

**KUVEYT TÜRK KATILIM BANKASI
ANONİM ŞİRKETİ**

**INDEPENDENT AUDITOR'S
LIMITED REVIEW REPORT,
UNCONSOLIDATED FINANCIAL
STATEMENTS AND NOTES
FOR THE PERIOD ENDED
30 JUNE 2013**

*Translated into English
from the Original Turkish Report*

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ

INDEPENDENT AUDITOR'S LIMITED REVIEW REPORT FOR THE PERIOD 1 JANUARY – 30 JUNE 2013

We have reviewed the accompanying balance sheet of Kuveyt Türk Katılım Bankası A.Ş. (The "Bank") as of 30 June 2013, and the related statements of unconsolidated income, cash flows and changes in equity for the period then ended. These 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 accounting rules and policies, and the accounting and auditing standards, set out as per the Banking Act No: 5411. Those standards 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 limited primarily 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 therefore provides a lesser assurance. 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 are not presented fairly, in all material respects, the financial position, the results of its operations and its cash flows, of Kuveyt Türk Katılım Bankası A.Ş. for the period ended 30 June 2013 in accordance with the prevailing accounting principles and standards set out as per the Article No: 37 of the Banking Act No: 5411, and other regulations, communiqués and circulars in respect of accounting and financial reporting and pronouncements made by the Banking Regulation and Supervision Agency ("BRSA").

Additional paragraph for English translation:

The effect of the differences between the accounting principles summarized in Section 3 and the accounting principles generally accepted in countries in which the accompanying financial statements are to be distributed and International Financial Reporting Standards (IFRS) have not been quantified and reflected in the accompanying financial statements. The accounting principles used in the preparation of the accompanying financial statements differ materially from IFRS. Accordingly, the accompanying financial statements are not intended to present the Bank's financial position and results of its operations in accordance with accounting principles generally accepted in such countries of users of the financial statements and IFRS.

İstanbul, 2 August 2013

DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.

Member of **DELOITTE TOUCHE TOHMATSU LIMITED**

Müjde Şehsuvaroğlu

Partner

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THE UNCONSOLIDATED FINANCIAL REPORT OF KUVEYT TÜRK KATILIM BANKASI A.Ş.
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2013

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The unconsolidated financial report for the six month period 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 PARTICIPATION BANK
- UNCONSOLIDATED FINANCIAL STATEMENTS OF THE PARTICIPATION BANK
- EXPLANATIONS ON ACCOUNTING POLICIES
- INFORMATION ON FINANCIAL STRUCTURE OF THE BANK
- FOOTNOTES AND EXPLANATIONS ON UNCONSOLIDATED FINANCIAL STATEMENTS
- OTHER EXPLANATIONS
- INDEPENDENT AUDITORS' LIMITED REVIEW REPORT

The accompanying unconsolidated financial statements and 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, unless otherwise indicated, have been prepared in thousands of Turkish Lira. Related appendices and interpretations on these are independently audited and presented hereby.

Mohammed S.A.I. ALOMAR

Chairman of the Board of
Directors

Adnan ERTEM

Head of the Audit Committee

Shaheen H. A.
ALGHANEEM

Member of the Audit
Committee

Ufuk UYAN

Chief Executive Officer

Ahmet KARACA

Chief Financial Officer

İsmail Hakkı
YEŞİLYURT

External Reporting
Manager

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

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KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2013

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

SECTION ONE

GENERAL INFORMATION

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

Kuveyt Türk Katılım Bankası A.Ş. (“The Bank”) was incorporated with the approval of the Central Bank of the Republic of Turkey (CBRT) on 28 February 1989 and commenced its operations on 31 March 1989, with the name of Kuveyt Türk Evkaf Finans Kurumu A.Ş. To comply with the Banking Act 5411, the title of the Bank has been changed to Kuveyt Türk Katılım Bankası A.Ş. with a change in the Articles of Association which was approved in the annual general meeting dated 26 April 2006. Main field of operation is, in addition to the Bank’s equity, to collect funds from domestic and foreign customers through “Current Accounts” and “Profit/ Loss Sharing Accounts” and allocate such funds to the economy, to perform all kinds of financing activities in accordance with the regulations, to encourage the investments of all individuals and legal entities operating in agricultural, industrial, trading and service industries, participating into the operations of these entities or individuals and to form joint business partnerships and to perform all these activities in a non-interest environment.

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

As of 30 June 2013 and 31 December 2012, 62.24% of the Bank’s shares are owned by Kuwait Finance House located in Kuwait, 18.72% by Vakıflar Genel Müdürlüğü Mazbut Vakıfları, 9.00% by The Public Institution For Social Security in Kuwait and 9.00% by Islamic Development Bank whereas the remaining 1.04% of the shares are owned by other real persons and legal entities.

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

Name	Title	Date of the assignment	Educational degree	Ownership Percentage %
Mohammad S.A.I. ALOMAR	Chairman of the BOD	19/07/2000	Bachelor	-
Abdullah TİVNİKLİ	Vice Chairman of the BOD	16/05/2001	Master	0.0834%
Dr. Adnan ERTEM	Member of BOD and Chairman of the Audit Committee	22/12/2010	Doctorate	-
Nadir ALPASLAN	Member of BOD	15/04/2011	Bachelor	-
Khaled Nasser Abdulaziz AL FOUZAN	Member of BOD	02/08/2006	Bachelor	-
Fawaz KH E AL SALEH	Member of BOD	20/10/2006	Bachelor	0.0105%
Mohammad Shujaiddin AHMED	Member of BOD	17/05/2012	Bachelor	-
Shaheen H.A. AL GHANEM	Member of BOD and Member of Audit Committee	18/12/2006	Bachelor	-
Ufuk UYAN	Member of BOD and General Manager	10/05/1999	Master	0.0556%
Ahmet KARACA	Assistant General Manager and Chief Financial Officer	12/07/2006	Master	0.0094%
Ahmet Süleyman KARAKAYA	Assistant General Manager, Corporate and Commercial Banking	14/01/2003	Bachelor	0.0009%
Bilal SAYIN	Assistant General Manager, Lending	20/08/2003	Bachelor	0.0065%
İrfan YILMAZ	Assistant General Manager, Retail Banking	27/10/2005	Bachelor	0.0118%
Dr. Ruşen Ahmet ALBAYRAK	Assistant General Manager, Corporate and International Banking	05/05/2005	Doctorate	0.0075%
Nurettin KOLAÇ	Assistant General Manager, Legal and Risk Follow Up	20/04/2010	Bachelor	0.0006%
Aslan Demir	Assistant General Manager, Strategy	08/10/2012	Bachelor	0.0010%
Mehmet ORAL	Assistant General Manager, Retail and SME Banking	01/10/2012	Bachelor	0.0023%

Asım OZGOZUKARA, Güven OBALI and Mikdat YETİM who were the members of general assembly auditors according to Turkish Commercial Code numbered 6102, are released from their responsibilities as of 31 March 2013.

Chairman and members of the Board of Directors, members of auditing committee, general manager and assistant general managers own 0.19% of the Bank’s share capital (31 December 2012 – 0.19%).

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2013

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

IV. Information on qualified shareholders:

Name / Commercial Name	Share amount (Nominal)	Shareholding percentage	Paid shares (Nominal)	Unpaid shares
Kuwait Finance House	1,282,170	62.24%	1,058,101	224,069
Vakıflar Genel Müdürlüğü Mazbut Vakıfları	385,616	18.72%	318,227	67,389
Total	1,667,786	80.96%	1,376,328	291,458

As of 30 June 2013, the shares of parent shareholder of Bank, Kuwait Finance House (“KFH”) are 51.52% publicly traded; 24.08% of KFH belongs to Kuwait Investment Authority and 10.48% belongs to Public Authority for Minors Affairs.

V. Explanations of the Bank’s services and field of operations

The Bank’s field of operations includes corporate banking, international banking services, and retail banking and credit card services. The Bank’s core business is operating in accordance with the principles of interest-free banking as a participation bank by collecting funds through current and profit/loss sharing accounts, and lending such funds to its customers. As of 30 June 2013, the Bank is operating through 249 domestic branches (31 December 2012 – 221) with 4,317 employees (31 December 2012 – 3,939). Summary of some of the Bank’s operations described in the Articles of Association are as follows:

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

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

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

None.

SECTION TWO

THE UNCONSOLIDATED FINANCIAL STATEMENTS

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
UNCONSOLIDATED BALANCE SHEET AS OF 30 JUNE 2013
(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

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

	Note	Reviewed Current period (30.06.2013)			Audited Prior period (31.12.2012)		
		TL	FC	Total	TL	FC	Total
I. CASH AND BALANCES WITH THE CENTRAL BANK	(I-a)	235,102	4,267,859	4,502,961	349,343	3,638,235	3,987,578
II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (Net)	(I-b)	60,492	93,025	153,517	25,162	23,456	48,618
2.1 Held for trading financial assets		60,492	93,025	153,517	25,162	23,456	48,618
2.1.1 Public sector debt securities		-	-	-	-	-	-
2.1.2 Equity securities		-	-	-	-	-	-
2.1.3 Derivative financial assets held for trading		48,804	93,025	141,829	15,435	23,456	38,891
2.1.4 Other marketable securities		11,688	-	11,688	9,727	-	9,727
2.2 Financial assets at fair value through profit and loss		-	-	-	-	-	-
2.2.1 Public sector debt securities		-	-	-	-	-	-
2.2.2 Equity securities		-	-	-	-	-	-
2.2.3 Loans		-	-	-	-	-	-
2.2.4 Other marketable securities		-	-	-	-	-	-
III. BANKS	(I-c)	74,243	1,320,022	1,394,265	313,398	1,270,068	1,583,466
IV. MONEY MARKET PLACEMENTS		-	-	-	-	-	-
V. FINANCIAL ASSETS AVAILABLE FOR SALE (Net)	(I-d)	767,077	140,555	907,632	413,421	136,075	549,496
5.1 Equity securities		8,542	-	8,542	8,437	-	8,437
5.2 Public sector debt securities		756,511	140,555	897,066	404,984	136,075	541,059
5.3 Other marketable securities		2,024	-	2,024	-	-	-
VI. LOANS AND RECEIVABLES	(I-e)	12,597,149	1,186,660	13,783,809	10,698,810	999,049	11,697,859
6.1 Loans and receivables		12,515,541	1,186,660	13,702,201	10,665,629	999,049	11,664,678
6.1.1 Loans to risk group of the Bank		33,079	44,060	77,139	33,668	51,562	85,230
6.1.2 Public sector debt securities		-	-	-	-	-	-
6.1.3 Other		12,482,462	1,142,600	13,625,062	10,631,961	947,487	11,579,448
6.2 Non-performing loans		338,704	-	338,704	285,339	-	285,339
6.3 Specific provisions (-)		257,096	-	257,096	252,158	-	252,158
VII. HELD TO MATURITY INVESTMENTS (Net)	(I-f)	-	-	-	-	-	-
VIII. INVESTMENTS IN ASSOCIATES (Net)	(I-g)	-	-	-	-	-	-
8.1 Accounted for under equity method		-	-	-	-	-	-
8.2 Unconsolidated associates		-	-	-	-	-	-
8.2.1 Financial associates		-	-	-	-	-	-
8.2.2 Non-financial associates		-	-	-	-	-	-
IX. INVESTMENTS IN SUBSIDIARIES (Net)	(I-h)	118,744	-	118,744	75,830	-	75,830
9.1 Unconsolidated financial subsidiaries		50,351	-	50,351	17,967	-	17,967
9.2 Unconsolidated non-financial subsidiaries		68,393	-	68,393	57,863	-	57,863
X. ENTITIES UNDER COMMON CONTROL (JOINT VENT.) (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	(I-j)	264,817	12,849	277,666	183,741	-	183,741
11.1 Finance lease receivables		316,739	12,849	329,588	225,658	-	225,658
11.2 Operating lease receivables		-	-	-	-	-	-
11.3 Other		-	-	-	-	-	-
11.4 Unearned income (-)		51,922	-	51,922	41,917	-	41,917
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)		397,927	344	398,271	404,025	411	404,436
XIV. INTANGIBLE ASSETS (Net)		49,653	783	50,436	43,652	-	43,652
14.1 Goodwill		-	-	-	-	-	-
14.2 Other		49,653	783	50,436	43,652	-	43,652
XV. INVESTMENT PROPERTIES (Net)		-	-	-	-	-	-
XVI. TAX ASSET	(I-l)	17,943	-	17,943	20,804	-	20,804
16.1 Current tax asset		-	-	-	-	-	-
16.2 Deferred tax asset		17,943	-	17,943	20,804	-	20,804
XVII. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)		33,242	-	33,242	30,004	-	30,004
17.1 Held for sale		33,242	-	33,242	30,004	-	30,004
17.2 Discontinued operations		-	-	-	-	-	-
XVIII. OTHER ASSETS	(I-m)	134,097	322,409	456,506	267,648	17,381	285,029
TOTAL ASSETS		14,750,486	7,344,506	22,094,992	12,825,838	6,084,675	18,910,513

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
UNCONSOLIDATED BALANCE SHEET AS OF 30 JUNE 2013
(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

