
Not quoted on stock exchange	27	27
Impairment provision	-	-
<b>Total</b>	<b>27</b>	<b>27</b>

**Kuveyt Türk Katılım Bankası Anonim Şirketi****Notes related to unconsolidated financial statements  
for the interim period ended June 30, 2010 (continued)  
(Currency - Thousands of Turkish Lira)****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	58	9,925	61	111
Corporate Shareholders	-	9,925	-	111
Real Person Shareholders	58	-	61	-
Indirect Loans Granted to Shareholders	-	-	-	-
Loans Granted to Employees	2,290	-	2,398	-
<b>Total</b>	<b>2,348</b>	<b>9,925</b>	<b>2,459</b>	<b>111</b>

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

	Standard loans and other receivables		Loans and other receivables under close monitoring	
	Loans and other receivables	Restructured or rescheduled	Loans and other receivables	Restructured or rescheduled
Cash Loans				
Loans	5,286,671	-	126,518	151,045
Financing of documents on goods	-	-	-	-
Export loans	17,664	-	262	-
Import loans	525,324	-	4,344	-
Business loans	3,087,027	-	64,205	142,026
Consumer loans	958,572	-	45,524	820
Credit cards	76,522	-	2,053	1,105
Investments on profit/loss partnership	-	-	-	-
Precious metals loans	-	-	-	-
Loans given to financial sector	-	-	-	-
Loans given to abroad	81,383	-	-	3,131
Other	540,179	-	10,130	3,963
Other receivables	561	-	1,129	-
<b>Total</b>	<b>5,287,232</b>	<b>-</b>	<b>127,647</b>	<b>151,045</b>



**Kuveyt Türk Katılım Bankası Anonim Şirketi****Notes related to unconsolidated financial statements  
for the interim period ended June 30, 2010 (continued)  
(Currency - Thousands of Turkish Lira)**

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

	Short term	Medium and long term	Total
<b>Consumer Loans-TL</b>	<b>3,670</b>	<b>907,675</b>	<b>911,345</b>
Housing Loans	1,867	831,672	833,539
Vehicle Loans	1,453	68,572	70,025
Consumer Loans	113	3,120	3,233
Other	237	4,311	4,548
<b>Consumer Loans-FC Indexed</b>	-	<b>92,368</b>	<b>92,368</b>
Housing Loans	-	86,183	86,183
Vehicle Loans	-	2,687	2,687
Consumer Loans	-	593	593
Other	-	2,905	2,905
<b>Consumer Loans-FC</b>	-	<b>76</b>	<b>76</b>
Housing Loans	-	76	76
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Retail Credit Cards-TL</b>	<b>36,472</b>	-	<b>36,472</b>
With Installment	16,355	-	16,355
Without Installment	20,117	-	20,117
<b>Retail Credit Cards-FC</b>	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
<b>Personnel Loans-TL</b>	<b>107</b>	<b>935</b>	<b>1,042</b>
Housing Loans	-	360	360
Vehicle Loans	93	398	491
Consumer Loans	10	177	187
Other	4	-	4
<b>Personnel Loans-FC Indexed</b>	-	<b>85</b>	<b>85</b>
Housing Loans	-	22	22
Vehicle Loans	-	42	42
Consumer Loans	-	21	21
Other	-	-	-
<b>Personnel Loans-FC</b>	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Personnel Credit Cards-TL</b>	<b>1,163</b>	-	<b>1,163</b>
With Installment	261	-	261
Without Installment	902	-	902
<b>Personnel Credit Cards-FC</b>	-	-	-
Installment based	-	-	-
Without-installment	-	-	-
<b>Overdraft Account-TL (Real Person)</b>	-	-	-
<b>Overdraft Account-FC (Real Person)</b>	-	-	-
<b>Total</b>	<b>41,412</b>	<b>1,001,139</b>	<b>1,042,551</b>

**Kuveyt Türk Katılım Bankası Anonim Şirketi**

**Notes related to unconsolidated financial statements  
for the interim period ended June 30, 2010 (continued)**  
(Currency - Thousands of Turkish Lira)

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

	Short term	Medium and long term	Total
<b>Commercial Installment Loans-TL</b>	<b>24,218</b>	<b>591,008</b>	<b>615,226</b>
Business Loans	1,110	139,543	140,653
Vehicle Loans	3,962	247,854	251,816
Consumer Loans	156	33,572	33,728
Other	18,990	170,039	189,029
<b>Commercial Installment Loans-FC Indexed</b>	<b>4,886</b>	<b>134,794</b>	<b>139,680</b>
Business Loans	1,026	44,899	45,925
Vehicle Loans	404	35,742	36,146
Consumer Loans	59	-	59
Other	3,397	54,153	57,550
<b>Commercial Installment Loans-FC</b>	<b>38</b>	<b>13,832</b>	<b>13,870</b>
Business Loans	-	2,011	2,011
Vehicle Loans	-	9,459	9,459
Consumer Loans	-	-	-
Other	38	2,362	2,400
<b>Corporate Credit Cards-TL</b>	<b>42,045</b>	<b>-</b>	<b>42,045</b>
With Installment	29,049	-	29,049
Without Installment	12,996	-	12,996
<b>Corporate Credit Cards-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
With Installment	-	-	-
Without Installment	-	-	-
<b>Overdraft Account-TL (Legal Entity)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Overdraft Account-FC (Legal Entity)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>71,187</b>	<b>739,634</b>	<b>810,821</b>

5. Breakdown of domestic and foreign loans:

	Current period	Prior period
Domestic loans	5,481,410	4,413,412
Foreign loans	84,514	87,438
<b>Total</b>	<b>5,565,924</b>	<b>4,500,850</b>

**Kuveyt Türk Katılım Bankası Anonim Şirketi**

**Notes related to unconsolidated financial statements  
for the interim period ended June 30, 2010 (continued)  
(Currency - Thousands of Turkish Lira)**

6. Loans granted to subsidiaries and associates:

The Bank has not granted any loans to its subsidiaries and associates as of June 30, 2010 (December 31, 2009 – None).

