

**KUVEYT TÜRK KATILIM BANKASI
ANONİM ŐİRKETİ AND ITS FINANCIAL SUBSIDIARIES**

**INDEPENDENT AUDITOR'S
REPORT, CONSOLIDATED FINANCIAL
STATEMENTS AND NOTES
FOR THE YEAR ENDED
31 DECEMBER 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
AND ITS FINANCIAL SUBSIDIARES**

**INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR 1 JANUARY 2013 – 31 DECEMBER 2013**

We have audited the accompanying consolidated balance sheet of Kuveyt Turk Katılım Bankası A.Ş. (the "Bank") and its financial subsidiaries (the "Group") as of 31 December 2013, and the related consolidated statements of income, cash flows and changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

The Board of Directors of the Bank is responsible for the preparation and fair presentation of the financial statements in accordance with the regulation on "Procedures and Principles Regarding Banks' Accounting Practices and Maintaining Documents" published in the Official Gazette dated 1 November 2006 and numbered 26333 and Turkish Accounting Standards ("TAS"), Turkish Financial Reporting Standards ("TFRS") and other regulations, circulars, communiqués and pronouncements in respect of accounting and financial reporting made by Banking Regulation and Supervision Agency ("BRSA"). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the regulation on "Licensing and Operations of Audit Firms in Banking" published in the Official Gazette no: 26333 on 1 November 2006 and the International Standards on Auditing. We planned and performed our audit to obtain reasonable assurance whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the consideration of the effectiveness of internal control and appropriateness of accounting policies applied relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditor's Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2012 and the results of its operations and its cash flows for the year then ended in accordance with the prevailing accounting principles and standards set out as per the Article 37 and 38 of the Banking Act No: 5411, and other regulations, communiqués and circulars in respect of accounting and financial reporting and pronouncements made by BRSA.

İstanbul, 3 March 2014

DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.
Member of **DELOITTE TOUCHE TOHMATSU LIMITED**

Müjde Şehsuvaroğlu
Partner

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THE CONSOLIDATED FINANCIAL REPORT OF KUVEYT TÜRK KATILIM BANKASI A.Ş.
AS OF DECEMBER 31, 2013

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

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

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

	Subsidiaries	Associates	Jointly Controlled Entities
1.	Kuwait Turkish Participation Bank Dubai Ltd		Katılım Emeklilik ve Hayat A.Ş.
2.	KT Sukuk Varlık Kiralama A.Ş.		
3.	KT Kira Sertifikaları Varlık Kiralama A.Ş.		

The accompanying consolidated 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.

Mohammad S.A.I. ALOMAR	Adnan ERTEM	Shaheen H. A. ALGHANEEM	Mohammed Shujauddin AHMED	Ufuk UYAN	Ahmet KARACA	İsmail Hakkı YEŞİLYURT
Chairman of the Board of Directors	Head of the Audit Committee	Member of the Audit Committee	Member of the Audit Committee	Chief Executive Officer	Chief Financial Officer	External Reporting Manager

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

Name-Surname: İsmail Hakkı YEŞİLYURT
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KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ

NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 2013

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

SECTION ONE

GENERAL INFORMATION

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

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

The Bank’s subsidiary, which has 100% share, Kuveyt Turkish Participation Bank Dubai Ltd. established at November, 2009. Main field of operations based on law, includes 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, consulting services, assets management, investment intermediary, investment activities.

The Parent Bank and consolidated Kuveyt Turkish Participation Bank Dubai Ltd. are named as “Group” together.

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

As of 31 December 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	0.0029%
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 CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 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	385,617	18.72%	318,227	67,390
Total	1,667,787	80.96%	1,376,328	291,459

As of 31 December 2013, the shares of parent shareholder of the Parent 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. Summary information of the Bank’s services and field of operations

The Parent Bank’s field of operations includes corporate banking, international banking services, and retail banking and credit card services. The Parent Bank’s core business is 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 31 December 2013, the Group is operating through 268 domestic branches (31 December 2012 – 221) with 4,651 employees (31 December 2012 – 3,947). Summary of some of the Parent Bank’s operations described in the Articles of Association are as follows;

- To collect funds through Current Accounts and Profit/Loss Sharing Accounts and special fund pools in line with the regulations,
- To allocate funds to the economy and provide all kinds of cash, non-cash loans within the principles of non-interest banking,
- To offer financial and operational leasing,
- To handle all kinds of deposits and payments, 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 Bank in line with the legislations.

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

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

None.

SECTION TWO

THE CONSOLIDATED FINANCIAL STATEMENTS

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2013
(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

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

		Audited Current Period 31.12.2013			Audited Prior Period 31.12.2012			
	Note	TL	FC	Total	TL	FC	Total	
I.	CASH AND BALANCES WITH THE CENTRAL BANK	(I-a)	398,486	3,915,124	4,313,610	349,343	3,638,240	3,987,583
II.	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (Net)	(I-b)	99,320	15,472	114,792	25,162	23,456	48,618
2.1	Held for trading financial assets		99,320	15,472	114,792	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		92,304	15,472	107,776	15,435	23,456	38,891
2.1.4	Other marketable securities		7,016	-	7,016	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)	31,267	2,443,070	2,474,337	62,663	834,286	896,949
IV.	MONEY MARKET PLACEMENTS		-	-	-	-	-	-
V.	FINANCIAL ASSETS AVAILABLE FOR SALE (Net)	(I-e)	1,104,437	219,260	1,323,697	413,421	136,075	549,496
5.1	Equity securities		8,872	42,686	51,558	8,437	-	8,437
5.2	Public sector debt securities		1,092,138	176,574	1,268,712	404,984	136,075	541,059
5.3	Other marketable securities		3,427	-	3,427	-	-	-
VI.	LOANS AND RECEIVABLES	(I-f)	14,803,658	1,496,568	16,300,226	10,949,545	1,454,169	12,403,714
6.1	Loans and receivables		14,758,165	1,496,568	16,254,733	10,916,364	1,454,169	12,370,533
6.1.1	Loans to risk group of the Bank		30,320	88,231	118,551	143,641	48,980	192,621
6.1.2	Public sector debt securities		-	-	-	-	-	-
6.1.3	Other		14,727,845	1,408,337	16,136,182	10,772,723	1,405,189	12,177,912
6.2	Non-performing loans		381,676	-	381,676	285,339	-	285,339
6.3	Specific provisions (-)		336,183	-	336,183	252,158	-	252,158
VII.	HELD TO MATURITY INVESTMENTS (Net)	(I-g)	-	-	-	-	-	-
VIII.	INVESTMENTS IN ASSOCIATES (Net)	(I-h)	-	-	-	-	-	-
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-i)	72,853	-	72,853	57,863	-	57,863
9.1	Unconsolidated financial subsidiaries		-	-	-	-	-	-
9.2	Unconsolidated non-financial subsidiaries		72,853	-	72,853	57,863	-	57,863
X.	ENTITIES UNDER COMMON CONTROL (JOINT VENT.) (Net)	(I-j)	5,064	-	5,064	-	-	-
10.1	Accounted for under equity method		5,064	-	5,064	-	-	-
10.2	Unconsolidated		-	-	-	-	-	-
10.2.1	Financial subsidiaries		-	-	-	-	-	-
10.2.2	Non-financial subsidiaries		-	-	-	-	-	-
XI.	FINANCE LEASE RECEIVABLES	(I-k)	379,139	29,293	408,432	183,741	-	183,741
11.1	Finance lease receivables		445,575	29,293	474,868	225,658	-	225,658
11.2	Operating lease receivables		-	-	-	-	-	-
11.3	Other		-	-	-	-	-	-
11.4	Unearned income (-)		66,436	-	66,436	41,917	-	41,917
XII.	DERIVATIVE FINANCIAL ASSETS FOR HEDGING PURPOSES	(I-l)	-	-	-	-	-	-
12.1	Fair value hedge		-	-	-	-	-	-
12.2	Cash flow hedge		-	-	-	-	-	-
12.3	Hedge of net investment risks in foreign operations		-	-	-	-	-	-
XIII.	TANGIBLE ASSETS (Net)	(I-m)	335,141	627	335,768	238,007	723	238,730
XIV.	INTANGIBLE ASSETS (Net)	(I-n)	55,658	40	55,698	43,652	-	43,652
14.1	Goodwill		-	-	-	-	-	-
14.2	Other		55,658	40	55,698	43,652	-	43,652
XV.	INVESTMENT PROPERTIES (Net)	(I-o)	-	-	-	-	-	-
XVI.	TAX ASSET	(I-p)	30,953	-	30,953	20,804	-	20,804
16.1	Current tax asset		-	-	-	-	-	-
16.2	Deferred tax asset		30,953	-	30,953	20,804	-	20,804
XVII.	ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)	(I-r)	28,999	-	28,999	30,004	-	30,004
17.1	Held for sale		28,999	-	28,999	30,004	-	30,004
17.2	Discontinued operations		-	-	-	-	-	-
XVIII.	OTHER ASSETS	(I-s)	251,905	63,218	315,123	267,649	18,479	286,128
TOTAL ASSETS			17,596,880	8,182,672	25,779,552	12,641,854	6,105,428	18,747,282