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

	Note	Reviewed Current period (30.06.2013)			Audited Prior period (31.12.2012)		
		TL	FC	Total	TL	FC	Total
I. FUNDS COLLECTED	(II-a)	8,344,127	6,428,056	14,772,183	6,768,530	5,986,513	12,755,043
1.1 Funds from risk group of the Bank		94,717	207,758	302,475	44,484	162,494	206,978
1.2 Other		8,249,410	6,220,298	14,469,708	6,724,046	5,824,019	12,548,065
II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	(II-b)	32,015	12,935	44,950	3,252	4,141	7,393
III. FUNDS BORROWED	(II-c)	5,628	3,378,839	3,384,467	5,440	2,907,531	2,912,971
IV. MONEY MARKET BALANCES		221,283	-	221,283	-	-	-
V. MARKETABLE SECURITIES ISSUED (Net)		-	-	-	-	-	-
VI. SUNDRY CREDITORS	(II-d)	70,791	7,124	77,915	75,982	16,225	92,207
VII. OTHER LIABILITIES	(II-d)	301,083	181,779	482,862	545,706	68,549	614,255
VIII. FINANCE LEASE PAYABLES	(II-e)	-	266,762	266,762	-	246,481	246,481
8.1 Finance lease payables		-	326,247	326,247	-	301,451	301,451
8.2 Operating lease payables		-	-	-	-	-	-
8.3 Other		-	-	-	-	-	-
8.4 Deferred finance lease expenses (-)		-	59,485	59,485	-	54,970	54,970
IX. DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING PURPOSES	(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)	207,665	63,523	271,188	181,942	38,829	220,771
10.1 General loan loss provisions		146,423	28,262	174,685	116,390	21,728	138,118
10.2 Restructuring provisions		-	-	-	-	-	-
10.3 Reserve for employee benefits		27,846	420	28,266	40,308	388	40,696
10.4 Insurance technical reserves (net)		-	-	-	-	-	-
10.5 Other provisions		33,396	34,841	68,237	25,244	16,713	41,957
XI. TAX LIABILITY	(II-h)	22,998	-	22,998	15,694	-	15,694
11.1 Current tax liability		22,998	-	22,998	15,694	-	15,694
11.2 Deferred tax liability		-	-	-	-	-	-
XII. PAYABLES RELATED TO ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)	(II-i)	-	-	-	-	-	-
12.1 Held for sale		-	-	-	-	-	-
12.2 Discontinued operations		-	-	-	-	-	-
XIII. SUBORDINATED LOANS	(II-j)	-	390,997	390,997	-	361,661	361,661
XIV. SHAREHOLDERS' EQUITY	(II-k)	2,163,427	(4,040)	2,159,387	1,682,966	1,071	1,684,037
14.1 Paid-in capital		1,700,000	-	1,700,000	1,100,000	-	1,100,000
14.2 Capital reserves		28,959	(4,040)	24,919	35,387	1,071	36,458
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		5,709	(4,040)	1,669	12,137	1,071	13,208
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		288,707	-	288,707	297,423	-	297,423
14.3.1 Legal reserves		60,800	-	60,800	46,405	-	46,405
14.3.2 Status reserves		-	-	-	-	-	-
14.3.3 Extraordinary reserves		203,396	-	203,396	246,279	-	246,279
14.3.4 Other profit reserves		24,511	-	24,511	4,739	-	4,739
14.4 Profit or loss		145,761	-	145,761	250,156	-	250,156
14.4.1 Prior period income/(losses)		-	-	-	-	-	-
14.4.2 Current period income/(losses)		145,761	-	145,761	250,156	-	250,156
14.5 Minority shares	(II-l)	-	-	-	-	-	-
TOTAL LIABILITIES AND EQUITY		11,369,017	10,725,975	22,094,992	9,279,512	9,631,001	18,910,513

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
STATEMENT OF UNCONSOLIDATED OFF-BALANCE SHEET COMMITMENTS AND
CONTINGENCIES AS OF 30 JUNE 2013

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

II. STATEMENT OF OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES

	Note	Reviewed Current period (30.06.2013)			Audited Prior period (31.12.2012)		
		TL	FC	Total	TL	FC	Total
A. OFF BALANCE SHEET CONTINGENCIES AND COMMITMENTS (I+II+III)		29,081,610	12,046,856	41,128,466	24,820,146	7,131,112	31,951,258
I. GUARANTEES	(III-a)	3,981,029	4,399,875	8,380,904	3,438,273	2,862,179	6,300,452
1.1. Letters of guarantees		3,967,815	2,799,145	6,766,960	3,437,473	1,771,195	5,208,668
1.1.1. Guarantees subject to state tender law		147,192	5,582	152,774	147,127	4,833	151,960
1.1.2. Guarantees given for foreign trade operations		206,675	3,115	209,790	131,129	1,541	132,670
1.1.3. Other letters of guarantee		3,613,948	2,790,448	6,404,396	3,159,217	1,764,821	4,924,038
1.2. Bank loans		-	74,560	74,560	-	65,386	65,386
1.2.1. Import letter of acceptances		-	74,560	74,560	-	65,386	65,386
1.2.2. Other bank acceptances		-	-	-	-	-	-
1.3. Letter of credits		400	1,281,262	1,281,662	800	990,812	991,612
1.3.1. Documentary letter of credits		-	546,100	546,100	-	378,803	378,803
1.3.2. Other letter of credits		400	735,162	735,562	800	612,009	612,809
1.4. Pre-financing given as guarantee		-	54,539	54,539	-	9,206	9,206
1.5. Endorsements		-	-	-	-	-	-
1.5.1. Endorsements to the Central Bank of Republic of Turkey		-	-	-	-	-	-
1.5.2. Other endorsements		-	-	-	-	-	-
1.6. Other guarantees		12,814	190,369	203,183	-	25,580	25,580
1.7. Other collaterals		-	-	-	-	-	-
II. COMMITMENTS	(III-a)	21,501,467	1,034,859	22,536,326	19,945,034	263,544	20,208,578
2.1. Irrevocable commitments		1,545,007	1,034,859	2,579,866	1,342,727	263,544	1,606,271
2.1.1. Forward asset purchase commitments		234,178	1,034,859	1,269,037	82,664	263,544	346,208
2.1.2. Share capital commitment to associates and subsidiaries		-	-	-	-	-	-
2.1.3. Loan granting commitments		55,671	-	55,671	53,487	-	53,487
2.1.4. Securities underwriting commitments		-	-	-	-	-	-
2.1.5. Commitments for reserve deposit requirements		-	-	-	-	-	-
2.1.6. Payment commitment for checks		900,356	-	900,356	937,408	-	937,408
2.1.7. Tax and fund liabilities from export commitments		106	-	106	106	-	106
2.1.8. Commitments for credit card expenditure limits		354,696	-	354,696	269,062	-	269,062
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		-	-	-	-	-	-
2.2. Revocable commitments		19,956,460	-	19,956,460	18,602,307	-	18,602,307
2.2.1. Revocable loan granting commitments		19,956,460	-	19,956,460	18,602,307	-	18,602,307
2.2.2. Other revocable commitments		-	-	-	-	-	-
III. DERIVATIVE FINANCIAL INSTRUMENTS		3,599,114	6,612,122	10,211,236	1,436,839	4,005,389	5,442,228
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		3,599,114	6,612,122	10,211,236	1,436,839	4,005,389	5,442,228
3.2.1. Forward foreign currency buy/sell transactions		3,546,092	5,961,080	9,507,172	1,403,598	3,400,140	4,803,738
3.2.1.1. Forward foreign currency transactions-buy		2,498,154	2,542,513	5,040,667	870,607	1,725,885	2,596,492
3.2.1.2. Forward foreign currency transactions-sell		1,047,938	3,418,567	4,466,505	532,991	1,674,255	2,207,246
3.2.2. Other forward buy/sell transactions		53,022	651,042	704,064	33,241	605,249	638,490
3.3. Other		-	-	-	-	-	-
B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)		69,644,476	63,262,367	132,906,843	50,807,912	59,481,049	110,288,961
IV. ITEMS HELD IN CUSTODY		3,632,197	611,436	4,243,633	2,708,303	426,985	3,135,288
4.1. Assets under management		-	-	-	-	-	-
4.2. Investment securities held in custody		39,692	-	39,692	37,442	-	37,442
4.3. Checks received for collection		3,200,720	400,152	3,600,872	2,418,872	258,671	2,677,543
4.4. Commercial notes received for collection		391,785	66,491	458,276	251,989	34,385	286,374
4.5. Other assets received for collection		-	-	-	-	-	-
4.6. Assets received for public offering		-	-	-	-	-	-
4.7. Other items under custody		-	-	-	-	-	-
4.8. Custodians		-	144,793	144,793	-	133,929	133,929
V. PLEDGED ITEMS		66,000,603	62,628,100	128,628,703	48,087,933	59,032,926	107,120,859
5.1. Marketable securities		200,929	18,790	219,719	62,529	17,380	79,909
5.2. Guarantee notes		102,015	780,723	882,738	102,015	722,312	824,327
5.3. Commodity		2,502,183	201,339	2,703,522	2,291,547	97,293	2,388,840
5.4. Warranty		-	-	-	-	-	-
5.5. Properties		32,570,639	593,125	33,163,764	27,022,226	588,817	27,611,043
5.6. Other pledged items		30,624,837	61,034,123	91,658,960	18,609,616	57,607,124	76,216,740
5.7. Pledged items-depository		-	-	-	-	-	-
VI. ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES		11,676	22,831	34,507	11,676	21,138	32,814
TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)		98,726,086	75,309,223	174,035,309	75,628,058	66,612,161	142,240,219

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
UNCONSOLIDATED INCOME STATEMENT FOR THE PERIOD ENDED 30 JUNE 2013
(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

III. INCOME STATEMENT (STATEMENT OF INCOME / LOSS)

		Current Period Reviewed 01.01 – 30.06.2013	Prior Period Reviewed 01.01- 30.06.2012	Current Period Reviewed 01.04 – 30.06.2013	Prior Period Reviewed 01.04- 30.06.2012
Notes					
I.	PROFIT SHARE INCOME	683,946	622,730	346,268	316,945
1.1	Profit share on loans	635,969	605,049	321,324	305,874
1.2	Profit share on reserve deposits	-	-	-	-
1.3	Profit share on banks	3,534	4,644	1,517	3,986
1.4	Profit share on money market placements	-	-	-	-
1.5	Profit share on marketable securities portfolio	23,210	-	12,943	-
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	23,210	-	12,943	-
1.5.4	Investments held-to-maturity	-	-	-	-
1.6	Finance lease income	9,885	5,238	5,455	2,752
1.7	Other profit share income	11,348	7,799	5,029	4,333
II.	PROFIT SHARE EXPENSE	287,447	281,949	144,448	147,942
2.1	Expense on profit sharing accounts	214,881	221,663	106,698	115,542
2.2	Profit share expense on funds borrowed	65,179	53,377	34,053	28,881
2.3	Profit share expense on money market borrowings	-	-	-	-
2.4	Expense on securities issued	-	-	-	-
2.5	Other profit share expense	7,387	6,909	3,697	3,519
III.	NET PROFIT SHARE INCOME (I - II)	396,499	340,781	201,820	169,003
IV.	NET FEES AND COMMISSIONS INCOME/EXPENSE	43,035	36,676	21,315	17,700
4.1	Fees and commissions received	77,834	64,086	41,904	32,292
4.1.1	Non-cash loans	33,313	29,470	17,622	14,813
4.1.2	Other	44,521	34,616	24,282	17,479
4.2	Fees and commissions paid	34,799	27,410	20,589	14,592
4.2.1	Non-cash loans	116	13	31	6
4.2.2	Other	34,683	27,397	20,558	14,586
V.	DIVIDEND INCOME	-	-	-	-
VI.	NET TRADING INCOME	77,738	52,791	54,681	9,395
6.1	Capital market transaction gains / (losses)	(1,489)	(667)	(1,161)	(405)
6.2	Gains/ (losses) from derivative financial instruments	4,624	8,576	6,938	(16,229)
6.3	Foreign exchange gains / (losses)	74,603	44,882	48,904	26,029
VII.	OTHER OPERATING INCOME	99,865	63,562	52,195	32,535
VIII.	NET OPERATING INCOME (III+IV+V+VI+VII)	617,137	493,810	330,011	228,633
IX.	PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)	140,963	100,233	63,704	45,503
X.	OTHER OPERATING EXPENSES (-)	295,286	218,920	149,582	112,793
XI.	NET OPERATING INCOME/(LOSS) (VIII-IX-X)	180,888	174,657	116,725	70,337
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)	180,888	174,657	116,725	70,337
XVI.	TAX CHARGE FOR CONTINUED OPERATIONS (±)	(35,127)	(35,042)	(21,965)	(15,900)
16.1	Current income tax charge	(29,381)	(17,908)	(22,999)	(17,908)
16.2	Deferred tax charge / benefit	(5,746)	(17,134)	1,034	2,008
XVII.	NET PROFIT/(LOSS) FROM CONTINUED OPERATIONS (XV±XVI)	145,761	139,615	94,760	54,437
XVIII.	INCOME ON DISCONTINUED OPERATIONS	-	-	-	-
18.1	Income on assets held for sale	-	-	-	-
18.2	Income on sale of associates, subsidiaries and jointly controlled entities (joint vent.)	-	-	-	-
18.3	Income on other discontinued operations	-	-	-	-
XIX.	LOSS FROM DISCONTINUED OPERATIONS (-)	-	-	-	-
19.1	Loss from assets held for sale	-	-	-	-
19.2	Loss on sale of associates, subsidiaries and jointly controlled entities (joint vent.)	-	-	-	-
19.3	Loss from other discontinued operations	-	-	-	-
XX.	PROFIT / (LOSS) ON DISCONTINUED OPERATIONS BEFORE TAXES (XVIII-XIX)	-	-	-	-
XXI.	TAX CHARGE FOR DISCONTINUED OPERATIONS (±)	-	-	-	-
21.1	Current income tax charge	-	-	-	-
21.2	Deferred tax charge / benefit	-	-	-	-
XXII.	NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XX±XXI)	-	-	-	-
XXIII.	NET PROFIT/LOSS (XVII+XXII)	145,761	139,615	94,760	54,437
23.1	Group's income/loss	145,761	139,615	94,760	54,437
23.2	Minority interest income/loss (-)	-	-	-	-
	Earnings per share income/loss (full TL)	-	-	-	-

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
STATEMENTS OF UNCONSOLIDATED PROFIT AND LOSS ACCOUNTED FOR UNDER
EQUITY FOR THE PERIOD ENDED 30 JUNE 2013

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

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

	Reviewed Current period (01.01-30.06.2013)	Reviewed Prior period (01.01-30.06.2012)
I. Additions to marketable securities revaluation differences from available for sale financial assets	(14,424)	-
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	2,885	-
X. Total net profit/loss accounted under equity (I+II+...+IX)	(11,539)	-
XI. Profit/loss	-	-
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	-	-
XII. Total profit/loss accounted for the period (X±XI)	(11,539)	-

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
STATEMENT OF UNCONSOLIDATED CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIOD ENDED 30 JUNE 2013
(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

V. STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Reviewed	Note	Paid-in capital	Effect of inflation accounting on paid-in capital 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	Hedging reserves	Asset held for sale and disc.op. valuation fund	Total excluding minority interest	Minority interest	Total equity
Current period (01.01-30.06.2013)																			
I.	Beginning balance	1,100,000	-	23,250	-	46,405	-	246,279	4,739	-	250,156	13,208	-	-	-	-	1,684,037	-	1,684,037
	Changes in period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
II.	Increase/decrease related to merger	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	Marketable securities revaluation differences	-	-	-	-	-	-	-	-	-	-	(11,539)	-	-	-	-	(11,539)	-	(11,539)
IV.	Hedging funds (effective portion)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.1	Cash-flow hedge	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.2	Hedge of net investment in foreign operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V.	Tangible assets revaluation differences	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.	Intangible assets revaluation differences	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Bonus shares obtained from associates, subsidiaries and jointly controlled operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Foreign exchange differences	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	Changes related to the disposal of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Changes related to the reclassification of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	The effect of change in associate's equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII.	Capital increase	600,000	-	-	-	-	-	(188,461)	(1,509)	-	(50,000)	-	-	-	-	-	360,000	-	360,000
12.1	Cash	360,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	360,000	-	360,000
12.2	Internal sources	240,000	-	-	-	-	-	(188,461)	(1,509)	-	(50,000)	-	-	-	-	-	-	-	-
XIII.	Share issue premium	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV.	Share cancellation profits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV.	Inflation adjustment to paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.	Other	-	-	-	-	-	-	-	21,281	-	-	-	-	-	-	-	-	-	21,281
XVII.	Net income/(loss) for the period	-	-	-	-	-	-	145,608	-	145,761	-	-	-	-	-	-	291,369	-	291,369
XVIII.	Profit distribution	-	-	-	-	14,395	-	-	-	-	(200,156)	-	-	-	-	-	(185,761)	-	(185,761)
18.1	Dividends distributed	-	-	-	-	-	-	-	-	-	(18,872)	-	-	-	-	-	(18,872)	-	(18,872)
18.2	Transfers to reserves	-	-	-	-	14,395	-	-	-	-	(181,284)	-	-	-	-	-	(166,889)	-	(166,889)
18.3	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing balance (I+II+III+...+XVI+XVII+XVIII)		(II-k) 1,700,000	-	23,250	-	60,800	-	203,396	24,511	145,761	-	1,669	-	-	-	-	2,159,387	-	2,159,387

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
STATEMENT OF UNCONSOLIDATED CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIOD ENDED 30 JUNE 2013
(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

V. STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Reviewed	Note	Paid-in capital	Effect of inflation accounting on paid-in capital 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	Hedging reserves	Asset held for sale and disc.op. valuation fund	Total excluding minority interest	Minority interest	Total equity
Prior period (01.01-30.06.2012)																			
I.	Beginning balance (31.12.2011)	950,000	-	23,250	-	34,923	-	233,253	1,510	-	195,042	-	-	-	-	-	1,437,978	-	1,437,978
	Changes in period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
II.	Increase/decrease related to merger	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	Marketable securities revaluation differences	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IV.	Hedging funds (effective portion)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.1	Cash-flow hedge	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.2	Hedge of net investment in foreign operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V.	Tangible assets revaluation differences	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.	Intangible assets revaluation differences	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Bonus shares obtained from associates, subsidiaries and jointly controlled operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Foreign exchange differences	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	Changes related to the disposal of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Changes related to the reclassification of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	The effect of change in associate's equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII.	Capital increase	150,000	-	-	-	-	-	-	-	-	(150,000)	-	-	-	-	-	-	-	-
12.1	Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2	Internal sources	150,000	-	-	-	-	-	-	-	-	(150,000)	-	-	-	-	-	-	-	-
XIII.	Share issue premium	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV.	Share cancellation profits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV.	Inflation adjustment to paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII.	Net income/(loss) for the period	-	-	-	-	-	-	-	-	139,615	-	-	-	-	-	-	139,615	-	139,615
XVIII.	Profit distribution	-	-	-	-	11,482	-	13,026	3,229	-	(45,042)	-	-	-	-	-	(17,305)	-	(17,305)
18.1	Dividends distributed	-	-	-	-	-	-	-	-	-	(17,305)	-	-	-	-	-	(17,305)	-	(17,305)
18.2	Transfers to reserves	-	-	-	-	11,482	-	13,026	3,229	-	(27,737)	-	-	-	-	-	-	-	-
18.3	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing balance (I+II+III+...+XVIII)		(II-k)	1,100,000	-	23,250	-	46,405	-	246,279	4,739	139,615	-	-	-	-	-	1,560,288	-	1,560,288

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
CASH FLOWS STATEMENT FOR THE PERIOD ENDED 30 JUNE 2013
(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

VI. CASH FLOWS STATEMENT

	Note	Reviewed	Reviewed
		Current period 01.01-30.06.2013	Prior period 01.01.-30.06.2012
A. CASH FLOWS FROM BANKING OPERATIONS			
1.1 Operating profit before changes in operating assets and liabilities		193,822	231,406
1.1.1 Profit share income received		663,756	619,682
1.1.2 Profit share expense paid		(292,452)	(277,804)
1.1.3 Dividend received		-	-
1.1.4 Fees and commissions received		79,662	63,486
1.1.5 Other income		41,124	28,123
1.1.6 Collections from previously written off loans		33,133	14,260
1.1.7 Payments to personnel and service suppliers		(235,415)	(183,982)
1.1.8 Taxes paid		(28,737)	(13,891)
1.1.9 Others		(67,259)	(18,468)
1.2 Changes in operating assets and liabilities		(362,579)	1,161,849
1.2.1 Net (increase) decrease held for trading financial assets		(1,961)	(4,119)
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		(543,064)	66,076
1.2.4 Net (increase) decrease in loans		(2,251,330)	(527,247)
1.2.5 Net (increase) decrease in other assets		(302,183)	135,579
1.2.6 Net increase (decrease) in bank deposits		408,376	(15,646)
1.2.7 Net increase (decrease) in other deposits		1,580,753	1,012,343
1.2.8 Net increase (decrease) in funds borrowed		485,750	629,831
1.2.9 Net increase (decrease) in due payables		-	-
1.2.10 Net increase (decrease) in other liabilities		261,080	(134,968)
I. Net cash provided from / (used in) banking operations		(168,757)	1,393,255
B. CASH FLOWS FROM INVESTING ACTIVITIES			
II. Net cash provided from / (used in) investing activities		(413,395)	(44,396)
2.1 Cash paid for purchase jointly controlled operations, associates and subsidiaries		(32,384)	-
2.2 Cash obtained from sale of jointly controlled operations, associates and subsidiaries		-	-
2.3 Fixed assets purchases		(20,429)	(34,495)
2.4 Fixed assets sales		28	1,475
2.5 Cash paid for purchase of financial assets available for sale		(354,609)	(685)
2.6 Cash obtained from sale of financial assets available for sale		-	-
2.7 Cash paid for purchase of investment securities		-	-
2.8 Cash obtained from sale of investment securities		-	-
2.9 Other		(6,001)	(10,691)
C. CASH FLOWS FROM FINANCING ACTIVITIES			
III. Net cash provided from / (used in) financing activities		360,000	(17,305)
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		360,000	-
3.4 Dividends paid		-	(17,305)
3.5 Payments for finance leases		-	-
3.6 Other		-	-
IV. Effect of change in foreign exchange rate on cash and cash equivalents	(V-c)	5,270	16,500
V. Net increase (decrease) in cash and cash equivalents (I + II + III + IV)		(216,882)	1,348,054
VI. Cash and cash equivalents at the beginning of the period	(V-a)	1,831,067	1,356,263
VII. Cash and cash equivalents at the end of the period	(V-a)	1,614,185	2,704,317

The accompanying notes are an integral part of these financial statements

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

SECTION THREE
ACCOUNTING PRINCIPLES

I. Explanations on basis of presentation

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

The 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.28337 dated 28 June 2012 and amendments to this Communiqué. The Bank maintains its books in Turkish Lira in accordance with the Banking Act.

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.

b. Classification

None.

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

I. Explanations on basis of presentation (continued)

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

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

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

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

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

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

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

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

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

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

III. Investments in associates and subsidiaries

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

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

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

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

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

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

V. Explanations on profit share income and expense

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

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

VI. Explanations on fees and commission income and expenses

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

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

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

VII. Explanations on financial assets

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

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

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

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

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

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

b. Financial assets available for sale:

Financial assets available for sale are initially recognized at cost; which reflects their fair values; including the transaction costs. Financial assets classified as available for sale financial assets which do not have a quoted market price in an active market and whose fair values cannot be reliably measured are carried at cost, less impairment, if any.

Financial assets available-for-sale gains and losses are valued using internal rate of return and recorded in the income statement as profit share income. Financial assets available-for-sale profit share discounts recognized in the profit/share account, current value differences recognized in the “securities value increase fund” under the shareholders’ equity. In case of sales, the realized gain/losses in the shareholders’ equity are recognized directly in the income statement.

c. Loans and receivables:

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

d. Held to maturity financial assets:

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

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VIII. Explanations on impairment of financial assets

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

i) Loans and receivables:

If there is objective evidence that the loans might not be collected, the Bank reclassifies such loans to III. IV. and V. groups and provides impairment reserve in accordance with the Communiqué of “Principles and Procedures for the Determination of the Quality of Loans and Other Receivables and Reserves to be provided for these Loans” published on 1 November 2006 in the Official Gazette No: 26333 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 25 December 2012 in the Official Gazette No: 28508. For the loans with poor financial position and/or payment capability, the Bank can provide a specific impairment reserve in excess of the amounts calculated using the minimum required rates for the related group.

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

In the case where there is evidence for the possibility of uncollectibility of loans, the Bank classifies related loans and receivables in non-performing loans and provides specific and general provision, in accordance with the Communiqué dated 1 November 2006, published on the Official Gazette No: 26333 and revised with the Communiqué dated 6 March 2010, published on the Official Gazette No: 27513 and the Communiqué dated 21 September 2012, published on the Official Gazette No: 28418 “Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves”. In addition, the Bank provides general provision calculation as per regulations published in the Official Gazette No: 27968 dated 18 June 2011, Official Gazette No: 27947 dated 28 May 2011, Official Gazette No: 28158 dated 30 December 2011, Official Gazette No: 28418 dated 21 September 2012 and Official Gazette No: 28508 dated 26 December 2012.

ii) Financial assets held to maturity:

If there is objective evidence indicating that the value of financial assets held to maturity is impaired, the amount of the loss is measured as the difference between the present values of future estimated cash flows discounted using the original profit share and the carrying value; provision is made for impairment and the provision is associated with expense accounts.

iii) Financial assets available for sale:

If there is objective evidence indicating that the fair value of an available for sale financial asset, for which decreases in the fair value has been accounted under the equity, has been impaired then the total loss which was accounted directly in the equity is transferred from equity to the income statement.

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

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IX. Explanations on offsetting of financial assets and liabilities

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

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

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

As of 30 June 2013, the Bank has repurchasing agreements amounting to TL 221,283 (31 December 2012 – None).

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

As mandated by the Banking Act 5411 Article 57 “Banks cannot participate in commercial real-estate and commodity trade with the exception of real-estate and commodity based agreements within the scope of Capital Markets Act No. 6362, and precious metal trade as seen appropriate by the board, and cannot participate in partnerships with firms whose main business activity is commercial real-estate, with the exception of real-estate investment partnerships and companies that finance mortgaged residential estates. The rules and procedures regarding the sales of real-estate and commodities that were acquired due to receivables and debtors’ obligations to the bank are determined by the board.”

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

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

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

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

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.

XII. Explanations on goodwill and other intangible assets

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

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

There is no goodwill related to associates and subsidiaries.

XIII. Explanations on tangible assets

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

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

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

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

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

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

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

Property held for long-term rental yields and/or capital appreciation is classified as investment property. Investment properties are stated at cost less accumulated depreciation and any impairment in value. Depreciation is calculated on a straight-line basis over the estimated useful lives of the properties.

XIV. Explanations on leasing transactions

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.

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XIV. Explanations on leasing transactions (continued)

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.

XV. Explanations on provisions and contingent liabilities

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

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

A provision is provided if liabilities have been originated as a result of past events in the period they arise, if it is probable that the liability will be settled and a reliable estimate for the liability amount can be made.

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

XVI. Explanations on liabilities relating to employee benefits

a) Defined benefit plans:

In accordance with existing social legislation, the Bank is required to make severance pay to each employee who has completed over one year of service with the Bank and who retires or quits the employment to receive old age or disability benefits, to fulfill the compulsory military service, because of the marriage (for females) or because of the other compulsive reasons as defined in the laws and whose employment is terminated due to reasons other than resignation or misconduct.

The retirement pay provision recognized in the accompanying financial statements, is calculated based on “Turkish Accounting Standard on Employee Benefits (“TAS 19”), 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 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.

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XVII. Explanations on taxation

Current tax

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

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

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

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

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

Deferred tax

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

XVIII. Explanations on additional disclosures on borrowings

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

There are no debt securities issued by the Bank.

The Bank has not issued convertible bonds.

Borrowing through the rent certificates (Sukuk)

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

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XVIII. Explanations on additional disclosures on borrowings (continued)

Borrowing through the rent certificates (Sukuk) (Continued)

In accordance with the letter received from BRSA, numbered B.02.1.BDK.0.06.00.00-045.01(3/8)-5397 and dated 13 March 2012 this transaction is accounted for as “sale and lease back” transaction in accordance with TAS 17. As a consequence of this accounting treatment, the net book value of the real estate property transferred and leased back increased from TL 61,195 to TL 248,734. The difference of TL 187,539 between the net book value of TL 61,195 before the aforementioned transaction and the net book value of TL 248,734 after the aforementioned transaction will be recognized as income in 5 years using the effective interest method and accounted for as deferred income under other liabilities. As of 30 June 2013, TL 12,716 of the aforementioned deferred income is recognized as income in the income statement. The difference accounted as tangible assets mentioned above, will be recognized as expense by accounting under “other expenses” in the income statement during the period of lease.

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

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

XIX. Explanations on share certificates issued

There is no significant amount of transaction costs on Bank about share certificates.

XX. Explanations on acceptances and availed drafts

Acceptances and availed drafts are realized simultaneously with the payment dates of the customers and they are presented as commitments in off-balance sheet accounts.

XXI. Explanations on government grants

There are no government grants received by the Bank.

XXII. Explanations on segment reporting

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

Segment reporting is disclosed in Section Four, Note X.

XXIII. Explanations on other matters

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

XXIV. Additional paragraph for convenience translation

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

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SECTION FOUR

INFORMATION ON FINANCIAL STRUCTURE

I. Explanations on capital adequacy standard ratio

Capital adequacy ratio is calculated within the scope of the “Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (the “Regulation”)", “Communiqué on Credit Risk Mitigation Techniques” and “Communiqué on Calculation of Risk Weighted Amounts for Securitizations” published in the Official Gazette No: 28337 dated June 28, 2012 and the “Communiqué on Equities of Banks” published in the Official Gazette No: 26333 dated November 1, 2006.