7. Specific provisions for loans:

	Current period	Prior period
Specific provisions		
Loans and receivables with limited collectability	6,485	24,464
Loans and receivables with doubtful collectability	25,321	35,154
Uncollectible loans and receivables	119,172	87,993
<b>Total</b>	<b>150,978</b>	<b>147,611</b>

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

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

	Group III Loans and receivables with limited collectability	Group IV Loans and receivables with doubtful collectability	Group V Uncollectible loans and receivables
<b>Current period- June 30, 2010</b> (Gross amounts before specific provision)			
Restructured loans and other receivables	21,562	27,640	13,617
Rescheduled loans and other receivables	-	-	-
<b>Prior period- December 31, 2009</b> (Gross amounts before specific provision)			
Restructured loans and other receivables	36,207	10,867	13,357
Rescheduled loans and other receivables	-	-	-

**Kuveyt Türk Katılım Bankası Anonim Şirketi****Notes related to unconsolidated financial statements  
for the interim period ended June 30, 2010 (continued)  
(Currency - Thousands of Turkish Lira)**

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

	Group III Loans and receivables with limited collectability	Group IV Loans and receivables with doubtful collectability	Group V Uncollectible loans and receivables
<b>Ending balance of prior period</b>	<b>72,199</b>	<b>74,879</b>	<b>151,131</b>
Additions in the current period (+)	46,192	5,072	1,056
Transfers from other categories of non-performing loans (+)	-	55,126	56,697
Transfers to other categories of non-performing loans (-)	55,413	56,410	-
Collections in the current period (-)	4,527	6,526	12,076
Disposals in the current period (-)	11,586	6,292	22,362
Write offs (-)	-	-	-
Corporate and commercial loans	-	-	-
Retail loans	-	-	-
Credit Cards	-	-	-
Other	-	-	-
<b>Ending balance of the current period</b>	<b>46,865</b>	<b>65,849</b>	<b>174,446</b>
Specific provisions (-)	6,485	25,321	119,172
<b>Net balance at the balance sheet</b>	<b>40,380</b>	<b>40,528</b>	<b>55,274</b>

(iii). Information on non performing loans granted as foreign currency: None (December 31, 2009 – None).

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

	Group III Loans and receivables with limited collectability	Group IV Loans and receivables with doubtful collectability	Group V Uncollectible loans and receivables
<b>Current period (Net)</b>	<b>40,380</b>	<b>40,528</b>	<b>55,274</b>
Loans granted to real persons and legal entities (Gross)	46,865	65,849	174,446
Specific provision (-)	6,485	25,321	119,172
Loans to real persons and legal entities (Net)	40,380	40,528	55,274
Banks (Gross)	-	-	-
Specific provision (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	-	-	-
Specific provision (-)	-	-	-
Other loans and receivables (Net)	-	-	-
<b>Prior period (Net)</b>	<b>47,735</b>	<b>39,725</b>	<b>63,138</b>
Loans to real persons and legal entities (Gross)	72,199	74,879	151,131
Specific provision (-)	24,464	35,154	87,993
Loans to real persons and legal entities (Net)	47,735	39,725	63,138
Banks (Gross)	-	-	-
Specific provision (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	-	-	-
Specific provision (-)	-	-	-
Other loans and receivables (Net)	-	-	-

**Kuveyt Türk Katılım Bankası Anonim Şirketi**

**Notes related to unconsolidated financial statements  
for the interim period ended June 30, 2010 (continued)  
(Currency - Thousands of Turkish Lira)**

9. 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 November 01, 2006 and for which a full impairment provision has been made, are written-off per the decision of the Bank top management. In the first six months of 2010, no non-performing loans have been written-off (December 31, 2009 – TL 80,298).

10. 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 (Net):**

1. There are no held-to-maturity investments subject to repurchase transactions, given as a guarantee or blocked (December 31, 2009 – None).
2. Information related to Government bonds classified as held to maturity investments: None (December 31, 2009 – None).
3. Information on held-to-maturity investments:

	Current period	Prior period
Debt securities	-	7,529
Quoted to stock exchange	-	-
Not quoted to stock exchange	-	7,529
Impairment provision (-)	-	-
<b>Total</b>	<b>-</b>	<b>7,529</b>

4. The movement of held to maturity investments during year:

	Current period	Prior period
Balance at the beginning of the period	7,529	7,583
Foreign currency differences on monetary assets	-	(54)
Purchases during the year	-	-
Disposal through sales and redemption	(7,529)	-
Impairment provision (-)	-	-
<b>Ending balance</b>	<b>-</b>	<b>7,529</b>

**Kuveyt Türk Katılım Bankası Anonim Şirketi**

**Notes related to unconsolidated financial statements  
for the interim period ended June 30, 2010 (continued)  
(Currency - Thousands of Turkish Lira)**

**g. Information on investment in associates (Net):**

1. The reason for not consolidating the associates: As the Bank does not have power of control on the management and shareholder's equity of the associates it has not been consolidated in the financial statements.
2. Information about investments in unconsolidated associates:

Title	Address (City/Country)	Bank's share percentage, if different-voting percentage (%)	Bank's risk group share percentage (%)
Islamic International Rating Agency (*)	Manama/Bahreyn	8.99	8.99
Neova Sigorta A.Ş. (**)	İstanbul/Turkey	6.99	6.99
Kredi Garanti Fonu A.Ş. (***)	Ankara/Turkey	1.67	1.67

Financial information on associates in the order given above:

Total assets	Equity	Total fixed assets	Dividend income or profit share income	Income from marketable securities	Current period income/loss	Prior period income/loss	Fair value
1,546 (*)	1,546	31	-	-	(251)	(709)	-
46,887(*)	19,140	1,108	-	-	(5,194)	554	-
-	-	-	-	-	-	-	-

(\*) Prepared in accordance with the local regulations of the country in which the related associate is incorporated as of June 30, 2010.