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2013

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

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

	Note	Audited Current period 31.12.2013			Audited Prior Period 31.12.2012		
		TL	FC	Total	TL	FC	Total
I. FUND COLLECTED	(II-a)	9,326,931	7,699,638	17,026,569	6,768,470	5,983,687	12,752,157
1.1 Funds from risk group of the Bank		128,838	242,479	371,317	44,424	159,668	204,092
1.2 Other		9,198,093	7,457,159	16,655,252	6,724,046	5,824,019	12,548,065
II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	(II-b)	43,664	15,284	58,948	3,252	4,141	7,393
III. FUNDS BORROWED	(II-c)	5,793	4,034,732	4,040,525	5,440	2,342,370	2,347,810
IV. MONEY MARKET BALANCES		221,428	-	221,428	-	-	-
MARKETABLE SECURITIES ISSUED (Net)		151,562	754,332	905,894	-	811,539	811,539
VI. SUNDRY CREDITORS	(II-d)	110,397	12,109	122,506	75,982	16,474	92,456
VII. OTHER LIABILITIES	(II-d)	290,282	24,398	314,680	382,292	68,549	450,841
VIII. FINANCE LEASE PAYABLES	(II-e)	-	1,828	1,828	-	102	102
8.1 Finance lease payables		-	1,878	1,878	-	103	103
8.2 Operating lease payables		-	-	-	-	-	-
8.3 Other		-	-	-	-	-	-
8.4 Deferred finance lease expenses (-)		-	50	50	-	1	1
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)	241,124	69,190	310,314	181,942	38,925	220,867
10.1 General loan loss provisions		142,814	31,437	174,251	116,390	21,728	138,118
10.2 Restructuring provisions		-	-	-	-	-	-
10.3 Reserve for employee benefits		66,362	703	67,065	40,308	484	40,792
10.4 Insurance technical reserves (net)		-	-	-	-	-	-
10.5 Other provisions		31,948	37,050	68,998	25,244	16,713	41,957
XI. TAX LIABILITY	(II-h)	20,096	-	20,096	15,694	-	15,694
11.1 Current tax liability		20,096	-	20,096	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)	-	433,080	433,080	-	361,661	361,661
XIV. SHAREHOLDERS' EQUITY	(II-k)	2,320,631	3,053	2,323,684	1,683,760	3,002	1,686,762
14.1 Paid-in capital		1,700,000	-	1,700,000	1,100,000	-	1,100,000
14.2 Capital reserves		17,712	(4,713)	12,999	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		6,738	(4,713)	2,025	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		(12,276)	-	(12,276)	-	-	-
14.3 Profit reserves		303,422	-	303,422	300,809	-	300,809
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		39,226	-	39,226	8,125	-	8,125
14.4 Profit or loss		299,497	7,766	307,263	247,564	1,931	249,495
14.4.1 Prior period income/(losses)		(2,591)	1,931	(660)	(2,604)	166	(2,438)
14.4.2 Current period income/(losses)		302,088	5,835	307,923	250,168	1,765	251,933
14.5 Minority shares	(II-l)	-	-	-	-	-	-
TOTAL LIABILITIES AND EQUITY		12,731,908	13,047,644	25,779,552	9,116,832	9,630,450	18,747,282

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
STATEMENT OF CONSOLIDATED OFF-BALANCE SHEET COMMITMENTS AND
CONTINGENCIES AS OF 31 DECEMBER 2012

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

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

	Note	Audited Current period 31.12.2013			Audited Prior period 31.12.2012		
		TL	FC	Total	TL	FC	Total
A. OFF BALANCE SHEET CONTINGENCIES AND COMMITMENTS (I+II+III)		31,894,094	10,745,004	42,639,098	24,820,146	7,131,112	31,951,258
I. GUARANTEES (III-a)		4,093,800	4,578,547	8,672,347	3,438,273	2,862,179	6,300,452
1.1 Letters of guarantees		4,075,558	3,051,522	7,127,080	3,437,473	1,771,195	5,208,668
1.1.1 Guarantees subject to state tender law		174,507	2,154	176,661	147,127	4,833	151,960
1.1.2 Guarantees given for foreign trade operations		179,860	33,000	212,860	131,129	1,541	132,670
1.1.3 Other letters of guarantee		3,721,191	3,016,368	6,737,559	3,159,217	1,764,821	4,924,038
1.2 Bank loans		1,096	56,491	57,587	-	65,386	65,386
1.2.1 Import letter of acceptances		1,096	56,491	57,587	-	65,386	65,386
1.2.2 Other bank acceptances		-	-	-	-	-	-
1.3 Letter of credits		627	1,216,650	1,217,277	800	990,812	991,612
1.3.1 Documentary letter of credits		227	526,708	526,935	-	378,803	378,803
1.3.2 Other letter of credits		400	689,942	690,342	800	612,009	612,809
1.4 Pre-financing given as guarantee		-	17,321	17,321	-	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		16,519	236,563	253,082	-	25,580	25,580
1.7 Other collaterals		-	-	-	-	-	-
II. COMMITMENTS (III-a)		23,651,192	794,002	24,445,194	19,945,034	263,544	20,208,578
2.1 Irrevocable commitments		1,617,579	794,002	2,411,581	1,342,727	263,544	1,606,271
2.1.1 Forward asset purchase commitments		302,327	794,002	1,096,329	82,664	263,544	346,208
2.1.2 Share capital commitment to associates and subsidiaries		-	-	-	-	-	-
2.1.3 Loan granting commitments		41,181	-	41,181	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		824,093	-	824,093	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		449,872	-	449,872	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		22,033,613	-	22,033,613	18,602,307	-	18,602,307
2.2.1 Revocable loan granting commitments		22,033,613	-	22,033,613	18,602,307	-	18,602,307
2.2.2 Other revocable commitments		-	-	-	-	-	-
III. DERIVATIVE FINANCIAL INSTRUMENTS		4,149,102	5,372,455	9,521,557	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		4,149,102	5,372,455	9,521,557	1,436,839	4,005,389	5,442,228
3.2.1 Forward foreign currency buy/sell transactions		4,139,512	5,208,626	9,348,138	1,403,598	3,400,140	4,803,738
3.2.1.1 Forward foreign currency transactions-buy		2,324,327	2,340,715	4,665,042	870,607	1,725,885	2,596,492
3.2.1.2 Forward foreign currency transactions-sell		1,815,185	2,867,911	4,683,096	532,991	1,674,255	2,207,246
3.2.2 Other forward buy/sell transactions		9,590	163,829	173,419	33,241	605,249	638,490
3.3 Other		-	-	-	-	-	-
B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)		87,086,723	68,887,686	155,974,409	50,807,912	59,481,049	110,288,961
IV. ITEMS HELD IN CUSTODY		3,785,834	673,347	4,459,181	2,708,303	426,985	3,135,288
4.1 Assets under management		-	-	-	-	-	-
4.2 Investment securities held in custody		44,848	-	44,848	37,442	-	37,442
4.3 Checks received for collection		3,279,385	400,775	3,680,160	2,418,872	258,671	2,677,543
4.4 Commercial notes received for collection		461,601	91,583	553,184	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		-	180,989	180,989	-	133,929	133,929
V. PLEDGED ITEMS		83,289,213	68,188,947	151,478,160	48,087,933	59,032,926	107,120,859
5.1 Marketable securities		204,398	30,619	235,017	62,529	17,380	79,909
5.2 Guarantee notes		102,015	865,325	967,340	102,015	722,312	824,327
5.3 Commodity		2,539,780	224,442	2,764,222	2,291,547	97,293	2,388,840
5.4 Warranty		-	-	-	-	-	-
5.5 Properties		38,528,360	644,430	39,172,790	27,022,226	588,817	27,611,043
5.6 Other pledged items		41,914,660	66,424,131	108,338,791	18,609,616	57,607,124	76,216,740
5.7 Pledged items-depository		-	-	-	-	-	-
VI. ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES		11,676	25,392	37,068	11,676	21,138	32,814
TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)		118,980,817	79,632,690	198,613,507	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
CONSOLIDATED INCOME STATEMENT FOR THE PERIOD ENDED
31 DECEMBER 2013

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

III. CONSOLIDATED INCOME STATEMENT (STATEMENT OF INCOME / LOSS)

			Current Period Audited 01.01 – 31.12.2013	Prior Period Audited 01.01- 31.12.2012
		Note		
I.	PROFIT SHARE INCOME	(IV-a)	1,450,218	1,300,882
1.1	Profit share on loans		1,333,523	1,249,695
1.2	Profit share on reserve deposits		-	-
1.3	Profit share on banks		10,116	12,732
1.4	Profit share on money market placements		-	-
1.5	Profit share on marketable securities portfolio		60,880	8,037
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		60,880	8,037
1.5.4	Investments held-to-maturity		-	-
1.6	Finance lease income		24,139	12,113
1.7	Other profit share income		21,560	18,305
II.	PROFIT SHARE EXPENSE	(IV-b)	610,736	599,177
2.1	Expense on profit sharing accounts	(IV-d)	447,306	466,274
2.2	Profit share expense on funds borrowed		111,335	93,557
2.3	Profit share expense on money market borrowings		10,356	-
2.4	Expense on securities issued		41,739	39,346
2.5	Other profit share expense		-	-
III.	NET PROFIT SHARE INCOME (I - II)		839,482	701,705
IV.	NET FEES AND COMMISSIONS INCOME/EXPENSE		85,708	75,234
4.1	Fees and commissions received		162,895	131,345
4.1.1	Non-cash loans		70,977	60,531
4.1.2	Other	(IV-l)	91,918	70,814
4.2	Fees and commissions paid		77,187	56,111
4.2.1	Non-cash loans		197	122
4.2.2	Other	(IV-l)	76,990	55,989
V.	DIVIDEND INCOME	(IV-c)	-	-
VI.	NET TRADING INCOME	(IV-e)	172,251	103,645
6.1	Capital market transaction gains / (losses)		(1,647)	(284)
6.2	Gains/ (losses) from derivative financial instruments		40,847	21,403
6.3	Foreign exchange gains / (losses)		133,051	82,526
VII.	OTHER OPERATING INCOME	(IV-f)	140,468	112,585
VIII.	NET OPERATING INCOME (III+IV+V+VI+VII)		1,237,909	993,169
IX.	PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)	(IV-g)	244,853	198,078
X.	OTHER OPERATING EXPENSES (-)	(IV-h)	615,830	484,058
XI.	NET OPERATING INCOME/(LOSS) (VIII-IX-X)		377,226	311,033
XII.	AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER		-	-
XIII.	GAIN / (LOSS) ON EQUITY METHOD		(436)	-
XIV.	GAIN / (LOSS) ON NET MONETARY POSITION		-	-
XV.	PROFIT/(LOSS) FROM CONTINUED OPERATIONS BEFORE TAXES (XI+...+XIV)	(IV-i)	376,790	311,033
XVI.	TAX CHARGE FOR CONTINUED OPERATIONS (±)	(IV-j)	(68,867)	(59,100)
16.1	Current income tax charge		(73,152)	(50,379)
16.2	Deferred tax charge / benefit		4,285	(8,721)
XVII.	NET PROFIT/(LOSS) FROM CONTINUED OPERATIONS (XV±XVI)	(IV-k)	307,923	251,933
XVIII.	INCOME ON DISCONTINUED OPERATIONS	(IV-i)	-	-
18.1	Income on assets held for sale		-	-
	Income on sale of associates, subsidiaries and jointly controlled entities (joint vent.)		-	-
18.2	Income on other discontinued operations		-	-
18.3	Income on other discontinued operations		-	-
XIX.	LOSS FROM DISCONTINUED OPERATIONS (-)		-	-
19.1	Loss from assets held for sale		-	-
	Loss on sale of associates, subsidiaries and jointly controlled entities (joint vent.)		-	-
19.2	Loss from other discontinued operations		-	-
19.3	Loss from other discontinued operations		-	-
XX.	PROFIT / (LOSS) ON DISCONTINUED OPERATIONS BEFORE TAXES (XVIII-XIX)	(IV-i)	-	-
XXI.	TAXES (XVIII-XIX)		-	-
XXII.	TAX CHARGE FOR DISCONTINUED OPERATIONS (±)	(IV-j)	-	-
21.1	Current income tax charge		-	-
21.2	Deferred tax charge / benefit		-	-
XXIII.	NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XX±XXI)	(IV-k)	-	-
XXIV.	NET PROFIT/LOSS (XVII+XXII)	(IV-l)	307,923	251,933
23.1	Group's income/loss		307,923	251,933
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 CONSOLIDATED PROFIT AND LOSS ACCOUNTED FOR UNDER
EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2013