For the calculation of the capital adequacy ratio, the accounting records prepared in compliance with the current legislation are used. Such accounting information is included in the calculation of credit and market risks subsequent to their designation as “trading book” and “banking book” according to the regulation. Trading books include in and off the balance sheet accounts and positions over which derivative financial instruments and speculative-purpose derivative instruments are followed up, the financial instruments and commodities held by the Bank for the purpose of performing purchase and sales transactions in order to benefit from the price differences expected or realized as short term and/or between the purchase and sales prices or the other price and rate of exchange changes and in order to protect from the risks or reduce such risks arising of the positions relevant to the mentioned financial instruments and commodities. The accounts other than the trading books are defined as banking books.

Banking books include Due from Central Bank, Due from Banks, Loans and Receivables, Leasing Receivables, Transactions and Other Assets items in the assets; and Funds Collected, Securities Issued, Borrowings, Subordinated Loans, Other Liabilities items in the liabilities. The derivative financial instruments and available-for-sale financial assets are followed up over the Trading Books.

Risk measurement methods used in the determination of the standard rate capital adequacy ratio by way of determination of the risk-weighted assets and non-cash loans according to the risk weight rates in the relevant regulation and inclusion within the capital adequacy standard rate calculations after calculation of the market risk and the operational risk in compliance with the relevant regulations. Credit risk is calculated by subjecting the risk-weighted assets and non-cash loans to the risk weight rates in the relevant legislation and application of the risk reduction techniques, and the standard method is used for the market risk and the basic indicator method is used for the operational risk.

Based on the Communiqué concerning “Measurement and Assessment of Capital Adequacy of Banks”, the capital adequacy ratio of the Bank is 15.07%

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I. Explanations on capital adequacy standard ratio (continued)

Information for capital adequacy standard ratio:

	30 June 2013							
	Risk Weights(*)							
	0%	10%	20%	50%	75%	100%	150%	200%
Value at Credit Risk	-	-	168,359	2,739,741	2,594,817	8,923,370	155,798	22,138
Exposure Categories	4,997,920	-	841,795	5,479,481	3,459,756	8,923,370	103,865	11,069
Conditional and unconditional receivables from central governments or central banks	2,567,890	-	-	-	-	-	-	-
Conditional and unconditional receivables from regional or local governments	-	-	-	-	-	-	-	-
Conditional and unconditional receivables from administrative units and non-commercial enterprises	-	-	-	-	-	-	-	-
Conditional and unconditional receivables from multilateral development banks	-	-	-	-	-	-	-	-
Conditional and unconditional receivables from international organizations	-	-	-	-	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	147,948	-	611,327	649,395	-	395,919	-	-
Conditional and unconditional receivables from corporates	212,860	-	-	-	-	6,766,697	-	-
Conditional and unconditional retail receivables	96,420	-	-	-	3,459,756	-	-	-
Conditional and unconditional receivables secured by mortgages	46,777	-	-	4,821,948	-	730,972	-	-
Past due receivables	3	-	-	8,138	-	34,757	-	-
Receivables defined in high risk category by BRSA	187	-	-	-	-	-	103,865	11,069
Securities collateralized by mortgages	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-
Short-term receivables from banks, brokerage houses and corporates	-	-	-	-	-	-	-	-
Investments similar to collective investment funds	-	-	-	-	-	-	-	-
Other receivables	1,925,835	-	230,468	-	-	995,025	-	-

(*)Since the Bank does not perform securitization, 1250% risk weight is not shown in the table above.

Summary of the capital adequacy standard ratio of the Bank:

	Current Period
Capital Requirement for Credit Risk (Amount Subject to Credit Risk *0.08) (CRCR)	1,168,338
Capital Requirement for Market Risk (MRCR)	42,591
Capital Requirement for Operational Risk (ORCR)	116,665
Shareholders' Equity	2,500,199
Shareholders' Equity / ((TRWA + ASMR + ASOR) *12.5 *100)	15.07%

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I. Explanations on capital adequacy standard ratio (continued)

Components of shareholders' equity:

	Current Period
CORE CAPITAL	
Paid-in Capital	1,700,000
Nominal capital	2,060,000
Capital commitments (-)	360,000
Inflation indexation difference on paid-in capital	-
Share premium	23,250
Share cancellations profits	-
Legal Reserves	264,582
Inflation Adjustments to Legal Reserves	-
Profit	145,761
Current Period's Profit	145,761
Prior Periods' Profit	-
Provision for Possible Losses (up to 25% of Core Capital)	-
Income on Sale of Equity Shares and Real Estates	24,125
Primary subordinated loans up to 15% of the core capital	-
Loss (in excess of Reserves) (-)	-
Current Period's Losses -	-
Prior Periods' Losses	-
Leasehold Improvements on Operational Leases (-)	35,210
Intangible Assets (-)	50,436
Deferred Tax Asset in excess of 10% of Core Capital (-)	-
Excess amount in the Article 56, Clause 3 of the Banking Law (-)	-
Total core capital	2,072,072
SUPPLEMENTARY CAPITAL	
General provisions	123,733
45% of the revaluation reserve for movable fixed assets	-
45% of the of revaluation reserve for properties	-
Bonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Current Period's Profit	-
Primary subordinated loans excluded in the calculation of the core capital	-
Secondary subordinated loans	308,750
45% of Securities Value Increase Fund	751
Inflation Adjustments to Other Capital and Profit Reserves and Prior Periods' Profit / Loss	-
Total supplementary capital	433,234
CAPITAL	2,505,306
DEDUCTIONS FROM CAPITAL	5,107
Shareholdings of banks and financial institutions (Domestic, Foreign) in which the Bank has investments of ten percent or more	-
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	2,416
Securitization Positions to be Deducted from Equity	-
Other	2,691
TOTAL SHAREHOLDER'S EQUITY	2,500,199

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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.

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”. The following table indicates the details of the market risk calculation as of 30 June 2013, in accordance with the Market Risk Calculation principles pursuant to the Part 2 of the Second Section of the “Regulation on Measurement and Assessment of Capital Adequacy of Banks” published in the Official Gazette No. 28337 on 28 June 2012.

a. Information related to market risk:

	Amount
(I) Capital Obligation against General Market Risk - Standard Method	16,464
(II) Capital Obligation against Specific Risk - Standard Method	2,959
Capital Requirement against Specific Risks of Securitization Positions– Standard Method	-
(III) Capital Obligation against Currency Risk - Standard Method	14,525
(IV) Capital Obligation against Commodity Risk - Standard Method	6,702
(V) Capital Obligation against Settlement Risk - Standard Method	-
(VI) Total Capital Obligation against Market Risks of Options – Standard	-
(VII) Capital Requirement against Counterparty Credit Risks - Standard Method	1,941
(VIII) Total Capital Obligation against Market Risks of Banks applying Risk Measurement Models	-
(IX) Total Capital Obligation against Market Risk (I+II+III+IV+V+VI+VII)	42,591
(X) Value-At-Market Risk (12.5 x VIII) or (12.5 x IX)	532,388

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III. Explanations on currency risk

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

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

As of 30 June 2013, the Bank carries a net foreign currency long position of TL 1,382,864 (31 December 2012 – TL 329,287 long position) comprising TL 1,342,672 balance sheet position (31 December 2012 - TL 312,860 short position) and TL 40,192 off balance sheet short position (31 December 2012 - TL 16,427 long position).

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

	24/06/2013	25/06/2013	26/06/2013	27/06/2013	28/06/2013	Balance sheet evaluation rate
USD	1.9312	1.9407	1.9339	1.9320	1.9272	1.9272
EURO	2.5508	2.5426	2.5380	2.5192	2.5109	2.5109
GBP	2.9825	2.9767	2.9826	2.9652	2.9415	2.9415
CHF	2.0739	2.0707	2.0649	2.0504	2.0355	2.0355
100 JPY	1.9710	1.9730	1.9800	1.9750	1.9590	1.9590

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	1.8939
EUR	2.4944
GBP	2.9217
CHF	2.0181
100 JPY	1.9347

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III. Explanations on currency risk (continued) :

Currency risk of the Bank:

	EURO	USD	Other FC	Total
Current period				
Assets				
Cash (cash in vault, effectives, money in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey (****)	325,486	1,969,695	1,972,678	4,267,859
Banks	73,459	796,180	450,383	1,320,022
Financial assets at fair value through profit and loss	-	-	-	-
Money market placements	-	-	-	-
Available-for-sale financial assets (**)	-	141,269	-	141,269
Loans and finance lease receivables (*)	1,389,402	4,467,656	127,698	5,984,756
Subsidiaries, associates and joint ventures (**)	-	50,301	-	50,301
Held-to-maturity investments	-	-	-	-
Derivative financial assets for hedging purposes	-	-	-	-
Tangible assets	290	54	-	344
Intangible assets	783	-	-	783
Other assets	13,268	293,907	15,173	322,347
Total assets	1,802,688	7,719,061	2,565,932	12,087,681
Liabilities				
Current account and funds collected from Banks via participation accounts	56,722	113,490	90,650	260,862
Current and profit sharing accounts FC (****)	1,229,353	2,808,757	2,129,084	6,167,194
Money market borrowings	-	-	-	-
Funds provided from other financial institutions	26,523	4,010,075	-	4,036,598
Marketable securities issued	-	-	-	-
Miscellaneous payables	4,183	2,616	325	7,124
Derivative financial liabilities for hedging purposes	-	-	-	-
Other liabilities	19,067	212,066	1,906	233,039
Total liabilities	1,336,301	7,146,551	2,221,965	10,704,817
Net balance sheet position	466,387	572,510	343,967	1,382,864
Net off-balance sheet position	(451,934)	(539,248)	(351,490)	(1,342,672)
Financial derivative assets	582,933	2,195,016	374,205	3,152,154
Financial derivative liabilities	1,034,867	2,734,264	725,695	4,494,826
Non-cash loans (***)	1,359,838	2,622,621	417,416	4,399,875
Prior period				
Total assets	1,565,375	5,749,006	2,637,875	9,952,256
Total liabilities	1,138,763	6,209,700	2,274,506	9,622,969
Net balance sheet position	426,612	(460,694)	363,369	329,287
Net off-balance sheet position	(421,493)	468,105	(359,472)	(312,860)
Financial derivative assets	333,445	1,470,499	174,093	1,978,037
Financial derivative liabilities	754,938	1,002,394	533,565	2,290,897
Non-cash loans (***)	728,611	1,962,846	170,722	2,862,179

(*) Includes foreign currency indexed loans amounting to TL 4,785,247(31 December 2012 – TL 3,872,406) followed as TL on the balance sheet.

(**) Includes TL 714 (31 December 2012 – TL 714) of foreign currency denominated available for sale financial assets, which are followed in Turkish Lira as TL 907,632 on the balance sheet and TL 50,301 (31 December 2012 – TL 17,917) of foreign currency denominated subsidiaries, which are followed in Turkish Lira as TL 118,744 on the balance sheet.

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

(****) Precious metals are included in "Other FC" column.

Foreign currency amounts that are not included in the currency risk table due to the legislation related to calculation of foreign currency net position to equity standard ratio, are explained by their gradation in the financial statements below;

- Derivative financial assets held for trading TL 93,025 (31 December 2012 – TL 23,456)
- Prepaid expenses : TL 61 (31 December 2012 – None)
- Derivative financial liabilities held for trading : 12,935 TL (31 December 2012 – TL 4,141)

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

- Forward foreign currency purchase transactions TL 517,672 (31 December 2012 - TL 125,986)
- Forward foreign currency sale transactions: TL 517,187 (31 December 2012 - TL 137,557)
- Future precious metal purchase transactions: TL 91,969 (31 December 2012 - TL 126,166)
- Future precious metal sale transactions: TL 559,072 (31 December 2012 – TL 479,084)

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

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

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

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

Equity Securities (shares)	Carrying Value	Comparison	
		Fair Value	Market Value
1 Securities Available-for-Sale	8,542	-	-
Quoted Securities	-	-	-
2 Investments in Associates	-	-	-
Quoted Securities	-	-	-
3 Investment in Subsidiaries	118,744	-	-
Quoted Securities	-	-	-

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

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.

The liquidity position of the Bank's assets and liabilities within the framework of the monitoring and evaluation of the liquidity ratio is calculated on a weekly basis.

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V. Explanations on liquidity risk (continued):

Presentation of assets and liabilities according to their remaining maturities:

	Demand	Up to 1 month	1-3 Months	3-12 months	1-5 years	Over 5 years	Unallocated (**)	Total
Current period								
Assets								
Cash (cash in vault, effectives, cash in transit, Cheques purchased) and balances with the Central Bank of the Republic of Turkey	1,994,049	2,508,912	-	-	-	-	-	4,502,961
Banks	1,246,301	87,879	991	59,094	-	-	-	1,394,265
Financial assets at fair value through profit and loss	11,688	94,626	29,895	16,691	617	-	-	153,517
Money market placements	-	-	-	-	-	-	-	-
Available-for-sale financial assets	-	-	-	2,024	897,066	-	8,542	907,632
Loans (*)	-	5,945,956	1,352,122	3,373,307	2,952,793	355,689	81,608	14,061,475
Held-to-maturity investments	-	-	-	-	-	-	-	-
Other assets (**)	24,377	428,051	8,149	-	17,943	-	596,622	1,075,142
Total assets	3,276,415	9,065,424	1,391,157	3,451,116	3,868,419	355,689	686,772	22,094,992
Liabilities								
Current account and funds collected from banks via participation accounts	120,780	98,242	166,425	22,929	-	-	-	408,376
Current and profit sharing accounts	3,720,757	5,599,266	3,708,917	1,184,099	150,768	-	-	14,363,807
Funds provided from other financial institutions	-	265,700	457,012	1,856,322	1,072,195	390,997	-	4,042,226
Money market borrowings	-	221,283	-	-	-	-	-	221,283
Marketable securities issued	-	-	-	-	-	-	-	-
Miscellaneous payables	53,744	24,171	-	-	-	-	-	77,915
Other liabilities (**)	-	511,497	28,763	10,550	-	-	2,430,575	2,981,385
Total liabilities	3,895,261	6,720,179	4,361,117	3,073,900	1,222,963	390,997	2,430,575	22,094,992
Net liquidity gap	(618,866)	2,345,265	(2,969,960)	377,216	2,645,456	(35,308)	(1,743,803)	-
Prior period								
Total assets	3,041,990	4,772,093	2,106,028	4,301,897	3,669,708	457,681	561,116	18,910,513
Total liabilities	3,354,010	4,424,937	5,242,147	2,243,846	1,379,104	361,661	1,904,808	18,910,513
Net liquidity gap	(312,020)	347,156	(3,136,119)	2,058,051	1,885,620	501,004	(1,343,692)	-

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

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

VI. Explanations on securitization positions

None.