(\*\*) The related affiliate's name was Haliç Sigorta A.Ş. and changed as Neova Sigorta A.Ş. on February 29, 2009 and published on Trade Registry Gazette on same date.

(\*\*\*) The Bank made capital commitment amounting to TL 4,000 to Kredi Garanti Fonu A.Ş. in 2009 and paid the TL 2,000 of the related commitment on October 15, 2009.

3. Information related to consolidated associates: None.

## Kuveyt Türk Katılım Bankası Anonim Şirketi

### Notes related to unconsolidated financial statements for the interim period ended June 30, 2010 (continued) (Currency - Thousands of Turkish Lira)

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

1. Although the Bank has control power over the management and capital of these subsidiaries, according to the Official Gazette No. 26340 dated November 8, 2006 "Regulation related to the Preparation of Consolidated Financial Statements by Banks", since the subsidiaries do not conform to the definition of financial subsidiary, they have not been consolidated to the Bank's financials. The Bank has reflected its subsidiaries at restated cost less any provision for impairment in its financial statements until December 31, 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/UAE	%99.9	%99.9
Körfez Tatil Beldesi Turistik Tesisler ve Devremülk İşletmeciliği San. ve Tic. A.Ş.	İstanbul/Turkey	%99.9	%99.9
İnşaat Taahhüt Turizm Sanayi ve Ticaret A.Ş.	İstanbul/Turkey	%99.9	%99.9

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

Total assets	Equity	Total fixed	Profit share income	Income from marketable securities	Current period income/loss	Prior period income/loss	Fair value
55,793 (*)	18,454	38	92	-	(195)	-	-
14,649	14,393	3,659	4	-	(279)	(358)	-
37,032	19,471	36,045	11	-	(1,243)	(574)	-

(\*) Amount presented in the statutory financial statements based on Turkish Commercial Law as of June 30, 2010.

Movement for subsidiaries:

	Current period	Prior period
<b>Balance at the beginning of the year</b>	32,997	36,894
Movements during the year		
Purchases (*)	22,306	3,380
Transfers from subsidiaries	11,845	-
Bonus shares	-	-
Dividends from current year income	-	-
Sales (*)	-	-
Revaluation increase	-	-
Impairment provision (*)	(9,978)	(1,021)
	-	-
<b>Balance at the end of the year</b>	57,170	39,253
Capital commitments (**)	33,600	33,600
Share percentage at the end of the year (%)	-	-

(\*) The Bank has sold 51% of equity shares of Körfez Gayrimenkul, to Kuwait based Hayat Investment Company for USD 10,613,000 (TL 15,729) and TL 2,450 on November 23, 2009 and the remaining 49% shares and impairment provision for Körfez Gayrimenkul have been classified into "investments in associates" account. However, the Bank has bought back 51% of Körfez Gayrimenkul A.Ş. from Hayat Investment Company under the same conditions; USD 10,572,000 (TL 16,840) and TL 2,450. Consequently Körfez Gayrimenkul has been classified back to "Subsidiaries" account and additional TL 9,978 impairment has been booked.

(\*\*) The Bank has capital commitments of TL 7,600 to its subsidiary Körfez Tatil Beldesi and TL 26,000 to Körfez Gayrimenkul A.Ş. as of June 30, 2010.

**Kuveyt Türk Katılım Bankası Anonim Şirketi**

**Notes related to unconsolidated financial statements  
for the interim period ended June 30, 2010 (continued)  
(Currency - Thousands of Turkish Lira)**

3. Information related to consolidated subsidiaries: None.

i. **Information on joint ventures (business partnerships) (Net):** None (December 31, 2009 – None).

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	46,053	43,112	32,424	29,976
1 to 4 years	19,229	17,153	22,486	19,560
More than 4 years	3,717	3,557	502	459
<b>Total</b>	<b>68,999</b>	<b>63,822</b>	<b>55,412</b>	<b>49,995</b>

2. Net investments in finance leases:

	Current period	Prior period
Gross receivable from finance leases	68,999	55,412
Unearned finance lease income (-)	(5,177)	(5,417)
Cancelled amounts (-)	-	-
<b>Net receivable from finance leases</b>	<b>63,822</b>	<b>49,995</b>

3. Information on finance lease contracts:

The Bank determines the settlements of the financial lease agreements in accordance with related legislations. Payment terms and amounts may be rearranged with additional agreements upon customers' requests. On the agreements, the Bank gives the customer the option to buy the related property. According to the Financial Lease Law, if a customer does not fulfill its obligations, the Bank sends a notice to the customer and informs them that if the obligations are not fulfilled within 60 days the financial lease agreement will be terminated. If the customer does not fulfill its obligations in 60 days, the Bank takes legal action against the customer. Non performing finance lease receivables amounting to TL 10,565 are included in the non-performing loans (December 31, 2009 – TL 16,365).

Impairment provision amounting to TL 4,866 (December 31, 2009 – TL 7,057) 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 (December 31, 2009 – None).



**Kuveyt Türk Katılım Bankası Anonim Şirketi**

**Notes related to unconsolidated financial statements  
for the interim period ended June 30, 2010 (continued)  
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**I. Information on deferred tax asset:**

In accordance with the related regulations deferred tax asset calculated as of June 30, 2010 is TL 12,398 (December 31, 2009 – TL 11,610) and deferred tax liability is TL 4,328 (December 31, 2009 – TL 3,891).