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

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

	Audited Current Period 01.01-31.12.2013	Audited Prior Period 01.01-31.12.2012
I. Additions to marketable securities revaluation differences from available for sale financial assets	(13,978)	16,510
II. Tangible assets revaluation differences	-	-
III. Intangible assets revaluation differences	-	-
IV. Currency translation differences for foreign currency transactions	11,329	(1,503)
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	(15,345)	-
IX. Deferred tax on valuation differences	5,864	(3,302)
X. Total net profit/loss accounted under equity (I+II+...+IX)	(12,130)	11,705
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)	(12,130)	11,705

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ

STATEMENT OF CONSOLIDATED CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2013

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

V. CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Audited	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	angible 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 (01.01-31.12.2013)																			
I.	Beginning balance	1,100,000	-	23,250	-	46,405	-	246,279	8,125	-	249,495	13,208	-	-	-	-	1,686,762	-	1,686,762
II.	Increase/decrease related to merger	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	Marketable securities revaluation differences	-	-	-	-	-	-	-	-	-	-	(11,183)	-	-	-	-	(11,183)	-	(11,183)
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	-	-	-	-	-	-	-	11,329	-	-	-	-	-	-	-	11,329	-	11,329
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	(II-k) 600,000	-	-	-	-	-	(188,491)	(1,509)	-	(50,000)	-	-	-	-	-	360,000	-	360,000
12.1	Cash	360,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	360,000	-	360,000
12.2	Internal sources	(II-k) 240,000	-	-	-	-	-	(188,491)	(1,509)	-	(50,000)	-	-	-	-	-	-	-	-
XIII.	Share issue premium	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV.	Share cancellation profits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV.	Inflation adjustment to paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.	Other (**)	-	-	-	-	-	-	-	(12,276)	-	-	-	-	-	-	-	(12,276)	-	(12,276)
XVII.	Net income/(loss) for the period	-	-	-	-	-	-	-	-	307,923	-	-	-	-	-	-	307,923	-	307,923
XVIII.	Profit distribution (*)	-	-	-	-	14,395	-	145,608	21,281	-	(200,155)	-	-	-	-	-	(18,871)	-	(18,871)
18.1	Dividends distributed	(V-b)	-	-	-	-	-	-	-	-	(18,871)	-	-	-	-	-	(18,871)	-	(18,871)
18.2	Transfers to reserves	-	-	-	-	14,395	-	145,608	21,281	-	(181,284)	-	-	-	-	-	-	-	-
18.3	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing balance																			
(I+II+III+...+XVI+XVII+XVIII)		(II-k)	1,700,000	-	23,250	-	60,800	-	203,396	26,950	307,923	(660)	2,025	-	-	-	2,323,684	-	2,323,684

(*)With the decision taken in the Ordinary General Assembly Meeting held on 28 March 2013, after the deduction of financial obligations from the net profit of the year 2012, the remaining net profit for the period amounting to TL 250,155 are classified as; extraordinary reserves amounting to TL 145,608, legal reserves amounting to TL 14,395 including first legal reserves amounting to TL 12,508 and II. legal reserves amounting to TL 1,887; dividends paid to shareholders and members of the Board of Directors amounting to TL 18,871 and other reserves amounting to TL 21,281. Net profit amounting to TL 50,000 is subjected to capital increase.

(**) Details are explained in disclosure of "Information on Provisions" at Section V.

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ

STATEMENT OF CONSOLIDATED CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2013

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

V. CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Audited	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	Intangible 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 - (01.01-31.12.2012)																			
I.	Beginning balance 31.12.2011	950,000	-	23,250	-	34,923	-	233,253	6,399	-	192,604	-	-	-	-	-	1,440,429	-	1,440,429
II.	Corrections concerning TAS 8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Effect of Errors Corrected	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Effect of Changes in Accounting Policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	New Balance (I+II)	950,000	-	23,250	-	34,923	-	233,253	6,399	-	192,604	-	-	-	-	-	1,440,429	-	1,440,429
	Changes in period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IV.	Increase/decrease related to merger	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V.	Marketable securities revaluation differences	-	-	-	-	-	-	-	-	-	-	13,208	-	-	-	-	13,208	-	13,208
VI.	Hedging funds (effective portion)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6.1	Cash-flow hedge	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6.2	Hedge of net investment in foreign operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Tangible assets revaluation differences	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Intangible assets revaluation differences	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	Bonus shares obtained from associates, subsidiaries and jointly controlled operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Foreign exchange differences	-	-	-	-	-	-	-	(1,503)	-	-	-	-	-	-	-	(1,503)	-	(1,503)
XI.	Changes related to the disposal of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII.	Changes related to the reclassification of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII.	The effect of change in associate's equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV.	Capital increase	150,000	-	-	-	-	-	-	-	-	(150,000)	-	-	-	-	-	-	-	-
14.1	Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14.2	Internal sources	150,000	-	-	-	-	-	-	-	-	(150,000)	-	-	-	-	-	-	-	-
XV.	Share issue premium	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.	Share cancellation profits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII.	Inflation adjustment to paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVIII.	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIX.	Net income/(loss) for the period	-	-	-	-	-	-	-	-	251,933	-	-	-	-	-	-	251,933	-	251,933
	Profit distribution	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XX.		-	-	-	-	11,482	-	13,026	3,229	-	(45,042)	-	-	-	-	-	(17,305)	-	(17,305)
20.1	Dividends distributed	-	-	-	-	-	-	-	-	-	(17,305)	-	-	-	-	-	(17,305)	-	(17,305)
20.2	Transfers to reserves	-	-	-	-	11,482	-	13,026	3,229	-	(27,737)	-	-	-	-	-	-	-	-
20.3	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing balance (I+II+III+...+XVI+XVII+XX)		(II-k)	1,100,000	-	23,250	-	46,405	-	246,279	8,125	251,933	(2,438)	13,208	-	-	-	1,686,762	-	1,686,762

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
CONSOLIDATED CASH FLOWS STATEMENT
FOR THE PERIOD ENDED 31 DECEMBER 2013

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

VI. CONSOLIDATED CASH FLOWS STATEMENT

		Audited	Audited
		Current period	Prior Period
		01.01-31.12.2013	01.01-31.12.2012
		Note	
A.	CASH FLOWS FROM BANKING OPERATIONS		
1.1	Operating profit before changes in operating assets and liabilities	465,180	460,331
1.1.1	Profit share income received	1,405,256	1,277,978
1.1.2	Profit share expense paid	(598,803)	(579,309)
1.1.3	Dividend received	-	-
1.1.4	Fees and commissions received	165,217	130,538
1.1.5	Other income	68,204	57,337
1.1.6	Collections from previously written off loans	44,077	26,564
1.1.7	Payments to personnel and service suppliers	(461,408)	(381,422)
1.1.8	Taxes paid	(96,443)	(59,871)
1.1.9	Others	(60,920)	(11,484)
1.2	Changes in operating assets and liabilities	1,176,354	673,736
1.2.1	Net (increase) decrease held for trading financial assets	2,711	2,628
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	(747,427)	(1,422,813)
1.2.4	Net (increase) decrease in loans	(4,260,200)	(1,602,983)
1.2.5	Net (increase) decrease in other assets	748	53,443
1.2.6	Net increase (decrease) in bank deposits	429,953	296,422
1.2.7	Net increase (decrease) in other deposits	3,818,558	2,533,682
1.2.8	Net increase (decrease) in funds borrowed	1,786,839	807,303
1.2.9	Net increase (decrease) in due payables	-	-
1.2.10	Net increase (decrease) in other liabilities	145,172	6,054
I.	Net cash provided from / (used in) banking operations	1,641,534	1,134,067
B.	CASH FLOWS FROM INVESTING ACTIVITIES		
II.	Net cash provided from / (used in) investing activities	(895,680)	(650,785)
2.1	Cash paid for purchase jointly controlled operations, associates and subsidiaries	(5,500)	-
2.2	Cash obtained from sale of jointly controlled operations, associates and subsidiaries	-	-
2.3	Fixed assets purchases	(167,683)	(106,061)
2.4	Fixed assets sales	20,830	19,800
2.5	Cash paid for purchase of financial assets available for sale	(767,822)	(539,652)
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	24,495	(24,872)
C.	CASH FLOWS FROM FINANCING ACTIVITIES		
III.	Net cash provided from / (used in) financing activities	341,129	(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	(18,871)	(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)	69,005
V.	Net increase (decrease) in cash and cash equivalents (I + II + III + IV)	1,155,988	476,291
VI.	Cash and cash equivalents at the beginning of the period	(V-a)	1,831,072
VII.	Cash and cash equivalents at the end of the period	(V-a)	2,987,060