VII. Credit risk mitigation techniques

There is no balance sheet and off-balance sheet offsetting.

Credit risk mitigation techniques used by the Bank in terms of credit facility are listed as follows:

- Financial Collaterals (Cash, Deposit Pledges, Gold)
- Guarantees
- Real Estate Mortgage

Financial collaterals are evaluated on a daily basis.

For loans that are amounting over TL 3,000 or loans amounting to over 5% of the equity, real estate valuation should be repeated minimum every 3 year by the rating companies authorized from the Banking Regulation and Supervision Agency or Capital Markets Boards of Turkey.

Volatility in real estate market is closely followed by the Bank; values of real estate for commercial real estates are revised at least every year whereas housing real estates are revised at least in every 3 year.

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VII. Credit risk mitigation techniques (continued)

Exposure Categories	Amount(*)	Financial Collaterals	Other/Physical Collaterals	Guaranties and Credit Derivatives
Conditional and unconditional receivables from central governments or central banks	2,567,890	-	-	-
Conditional and unconditional receivables from regional or local governments	-	-	-	-
Conditional and unconditional receivables from administrative units and non-commercial enterprises	-	-	-	-
Conditional and unconditional receivables from multilateral development banks	-	-	-	-
Conditional and unconditional receivables from international organizations	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	2,619,421	-	-	-
Conditional and unconditional receivables from Corporates	26,707,329	212,860	-	-
Conditional and unconditional retail receivables	8,537,772	96,420	-	-
Conditional and unconditional receivables secured by Mortgages	5,986,701	46,777	-	-
Past due receivables	42,898	3	-	-
Receivables defined in high risk category by BRSA	115,121	187	-	-
Securities collateralized by mortgages	-	-	-	-
Securitization positions	-	-	-	-
Short-term receivables from banks, brokerage houses and corporates	-	-	-	-
Investments similar to collective investment funds	-	-	-	-
Other receivables	3,151,328	-	-	-
Total	49,728,460	356,247	-	-

(*) Includes total risk amounts before the effect of credit risk mitigation but after credit conversions.

VIII. Explanations on risk management objectives and policies

Risk Management System refers to the Board of Directors, the Audit Committee, the Risk Management Committee, Asset-Liability Committee (“ALCO”) and the Risk Management Department (“RMD”) which has been composed in order to manage systemic risks that the Bank is exposed. The Board of Directors is the owner of the Bank's Risk Management System and ensures the establishment of an effective, sufficient and appropriate risk management system as well as the continuity of the system. The main objective of the Bank's Risk Management System is to identify, measure, monitor and control the risks that the Bank is exposed to, by determining the policies, limits and procedures to control, to monitor, and if necessary to change the risk-return structure of the Bank's future cash flows and the level & the quality of related activities.

In accordance with Bank's strategies, risk policies and vision, the analyses that Risk Management Service presents to Internal Systems Committee and Audit Committee are credit risks, market risks, liquidity risks, operational risks and IT risk evaluations. Besides, in accordance to market trends, economic conduct and Bank's strategic growth, capital adequacy stress test and scenario analyses, evaluation of economic development in the World and Turkey are presented to Internal Systems Committee and Board of Directors by Risk Management Service. These analyses contribute to Bank Top Management's resolution process about risk appetite and awareness of risks, capital adequacy, strategy revisions and future estimation.

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

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VIII. Explanations on risk management objectives and policies (continued)

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

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

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

X. 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.

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.

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X. Explanations on business segments (continued)

Specific balance sheet and income statement items according to segments:

Current Period 1 January – 30 June 2013	Retail banking	Corporate and commercial banking	Treasury, investment banking and international banking	Unallocated	Bank's total operation
Operating income	388,673	521,328	29,382	-	939,383
Operating expenses	217,246	184,195	77,074	279,980	758,495
Transfers between segments	83,466	(87,505)	4,039	-	-
Net operating income(loss)	254,893	249,628	(43,653)	(279,980)	180,888
Income from associates	-	-	-	-	-
Income (loss) before tax	254,893	249,628	(43,653)	(279,980)	180,888
Provision for taxation	-	-	-	(35,127)	(35,127)
Net income for the period	254,893	249,628	(43,653)	(315,107)	145,761
Current Period					
30 June 2013					
Segment assets	4,801,201	9,260,274	6,958,375	-	21,019,850
Associates, subsidiaries and joint Ventures	-	-	-	118,744	118,744
Undistributed assets	-	-	-	956,398	956,398
Total assets	4,801,201	9,260,274	6,958,375	1,075,142	22,094,992
Segment liabilities	10,252,149	4,520,034	4,087,176	-	18,859,359
Undistributed liabilities	-	-	-	1,076,246	1,076,246
Shareholders' equity	-	-	-	2,159,387	2,159,387
Total liabilities	10,252,149	4,520,034	4,087,176	3,235,633	22,094,992
Prior Period					
1 January – 30 June 2012					
Operating income	311,362	465,733	26,074	-	803,169
Operating expenses	204,209	151,738	63,338	209,227	628,512
Transfers between segments	120,794	(82,676)	(38,118)	-	-
Net operating income(loss)	227,947	231,319	(75,382)	(209,227)	174,657
Income from associates	-	-	-	-	-
Income (loss) before tax	227,947	231,319	(75,382)	(209,227)	174,657
Provision for taxation	-	-	-	(35,042)	(35,042)
Net income for the period	227,947	231,319	(75,382)	(244,269)	139,615
Prior Period					
31 December 2012					
Segment assets	4,005,148	7,876,452	6,169,158	-	18,050,758
Associates, subsidiaries and joint ventures	-	-	-	75,830	75,830
Undistributed assets	-	-	-	783,925	783,925
Total assets	4,005,148	7,876,452	6,169,158	859,755	18,910,513
Prior Period					
31 December 2012					
Segment liabilities	9,331,261	3,423,782	3,528,506	-	16,283,549
Undistributed liabilities	-	-	-	942,927	942,927
Shareholders' equity	-	-	-	1,684,037	1,684,037
Total liabilities	9,331,261	3,423,782	3,528,506	2,626,964	18,910,513

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SECTION FIVE

I. Explanations and notes related to assets:

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

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

	Current period		Prior period	
	TL	FC	TL	FC
Cash/foreign currency	184,272	438,942	175,840	128,240
The Central Bank of Republic of Turkey	50,830	2,508,912	173,223	1,853,649
Other (*)	-	1,320,005	280	1,656,346
Total	235,102	4,267,859	349,343	3,638,235

(*) As of 30 June 2013, precious metal account amounting to TL 1,089,537 (31 December 2012 - TL 1,655,798) and money in transit amounting to TL 230,468 (31 December 2012 – TL 828) are presented in this line.

2. Balances with the Central Bank of Turkey:

	Current period		Prior period	
	TL	FC	TL	FC
Unrestricted demand deposit	50,830	-	173,223	-
Unrestricted time deposit	-	-	-	-
Restricted time deposit	-	2,508,912	-	1,853,649
Total	50,830	2,508,912	173,223	1,853,649

According to the communiqué No: 2005/1 on “Reserve Deposits”, the banks operating in Turkey are required to keep reserve deposit at the rates varying from 5% to 11,5% for TRY liabilities and at the rates varying from 6% to 12,5% for foreign currency liabilities mainly denominated in US Dollar, Euro and Standart Gold depending on the maturity of the liabilities. Profit share has not been paid for reserve deposits.

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

1. As of 30 June 2013, there are no financial assets at fair value through profit and loss subject to repurchase transactions, given as a collateral or blocked (31 December 2012 – None).

2. 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	41,884	23,257	13,873	11,421
Swap transactions	6,920	69,768	1,562	12,035
Futures transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
Total	48,804	93,025	15,435	23,456

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I. Explanations and notes related to assets (continued)

c. Information on Banks:

1. Information on Banks:

	Current period		Prior period	
	TL	FC	TL	FC
Banks	74,243	1,320,022	313,398	1,270,068
Domestic	43,660	596,747	62,030	413,448
Foreign	30,583	723,275	251,368	856,620
Branches and head office abroad	-	-	-	-
Total	74,243	1,320,022	313,398	1,270,068

2. Information on foreign bank accounts:

	Current period		Prior period	
	Unrestricted Amount	Restricted Amount	Unrestricted Amount	Restricted Amount
EU Countries	215,429	-	775,226	-
USA and Canada	95,148	-	78,407	-
OECD Countries(*)	181,575	-	6,343	-
Off-shore Banking Regions	457	-	103,942	-
Other	261,249	-	144,070	-
Total	753,858	-	1,107,988	-

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

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

1. Information on Financial Assets Available for Sale Blocked/Given as collateral or subject to Repurchase Agreements:

On 14 June 2013, an open market transaction is performed for the first time with CBRT which is subject to sales of repurchasing agreement of Treasury Rent Certificates. Beginning from this date, offers are made to purchasing tenders, which is monitored by CBRT and has one week maturity, in order to obtain fund by performing repurchasing agreements of Treasury Rent Certificates. As of 30 June 2013, rent certificates recorded as financial assets available-for-sale, amounting to TL 224,811 subject to sales transactions of repurchase agreements and based upon this transaction, rent certificate amounting to TL 41,000 given as collateral. The amount of fund provided from CBRT is TL 221,283 based upon repurchasing agreements.

2. Information on Financial Assets Available-for-Sale:

On 5 March 2013, the Bank invested in domestic currency rent certificate ("Sukuk") issued by a private company with an annual profit share of 7.10%, quarterly profit share payment schedule, maturity of 1 year and amounting to TL 2,000,000- (full amount). The aforementioned "Sukuk" is classified under "Other Marketable Securities". On 20 February 2013 the Bank invested in domestic currency rent certificate ("Sukuk") issued by T.R Undersecretariat of the Treasury with an annual profit share of 5.7%, semiannual profit share payment schedule, maturity of 2 years and amounting to TL 350,504,059 (full amount). On 26 September 2012, the Bank invested in foreign currency rent certificate ("Sukuk") issued by T.R Undersecretariat of the Treasury with an annual profit share of 2.8%, semiannual profit share payment schedule, maturity of 5.5 years and amounting to USD 75,000,000.- (full amount). On 3 October 2012, the Bank invested in domestic currency rent certificate ("Sukuk") issued by T.R Undersecretariat of the Treasury with an annual profit share of 7.4%, semiannual profit share payment schedule, maturity of 2 years and amounting to TL 382,820,168.- (full amount). These amounts are classified under "Government debt securities" at the accompanying financial statements.

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I. Explanations and notes related to assets (continued)

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

	Current period	Prior period
Debt Securities	904,140	541,059
Quoted on stock exchange	904,140	541,059
Not quoted on stock exchange	-	-
Share certificates	8,542	8,437
Quoted on stock exchange	-	-
Not quoted on stock exchange	8,542	8,437
Impairment provision	(5,050)	-
Total	907,632	549,496

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	449	492	1,146	544
Corporate Shareholders	-	492	-	544
Real Person Shareholders	449	-	1,146	-
Indirect Loans Granted to Shareholders	76,690	127,670	84,084	13,157
Loans Granted to Employees	5,759	7	4,677	6
Total	82,898	128,169	89,907	13,707

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

Cash Loans	Performing Loans and Other Receivables			Loans and Other Receivables under Follow-Up		
	Loans and Other Receivables (Total)	Loans and Receivables with Revised Contract Terms		Loans and Other Receivables (Total)	Loans and Receivables with Revised Contract Terms	
		Extension of Repayment Plan	Other		Extension of Repayment Plan	Other
Loans	12,995,078	63,687	-	692,573	316,800	-
Exports Loan	36,536	-	-	6,339	2,901	-
Imports Loans	1,153,871	-	-	7,972	-	-
Enterprise Loans	7,998,201	62,830	-	558,379	304,492	-
Consumer Loans	2,213,588	857	-	87,905	4,931	-
Credit Cards	153,299	-	-	3,596	-	-
Precious Metal Loans	123,685	-	-	780	-	-
Loans Given to Financial Sector	-	-	-	-	-	-
Loans Extended Abroad	208,156	-	-	5,285	4,476	-
Other	1,107,742	-	-	22,317	-	-
Other Receivables	3,815	-	-	10,735	-	-
Total	12,998,893	63,687	-	703,308	316,800	-

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I. Explanations and notes related to assets (continued)

e. Information on loans and receivables (continued)

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

In accordance with the Communiqué “Principles and Procedures for the Determination of the Quality of Loans and Other Receivables and Reserves to be provided for These Loans” published in Official Gazette dated 28 May 2011 and numbered 27947, information related to the restructuring (after publish date of the aforementioned Communiqué) of the standard loans and loans and other receivables under close monitoring with respect to the payment schedules and terms is as follows (average maturities are taken into the account):

Number of Extensions for Repayment Plan		
	Performing Loans and Other Receivables	Loans and Other Receivables under Follow-Up
1 or 2 times	63,687	316,800
3,4 or 5 times	-	-
Over 5 times	-	-
Total	63,687	316,800

Extension Periods for Repayment Plan changes		
	Performing Loans and Other Receivables	Loans and Other Receivables under Follow-Up
0 - 6 months	726	14,531
6 - 12 months	13,086	28,621
1 - 2 years	40,344	92,882
2 - 5 years	9,187	128,709
5 years and over	344	52,057
Total	63,687	316,800

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

	Performing Loans and Other Receivables		Loans and other receivables under Follow-Up	
	Loans and other receivables	Loans and Receivables with Revised Contract Terms	Loans and other receivables	Loans and Receivables with Revised Contract Terms
Cash loans				
Short-term loans and other receivables	4,290,044	9,364	72,473	15,688
Loans	4,286,230	9,364	61,738	15,688
Other receivables	3,814	-	10,735	-
Medium and long-term loans and other receivables (*)	8,645,162	54,323	314,035	301,112
Loans	8,645,162	54,323	314,035	301,112
Other receivables	-	-	-	-
Total	12,935,206	63,687	386,508	316,800

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

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

e. Information on loans and receivables: (continued)