	<b>Current period</b>	<b>Prior period</b>
Financial lease adjustments	350	449
Personnel bonus accrual and vacation pay liability	893	3,825
Retirement pay liability	1,105	952
Deferred income on loans	9,454	5,745
Impairment provision for subsidiaries, fixed assets and assets held for sale	394	337
Other	202	302
<b>Deferred tax asset</b>	<b>12,398</b>	<b>11,610</b>
Financial lease adjustments	(974)	(992)
Difference between carrying value and tax base of tangible assets	(2,155)	(2,162)
Accruals of derivative financial instruments held for trading(net)	(1,199)	(737)
<b>Deferred tax liability</b>	<b>(4,328)</b>	<b>(3,891)</b>
<b>Deferred tax, net</b>	<b>8,070</b>	<b>7,719</b>

**m. Information on other assets:**

As of balance sheet date, the Bank's other assets amount to TL 165,337 (December 31, 2009 - TL 207,037). Other assets balance does not exceed 10% of the total assets on the balance sheet excluding off balance sheet commitments.

**Kuveyt Türk Katılım Bankası Anonim Şirketi****Notes related to unconsolidated financial statements  
for the interim period ended June 30, 2010 (continued)  
(Currency - Thousands of Turkish Lira)****II. Explanations and notes related to liabilities****a. Information on funds collected:****1. Information on maturity structure of funds collected:****i. Current period:**

	Demand	Up to 1 month	Up to 3 months	Up to 6 months	Up to 9 months	Up to 1 year and over	Accumulated profit sharing accounts	Total
<b>I. Real persons current accounts-TL</b>	340,401	-	-	-	-	-	-	340,401
<b>II. Real persons profit sharing accounts-TL</b>	-	1,590,704	475,198	45,822	-	30,600	340,122	2,482,446
<b>III. Other current accounts-TL</b>	450,660	-	-	-	-	-	-	450,660
Public sector	20,527	-	-	-	-	-	-	20,527
Commercial sector	421,694	-	-	-	-	-	-	421,694
Other institutions	4,731	-	-	-	-	-	-	4,731
Commercial and other institutions	-	-	-	-	-	-	-	-
<b>Banks and participation banks</b>	3,708	-	-	-	-	-	-	3,708
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-
Domestic banks	-	-	-	-	-	-	-	-
Foreign banks	3,498	-	-	-	-	-	-	3,498
Participation banks	210	-	-	-	-	-	-	210
Others	-	-	-	-	-	-	-	-
<b>IV. Profit sharing accounts-TL</b>	-	174,522	102,613	6,401	-	2,855	31,894	318,285
Public sector	-	2	1,573	-	-	-	100	1,675
Commercial sector	-	169,292	97,995	6,244	-	2,802	31,393	307,726
Other institutions	-	5,228	2,914	157	-	53	401	8,753
Commercial and other institutions	-	-	130	-	-	-	-	130
Banks and participation banks	-	-	1	-	-	-	-	1
<b>V. Real persons current accounts-FC</b>	228,616	-	-	-	-	-	-	228,616
<b>VI. Real persons profit sharing accounts-FC</b>	-	787,963	250,472	27,359	-	52,454	104,635	1,222,883
<b>VII. Other current accounts-FC</b>	255,857	-	-	-	-	-	-	255,857
Commercial residents in Turkey	245,406	-	-	-	-	-	-	245,406
Commercial residents in Abroad	5,256	-	-	-	-	-	-	5,256
<b>Banks and participation banks</b>	5,195	-	-	-	-	-	-	5,195
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-
Domestic banks	-	-	-	-	-	-	-	-
Foreign banks	520	-	-	-	-	-	-	520
Participation banks	4,675	-	-	-	-	-	-	4,675
Others	-	-	-	-	-	-	-	-
<b>VIII. Profit sharing accounts- FC</b>	-	152,512	92,562	131,575	-	14,370	87,497	478,516
Public sector	-	287	48,386	15,864	-	-	-	64,537
Commercial sector	-	146,411	35,111	5,527	-	1,823	5,999	194,871
Other institutions	-	3,191	1,272	58	-	10	1,463	5,994
Commercial and other institutions	-	2,623	1,575	-	-	-	-	4,198
Banks and participation banks	-	-	6,218	110,126	-	12,537	80,035	208,916
<b>IX. Precious metal funds</b>	68,798	-	163,185	6,627	-	5,498	-	244,108
<b>X. Profit sharing accounts special funds - TL</b>	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-
<b>XI. Profit sharing accounts special funds - FC</b>	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-
<b>Total</b>	<b>1,344,332</b>	<b>2,705,701</b>	<b>1,084,030</b>	<b>217,784</b>	<b>-</b>	<b>105,777</b>	<b>564,148</b>	<b>- 6,021,772</b>

There are no 7 day notification and accumulative deposit accounts.

**Kuveyt Türk Katılım Bankası Anonim Şirketi****Notes related to unconsolidated financial statements  
for the interim period ended June 30, 2010 (continued)  
(Currency - Thousands of Turkish Lira)**