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

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

VII. CONSOLIDATED STATEMENT OF PROFIT DISTRIBUTION

	Current period 01.01- 31.12.2013(*)	Prior period 01.01-31.12.2012
I. Distribution of current year profit (****)		
1.1. Current period profit	369,210	309,256
1.2. Taxes and legal duties payable (-)	68,867	59,100
1.2.1. Corporate tax (income tax)	73,152	50,379
1.2.2. Withholding tax	-	-
1.2.3 Other taxes and duties (**)	(4,285)	8,721
A. Net profit for the period (1.1-1.2) (Not V-I-17-c)	300,343	250,156
1.3. Accumulated losses (-)	-	-
1.4. First legal reserves (-)	-	12,508
1.5. Other statutory reserves (-)	-	-
B.Net profit available for distribution [(A-(1.3+1.4+1.5))]	-	237,648
1.6. First dividend to shareholders (-)	-	17,000
1.6.1. To owners of ordinary shares	-	17,000
1.6.2. To owners of privileged shares	-	-
1.6.3. To owners of redeemed shares	-	-
1.6.4. To profit sharing bonds	-	-
1.6.5. To holders of profit and loss sharing certificates	-	-
1.7. Dividends to personnel(-)	-	-
1.8. Dividends to board of directors (-)	-	1,871
1.9. Second dividend to shareholders (-)	-	-
1.9.1. To owners of ordinary shares	-	-
1.9.2. To owners of privileged shares	-	-
1.9.3. To owners of redeemed shares	-	-
1.9.4. To profit sharing bonds	-	-
1.9.5. To holders of profit and loss sharing certificates	-	-
1.10. Second legal reserves (-)	-	1,887
1.11. Status reserves (-)	-	-
1.12. Extra ordinary reserves	-	195,608
1.13. Other reserves	-	21,281
1.14. Special funds	-	-
II. Distribution of reserves		
2.1. Appropriated reserves	-	-
2.2. Second legal reserves (-)	-	-
2.3. Dividends to shareholders (-)	-	-
2.3.1. To owners of ordinary shares	-	-
2.3.2. To owners of privileged shares	-	-
2.3.3. To owners of redeemed shares	-	-
2.3.4. To profit sharing bonds	-	-
2.3.5. To holders of profit and loss sharing certificates	-	-
2.4. Dividends to personnel (-)	-	-
2.5. Dividends to board of directors (-)	-	-
III. Earnings per share		
3.1. To owners of ordinary shares	-	-
3.2 To owners of ordinary shares (%)	-	-
3.3. To owners of privileged shares	-	-
3.4. To owners of privileged shares (%)	-	-
IV. Dividend per share		
4.1. To owners of ordinary shares	-	0.016
4.2. To owners of ordinary shares (%)	-	1.611
4.3. To owners of privileged shares	-	-
4.4. To owners of privileged shares (%)	-	-

(*) The profit distribution of the Bank is decided by the General Assembly which is not held as of date of these financial statements.

(**) Deferred income tax is presented under other tax and legal liabilities. Deferred tax income can not be added into profit distribution, thus it is classified under extraordinary reserves.

(***) Capital increase amounting TL 240,000 is realized from internal sources in 2013 with the General Assembly Meeting decision on 28 March 2013. TL 50,000 of this amount is provided from net profit of 2012.

(****) According to Turkish Law, companies do not distribute consolidated profit. In this context, the profit distribution table shown above belongs to the Parent Bank.

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

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SECTION THREE
ACCOUNTING PRINCIPLES

I. Explanations on basis of presentation

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

As per the Article 37 of “Accounting and Recording Rules” of the Turkish Banking Law no. 5411 published on the Official Gazette no.25983 dated 1 November 2005 and became effective, the Bank keeps its accounting records and prepares its unconsolidated financial statements and the related footnotes in accordance with accounting and valuation standards described in “Regulation on Accounting Applications for Banks and Safeguarding of Documents” published by the Banking Regulatory and Supervisory Agency (BRSA) and in effect since 1 November 2006, Turkish Accounting Standards (TAS), Turkish Financial Reporting Standards (TFRS) and the related statements and guidances.

As per the Decree Law no. 660 published in the Official Gazette and become effective on 2 November 2011, the Additional Clause 1 of the Law no. 2499 was abolished and the Public Oversight, Accounting and Auditing Standards Authority was established. The financial statements are prepared based on the TAS/TFRS and the related statements and guidances announced by the Public Oversight, Accounting and Auditing Standards Authority.

b. Classifications

The Bank has classified TL 689,505 amount of loans granted to banks, presented under Bank, to “Loans and receivables” as of 31 December 2012 in order to be in consistent with the current period presentation.

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

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

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

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I. Explanations on basis of presentation (continue)

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

Until 31 December 2004, the financial statements of the Group 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 Group follows an asset-liability management strategy that mitigates risk and increases earnings by balancing the funds borrowed and the investments in various financial assets. The main objective of asset-liability management is to limit the Bank’s exposure to liquidity risk, currency risk and credit risk while increasing profitability and strengthening the Bank’s equity. The assets-liabilities committee (ALCO) manages the assets and liabilities within the trading limits on the level of exposure placed by the Executive Risk Committee.

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

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

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

III. Information about the Parent Bank and its Consolidated Subsidiaries

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

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

Description	Address (City/ Country)	Principal Activity	31 December 2013	31 December 2012	Consolidation Method
Kuwait Turkish Participation Bank Dubai Ltd.	Dubai/Birleşik Arap Emirlikleri	Bankacılık Financial	99.99%	99.99%	Full consolidation
KT Sukuk Varlık Kiralama A.Ş.	İstanbul/Türkiye	İnstititön Financial	100%	100%	Full consolidation
KT Kira Sertifikaları Varlık Kiralama A.Ş.	İstanbul/Türkiye	İnstititön Financial	100%	-	Full consolidation Accounted for under equity
Katılım Emeklilik ve Hayat A.Ş.	İstanbul/Türkiye	İnstititön Financial	50%	-	method

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

Consolidation principles of subsidiaries:

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

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III. Information about the consolidated subsidiaries (continued)

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

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

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

The special purpose entity, Kuveyt Turk Sukuk Limited was established at 24 August 2010 which is not a subsidiary of the Bank. Since the Bank has 100% control power on the subsidiary and it was be liquidation process as of 27 December 2013. As of balance sheet date liquidation process was still continuing.

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

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

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

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

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

V. Explanations on profit share income and expense

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

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

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VI. Explanations on fees and commission income and expenses

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

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

VII. Explanations on financial assets

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

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

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

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

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

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

b. Financial assets available for sale:

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

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

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.

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VII. Explanations on financial assets (continued)

d. Held to maturity financial assets:

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

VIII. Explanations on impairment of financial assets:

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

i) Loans and receivables:

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

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

ii) Financial assets held to maturity:

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

iii) Financial assets available for sale:

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

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

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

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

As of 31 December 2013, the Group has repurchasing agreements amounting to TL 221,428 (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. 2499, and precious metal trade as seen appropriate by the board, and cannot participate in partnerships with firms whose main business activity is commercial real-estate, with the exception of real-estate investment partnerships and companies that finance mortgaged residential estates. The rules and procedures regarding the sales of real-estate and commodities that were acquired due to receivables and debtors’ obligations to the bank are determined by the board.”

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

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

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

On the other hand properties acquired by the 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 Parent Bank has no discontinued operations.

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XII. Explanations on goodwill and other intangible assets

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

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

There is no goodwill related to associates and subsidiaries.

XIII. Explanations on tangible assets

Fixed assets are stated at cost 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.

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.

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

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XV. Explanations on provisions and contingent liabilities

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

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

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

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

XVI. Explanations on liabilities relating to employee benefits

a) Defined benefit plans:

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

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

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

b) Defined contribution plans:

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

c) Short term benefits to employees:

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

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

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XVII. Explanations on taxation

Current tax

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

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

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

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

Corporate tax rate is applied as 100% for real estates proceeds under the following circumstances and they are not required to be held under assets for two years:

- through the sale of real estates to asset leasing companies by companies for issuing leasing certificate;
- through the sale of real estates to financial leasing companies for leaseback and buy back at the end of lease agreement under the requirements set out in Financial Leasing, Factoring and Financing Companies Law No: 6361 issued on 21 November 2012; and
- through the transfer of real assets by asset leasing and financial leasing companies.

However, for real estates sales to third parties by asset leasing or financial leasing companies, except for circumstances where there is a failure in meeting contractual liabilities or liabilities to the company or lessees, the tax rate is applied by the seller considering the carrying amount of real estates in the company or in lessee prior to the transfer and total depreciation provided in the respective company.

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

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

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

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XVII. Explanations on taxation (continued)

Deferred tax

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

XVIII. Explanations on additional disclosures on borrowings

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

There are no debt securities issued by the Group.

The Group has not issued convertible bonds.