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

	Short term	Medium and long term	Total
Consumer Loans-TL	4,946	2,163,058	2,168,004
Housing Loans	2,109	2,023,636	2,025,745
Vehicle Loans	2,382	127,113	129,495
Consumer Loans	377	10,584	10,961
Other	78	1,725	1,803
Consumer Loans-FC Indexed	-	23,281	23,281
Housing Loans	-	21,903	21,903
Vehicle Loans	-	33	33
Consumer Loans	-	88	88
Other	-	1,257	1,257
Consumer Loans-FC	-	108,526	108,526
Housing Loans	-	41,441	41,441
Vehicle Loans	-	74	74
Consumer Loans	-	-	-
Other	-	67,011	67,011
Retail Credit Cards-TL	73,720	18,231	91,951
With Installment	20,256	18,231	38,487
Without Installment	53,464	-	53,464
Retail Credit Cards-FC	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Personnel Loans-TL	50	1,632	1,682
Housing Loans	-	522	522
Vehicle Loans	50	809	859
Consumer Loans	-	298	298
Other	-	3	3
Personnel Loans-FC Indexed	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Loans-FC	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Credit Cards-TL	4,206	257	4,463
With Installment	1,730	257	1,987
Without Installment	2,476	-	2,476
Personnel Credit Cards-FC	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Overdraft Account-TL (Real Person)	-	-	-
Overdraft Account-FC (Real Person)	-	-	-
Total	82,922	2,314,985	2,397,907

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

e. Information on loans and receivables: (continued)

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

	Short term	Medium and long term	Total
Commercial Installment Loans-TL	74,911	1,584,724	1,659,635
Business Loans	5,560	339,114	344,674
Vehicle Loans	33,342	627,766	661,108
Consumer Loans	-	62,812	62,812
Other	36,009	555,032	591,041
Commercial Installment Loans-FC Indexed	29,929	903,482	933,411
Business Loans	1,348	200,769	202,117
Vehicle Loans	7,146	263,963	271,109
Consumer Loans	-	-	-
Other	21,435	438,750	460,185
Commercial Installment Loans-FC	-	222,092	222,092
Business Loans	-	30,996	30,996
Vehicle Loans	-	944	944
Consumer Loans	-	-	-
Other	-	190,152	190,152
Corporate Credit Cards-TL	60,481	-	60,481
With Installment	7,607	-	7,607
Without Installment	52,874	-	52,874
Corporate Credit Cards-FC	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Overdraft Account-TL (Legal Entity)	-	-	-
Overdraft Account-FC (Legal Entity)	-	-	-
Total	165,321	2,710,298	2,875,619

6. Breakdown of domestic and foreign loans:

	Current period	Prior period
Domestic loans	13,488,766	11,494,171
Foreign loans	213,435	170,507
Total	13,702,201	11,664,678

7. Loans granted to subsidiaries and associates:

	Current period	Prior period
Loans granted directly to subsidiaries and associates (*)	147,947	126,633
Loans granted indirectly to subsidiaries and associates	-	-
Total	147,947	126,633

(*) Amounts of loans that the Bank has given to its subsidiaries and associates have been presented under "Banks" account.

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

e. Information on loans and receivables: (continued)

8. Specific provisions for loans:

	Current period	Prior period
Specific provisions		
Loans and receivables with limited collectability	9,488	34,838
Loans and receivables with doubtful collectability	66,906	55,484
Uncollectible loans and receivables	180,702	161,836
Total	257,096	252,158

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

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

	Group III	Group IV	Group V
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Current period			
(Gross amounts before specific provision)	-	-	-
Restructured loans and other receivables	771	1,589	7,984
Rescheduled loans and other receivables	-	-	-
Prior period			
(Gross amounts before specific provision)	-	-	-
Restructured loans and other receivables	116	-	8,569
Rescheduled loans and other receivables	-	-	-

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

	Group III	Group IV	Group V
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Ending balance of prior period	53,190	68,127	164,022
Additions in the current period (+)	38,142	73,248	5,741
Transfers from other categories of non-performing loans (+)	-	47,124	62,255
Transfers to other categories of non-performing loans (-)	48,303	61,076	-
Collections in the current period (-)	3,449	10,213	19,472
Disposals in the current period (-)	444	105	41
Write offs (-)	-	-	30,042
Corporate and commercial loans	-	-	20,296
Retail loans	-	-	7,151
Credit cards	-	-	2,595
Other	-	-	-
Ending balance of the current period	39,136	117,106	182,462
Specific provisions (-)	9,488	66,906	180,702
Net balance at the balance sheet	29,648	50,200	1,760

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

e. Information on loans and receivables: (continued)

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

(iii). Information on non-performing loans granted as foreign currency: None (31 December 2012 – None).

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

	Group III:	Group IV:	Group V:
	Loans and	Loans and	Uncollectible
	receivables with	receivables with	loans and
	limited	doubtful	loans and
	collectability	collectability	receivables
Current period (Net)	29,648	50,200	(1,761)
Loans granted to real persons and legal entities (Gross)	39,136	117,106	182,463
Specific provision (-)	9,488	66,906	180,702
Loans to real persons and legal entities (Net)	29,648	50,200	(1,761)
Banks (Gross)	-	-	-
Specific provision (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	-	-	-
Specific provision (-)	-	-	-
Other loans and receivables (Net)	-	-	-
Prior period (Net)	18,352	12,643	2,186
Loans to real persons and legal entities (Gross)	53,190	68,127	164,022
Specific provision (-)	34,838	55,484	161,836
Loans to real persons and legal entities (Net)	18,352	12,643	2,186
Banks (Gross)	-	-	-
Specific provision (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	-	-	-
Specific provision (-)	-	-	-
Other loans and receivables (Net)	-	-	-

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

10. Main guidelines for liquidation process of uncollectible loans and other receivables:

Loans and other receivables, which were deemed uncollectible according to the “Principles and Procedures for the Determination of the Quality of Loans and Other Receivables and Reserves to be provided for these Loans” published in the Official Gazette No. 26333 dated 1 November 2006 and for which a full impairment provision has been made, are written-off per the decision of the Bank top management. Within 2013, non-performing loans amounting to TL 30,042 have been written-off (31 December 2012 – TL 28,642).

11. Information on the write-off policy:

The Bank’s write-off policy is to write-off the loan receivables that have been already transferred to legal follow-up and fully provided for and for which there is no possibility of collection through legal process and for which there is no collateral. Such loans are written off as per the decision of the Bank’s top management.

f. Information on held-to-maturity investments:

None (31 December 2012 – None).

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I. Explanations and notes related to assets (continued)

g. Information on investment in associates (Net):

1. The 1.67% ownership of Kredi Garanti Fonu A.Ş. of TL 4,210 (31 December 2012 – TL 4,210), 8.99% ownership of Islamic International Rating Agency of TL 714 (31 December 2012 – TL 714), and 6.99% ownership of Neova Sigorta A.Ş. of TL 3,437 (31 December 2012 – TL 3,332) and TL 181 amount of swift shares (31 December 2012 – TL 181) are classified as financial assets available for sale since the Bank's ownership in these institutions is less than 10% and the Bank does not have a significant influence on these institutions.
2. Information about investments in unconsolidated associates: None (31 December 2012 – None).
3. Information related to consolidated associates: None (31 December 2012 – None).

h. Information on subsidiaries (Net):

1. Although the Bank has control power over the management and capital of its non-financial subsidiaries, these subsidiaries do not confirm to the definition of financial subsidiary in accordance with "Regulation related to the Preparation of Consolidated Financial Statements by Banks" published in the Official Gazette No. 26340 dated 8 November 2006; hence these subsidiaries have not been consolidated. The Bank has reflected its subsidiaries at restated cost less any provision for impairment in its financial statements until 31 December 2004.
2. Information on subsidiaries:

Title	Address (City/ Country)	Bank's share percentage, if different-voting Percentage (%)	Bank's risk group share Percentage (%)
Kuwait Turkish Participation on Bank Dubai Ltd. (*)	Dubai/United Arab Emirates	100%	100%
Körfez Tatil Beldesi Turistik Tesisler ve Devremülk İşletmeciliği San. ve Tic. A.Ş. (**)	Istanbul/Turkey	99.9%	99.9%
Körfez Gayrimenkul Yatırım Ortaklığı A.Ş. (**)(***)	Istanbul/ Turkey	99.9%	99.9%
KT Sukuk Varlık Kiralama A.Ş. (**)	Istanbul/ Turkey	100%	100%

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

Total assets	Equity	Total fixed assets	Profit share income	Income from marketable securities	Current period profit/loss	Prior period profit /loss	Fair value
62,257	58,235	263	6,711	-	1,949	(166)	-
22,197	22,125	3,764	254	-	(27)	50	-
84,799	45,408	60,062	268	-	(3,981)	(1,386)	-
710,933	71	-	1	-	8	1	-

(*) As at 30 June 2013, financial figures for this entity in the table above are based on the financial information prepared in accordance with the local regulations of the country in which this entity operates.

(**) These figures are shown per Turkish Trade Law financial statements as at 30 June 2013.

(***) The previous name of the Company is Körfez Gayrimenkul İnşaat Taahhüt Turizm Sanayi ve Anonim Şirketi. On 29 December 2011 the Company completed its conversion to real estate investment trust company and registered as Körfez Gayrimenkul Yatırım Ortaklığı Anonim Şirketi.

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I. Explanations and notes related to assets (continued)

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

2. Information on subsidiaries: (continued)

Movement for subsidiaries

	Current period	Prior period
Balance at the beginning of the year	75,830	83,620
Movements during the year	-	-
Purchases (*)	32,384	-
Transfers from subsidiaries	-	-
Bonus shares	-	-
Dividends from current year income	-	-
Sales	-	-
Revaluation increase	-	-
(Impairment)/reversal of impairment	10,530	(7,790)
Capital commitment payments	-	-
Balance at the end of the year		
Capital commitments	118,744	75,830
Share percentage at the end of the year (%)	-	-
	-	-

(*) In accordance with decision of the Bank's Board of Directors numbered 1327 and dated 11 February 2013, the capital of Bank's subsidiary, Kuwait Turkish Participation Bank Dubai Ltd., has been increased from USD 12,000,000 (full amount) to USD 30,000,000 (full amount).

Sectoral information on consolidated subsidiaries and the related carrying amounts:

	Current period	Prior period
Banks	50,301	17,917
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	-	-
Finance Companies	-	-
Other Financial Subsidiaries	50	50

Subsidiaries that are quoted on the stock exchange: None (31 December 2012 – None).

3. Information on capital adequacies of major subsidiaries:

The Bank does not have any major subsidiary.

i. Information on joint ventures (business partnerships) (Net): None (31 December 2012– 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	176,338	148,563	92,278	74,930
1 to 4 years	140,886	118,075	123,213	100,109
More than 4 years	12,364	11,028	10,167	8,702
Total	329,588	277,666	225,658	183,741

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

j. Information on finance lease receivables (Net): (continued)

2. Net investments in finance leases:

	Current period	Prior period
Gross receivable from finance leases	329,588	225,658
Unearned finance lease income (-)	(51,922)	(41,917)
Cancelled amounts (-)	-	-
Net receivable from finance leases	277,666	183,741

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 3,537 are included in the non-performing loans (31 December 2012– TL 2,597).

Impairment provision amounting to TL 2,285 (31 December 2012– TL 2,095) for financial lease receivables are included under the specific provision account under loans in the balance sheet.

k. Information on derivative financial assets for hedging purposes:

None (31 December 2012 – None).

l. Information on deferred tax asset:

In accordance with the related regulations deferred tax asset calculated as of 30 June 2013 is TL 41,833 (31 December 2012 – TL 35,058) and deferred tax liability is TL 23,890 (31 December 2012 – TL 14,254).

	Current period	Prior period
Reserve for employee benefits	3,136	5,797
Retirement pay liability	2,517	2,342
Deferred income	19,547	18,442
Impairment provision for subsidiaries, fixed assets and assets held for sale	7,177	2,998
Precious metals valuation difference	8,777	5,243
Other	679	236
Deferred tax asset	41,833	35,058
Financial lease adjustments	(12)	(32)
Difference between carrying value and tax base of tangible assets	(3,105)	(3,206)
Accruals of derivative financial instruments held for trading (net)	(19,147)	(6,207)
Other	(1,626)	(4,809)
Deferred tax liability	(23,890)	(14,254)
Deferred tax asset, (net)	17,943	20,804

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

1. Information on deferred tax asset: (continued)

Table of deferred tax asset movement:

	Current period	Prior period
As of January 1	20,804	32,827
Deferred tax (expense)/income	(5,746)	19,142
Deferred tax accounted under shareholders' equity	2,885	-
Deferred tax asset	17,943	13,685

m. Information on other assets:

As of balance sheet date, the Bank's other assets amount to TL 456,506 (31 December 2012 - TL 285,029). Other assets balance does not exceed 10% of the total assets on the balance sheet excluding off balance sheet commitments.