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
<b>I. Real persons current accounts-TL</b>	266,308	-	-	-	-	-	-	-	266,308
<b>II. Real persons profit sharing accounts-TL</b>	-	1,255,670	391,420	37,609	-	28,093	332,720	-	2,045,512
<b>III. Other current accounts-TL</b>	409,991	-	-	-	-	-	-	-	409,991
Public sector	12,279	-	-	-	-	-	-	-	12,279
Commercial sector	387,875	-	-	-	-	-	-	-	387,875
Other institutions	4,100	-	-	-	-	-	-	-	4,100
Commercial and other institutions	-	-	-	-	-	-	-	-	-
<b>Banks and participation banks</b>	5,737	-	-	-	-	-	-	-	5,737
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	1	-	-	-	-	-	-	-	1
Foreign banks	2,632	-	-	-	-	-	-	-	2,632
Participation banks	3,104	-	-	-	-	-	-	-	3,104
Others	-	-	-	-	-	-	-	-	-
<b>IV. Profit sharing accounts-TL</b>	-	132,571	52,557	45,681	-	2,636	32,161	-	265,606
Public sector	-	7	10	-	-	-	250	-	267
Commercial sector	-	127,961	49,702	45,641	-	2,612	31,433	-	257,349
Other institutions	-	4,603	2,845	40	-	24	478	-	7,990
Commercial and other institutions	-	-	-	-	-	-	-	-	-
Banks and participation banks	-	-	-	-	-	-	-	-	-
<b>V. Real persons current accounts-FC</b>	206,132	-	-	-	-	-	-	-	206,132
<b>VI. Real persons profit sharing accounts-FC</b>	-	822,547	273,968	30,100	-	48,650	130,770	-	1,306,035
<b>VII. Other current accounts-FC</b>	278,016	-	-	-	-	-	-	-	278,016
Commercial residents in Turkey	265,678	-	-	-	-	-	-	-	265,678
Commercial residents in Abroad	9,145	-	-	-	-	-	-	-	9,145
<b>Banks and participation banks</b>	3,193	-	-	-	-	-	-	-	3,193
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	89	-	-	-	-	-	-	-	89
Foreign banks	381	-	-	-	-	-	-	-	381
Participation banks	2,723	-	-	-	-	-	-	-	2,723
Others	-	-	-	-	-	-	-	-	-
<b>VIII. Profit sharing accounts- FC</b>	-	211,001	55,672	20,700	-	91,358	23,809	-	402,540
Public sector	-	-	-	-	-	-	269	-	269
Commercial sector	-	194,319	52,707	1,095	-	1,647	15,004	-	264,772
Other institutions	-	14,656	1,459	53	-	11	2,301	-	18,480
Commercial and other institutions	-	2,026	1,506	-	-	-	-	-	3,532
Banks and participation banks	-	-	-	19,552	-	89,700	6,235	-	115,487
<b>IX. Precious metal funds</b>	58,208	-	113,300	3,439	-	2,577	-	-	177,524
<b>X. Profit sharing accounts special funds</b>	-	-	-	-	-	-	-	-	-
- TL	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
<b>XI. Profit sharing accounts special funds - FC</b>	-	-	-	-	-	-	593	-	593
Residents in Turkey	-	-	-	-	-	-	593	-	593
Residents Abroad	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>1,218,655</b>	<b>2,421,789</b>	<b>886,917</b>	<b>137,529</b>	<b>-</b>	<b>173,314</b>	<b>520,053</b>	<b>-</b>	<b>5,358,257</b>

**Kuveyt Türk Katılım Bankası Anonim Şirketi**

**Notes related to unconsolidated financial statements  
for the interim period ended June 30, 2010 (continued)  
(Currency - Thousands of Turkish Lira)**

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	1,410,866	1,199,070	1,398,324	1,100,355
FC accounts	612,985	591,478	1,080,627	1,089,439
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 50 (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 published by the Official Gazette No. 25983, dated November 1, 2005.

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

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

	Current period	Prior period
Foreign branches' profit sharing accounts and other accounts		
Profit sharing accounts and other accounts of controlling shareholders and profit sharing accounts of their mother, father, spouse, children in care	-	-
Profit sharing account and other accounts of President and Members of Board of Directors, CEO and Vice Presidents and profit sharing accounts of their mother, father, spouse and children in care	670	806
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 September 26, 2004	-	-
Profit sharing accounts in participation banks which are established in Turkey in order to engage in off-shore banking activities solely	-	-

**Kuveyt Türk Katılım Bankası Anonim Şirketi**

**Notes related to unconsolidated financial statements  
for the interim period ended June 30, 2010 (continued)  
(Currency - Thousands of Turkish Lira)**

**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	4,565	2,577	892	3,767
Swap transactions	1	842	-	1,572
Futures transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>4,566</b>	<b>3,419</b>	<b>892</b>	<b>5,339</b>

**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	-	-	-	-
From Foreign Banks, Institutions and Funds	-	409,138	-	383,681
<b>Total</b>	<b>-</b>	<b>409,138</b>	<b>-</b>	<b>383,681</b>

2. Information on remaining maturity structure of borrowings:

	Current period		Prior period	
	TL	FC	TL	FC
Short-term	-	385,504	-	378,385
Medium and Long-Term	-	23,634	-	5,296
<b>Total</b>	<b>-</b>	<b>409,138</b>	<b>-</b>	<b>383,681</b>

**d. Information on other liabilities and miscellaneous payables:**

As of June 30, 2010, other liabilities amount to TL 182,256 (December 31, 2009 - TL 112,513), miscellaneous payables amount to TL 44,678 (December 31, 2009 - TL 118,796), both of them do not exceed 10% of the balance sheet total.

**Kuveyt Türk Katılım Bankası Anonim Şirketi**

**Notes related to unconsolidated financial statements  
for the interim period ended June 30, 2010 (continued)  
(Currency - Thousands of Turkish Lira)**

**e. Information on finance lease payables (net):**

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

- i. Information on the changes in agreements and new obligations originating from these changes: None (December 31, 2009 – None).
- ii. Information on Financial Lease Obligations

	Current period		Prior period	
	Gross	Net	Gross	Net
Less than 1 year	2	2	2	2
Between 1-4 years	-	-	2	1
More than 4 years	-	-	-	-
<b>Total</b>	<b>2</b>	<b>2</b>	<b>4</b>	<b>3</b>

iii. Information on Operational Leases:

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

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

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

- iv. Information on sale and leaseback transactions: None (December 31, 2009 – None).