Borrowing through the rent certificates (Sukuk)

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

In accordance with the letter received from BRSA, numbered B.02.1.BDK.0.06.00.00-045.01(3/8)-5397 and dated 13 March 2012 this transaction is accounted for as “sale and lease back” transaction in accordance with “TAS 17”. As a consequence of this accounting treatment, the net book value of the real estate property transferred and leased back increased from TL 61,195 to TL 248,734. The difference of TL 187,539 between the net book value of TL 61,195 before the aforementioned transaction and the net book value of TL 248,734 after the aforementioned transaction will be recognized as income in 5 years using the effective interest method and accounted for as deferred income under other liabilities. Current period TL 27,587 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.

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

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XVIII. Explanations on additional disclosures on borrowings (continued)

The difference between the sales price and the net carrying value before the sale amounting to TL 136,245 (31 December 2012: TL 184,729) of the real estate property concerning rent certificate is eliminated from “Tangible Assets”, deferred income amounting to TL 135,826 (31 December 2012: TL 163,414) is eliminated from “Other Liabilities”, current period PL effect of deferred income from real estate property amounting to TL 27,587 (31 December 2012: 20,896) and amortization expense based on the revaluation of property amounting to TL 2,185 (31 December 2012: 2,185) and fixed asset impairment amounting to TL 25,402 (31 December 2012: TL 18,711) is eliminated from other operating expenses.

XIX. Explanations on share certificates issued

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

XIX. Explanations on acceptances and availed drafts

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

XX. Explanations on government grants

There are no government grants received by the Group.

XXII. Explanations on segment reporting

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

Segment reporting is disclosed in Section Four, Note X.

XXIII. Explanations on other matters

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

XXIV. Additional paragraph for convenience translation

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

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SECTION FOUR

INFORMATION ON FINANCIAL STRUCTURE

I. Explanations on consolidated capital adequacy standard ratio

Capital adequacy ratio is calculated in accordance with the “The Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks” published in the Official Gazette No: 26333, dated 1 November 2006 and “The Regulation on Amendments to the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks” published in the Official Gazette No: 26669, 26824, 27320, 27968 and 28337 dated 10 October 2007, 22 March 2008, 15 August 2009, 18 June 2011 and 28 June 2012 respectively.

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 14.43% (31 December 2012: %14.16).

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I. Explanations on consolidated capital adequacy standard ratio (continued)

Information for capital adequacy standard ratio:

Current Period		Risk Weights (*)								
Consolidated	0%	10%	20%	50%	75%	100%	150%	200%	250%	
Value at Credit Risk	-	-	288,497	3,255,024	2,528,361	10,418,508	181,986	105,642	37,368	
Exposure Categories	4,993,807	-	1,442,483	6,510,048	3,371,148	10,418,508	121,324	52,821	14,947	
Conditional and unconditional receivables from central governments or central banks	3,228,145	-	-	-	-	-	-	-	-	
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	41,649	-	1,442,482	1,032,671	-	626,147	-	-	-	
Conditional and unconditional receivables from corporates	312,784	-	-	-	-	8,064,074	-	-	-	
Conditional and unconditional retail receivables	144,708	-	-	-	3,371,148	14,412	-	-	-	
Conditional and unconditional receivables secured by mortgages	45,172	-	-	5,469,600	-	907,099	-	-	-	
Past due receivables	24	-	-	7,777	-	14,815	-	-	-	
Receivables defined in high risk category by BRSA	211	-	-	-	-	-	121,324	52,821	14,947	
Securities collateralized by mortgages	-	-	-	-	-	-	-	-	-	
Securitization positions	-	-	-	-	-	-	-	-	-	
Short-term receivables from banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-	
Investments similar to collective investment funds	-	-	-	-	-	-	-	-	-	
Other receivables	1,221,114	-	1	-	-	791,961	-	-	-	

Current Period		Risk Weights (*)								
Parent Bank	0%	10%	20%	50%	75%	100%	150%	200%	250%	
Value at Credit Risk	-	-	288,497	3,255,024	2,528,361	10,532,501	181,986	105,642	37,368	
Exposure Categories	4,993,804	-	1,442,483	6,510,048	3,371,148	10,532,501	121,324	52,821	14,947	
Conditional and unconditional receivables from central governments or central banks	3,228,145	-	-	-	-	-	-	-	-	
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	41,649	-	1,442,482	1,032,671	-	625,689	-	-	-	
Conditional and unconditional receivables from corporates	312,784	-	-	-	-	7,996,754	-	-	-	
Conditional and unconditional retail receivables	144,708	-	-	-	3,371,148	14,412	-	-	-	
Conditional and unconditional receivables secured by mortgages	45,172	-	-	5,469,600	-	907,099	-	-	-	
Past due receivables	24	-	-	7,777	-	14,815	-	-	-	
Receivables defined in high risk category by BRSA	211	-	-	-	-	-	121,324	52,821	14,947	
Securities collateralized by mortgages	-	-	-	-	-	-	-	-	-	
Securitization positions	-	-	-	-	-	-	-	-	-	
Short-term receivables from banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-	
Investments similar to collective investment funds	-	-	-	-	-	-	-	-	-	
Other receivables	1,221,111	-	1	-	-	973,732	-	-	-	

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

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I. Explanations on consolidated capital adequacy standard ratio (continued)

Information for capital adequacy standard ratio: (continued)

Current Period	Risk Weights (*)							
	0%	10%	20%	50%	75%	100%	150%	200%
Consolidated								
Value at Credit Risk	-	-	212,903	2,165,602	2,196,661	6,814,278	29,112	17,766
Exposure Categories	4,389,716	-	1,064,513	4,331,204	2,928,881	6,814,278	19,408	8,883
Conditional and unconditional receivables from central governments or central banks	2,061,557	-	-	-	-	-	-	-
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	99,052	-	1,063,685	278,602	-	369,226	-	-
Conditional and unconditional receivables from corporates	185,376	-	-	-	-	5,110,227	-	-
Conditional and unconditional retail receivables	131,852	-	-	-	2,928,881	-	-	-
Conditional and unconditional receivables secured by mortgages	25,084	-	-	4,047,414	-	602,364	-	-
Past due receivables	42	-	-	5,188	-	12,695	-	-
Receivables defined in high risk category by BRSA	222	-	-	-	-	-	19,408	8,883
Securities collateralized by mortgages	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-
Short-term receivables from banks, brokerage houses and corporates	-	-	-	-	-	-	-	-
Investments similar to collective investment funds	-	-	-	-	-	-	-	-
Other receivables	1,886,531	-	828	-	-	719,766	-	-
Prior Period								
Parent Bank								
Value at Credit Risk	-	-	212,903	2,165,602	2,196,661	6,977,447	29,112	17,766
Exposure Categories	4,389,711	-	1,064,513	4,331,204	2,928,881	6,977,447	19,408	8,883
Conditional and unconditional receivables from central governments or central banks	2,061,557	-	-	-	-	-	-	-
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	99,052	-	1,063,685	278,602	-	368,822	-	-
Conditional and unconditional receivables from corporates	185,376	-	-	-	-	5,091,295	-	-
Conditional and unconditional retail receivables	131,852	-	-	-	2,928,881	-	-	-
Conditional and unconditional receivables secured by mortgages	25,084	-	-	4,047,414	-	602,364	-	-
Past due receivables	42	-	-	5,188	-	12,695	-	-
Receivables defined in high risk category by BRSA	222	-	-	-	-	-	19,408	8,883
Securities collateralized by mortgages	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-
Short-term receivables from banks, brokerage houses and corporates	-	-	-	-	-	-	-	-
Investments similar to collective investment funds	-	-	-	-	-	-	-	-
Other receivables	1,886,526	-	828	-	-	902,271	-	-

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

Summary of the capital adequacy standard ratio of the Group:

	Parent Bank	Consolidated	Parent Bank	Consolidated
	Current period	Current period	Prior period	Prior period
Capital Requirement for Credit Risk (Amount Subject to Credit Risk *0.08) (CRCR)	1,354,350	1,345,231	927,959	914,906
Capital Requirement for Market Risk (MRCR)	33,767	35,557	80,394	80,767
Capital Requirement for Operational Risk (ORCR)	116,665	115,876	95,383	95,383
Shareholders' Equity	2,678,763	2,700,398	1,927,929	1,930,655
Capital Requirement for Credit Risk (Amount Subject to Credit Risk *0.08) (CRCR)	14.24	14.43	13.97	14.16

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I. Explanations on consolidated capital adequacy standard ratio (continued)

Components of shareholders' equity:

	Current period	Prior period
CORE CAPITAL	1,700,000	1,100,000
Paid-in Capital	2,060,000	1,100,000
Nominal capital	360,000	-
Capital commitments (-)	-	-
Inflation indexation difference on paid-in capital	23,250	23,250
Share premium	-	-
Share cancellations profits	291,146	300,809
Legal Reserves(*)	-	-
Inflation Adjustments to Legal Reserves	307,923	251,933
Profit	307,923	251,933
Current Period's Profit	-	-
Prior Periods' Profit	-	-
Provision for Possible Losses (up to 25% of Core Capital)	-	-
Income on Sale of Equity Shares and Real Estates	-	-
Primary subordinated loans up to 15% of the core capital	(660)	(2,438)
Loss (in excess of Reserves) (-)	-	-
Current Period's Losses -	(660)	(2,438)
Prior Periods' Losses	38,046	31,455
Leasehold Improvements on Operational Leases (-)	55,698	43,652
Intangible Assets (-)	-	-
Deferred Tax Asset in excess of 10% of Core Capital (-)	-	-
Excess amount in the Article 56, Clause 3 of the Banking Law (-)	2,227,915	1,598,447
Total core capital		
SUPPLEMENTARY CAPITAL	126,414	86,826
General provisions	-	-
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	350,741	281,938
Secondary subordinated loans	911	5,944
45% of Securities Value Increase Fund	-	-
Inflation Adjustments to Other Capital and Profit Reserves and Prior Periods' Profit / Loss	478,066	-
Total supplementary capital	2,705,981	374,708
CAPITAL	5,583	1,973,155
DEDUCTIONS FROM CAPITAL	-	42,500
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	2,431	2,070
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	-	-
Securitization Positions to be Deducted from Equity	3,152	40,430
TOTAL SHAREHOLDER'S EQUITY	2,700,398	1,930,655

(*)The valuation of retirement pay liability amounting TL 12,276 is including actuarial loss amount in the current period.