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SECTION FIVE

II. Explanations and notes related to liabilities

a. Information on funds collected:

1. Information on maturity structure of funds collected:

i. Current period:

	Demand	Up to 1 Month	Up to 3 Months	Up to 6 months	Up to 9 Months	Up to 1 year	1 year and over	Accumulated profit sharing accounts	Total
I. Real persons current accounts-TL	920,090	-	-	-	-	-	-	-	920,090
II. Real persons profit sharing accounts TL	-	1,383,668	2,615,341	473,644	-	175,531	366,967	-	5,015,151
III. Other current accounts-TL	1,054,783	-	-	-	-	-	-	-	1,054,783
Public sector	26,624	-	-	-	-	-	-	-	26,624
Commercial sector	1,006,153	-	-	-	-	-	-	-	1,006,153
Other institutions	16,856	-	-	-	-	-	-	-	16,856
Commercial and other institutions	-	-	-	-	-	-	-	-	-
Banks and participation banks	5,150	-	-	-	-	-	-	-	5,150
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	2,724	-	-	-	-	-	-	-	2,724
Foreign banks	885	-	-	-	-	-	-	-	885
Participation banks	1,541	-	-	-	-	-	-	-	1,541
Others	-	-	-	-	-	-	-	-	-
IV. Profit sharing accounts-TL	-	212,688	564,513	324,195	-	158,331	94,375	-	1,354,102
Public sector	-	1,595	1,550	1,239	-	13,449	-	-	17,833
Commercial sector	-	190,242	484,357	173,677	-	102,914	93,343	-	1,044,533
Other institutions	-	20,851	78,195	47,978	-	683	630	-	148,337
Commercial and other institutions	-	-	392	187	-	115	402	-	1,096
Banks and participation banks	-	-	19	101,114	-	41,170	-	-	142,303
V. Real persons current accounts-FC	443,477	-	-	-	-	-	-	-	443,477
VI. Real persons profit sharing accounts-FC	-	535,091	869,592	225,177	-	137,320	165,534	-	1,932,714
VII. Other current accounts-FC	696,726	-	-	-	-	-	-	-	696,726
Commercial residents in Turkey	492,407	-	-	-	-	-	-	-	492,407
Commercial residents in Abroad	88,689	-	-	-	-	-	-	-	88,689
Banks and participation banks	115,630	-	-	-	-	-	-	-	115,630
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	990	-	-	-	-	-	-	-	990
Foreign banks	113,952	-	-	-	-	-	-	-	113,952
Participation banks	688	-	-	-	-	-	-	-	688
Others	-	-	-	-	-	-	-	-	-
VIII. Profit sharing accounts- FC	-	192,746	756,041	38,168	-	211,321	120,246	-	1,318,522
Public sector	-	-	47	-	-	-	-	-	47
Commercial sector	-	108,996	476,443	33,634	-	211,298	66,096	-	896,467
Other institutions	-	36,998	206,748	1,345	-	23	3,085	-	248,199
Commercial and other institutions	-	2,608	8,511	3,189	-	-	14,208	-	28,516
Banks and participation banks	-	44,144	64,292	-	-	-	36,857	-	145,293
IX. Precious metal funds	726,461	-	1,211,910	55,123	-	43,124	-	-	2,036,618
X. Profit sharing accounts special funds - TL	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
XI. Profit sharing accounts special funds - FC	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
Total	3,841,537	2,324,193	6,017,397	1,116,307	-	725,627	747,122	-	14,772,183

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

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II. Explanations and notes related to liabilities (continued)

a. Information on funds collected: (continued)

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

ii. Prior period

	Demand	Up to 1 month	Up to 3 Months	Up to 6 months	Up to 9 months	Up to 1 year	1 year and over	Accumulated profit sharing accounts	Total
I. Real persons current accounts-TL	641,852	-	-	-	-	-	-	-	641,852
II. Real persons profit sharing accounts-TL	-	884,890	2,709,314	211,319	-	94,914	434,852	-	4,335,289
III. Other current accounts-TL	886,332	-	-	-	-	-	-	-	886,332
Public sector	40,229	-	-	-	-	-	-	-	40,229
Commercial sector	826,742	-	-	-	-	-	-	-	826,742
Other institutions	18,733	-	-	-	-	-	-	-	18,733
Commercial and other institutions	-	-	-	-	-	-	-	-	-
Banks and participation banks	628	-	-	-	-	-	-	-	628
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	-	-	-	-	-	-	-	-	-
Foreign banks	613	-	-	-	-	-	-	-	613
Participation banks	15	-	-	-	-	-	-	-	15
Others	-	-	-	-	-	-	-	-	-
IV. Profit sharing accounts-TL	-	93,992	575,017	23,972	-	137,989	74,085	-	905,055
Public sector	-	66	6,012	2,740	-	2,173	250	-	11,241
Commercial sector	-	87,567	458,101	18,372	-	74,915	72,323	-	711,278
Other institutions	-	6,359	62,923	2,860	-	258	1,512	-	73,912
Commercial and other institutions	-	-	820	-	-	115	-	-	935
Banks and participation banks	-	-	47,161	-	-	60,528	-	-	107,689
V. Real persons current accounts-FC	412,871	-	-	-	-	-	-	-	412,871
VI. Real persons profit sharing accounts-FC	-	403,542	1,082,442	159,296	-	93,875	158,157	-	1,897,312
VII. Other current accounts-FC	631,803	-	-	-	-	-	-	-	631,803
Commercial residents in Turkey	486,891	-	-	-	-	-	-	-	486,891
Commercial residents in Abroad	21,337	-	-	-	-	-	-	-	21,337
Banks and participation banks	123,575	-	-	-	-	-	-	-	123,575
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	-	-	-	-	-	-	-	-	-
Foreign banks	90,622	-	-	-	-	-	-	-	90,622
Participation banks	32,953	-	-	-	-	-	-	-	32,953
Others	-	-	-	-	-	-	-	-	-
VIII. Profit sharing accounts- FC	-	122,929	629,923	17,471	-	7,862	104,251	-	882,436
Public sector	-	-	43	-	-	-	-	-	43
Commercial sector	-	66,262	520,160	12,723	-	7,810	63,922	-	670,877
Other institutions	-	27,136	95,473	916	-	52	3,012	-	126,589
Commercial and other institutions	-	1,718	6,258	2,937	-	-	6,658	-	17,571
Banks and participation banks	-	27,813	7,989	895	-	-	30,659	-	67,356
IX. Precious metal funds	712,098	-	1,351,218	45,890	-	52,887	-	-	2,162,093
X. Profit sharing accounts special funds - TL	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
XI. Profit sharing accounts special funds - FC	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
Total	3,284,956	1,505,353	6,347,914	457,948	-	387,527	771,345	-	12,755,043

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II. Explanations and notes related to liabilities (continued)

a. Information on funds collected: (continued)

2. Information's on current and profit share accounts that are in the scope of Saving Deposit/Saving Deposit Insurance Fund:

i. Current and Participation Accounts Attributable to Real Entities/Persons under the Guarantee of Saving Deposit Insurance Fund Exceeding the Limit of the Deposit Insurance Fund:

	Under the guarantee of saving deposit insurance		Exceeding the limit of saving Deposit	
	Current period	Prior period	Current period	Prior period
Real persons current and profit sharing accounts that are not subject to commercial activities				
TL accounts	3,477,033	2,395,607	4,396,403	2,558,714
FC accounts	2,703,279	1,972,913	1,660,698	2,401,604
Foreign branches' deposits under foreign authorities' insurance	-	-	-	-
Off-shore banking regions' under foreign authorities' insurance	-	-	-	-

Funds collected by Participation Banks (except for foreign branches) through current and profit share accounts which are opened by real persons and denominated in Turkish Lira or foreign currency with a limit of maximum of TL 100 (including both capital and profit shares) for each person is under the guarantee of Saving Deposit Insurance Fund in accordance with the Banking Law No. 5411.

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

The headquarters of the Bank is in Turkey.

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

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

	Current period	Prior period
Foreign branches' profit sharing accounts and other accounts	-	-
Profit sharing accounts and other accounts of controlling shareholders and profit sharing accounts of their mother, father, spouse, children in care	-	-
Profit sharing account and other accounts of President and Members of Board of Directors, CEO and Vice Presidents and profit sharing accounts of their mother, father, spouse and children in care	2,853	2,685
Profit sharing account and other accounts in scope of the property holdings derived from crime defined in article 282 of Turkish Criminal Law No:5237 dated 26 September 2004	-	-
Profit sharing accounts in participation banks which are established in Turkey in order to engage in off-shore banking activities solely	186	169

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II. Explanations and notes related to liabilities (continued)

b. Information on derivative financial liabilities held for trading:

Derivative financial liabilities held for trading:

	Current period		Prior period	
	TL	FC	TL	FC
Forward transactions	16,416	12,878	3,252	1,880
Swap transactions	15,599	57	-	2,261
Futures transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
Total	32,015	12,935	3,252	4,141

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	-	414,705	-	383,651
From Foreign Banks, Institutions and Funds	5,628	2,964,134	5,440	2,523,880
Total	5,628	3,378,839	5,440	2,907,531

2. Information on maturity structure of borrowings:

	Current period		Prior period	
	TL	FC	TL	FC
Short-term	5,628	2,573,411	5,440	2,157,740
Medium and Long-Term	-	805,428	-	749,791
Total	5,628	3,378,839	5,440	2,907,531

The Bank issued USD 100,000,000 Sukuk with a 3 year maturity and 5.25% cost on 24 August 2010.

As explained in Section Three Note XVIII, On 31 October 2011 the Bank issued 5-year rent certificate (sukuk) amounting USD 350 million with a profit share rate of 5.875%. The remaining part of the transferred KT Sukuk Varlık Kiralama A.Ş. USD 350,000,000 out of the sale and leaseback transaction amounting to USD 213,130 thousand is booked in funds borrowed.

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

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

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

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II. Explanations and notes related to liabilities (continued)

d. Information on other liabilities and miscellaneous payables:

As of 30 June 2013, other liabilities amount to TL 482,862 (31 December 2012 - TL 614,255), sundry creditors amount to TL 77,915 (31 December 2012- TL 92,207), both of them do not exceed 10% of the balance sheet total.

e. Information on finance lease payables (net):

The Bank bought some of the information technology equipment through financial lease and the liabilities originated from the agreements are paid in monthly installments to the leasing firms. These agreements do not raise any further liabilities other than already committed payments by the Bank. Furthermore, finance lease payables details of the transaction of issuing certificate of rent (sukuk) is explained under section three and disclosure XVIII, with the permission of BRSA's decision numbered B.02.1.BDK.0.06.00.00-045.01(3/8)-5397 and as of 13 March 2012, it is accounted as sale and leaseback transaction in accordance with TAS 17.

i. Information on the changes in agreements and new obligations originating from these changes: None (31 December 2012 – None).

ii. Information on Financial Lease Obligations

	Current period		Prior period	
	Gross	Net	Gross	Net
Less than 1 year	-	-	-	-
Between 1-4 years	326,247	266,762	-	-
More than 4 years	-	-	301,451	246,481
Total	326,247	266,762	301,451	246,481

iii. Information on Operational Leases:

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

There are no significant commitments regarding the changes at the operational lease agreements. The payments related with operational leases are recognized as expense in the income statement during the period of the agreement in equal installments.

iv. Information on sale and leaseback transactions:

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

f. Information on hedging derivative financial liabilities: None (31 December 2012 – None).

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II. Explanations and notes related to liabilities (continued)

g. Information on provisions:

1. Information on general provisions:

	Current period	Prior Period
General Provisions	174,685	138,118
I.For Loans and Receivables in Group I (Total)	122,272	109,118
Profit Sharing Accounts' Share	39,500	45,477
The Bank's Share	79,668	62,109
Other	-	-
I.Additional Provision for Loans and Receivables with Extended Maturities	3,104	1,532
Profit Sharing Accounts' Share	1,638	1,235
The Bank's Share	1,466	297
Other	-	-
II.Loans and Receivables in Group II (Total)	23,510	10,305
Profit Sharing Accounts' Share	4,253	1,468
The Bank's Share	3,667	237
Other	-	-
II.Additional Provision for Loans and Receivables with Extended Maturities	15,590	8,600
Profit Sharing Accounts' Share	5,561	3,112
The Bank's Share	10,029	5,488
Other	-	-
Provisions for Non Cash Loans	18,033	14,174
Other	10,870	4,521

2. Information on provisions related with foreign currency evaluation difference of foreign currency indexed loans: As of 30 June 2013, effect of decrease in exchange rates on foreign currency indexed loans amounting to TL 1,051 (31 December 2012 – TL 30,174) and TL 7,281 for leasing receivables (31 December 2012 – TL 5,439) is offset against loans and receivables.

3. Information on other provisions:

	Current period	Prior period
General provisions for possible risks	-	-
Provisions for non- liquidated non cash loans (*)	23,473	20,509
Provisions for cheque books (*)	8,625	6,401
Provision for credit cards promotion of banking services	121	-
Provisions from equity/profit sharing accounts	33,475	14,713
Other	2,543	334
Total	68,237	41,957

(*) Effective from 1 March 2011, according to temporary article 2 of "Regulation on Procedures and Principles for Determination of Qualifications of Loans and Other Receivables by Banks and Provisions to be Set Aside", the Bank recognizes provisions for non- liquidated non-cash loans and check books of customers who have any other non-performing exposures within the Bank.

4. Information on provisions for employee benefits:

Provisions for employee benefits consist of reserve for employee termination benefits amounting to TL 12,587 (31 December 2012 – TL 11,710), vacation pay liability amounting to TL 5,993 (31 December 2012 – TL 435), performance premium amounting to TL 9,452 (31 December 2012 – TL 28,000) and retirement bonuses on payment of TL 234 (31 December 2012 – TL 551).

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 3,254 (31 December 2012 – TL 3,129) for each year of service. The liability is not funded, as there is no funding requirement.

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II. Explanations and notes related to liabilities (continued)

g. Information on provisions (continued)

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

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 (%)	2.38	2.38
Inflation rate (%)	5	5
Interest rate (%)	7.5	7.5

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

	Current period	Prior period
Balance at the beginning of the period	11,710	9,193
Provisions recognized during the period	2,154	1,199
Paid during the period	(1,277)	(452)
Balances at the end of the period	12,587	9,940

h. Explanations on tax liability:

1. Explanations on current tax liability:

i. Information on tax provisions: As of 30 June 2013, the Bank has current tax liability after deducting temporary taxes paid during the period from the provision for corporate income tax amounting to TL 22,988.

	Current period	Prior period
Provision for corporate income tax	29,381	50,379
Prepaid taxes	(6,383)	(34,685)
Total (*)	22,998	15,694

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

ii. Information on taxes payable (*):

	Current period	Prior period
Taxation of marketable securities	4,931	6,908
Taxation of immovable property	653	514
Banking Insurance Transaction Tax (BITT)	6,927	6,114
Value added tax payable	513	1,469
Income tax deducted from wages	3,531	3,218
Other	710	733
Total	17,265	18,956

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

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II. Explanations and notes related to liabilities (continued)

h. Explanations on tax liability (continued)

iii. Information on premiums (*):

	Current period	Prior period
Social security premiums-Employee	3,108	1,887
Social security premiums-Employer	3,065	1,865
Unemployment insurance-Employee	223	135
Unemployment insurance-Employer	510	308
Total	6,906	4,195

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

iv. Information on deferred tax liability: None (31 December 2012 - None).

i. Information on payables related to assets held for sale: None (31 December 2012 – None).

j. Information on subordinated loans:

	Current period		Prior period	
	TL	FC	TL	FC
From domestic banks	-	-	-	-
From other domestic institutions	-	-	-	-
From foreign banks	-	390,997	-	361,661
From other foreign institutions	-	-	-	-
Total	-	390,997	-	361,661

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

k. Information on shareholders' equity:

1. Presentation of paid-in capital:

	Current period	Prior period
Common stock	1,700,000	1,100,000
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:

Date of increase	Amount of increase	Cash	Profit reserves subject to increase
24 June 2013	600,000	360,000	240,000

4. Information on share capital increases from capital reserves during the current period: TL 240,000 from internal source has added to capital according to Ordinary General Assembly dated 28 March 2013. (31 December 2012 – None)

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II. Explanations and notes related to liabilities (continued)

k. Information on shareholders' equity (continued)

5. Information on capital commitments, the purpose and the sources until the end of the fiscal year and the subsequent interim period: According to Ordinary General Assembly dated 28 March 2013, cash capital increase will be made two parts. TL 360,000, the first part, was paid as at 24 June 2013. TL 360,000, the second part, will be paid to the shareholders in following 15 months after relating capital increase at 10 June 2013.
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:

	Current period		Prior period	
	TL	FC	TL	FC
From Associates, Subsidiaries and Entities Under Common Control (Joint Vent.)	-	-	-	-
Valuation Difference (*)	5,709	(4,040)	12,137	1,071
Foreign Exchange Difference	-	-	-	-
Total	5,709	(4,040)	12,137	1,071

(*) Valuation difference is calculated taking the tax effect of the rent certifications in the account, which are classified as "Government Debt Securities" and "Other Marketable Securities" under available for sale in the balance sheet.