**f. Information on hedging derivative financial liabilities: None (December 31, 2009 – None).**

**Kuveyt Türk Katılım Bankası Anonim Şirketi**

**Notes related to unconsolidated financial statements  
for the interim period ended June 30, 2010 (continued)  
(Currency - Thousands of Turkish Lira)**

**g. Information on provisions:**

1. Information on general provisions:

	Current period	Prior period
General provisions	<b>56,828</b>	<b>51,166</b>
Provisions for first group loans and receivables	45,133	38,290
Profit sharing accounts' share	17,025	15,896
The Bank's share	28,108	22,394
Other	-	-
Provisions for second group loans and receivables	4,264	5,884
Profit sharing accounts' share	1,914	3,169
The Bank's share	2,350	2,715
Other	-	-
Provisions for non-cash loans	7,431	6,992
Other	-	-

2. Information on provisions related with foreign currency evaluation difference of foreign currency indexed loans: As of June 30, 2010, effect of decrease in exchange rates on foreign currency indexed loans amounting to TL 32,691 (December 31, 2009 – TL 21,734) is offset against loans and receivables.

3. Information on other provisions:

	Current period	Prior period
General provisions for possible risks	4,600	7,779
Provisions from equity/profit sharing accounts	-	-
Total	4,600	7,779

4. Information on provisions for employee benefits:

Provisions for employee benefits consist of reserve for employee termination benefits amounting to TL 5,524 (December 31, 2009 – TL 4,759), vacation pay liability amounting to TL 2,817 (December 31, 2009 – TL 127) and performance premium amounting to TL 1,647 (December 31, 2009 – TL 19,000) relating to 2009 which has not yet been paid.

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

The amount payable consists of one month's salary limited to a maximum of TL 2.427 (December 31, 2009 – TL 2.365) for each year of service. The liability is not funded, as there is no funding requirement.

**Kuveyt Türk Katılım Bankası Anonim Şirketi**

**Notes related to unconsolidated financial statements  
for the interim period ended June 30, 2010 (continued)  
(Currency - Thousands of Turkish Lira)**

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

	Current period	Prior period
Discount rate (%)	11	11
Estimated increase rate of salary ceiling (%)	4.8	4.8

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

	Current period	Prior period
Balance at the beginning of the period	4,759	3,721
Provisions recognized during the period	1,409	1,817
Paid during the period	(644)	(779)
<b>Balances at the end of the period</b>	<b>5,524</b>	<b>4,759</b>

**h. Explanations on tax liability:**

1. Explanations on current tax liability:

- i. Information on tax provisions: Current tax liability amounting to TL 26,999 includes the corporate tax provision for the six month period ending June 30, 2010.
- ii. Information on taxes payable:

	Current period	Prior period
Corporate taxes payable	-	-
Taxation of marketable securities	3,333	3,261
Property tax	320	244
Banking Insurance Transaction Tax (BITT)	3,469	4,248
Foreign Exchange Transaction Tax	-	-
Value Added Tax Payable	162	445
Other	2,151	2,051
<b>Total</b>	<b>9,435</b>	<b>10,249</b>

iii. Information on premiums:

	Current period	Prior period
Social Security Premiums-Employee	964	836
Social Security Premiums-Employer	996	865
Bank Social Aid Pension Fund Premium-Employee	-	-
Bank Social Aid Pension Fund Premium-Employer	-	-
Pension Fund Membership Fees and Provisions- Employee	-	-
Pension Fund Membership Fees and Provisions-Employer	-	-
Unemployment insurance-Employee	69	60
Unemployment insurance-Employer	162	148
Other	-	-
<b>Total</b>	<b>2,191</b>	<b>1,909</b>

- iv. Information on deferred tax liability: None (December 31, 2009 - None).



**Kuveyt Türk Katılım Bankası Anonim Şirketi**

**Notes related to unconsolidated financial statements  
for the interim period ended June 30, 2010 (continued)  
(Currency - Thousands of Turkish Lira)**

**i. Information on shareholders' equity:**

1. Presentation of paid-in capital:

	Current period	Prior period
Common stock	550,000	500,000
Preferred stock	-	-

2. Amount of Paid-in Capital, Disclosure on whether the Bank Applies the Registered Share Capital System, and, if so, the Ceiling Amount of the Registered Share Capital:

Registered capital system is not applied in the Bank.

3. Information on the share capital increases during the period and their sources; Other information on increased capital shares in the current period: (December 31, 2009 - None).

Date of Increase	Amount of Increase	Cash	Increase from profit reserves	Increase from capital reserves
14.04.2010	50,000	-	50,000	-

4. Information on share capital increases from capital reserves during the current period: None (December 31, 2009 – None).

5. Information on capital commitments, the purpose and the sources until the end of the fiscal year and the subsequent interim period: There is no capital commitment.

6. Possible effect of estimations made for the Bank's revenues, profitability and liquidity on equity considering prior period indicators and uncertainties:  
Based on the evaluation made considering the Bank's prior and current period indicators related to net profit share and commission income, it is observed that the Bank continues its operations profitably.

7. Summary of privileges given to shares representing the capital: None.

8. Information on marketable securities value increase fund: None (December 31, 2009 – None).

**Kuveyt Türk Katılım Bankası Anonim Şirketi**

**Notes related to unconsolidated financial statements  
for the interim period ended June 30, 2010 (continued)  
(Currency - Thousands of Turkish Lira)**

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

**a. Explanations on off-balance sheet accounts:**

1. Type and amount of irrevocable commitments: Commitment for credit card limits, as of June 30, 2010 is TL 104,773 (December 31, 2009 – TL 101,974); payment commitments for cheque books are TL 406,662 (December 31, 2008 – TL 368,914).

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 June 30, 2010, the Bank has guarantees and suretyships constituting of TL 2,888,539 (December 31, 2009 – TL 2,867,436) letters of guarantee; TL 18,900 (December 31, 2009 – TL 30,567) acceptances and TL 435,022 (December 31, 2009 – TL 426,991) letters of credit.