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I. Explanations on capital adequacy standard ratio (continued)

Approaches for assessment of adequacy of internal capital requirements for current and future activities

Internal evaluation process is established for continuously evaluating and maintaining the types, components and distribution of the adequate level of capital in order to provide for various risks exposed to or to be exposed to. The final purpose of the evaluation process of the internal capital requirement, is to define and evaluate all the risks included or not in the calculations of the legal capital requirements, within the frame of the activities of the bank, and to provide the availability of adequate capital in order to cover for these risks and the application of the risk management techniques. The results obtained in this evaluation process by taking into consideration, the Group's growth strategy, assets-liabilities structure, funding sources, liquidity position, foreign currency position, the effects of the price and market fluctuations on the capital, which are among the variables of the economy, aim to provide the continuity of the mentioned capital adequacy level at the determined level in compliance with the Group's risk profile and risk appetite.

Within this scope, capital structure is reviewed as based on the frame of the activities and risks exposed to, and the internal capital requirement, probable to occur within the direction of targets and strategies of the Group is evaluated. This evaluation includes interest rate risk, concentration risk, liquidation risk, reputation risk, residual risk, country risk and strategic risk arising of the banking books as well as market, credit and operational risks. Capital requirement internal evaluation is evaluated to be a developing process and the development areas for the future period are determined and plans are prepared.

II. Explanations on Consolidated Credit Risk

Credit risk means the risks and damages to arise as a result of partial or complete non-fulfilment of the obligations timely by non-compliance of the counter party with the requirements of the agreement concluded with the Group.

With regards to the credit risk, the debtor or the group of debtors is subjected to risk limitation. The upper limit of the rate of the credits granted to the companies in one sector to the total credits is determined annually by the Board of Directors and is updated as required.

The credit risk which the Group is exposed to outside of Turkey is followed up by the Board of Directors within the frame of the determined limits according to countries and regions. Within this scope, the total risk which the Group is exposed in the foreign country or region, the total of the credit risk taken by the banks residing abroad and/or their branches in Turkey, the total risks of the credits granted to the people residing abroad or with foreign nationality, the risk total taken over the corporate customers and/or banks to which the partners residing in Turkey but of which the principal shareholder or shareholders reside in another country, had given guarantee and in required cases, the risk total taken by the Group in Turkey should be followed up.

The risks and limits arising from the treasury transactions and customer based commercial transactions are followed up daily. Moreover, the review of the limits allocated as based on the ratings of the correspondent banks and the maximum risk that the Group can take within its equity; are also performed daily. The risk limits relevant to the transactions performed daily are determined and the risk intensity relevant to the off balance sheet transactions are being followed up.

As provided for in the Principles and Procedures for the Determination of the Quality of Loans and Other Receivables and Reserves to be provided for these Loans, the credit worthiness of the debtors of the loans and the other receivables are followed up at regular intervals, in case of early determination of a probable repayment problem, the credit limits are redefined and additional guarantees are received and in order to sustain the profitability of the Bank. The account statement documents are received as defined in the legislation, during the loan generation process. The guarantees are received within the frame of the relevant legislation, by consideration of the quality of the credit and the financial structure of the company and as based on the credit committee decision.

The loans which do not exceed the passed due limits to be classified as Third Group loans defined in the Principles and Procedures for the Determination of the Quality of Loans and Other Receivables and Reserves to be provided for these Loans, are classified as "past due" loans; all the loans and receivables classified in the third, fourth and fifth groups indicated in the same Regulation are accepted to be "impaired loans".

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II. Explanations on Consolidated Credit risk (continued)

The positions in the form of futures, options agreements and similar agreements are not held.

Non-cash loans which are liquidated are subject to the same risk weight with the overdue loans as stated in the communique on Principles and Procedures for the Determination of the Quality of Loans and Other Receivables and Reserves to be provided for These Loans. The rescheduled and restructured loans are followed up in compliance with the methods determined in the relevant legislation.

Foreign trade financing and inter-banks loan transactions are performed by a wide network of correspondents. The country risks, limits, correspondent risks and limits are regularly evaluated within this scope.

There is no material credit risk concentration when evaluated together with the financial activities of the other financial institutes.

There is no material credit risk concentration when evaluated together with the financial activities of the other financial institutes.

The Group's largest 100 and 200 cash loan customers represent 21% and 28% of the total cash loan portfolio, respectively.

The Group's largest 100 and 200 non-cash loan customers represent 37% and 46% of the total non-cash loan portfolio, respectively.

The Group's largest 100 and 200 cash and non-cash loan customers represent 24% and 31% of the total cash and non-cash loan portfolio, respectively.

The general provision for credit risk amounts to TL 174,251 (31 December 2012: TL 138,118).

Exposure Categories	Current Period Risk Amount(*)	Average Risk Amount(**)
Conditional and unconditional exposures to central governments or central banks	3,228,145	2,773,643
Conditional and unconditional exposures to regional governments or local authorities	-	-
Conditional and unconditional exposures to administrative bodies and noncommercial	-	-
Conditional and unconditional exposures to international organizations	-	-
Conditional and unconditional exposures to banks and brokerage houses	3,142,949	2,310,197
Conditional and unconditional exposures to corporates	8,376,858	7,170,433
Conditional and unconditional retail exposures	3,530,268	3,517,523
Past due items	22,616	35,438
Items in regulatory high-risk categories	189,303	133,845
Exposures in the form of bonds secured by mortgages	-	-
Securitization positions	-	-
Exposures in the form of collective investment undertakings	-	-
Other items	2,013,076	2,201,156
Total	26,925,086	23,908,608

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

(**) Average risk amounts are the arithmetical average of the amounts in monthly reports prepared starting from the date of publication of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks.

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II. Explanations on Credit Risk (Continued)

Profile of significant exposures in major regions:

Current Period (*)	Conditional and unconditional exposures to central governments or central banks	Conditional and unconditional exposures to banks and brokerage houses	Conditional and unconditional exposures to corporates	Conditional and unconditional exposures to retail exposures	Conditional and unconditional exposures secured by real estate property	Past due items	Items in regulatory high-risk categories	Other	Total
Domestic	3,228,145	1,228,655	8,177,343	3,519,255	6,353,433	22,616	189,303	-	22,718,750
European Union (EU)	-	312,000	24,358	1,364	5,535	-	-	-	343,257
OECD Countries**	-	774,416	10,739	172	2,598	-	-	-	787,925
Off-Shore Banking Regions	-	85,767	37,257	596	21,183	-	-	-	144,803
USA, Canada	-	246,196	-	13	189	-	-	-	246,398
Other Countries	-	495,915	127,161	8,868	38,933	-	-	-	670,877
Associates, Subsidiaries and Joint –Ventures	-	-	-	-	-	-	-	72,853	72,853
Unallocated Assets/Liabilities***	-	-	-	-	-	-	-	1,940,223	1,940,223
Total	3,228,145	3,142,949	8,376,858	3,530,268	6,421,871	22,616	189,303	2,013,076	26,925,086

Prior Period (*)	Conditional and unconditional exposures to central governments or central banks	Conditional and unconditional exposures to banks and brokerage houses	Conditional and unconditional exposures to corporates	Conditional and unconditional exposures to retail exposures	Conditional and unconditional exposures secured by real estate property	Past due items	Items in regulatory high-risk categories	Other	Total
Domestic	2,061,557	479,749	5,154,290	3,056,390	4,632,879	17,925	28,402	-	15,431,192
European Union (EU)	-	484,194	5,268	1,413	9,321	-	111	-	500,307
OECD Countries**	-	300,291	-	53	313	-	-	-	300,657
Off-Shore Banking Regions	-	103,940	32,123	805	19,077	-	-	-	155,945
USA, Canada	-	78,407	-	22	101	-	-	-	78,530
Other Countries	-	363,984	103,922	2,050	13,171	-	-	-	483,127
Associates, Subsidiaries and Joint –Ventures	-	-	-	-	-	-	-	57,863	57,863
Unallocated Assets/Liabilities***	-	-	-	-	-	-	-	2,549,262	2,549,262
Total	2,061,557	1,810,565	5,295,603	3,060,733	4,674,862	17,925	28,513	2,607,125	19,556,883

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

** Includes OECD countries other than EU countries, USA and Canada.

*** Includes assets and liability items that can not be allocated on a consistent basis.

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II. Explanations on Consolidated Credit Risk (continued)