- l. Information on minority shares:** None (31 December 2012 – None).

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

a. Explanations on off-balance sheet accounts:

1. Type and amount of irrevocable commitments: Commitment for credit card limits, as of 30 June 2013 is TL 354,696 (31 December 2012 – TL 269,062); payment commitments for cheque books are TL 900,356 (31 December 2012 – TL 937,408)
2. Type and amount of probable losses and obligations arising from off-balance sheet items:
 - i. Non-cash loans including guarantees, bank acceptances, collaterals and others that are accepted as financial commitments and other letter of credits:

As of 30 June 2013, the Bank has guarantees and surety ships constituting of TL 6,766,960 (31 December 2012 – TL 5,208,668) letters of guarantee; TL 74,560 (31 December 2012 – TL 65,386) acceptances and TL 1,281,662 (31 December 2012 – TL 991,612) letters of credit.
 - ii. Revocable, irrevocable guarantees and other similar commitments and contingencies : There are no other than those explained in 2.i).

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

a. Explanations on off-balance sheet accounts (continued)

3. Total amount of non-cash loans:

	Current period	Prior period
Non-cash loans given against cash loans	-	-
With original maturity of 1 year or less	-	-
With original maturity of more than 1 year	-	-
Other non-cash loans	8,380,904	6,300,452
Total	8,380,904	6,300,452

IV. Explanations and notes related to the income statement

a. Information on profit share income:

1. Information on profit share received from loans:

	Current period		Prior period	
	TL	FC	TL	
Profit share on loans	603,563	32,406	578,863	26,186
Short term loans	183,502	4,038	200,723	4,391
Medium and long term loans	417,951	28,368	376,678	21,795
Profit share on non-performing loans	2,110	-	1,462	-
Premiums received from resource utilization support fund	-	-	-	-

2. Information on profit share received from banks:

	Current period		Prior period	
	TL	FC	TL	FC
The Central Bank of the Republic of Turkey	-	-	-	-
Domestic Banks	-	-	-	-
Foreign Banks	1,578	1,956	3,800	844
Branches and head office abroad	-	-	-	-
Total	1,578	1,956	3,800	844

i. Information on profit share income from securities portfolio:

The Bank has received TL 23,210 profit share income from rent certificates (sukuk) which is given the details in available for sale financial assets information. (30 June 2012: None).

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

	Current period	Prior period
Profit share income received from associates and subsidiaries	245	41

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

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	188	33,310	-	29,586
The Central Bank of the Republic of Turkey	-	-	-	-
Domestic banks	-	-	-	-
Foreign banks	188	33,310	-	29,586
Branches and head office abroad	-	-	-	-
Other Institutions	-	31,681	-	23,791
Total	188	64,991	-	53,377

ii. Profit share expense given to associates and subsidiaries:

	Current period	Prior period
Profit share expenses given to associates and subsidiaries	35,213	11,624

iii. Profit share expense paid to securities issued: None (30 June 2012: None).

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

Current period	Profit Sharing Accounts						Accumulated profit sharing accounts	Total
	Up to 1 month	Up to 3 month	Up to 6 month	Up to 9 month	Up to 1 year	Above 1 year		
TL								
Collected funds from banks through current and profit share accounts	-	584	1,160	-	2,770	-	-	4,514
Real person's non-trading profit sharing account	34,088	76,711	8,910	-	4,357	13,412	-	137,478
Public sector profit sharing account	51	84	15	-	330	7	-	487
Commercial sector profit sharing account	3,935	14,020	2,266	-	1,823	1,122	-	23,166
Other institutions profit sharing account	414	3,106	452	-	10	37	-	4,019
Total	38,488	94,505	12,803	-	9,290	14,578	-	169,664
FC								
Banks	338	256	4	-	-	577	-	1,175
Real person's non-trading profit sharing account	6,099	12,198	2,509	-	1,542	2,372	-	24,720
Public sector profit sharing account	-	1	-	-	-	-	-	1
Commercial sector profit sharing account	1,214	6,191	269	-	2,061	366	-	10,101
Other institutions profit sharing account	462	2,139	63	-	1	46	-	2,711
Precious metal accounts	-	6,132	206	-	171	-	-	6,509
Total	8,113	26,917	3,051	-	3,775	3,361	-	45,217
Grand Total	46,601	121,422	15,854	-	13,065	17,939	-	214,881

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

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

Account name	Profit Sharing Accounts						Accumulated profit sharing accounts	Total
	Prior period	Up to 1 month	Up to 3 month	Up to 6 month	Up to 9 month	Up to 1 year		
TL								
Collected funds from banks through current and profit share accounts	-	-	-	-	-	-	-	-
Real person's non-trading profit sharing account	36,403	76,484	5,375	-	3,835	30,573	-	152,670
Public sector profit sharing account	1	1	53	-	331	13	-	399
Commercial sector profit sharing account	3,120	12,892	1,694	-	599	3,558	-	21,863
Other institutions profit sharing account	284	1,479	37	-	10	107	-	1,917
Total	39,808	90,856	7,159	-	4,775	34,251	-	176,849
FC								
Banks	-	117	-	-	-	-	-	117
Real person's non-trading profit sharing account	7,083	12,859	1,503	-	1,495	3,613	-	26,553
Public sector profit sharing account	-	-	-	-	-	-	-	-
Commercial sector profit sharing account	641	7,758	1,155	-	92	1,116	-	10,762
Other institutions profit sharing account	359	494	326	-	1	193	-	1,373
Precious metal accounts	-	5,573	134	-	302	-	-	6,009
Total	8,083	26,801	3,118	-	1,890	4,922	-	44,814
Grand Total	47,891	117,657	10,277	-	6,665	39,173	-	221,663

c. Information on dividend income: None (30 June 2012: None).

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

	Current period	Prior period
Income	7,355,787	4,765,481
Gain on capital market transactions	132	654
Gain on derivative financial instruments	192,282	60,731
Foreign exchange gains	7,163,373	4,704,096
Losses (-)	7,278,049	4,712,690
Losses on capital market transactions	1,621	1,321
Losses on derivative financial instruments	187,658	52,156
Foreign exchange losses	7,088,770	4,659,213

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

e. Information on other operating income:

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

	Current period	Prior period
Reversal of prior period provisions	56,154	34,367
Income from sale of assets	10,347	14,005
Income from the real estate sales' gains by rent certificates	12,716	-
Expertise fees	6,193	3,822
Income from EFT and money transfers	4,566	3,448
Income from checkbooks	1,625	1,871
Income from bounced check provisions	1,399	1,265
Income from check provisions	1,050	873
Lease income	774	747
Other Income	5,041	3,164
Total	99,865	63,562

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

	Current period	Prior period
Specific provisions for loans and other receivables	84,859	62,856
III. group loans and receivables	13,811	6,255
IV. group loans and receivables	52,295	39,635
V. group loans and receivables	18,753	16,966
Doubtful commissions, fees and other receivables	-	-
General provision expenses	36,567	25,072
Provision expenses for possible losses	-	-
Impairment provision of marketable securities	2,419	293
Financial Assets at fair value through profit and loss	2,419	293
Investment securities available for sale	-	-
Impairment provision of associates, subsidiaries, joint ventures and held to maturity investments	-	7,790
Associates	-	-
Subsidiaries	-	7,790
Joint ventures	-	-
Held to maturity investments	-	-
Other	17,118	4,222
Total	140,963	100,233

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

g. Information on other operating expenses:

	Current period	Prior period
Personnel expenses	157,756	117,042
Provision for retirement pay liability	846	1,521
Depreciation expenses of fixed assets	14,148	12,801
Impairment expenses of tangible assets	12,716	-
Depreciation expenses of intangible assets	5,589	2,764
Depreciation expenses of assets held for sale	226	359
Other operating expenses	65,228	48,676
Rent expenses	27,428	20,221
Maintenance expenses	4,845	6,499
Advertisement expenses	5,581	8,876
Communication expenses	6,194	4,991
Heating, electricity and water expenses	3,001	2,650
Cleaning expenses	926	927
Vehicle expenses	1,837	1,438
Stationery expenses	1,409	1,385
Other expenses	14,007	1,689
Losses on sales of assets	142	219
Deposit insurance fund expenses	15,305	9,693
Other	23,330	25,845
Total	295,286	218,920

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

Income before tax amounts to TL 180,888 decreased by 3.57% as compared to the prior period (30 June 2012 – TL 174,657). Income before tax includes TL 396,499 TL (30 June 2012 – TL 340,781) net profit share income and TL 43,035 (30 June 2012 – TL 36,676) net fees and commission income. Other operating expense amount is TL TL 295,286 (30 June 2012 – TL 218,920).

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

At current period, deferred tax expense of the Bank is TL 5,746 (30 June 2012 – TL 17,134 deferred tax expense) and current tax provision expense is TL 29,381 (30 June 2012 – 17,908).

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

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

k. Information on net income/loss:

a. The nature and amount of certain income and expense items from ordinary operations is disclosed if the disclosure for nature, amount and repetition rate of such items is required for a complete understanding of the Bank's performance for the period: As of 30 June 2013, net profit share income is TL 396,499 (30 June 2012 – TL 340,781), net fees and commission income is TL 43,035 (30 June 2012 – TL 36,676).

b. Effect of changes in accounting estimates on income statement for the current and, if any for subsequent periods: None (30 June 2012 – None).

c. Profit/Loss attributable to minority interest: None (30 June 2012 – None).

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

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

As of 30 June 2013, other fees and commissions received is TL 44,521 (30 June 2012 – TL 34,616), TL 5,500 of this amount is related with credit card fees and commissions (30 June 2012 – TL 6,375) and TL 11,518 of this amount is related with POS machine commissions (30 June 2012 – TL 10,820).

As of 30 June 2013, other fees and commissions given is TL 34,683 (30 June 2012 – TL 27,397), TL 12,409 (30 June 2012 – TL 13,242) of this amount is related with POS clearing commissions and installation expenses, TL 2,324 (30 June 2012 – TL 2,647) of this amount is related with fees and commissions paid for credit cards.

V. Explanations and notes related to cash flow statement

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

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

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

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

	Current period	Prior period
Cash	1,831,067	1,356,263
Cash in TL/foreign currency, others	304,080	170,827
Demand deposits at banks	1,526,987	1,185,436
Cash equivalents	-	-
Interbank money markets	-	-
Time deposits at banks	-	-
Marketable securities	-	-
Total cash and cash equivalents	1,831,067	1,356,263

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

	Current period	Prior period
Cash	1,614,185	2,704,317
Cash in TL/foreign currency, others	279,014	216,628
Demand deposits at banks	1,335,171	2,487,689
Cash equivalents	-	-
Interbank money markets	-	-
Time deposits at banks	-	-
Marketable securities	-	-
Total cash and cash equivalents	1,614,185	2,704,317

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

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FOR THE PERIOD ENDED 30 JUNE 2013

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

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

c. Effects of the change in foreign currency rates on cash and cash equivalents:

Effect of the changes in foreign currency rates on cash and cash equivalents has been calculated approximately TL 5,270 as of 30 June 2013 (30 June 2012 – TL 16,500).

VI. Explanations and notes related to risk group of the Bank

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

1. Current period:

Risk group of the Bank (*)	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the Bank		Other real or legal persons included in the risk group	
	Cash	Non-Cash	Cash	Cash	Cash	Non-Cash
Loans and other receivables	-	-	-	-	-	-
Balance at beginning of period	126,633	30	1,146	544	84,273	28,589
Balance at end of period	147,947	40,144	449	492	97,158	127,670
Profit share and commission income	245	-	29	-	3,904	-

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

Within the amounts above, the Bank has TL 147,947 in its associates, subsidiaries and joint ventures (31 December 2012: TL 126,633), in its direct and indirect shareholders TL 0 (31 December 2012: None), TL 20,468 samount of "Foreign Banks" in other real or legal persons included in the risk group (31 December 2012: TL 640).

1. 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	1,907	30	147	298	87,387	2,919
Balance at end of period	126,633	30	1,146	544	84,273	28,589
Profit share and commission income	41	-	37	-	1,814	-

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

2. (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	78,331	29,949	21,047	22,759	107,600	95,340
Balance at the end of period	126,503	78,331	26,162	21,047	149,810	107,600
Profit share expense	1,535	877	612	587	34,189	159

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

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

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

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

2 (ii). Forward and option agreements and other similar agreements with the risk group of the Bank: None.

3. Information on loans received from the Bank's risk group:

Risk group of the Bank	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the Bank		Other real or legal persons included in the risk group	
	Current period	Prior period	Current period	Prior period	Current period	Prior period
Fund Borrowed						
Balance at beginning of period	383,651	410,294	1,919,506	953,854	271,130	436,600
Balance at end of period	414,705	383,651	2,072,286	1,919,506	332,463	271,130
Profit share expense	33,678	10,747	55,324	23,462	24,026	6,870

b. Information on remunerations provided to top management:

As of 30 June 2013, the Bank has paid TL 7,798 to top management (30 June 2012 - TL 6,146).

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

None.

SECTION SIX

OTHER EXPLANATIONS AND DISCLOSURES

I. Other matters which must be explained in terms of explicitly, interpretability and understandability of the balance sheet: None.

SECTION SEVEN

INDEPENDENT LIMITED REVIEW REPORT

I- Explanations on the limited review report:

The unconsolidated financial statements as of and for the six months period then ended 30 June 2013 have been reviewed by DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (Member of Deloitte Touche Tohmatsu Limited) and the independent auditors' limited review report dated 2 August 2013 is presented preceding the financial statements.

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