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

3. (i). Total amount of non-cash loans:

	Current period	Prior period
Non-cash loans given against cash loans	-	804
With original maturity of 1 year or less	-	804
With original maturity of more than 1 year	-	-
Other non-cash loans	3,347,760	3,329,827
<b>Total</b>	<b>3,347,760</b>	<b>3,330,631</b>

(ii). Information on the non-cash loans classified in Group I and Group II:

	Group I		Group II	
	TL	FC	TL	FC
<b>Non-cash loans</b>	<b>1,456,745</b>	<b>1,623,987</b>	<b>143,476</b>	<b>123,552</b>
Letters of guarantee	1,456,745	1,165,791	143,476	122,527
Bank acceptances	-	18,619	-	281
Letters of credit	-	434,278	-	744
Endorsements	-	-	-	-
Underwriting commitments	-	-	-	-
Factoring guarantees	-	-	-	-
Other commitment and contingencies	-	5,299	-	-

**b. Explanations on contingent assets and liabilities:**

Information has been provided in the disclosure on Provisions subsection four.

**Kuveyt Türk Katılım Bankası Anonim Şirketi**

**Notes related to unconsolidated financial statements  
for the interim period ended June 30, 2010 (continued)  
(Currency - Thousands of Turkish Lira)**

**IV. Explanations and disclosures related to the statement of income**

**a. Information on profit share income:**

1. Information on profit share received from loans:

	Current period		Prior period	
	TL	FC	TL	FC
Profit share on loans (*)	<b>299,644</b>	<b>9,171</b>	<b>292,646</b>	<b>9,465</b>
Short term loans	75,101	2,214	94,304	5,783
Medium and long term loans	214,758	6,957	190,468	3,682
Profit share on non-performing loans	9,785	-	7,874	-
Premiums received from resource utilization support fund	-	-	-	-

(\*) Profit Share on Loans includes commission income on cash loans.

2. Information on profit share received from banks:

	Current period		Prior period	
	TL	FC	TL	FC
Central Bank of the Republic of Turkey	4,085	-	6,273	-
Domestic Banks	-	-	-	-
Foreign Banks	5,620	343	14,359	879
Branches and head office abroad	-	-	-	-
<b>Total</b>	<b>9,705</b>	<b>343</b>	<b>20,632</b>	<b>879</b>

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

	Current period	Prior period
Profit share income received from associates and subsidiaries	12	5

**Kuveyt Türk Katılım Bankası Anonim Şirketi**

**Notes related to unconsolidated financial statements  
for the interim period ended June 30, 2010 (continued)  
(Currency - Thousands of Turkish Lira)**

**b. Information on profit share expenses:**

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

	Current period		Prior period	
	TL	FC	TL	FC
Banks	-	5,769	-	12,337
The Central Bank of the Republic of Turkey	-	-	-	-
Domestic banks	-	-	-	-
Foreign banks	-	5,769	-	12,337
Branches and head office abroad	-	-	-	-
Other Institutions	-	-	-	-
<b>Total</b>	-	<b>5,769</b>	-	<b>12,337</b>

ii. Profit share expense given to associates and subsidiaries:

	Current period	Prior period
Profit share expenses given to associates and subsidiaries	269	754

**c. Information on trading income/loss (Net):**

	Current period	Prior period
<b>Income</b>	<b>806,009</b>	<b>872,814</b>
Gain on capital market transactions	1	26
Gain on derivative financial instruments	22,641	34,653
Foreign exchange gains	783,367	838,135
<b>Losses (-)</b>	<b>774,291</b>	<b>820,668</b>
Losses on capital market transactions	-	-
Losses on derivative financial instruments	9,445	3,730
Foreign exchange losses	764,846	816,938

**Kuveyt Türk Katılım Bankası Anonim Şirketi**

**Notes related to unconsolidated financial statements  
for the interim period ended June 30, 2010 (continued)  
(Currency - Thousands of Turkish Lira)**

**d. Information on other operating income:**

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

	Current period	Prior period
Reversal of prior period provisions	44,596	13,991
Income from bounced check provisions	1,944	4,224
Expertise fees	3,437	2,898
Income from checkbooks	1,586	1,576
Income from EFT and money transfers	1,527	1,510
Income from check provisions	983	1,124
Lease income	823	875
Income from sale of assets	3,317	521
Other Income	2,561	2,321
<b>Total</b>	<b>60,774</b>	<b>29,040</b>

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

	Current period	Prior period
Specific provisions for loans and other receivables	32,196	49,809
III. Group	-	7,136
IV. Group	2,641	11,056
V. Group	29,555	31,617
Doubtful commissions, fees and other receivables	-	-
General provision expenses	12,661	9,188
Provision expenses for possible losses	-	-
Impairment provision of marketable securities	-	-
Financial Assets at fair value through profit and loss	-	-
Investment securities available for sale	-	-
Impairment provision of associates, subsidiaries, joint ventures and held to maturity investments	9,978	1,021
Associates	-	-
Subsidiaries	9,978	1,021
Joint ventures	-	-
Held to maturity investments	-	-
Other	83	-
<b>Total</b>	<b>54,918</b>	<b>60,018</b>

**Kuveyt Türk Katılım Bankası Anonim Şirketi**

**Notes related to unconsolidated financial statements  
for the interim period ended June 30, 2010 (continued)  
(Currency - Thousands of Turkish Lira)**

**f. Information on other operating expenses:**

	Current period	Prior period
Personnel expenses	71,238	59,213
Provision for retirement pay liability	756	389
Depreciation expenses of fixed assets	8,944	7,525
Amortization expenses of intangible assets	1,328	652
Impairment expense of assets held for sale	-	-
Depreciation expenses of assets held for sale	320	110
Other operating expenses	30,923	25,194
Rent expenses	11,263	9,424
Maintenance expenses	3,960	3,168
Advertisement expenses	3,117	2,122
Communication expenses	3,881	3,445
Heating, electricity and water expenses	2,067	1,668
Disallowable expenses	2,017	1,678
Cleaning expenses	2,315	1,716
Vehicle expenses	919	675
Stationery expenses	554	712
Other expenses	830	586
Losses on sales of assets	91	36
Deposit insurance fund expenses	5,862	4,603
Other	10,665	7,273
<b>Total</b>	<b>130,127</b>	<b>104,995</b>

**g. Information on profit/loss from continued operations before taxes:**

Income before tax amounts to TL 121,352, increasing by 16% as compared to the prior period. Income before tax includes TL 186,780 net profit share income and TL 27,125 net fees and commission income. Total operating expense amount is TL 130,127.