Risk profile by sectors or counterparties

Current Period(*)	Conditional and unconditional receivables from central banks	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	Conditional and unconditional receivables from Corporates	Conditional and unconditional retail receivables	Conditional and unconditional receivables secured by Mortgages	Past due receivables	Receivables defined in high risk category by BRSA	Securities collateralized by mortgages	Securitization positions	Short-term receivables from banks, brokerage houses and corporates	Investments similar to collective investment funds	Other receivables	TL	FC	Total	
Agriculture	-	-	-	-	-	-	109,451	57,765	77,230	94	139	-	-	-	-	-	179,893	64,786	244,679	
Farming and																				
Stockbreeding	-	-	-	-	-	-	78,947	27,896	38,126	33	94	-	-	-	-	-	103,662	41,434	145,096	
Forestry	-	-	-	-	-	-	28,823	28,461	32,479	61	44	-	-	-	-	-	69,347	20,521	89,868	
Fishery	-	-	-	-	-	-	1,681	1,408	6,625	-	1	-	-	-	-	-	6,884	2,831	9,715	
Manufacturing	-	-	-	-	-	-	3,093,889	718,203	1,273,390	5,898	2,530	-	-	-	-	-	2,043,935	3,049,975	5,093,910	
Mining and Quarrying	-	-	-	-	-	-	777,807	144,269	231,946	593	833	-	-	-	-	-	640,716	514,732	1,155,448	
Production	-	-	-	-	-	-	1,689,731	546,837	978,578	3,249	1,416	-	-	-	-	-	1,269,041	1,950,770	3,219,811	
Electricity, Gas and																				
Water	-	-	-	-	-	-	626,351	27,097	62,866	2,056	281	-	-	-	-	-	134,178	584,473	718,651	
Construction	-	-	-	-	-	-	2,006,577	473,880	1,103,634	7,137	2,010	-	-	-	-	-	2,045,222	1,548,016	3,593,238	
Services	3,228,145	-	-	-	-	-	3,142,949	2,563,442	1,246,573	1,698,726	4,331	4,686	-	-	-	-	3,118,243	8,770,609	11,888,852	
Wholesale and Retail																				
Trade	-	-	-	-	-	-	1,474,209	808,902	1,214,353	3,113	2,145	-	-	-	-	-	1,811,082	1,691,640	3,502,722	
Accommodation and																				
Dining	-	-	-	-	-	-	50,852	32,296	111,910	668	176	-	-	-	-	-	92,423	103,479	195,902	
Transportation and																				
Telecom.	-	-	-	-	-	-	647,720	261,210	138,598	441	1,916	-	-	-	-	-	487,326	562,559	1,049,885	
Financial Institutions	3,228,145	-	-	-	-	-	3,142,949	31,568	290	16,829	-	-	-	-	-	-	387,007	6,032,774	6,419,781	
Real Estate and Rental																				
Services	-	-	-	-	-	-	165,449	19,595	74,408	4	85	-	-	-	-	-	42,331	217,210	259,541	
Professional Services	-	-	-	-	-	-	39	338	819	-	-	-	-	-	-	-	1,102	94	1,196	
Educational Services	-	-	-	-	-	-	33,759	9,511	16,681	76	71	-	-	-	-	-	28,122	31,976	60,098	
Health and Social																				
Services	-	-	-	-	-	-	159,846	114,431	125,128	29	293	-	-	-	-	-	268,850	130,877	399,727	
Others	-	-	-	-	-	-	603,499	1,033,847	2,268,891	5,156	179,938	-	-	-	-	2,013,076	4,512,465	1,591,942	6,104,407	
Total	3,228,145	-	-	-	-	-	3,142,949	8,376,858	3,530,268	6,421,871	22,616	189,303	-	-	-	-	2,013,076	11,899,758	15,025,328	26,925,086

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

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II. Explanations on Consolidated Credit Risk (continued)

Risk profile by sectors or counterparties (continued)

Prior Period	Conditional and unconditional receivables from central governments or central banks	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	Conditional and unconditional receivables from Corporates	Conditional and unconditional receivables	Conditional and unconditional receivables secured by Mortgages	Past due receivables	Receivables defined in high risk category by BRSA	Securities collateralized by mortgages	Securitization positions	Short-term receivables from banks, brokerage houses and corporates	Investments similar to collective investment funds	Other receivables	TL	FC	Total
Agriculture	-	-	-	-	-	-	133,332	51,586	63,940	142	116	-	-	-	-	-	232,229	16,887	249,116
Farming and																			
Stockbreeding	-	-	-	-	-	-	99,055	26,928	34,253	2	66	-	-	-	-	-	149,520	10,784	160,304
Forestry	-	-	-	-	-	-	30,411	22,766	27,008	139	50	-	-	-	-	-	74,471	5,903	80,374
Fishery	-	-	-	-	-	-	3,866	1,892	2,679	1	-	-	-	-	-	-	8,238	200	8,438
Manufacturing	-	-	-	-	-	-	1,534,897	572,986	811,910	1,371	2,522	-	-	-	-	-	2,369,630	554,056	2,923,686
Mining and Quarrying	-	-	-	-	-	-	310,601	108,926	163,243	586	363	-	-	-	-	-	426,153	157,566	583,719
Production	-	-	-	-	-	-	1,010,373	442,089	593,677	780	2,127	-	-	-	-	-	1,744,609	304,437	2,049,046
Electricity, Gas and																			
Water	-	-	-	-	-	-	213,923	21,971	54,990	5	32	-	-	-	-	-	198,868	92,053	290,921
Construction	-	-	-	-	-	-	1,394,542	385,791	730,162	14,223	1,414	-	-	-	-	-	1,941,738	584,394	2,526,132
Services	2,061,557	-	-	-	-	-	1,810,565	1,463,557	948,613	1,256,682	894	4,208	-	-	-	-	3,583,937	3,962,139	7,546,076
Wholesale and Retail																			
Trade	-	-	-	-	-	-	767,288	614,851	891,176	777	3,193	-	-	-	-	-	1,979,476	297,809	2,277,285
Accommodation and																			
Dining	-	-	-	-	-	-	36,447	21,343	80,093	16	116	-	-	-	-	-	97,024	40,991	138,015
Transportation and																			
Telecom.	-	-	-	-	-	-	438,329	222,150	107,466	10	651	-	-	-	-	-	575,585	193,021	768,606
Financial Institutions	2,061,557	-	-	-	-	-	1,810,565	38,555	527	14,297	-	-	-	-	-	-	541,748	3,383,753	3,925,501
Real Estate and Rental																			
Services	-	-	-	-	-	-	79,737	11,998	36,513	-	13	-	-	-	-	-	98,109	30,152	128,261
Professional Services	-	-	-	-	-	-	103	134	190	-	1	-	-	-	-	-	428	-	428
Educational Services	-	-	-	-	-	-	3,927	6,217	15,819	1	3	-	-	-	-	-	24,952	1,015	25,967
Health and Social																			
Services	-	-	-	-	-	-	99,171	71,393	111,128	90	231	-	-	-	-	-	266,615	15,398	282,013
Others	-	-	-	-	-	-	769,275	1,101,757	1,812,168	1,295	20,253	-	-	-	-	-	2,607,125	4,306,154	2,005,719
Total	2,061,557	-	-	-	-	-	1,810,565	5,295,603	3,060,733	4,674,862	17,925	28,513	-	-	-	-	2,607,125	12,433,688	7,123,195

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II. Explanations on Consolidated Credit Risk (continued)

Analysis of maturity-bearing exposures according to remaining maturities:

Exposure Categories (*)– Current Period	Term to Maturity				
	1 month	1–3 months	3–6 months	6–12 months	Over 1 year
Conditional and unconditional exposures to central governments or central banks	-	-	-	-	-
Conditional and unconditional exposures to regional governments or local authorities	-	-	-	-	-
Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	-	-	-	-	-
Conditional and unconditional exposures to multilateral development banks	-	-	-	-	-
Conditional and unconditional exposures to international organizations	-	-	-	-	-
Conditional and unconditional exposures to banks and brokerage houses	548,262	87,314	5,413	161	27,462
Conditional and unconditional exposures to corporates	1,590,788	962,429	883,396	1,404,830	3,472,191
Conditional and unconditional retail exposures	319,086	358,012	484,033	665,055	1,494,354
Conditional and unconditional exposures secured by real estate property	283,221	323,105	526,967	945,733	4,342,845
Past due items					
Items in regulatory high-risk categories	6,212	962	846	2,692	178,591
Items in regulatory high-risk categories	-	-	-	-	-
Securitization positions	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-
Exposures in the form of collective investment undertakings	-	-	-	-	-
Other items	66,476	-	9,605	-	-
Total	2,814,045	1,731,822	1,910,260	3,018,471	9,515,443

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

II. Explanations on Consolidated Credit Risk (continued)

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Analysis of maturity-bearing exposures according to remaining maturities: (continued)

Exposure Categories (*) Prior Period	Term to Maturity				
	1 month	1-3 months	3-6 months	6-12 months	Over 1 year
Conditional and unconditional exposures to central governments or central banks	2,061,557	-	-	-	-
Conditional and unconditional exposures to regional governments or local authorities	-	-	-	-	-
Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	-	-	-	-	-
Conditional and unconditional exposures to multilateral development banks	-	-	-	-	-
Conditional and unconditional exposures to international organizations	-	-	-	-	-
Conditional and unconditional exposures to banks and brokerage houses	597,331	158,399	1,854	149,458	9,562
Conditional and unconditional exposures to corporates	783,547	441,571	640,018	923,778	2,423,187
Conditional and unconditional retail exposures	311,242	262,599	416,515	591,755	1,294,092
Conditional and unconditional exposures secured by real estate property	215,885	237,503	441,325	844,623	2,935,524
Past due items	-	-	-	-	-
Items in regulatory high-risk categories	7,807	443	268	2,863	17,130
Items in regulatory high-risk categories	-	-	-	-	-
Securitization positions	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-
Exposures in the form of collective investment undertakings	-	-	-	-	-
Other items	14,646	-	10,752	-	-
Total	3,992,015	1,100,515	1,510,732	2,512,477	6,679,495

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

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II. Explanations on Consolidated Credit Risk (continued)

Exposure Categories

In compliance with the 7th article of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks, determination of the risk weights is performed based on the credit ratings provided by the rating companies.

The ratings of an international credit rating institution are used for Banks and Corporate Receivables and being limited to the receivables in which the counter party resides abroad. The receivables from the banks are examined under two different receivable classes based on the remaining term. If the remaining term is 3 months or less, these are classified as "Short Term Receivables from Banks and Brokerage Houses" and if more than 3 months, as "Receivables from Banks and Brokerage Houses". The banks and institutions residing in the country are evaluated without rating.

The ratings provided by the international rating institution are used while determining the class of risk weighted asset. The ratings of the credit rating institution are used for Banks and Corporate Receivables class, being limited to the receivables, in which the counter party resides abroad.

"Credit Quality Levels" corresponding to the ratings of the credit rating institution are presented in the following table.