**Kuveyt Türk Katılım Bankası Anonim Şirketi**

**Notes related to unconsolidated financial statements  
for the interim period ended June 30, 2010 (continued)  
(Currency - Thousands of Turkish Lira)**

**h. Information on tax provision for continued and discontinued operations:**

As of June 30, 2010 deferred tax expense is TL 351 and current tax expense is TL 26,999.

**i. 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 Bank's performance for the period: As of June 30, 2010, net profit share income is TL 186,780 (June 30, 2009 – TL 159,793), net fees and commission income is TL 27,125 (June 30, 2009 – TL 28,268).
- ii. Effect of changes in accounting estimates on income statement for the current and, if any for subsequent periods: None (June 30, 2009 – None).
- iii. Profit/loss relating to minority interests: None (June 30, 2009 – None).

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

As of June 30, 2010 other fees and commissions received is TL 17,959 (June 30, 2009 – TL 20,850), TL 3,975 of this amount is related with Credit Card fees and commissions (June 30, 2009 – TL 6,984) and TL 4,996 of this amount is related with commissions related with POS machines (June 30, 2009 – TL 7,301).

As of June 30, 2010 other fees and commissions given is TL 11,384 (June 30, 2009 – TL 13,968) TL 4,665 of this amount is related with POS commissions and installation expenses (June 30, 2009 – TL 9,253), TL 2,353 of this amount is related with appraisal fees to experts (June 30, 2009 – TL 1,729).

**Kuveyt Türk Katılım Bankası Anonim Şirketi**

**Notes related to unconsolidated financial statements  
for the interim period ended June 30, 2010 (continued)  
(Currency - Thousands of Turkish Lira)**

**V. Explanations and notes related to cash flow statement:**

**a. Information on 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 Six months.

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

	Current period	Prior period
<b>Cash</b>	<b>1,124,410</b>	<b>1,232,151</b>
Cash in TL/foreign currency, others	58,000	163,723
Demand deposits at banks	1,066,410	1,068,428
<b>Cash equivalents</b>	-	-
Interbank money markets	-	-
Time deposits at banks	-	-
Marketable securities	-	-
<b>Total cash and cash equivalents</b>	<b>1,124,410</b>	<b>1,232,151</b>

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

	Current period	Prior period
<b>Cash</b>	<b>792,655</b>	<b>1,342,663</b>
Cash in TL/foreign currency, others	95,823	321,137
Demand deposits at banks (less than 3 months)	696,832	1,021,526
<b>Cash equivalents</b>	-	-
Interbank money market	-	-
Time deposits at banks	-	-
Marketable securities	-	-
<b>Total cash and cash equivalents</b>	<b>792,655</b>	<b>1,342,663</b>

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



**Kuveyt Türk Katılım Bankası Anonim Şirketi**

**Notes related to unconsolidated financial statements  
for the interim period ended June 30, 2010 (continued)  
(Currency - Thousands of Turkish Lira)**

**VI. Explanations and notes related to risk group of the bank:**

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

1. Current period:

Risk group of the Bank (*)	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the bank		Other real or legal persons included in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Balance at beginning of period	-	76	61	111	19,657	10,362
Balance at end of period	37,005	68	58	9,525	27,189	5,277
Profit share and commission income	22	-	3	-	1,426	-

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

2. Prior period:

Risk group of the bank	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the bank		Other real or legal persons included in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Balance at beginning of period	-	55	-	740	15,146	-
Balance at end of period	-	76	61	11	19,657	10,362
Profit share and commission income	-	-	-	-	13	-

(\*) 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	15,021	14,929	77,973	2,052	11,732	76,613
Balance at the end of period	2,249	15,021	81,162	77,973	2,475	11,732
Profit share expense	269	717	44	37	180	-

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

(ii) Forward and option agreements and other similar agreements with related parties: None (June 30, 2009 – None).

**b. Information on remunerations provided to top management:**

As of June 30, 2010, the Bank has paid TL 4,276 to top management (June 30, 2009 - TL 4,631).

**Kuveyt Türk Katılım Bankası Anonim Şirketi**

**Notes related to unconsolidated financial statements  
for the interim period ended June 30, 2010 (continued)  
(Currency - Thousands of Turkish Lira)**

**VII. Explanations and notes related to subsequent events**

- a) In the Board of Directors Meeting held on June 30, 2010, it has been decided to increase the Bank's capital in cash from TL 550,000 to TL 850,000 and the increase has been realized in July 21, 2010.
- b) In the Board of Directors Meeting held on June 30, 2010, it has been decided to establish Kuveyt Türk Katılım Bankası Type B Gold Stock Exchange Investment Fund and on August 2, 2010, the Fund has been established.
- c) The obligatory reserve rate for foreign currency has been changed as 10% in accordance with the related communiqué published in the Official Gazette no. 27656 dated July 29, 2010. The new rate will be applicable starting from August 6, 2010.

**Kuveyt Türk Katılım Bankası Anonim Şirketi**

**Notes related to unconsolidated financial statements  
for the interim period ended June 30, 2010 (continued)  
(Currency - Thousands of Turkish Lira)**

**Section six**

**Limited review report**

**I- Explanations on the independent limited review report:**

The unconsolidated interim financial statements as of and for the Six months period then ended June 30, 2010 have been reviewed by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (A Member Firm of Ernst & Young Global Limited) and the independent auditors' limited review report dated August 12, 2010 is presented preceding the financial statements.

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