Credit Quality Grade	Fitch Risk Rating	Exposure Categories			
		Exposures from Banks and Brokerage Houses			Exposures to Corporates
		Exposures to Central Governments or Central Banks	Exposures with Remaining Maturities Less Than 3 Months	Exposures with Remaining Maturities More Than 3 Months	
1	AAA AA+ AA AA-	0%	20%	20%	20%
2	A+ A A-	20%	20%	50%	50%
3	BBB+ BBB BBB-	50%	20%	50%	100%
4	BB+ BB BB-	100%	50%	100%	100%
5	B+ B B-	100%	50%	100%	150%
6	CCC+ CCC CCC- CC C D	150%	150%	150%	150%
Unrated	Unrated	100%	20% (*)	50% (*)	100%

(*) This is used under the condition of not being less than the implemented one in the centralized management of the Bank's located country.

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II. Explanations on Consolidated Credit Risk (continued)

Exposures by risk weights:

Current Period										Deductions from
Risk Weights	%0	% 10	%20	%50	%75	%100	%150	%200	%250	Equity
Exposures before Credit										
Risk Mitigation	4,490,908	0	1,442,483	6,510,058	3,515,856	10,776,478	121,535	52,821	14,947	5,583
Exposures after Credit Risk										
Mitigation	4,993,807	0	1,442,483	6,510,048	3,371,148	10,418,508	121,324	52,821	14,947	5,583
Prior Period										
Risk Weights	%0	% 10	%20	%50	%75	%100	%150	%200	%250	Equity
Exposures before Credit Risk										
Mitigation	4,047,140	-	1,064,513	4,331,247	3,060,733	7,024,737	19,630	8,883	-	42,500
Exposures after Credit Risk										
Mitigation	4,389,716	-	1,064,513	4,331,205	2,928,881	6,814,277	19,408	8,883	-	42,500

Information by major sectors and type of counterparties

Impaired Loans; are the credits that either overdue more than 90 days as of the reporting date or are treated as impaired due to their creditworthiness. For such credits, “specific provisions” are allocated as per the Provisioning Regulation.

Past Due Loans; are the credits that overdue up to 90 days but not impaired. For such credits, “general provisions” are allocated as per the Provisioning Regulation.

Current Period	Credits		Provisions	
	Impaired Credits	Past due Credits	Impaired Credits	Past due Credits
Agriculture	4,075	4,341	163	3,778
Farming and Stockbreeding	1,515	1,858	60	1,349
Forestry	2,313	2,331	100	2,184
Fishery	247	152	3	245
Manufacturing	99,722	86,955	3,057	89,312
Mining and Quarrying	28,560	18,663	513	26,686
Production	64,495	65,269	2,406	58,489
Electricity, Gas and Water	6,667	3,023	138	4,137
Construction	104,444	96,868	3,626	94,148
Services	117,603	147,251	5,171	105,552
Wholesale and Retail Trade	73,431	75,317	3,037	66,359
Accommodation and Dining	4,326	2,727	73	3,146
Transportation and Telecommunication	32,161	56,887	1,743	29,073
Financial Institutions	22	19	-	22
Real Estate and Rental Services.	1,096	2,365	51	981
Professional Services	26	-	-	26
Educational Services	341	1,391	39	152
Health and Social Services	6,200	8,545	228	5,793
Others	55,832	114,760	2,682	43,393
Total	381,676	450,175	14,699	336,183

(*) The general provision amount is presented for past due loans.

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II. Explanations on Consolidated Credit Risk (continued)

Information by major sectors and type of counterparties (continued)

	Credits		Provisions	
	Impaired Credits	Past due Credits	Impaired Credits	Past due Credits
Prior Period				
Agriculture	5,109	6,799	88	4,762
Farming and Stockbreeding	2,129	4,626	64	2,038
Forestry	2,728	1,978	22	2,473
Fishery	252	195	2	251
Manufacturing	74,336	91,305	1,597	69,866
Mining and Quarrying	12,367	10,191	140	11,162
Production	59,362	76,425	1,361	56,142
Electricity, Gas and Water	2,607	4,689	96	2,562
Construction	75,898	178,042	4,883	58,785
Services	89,412	138,945	2,491	82,965
Wholesale and Retail Trade	59,342	74,442	1,715	54,429
Accommodation and Dining	2,198	6,922	95	2,023
Transportation and Telecommunication	23,177	41,729	478	22,261
Financial Institutions	-	51	1	-
Real Estate and Rental Services.	790	2,023	23	774
Professional Services	26	-	-	25
Educational Services	42	724	8	37
Health and Social Services	3,837	13,054	171	3,416
Others	40,584	126,854	1,493	35,780
Total	285,339	541,945	10,552	252,158

(*) The general provision amount is presented for past due loans.

Movements in value adjustments and provisions

Current Period	Opening Balance	Provision for Period	Provision Reversals	Other Adjustments(*)	Closing Balance
Specific Provisions	252,158	197,727	(73,235)	(40,467)	336,183
General Provisions	138,118	36,133	-	-	174,251

Prior Period	Opening Balance	Provision for Period	Provision Reversals	Other Adjustments(*)	Closing Balance
Specific Provisions	178,714	159,532	(57,446)	(28,642)	252,158
General Provisions	110,388	27,730	-	-	138,118

(*) Represents written-off loans.

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II. Explanations on Consolidated Credit Risk (continued)

Information of Cash and Noncash Loans according to Parent Bank Risk Rating System

The bank calculates the probability of delinquency and internal rating notes for the portfolio of business loans based on statistical methods up to TL 850,000(full amount) for all types of limits and up to TL 3,000,000(full amount) for real estate transactions of Turkish Commercial Code. Ratings which are calculated since 1 February 2013 are shown the table below as of 31 December 2013.

	Cash Loans	Non-Cash Loans	Total
High Quality	30%	34%	31%
Medium Quality	16%	16%	16%
Average	12%	10%	11%
Below Average	2%	4%	2%
Unrated	40%	36%	40%

III. Explanations on consolidated market risk

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

Organizational and functional internal applications of risk management systems have been determined by the Board of Directors in accordance with the regulation mentioned above. The Bank approved the regulation related to the "Risk Management Systems and Working Procedures and Principles of the Risk Management Presidency". With this internal regulation and Treasury Directorship's Marketing and Liquidity Risk Management Policy and Application Procedures which are also approved by the Board of Directors, the procedures with respect to management of market risk are determined. Additionally, the Board of Directors, without transfer of its responsibility, requires the consent of the risk management group and the top management of the Parent 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 31 December 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 consolidated market risk:

	Current Period	Prior Period
(I) Capital Obligation against General Market Risk - Standard Method	14,451	42,549
(II) Capital Obligation against Specific Risk - Standard Method	3,392	21,051
Capital Requirement against Specific Risks of Securitization Positions– Standard Method	-	-
(III) Capital Obligation against Currency Risk - Standard Method	10,198	6,954
(IV) Capital Obligation against Commodity Risk - Standard Method	5,493	9,010
(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	2,023	1,203
(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)	35,557	80,767
(X) Value-At-Market Risk (12.5 x VIII) or (12.5 x IX)	444,461	1,009,588

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III. Explanations on consolidated market risk (continued)

b. Monthly average values at market risk

	Current Period		
	Average	Highest	Lowest
Interest Rate Risk	16,445	18,150	12,611
Equity-Shares Position Risk	2,061	3,906	843
Currency Position Risk	10,986	15,450	7,933
Commodity Risk	6,766	8,027	5,493
Clearing Risk	-	-	-
Option Market Risk	-	-	-
Counterparty Credit Risk	1,776	2,022	1,210
Total Value at Risk	38,034	47,555	28,090

	Prior Period (*)		
	Average	Highest	Lowest
Interest Rate Risk	481	511	450
Equity-Shares Position Risk	40,845	63,149	18,540
Currency Position Risk	7,186	7,417	6,954
Commodity Risk	12,190	15,370	9,010
Clearing Risk	-	-	-
Option Market Risk	-	-	-
Counterparty Credit Risk	1,360	1,517	1,203
Total Value at Risk	62,062	87,964	36,157

(*)Above table is prepared starting from 1 July 2012 according to the Communiqué on "Regulation on Measurement and Assessment of Capital Adequacy of Banks" published in the Official Gazette numbered 28337 on 28 June 2012.

Consolidated Quantitative information on counterparty risk

In counterparty credit risk calculations, the fair value methodology is used according to the Appendix-2 of the "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks". In case of derivative transactions, the total of replacement costs and potential credit risks is considered as the exposure amount. The replacement costs are calculated valuing the contracts at their fair values and the potential credit risks are calculated multiplying the contract amounts with the credit conversion factors set in the appendix of the regulation.

	Current Period	Prior Period
Interest-Rate Contracts	-	-
Foreign-Exchange-Rate Contracts	46,803	26,115
Commodity Contracts	4,435	1,919
Equity-Shares Related Contracts	-	-
Other	-	-
Gross Positive Fair Values	1,098	389
Netting Benefits	-	-
Net Current Exposure Amount	-	-
Collaterals Received	-	-
Net Derivative Position	52,336	28,423

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Information on Consolidated Operational Risk

"Basic Indicator Method" is used in operational risk calculation of the Group. The sum that is the basis for the operational risk is calculated by the use of the gross revenues of the Group for the last 3 years, 2012, 2011 and 2010 in compliance with "Third Section "Calculation of the Operational Risk" of The Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks published in the Official Gazette numbered 28337 and dated 28 June 2012. The annual gross revenue is calculated by addition of the net fees and commission revenues, dividend income obtained other than subsidiaries and affiliates, the trading gain/loss(net) and other operating income to the net profit share income and by deduction of the gain/loss from the sale of the assets accounted other than the trading book, extraordinary income, the operational expenses for the support services taken from the main shareholder of the bank, subsidiary of the bank or subsidiary of the shareholder of the bank performing the calculation or the institutions which are subject to the relevant Regulation or the equivalent arrangements and the operational expenses for the support service taken from a bank and the amounts compensated from insurance. TL 115,876 corresponding to the 8% of TL 1,448,447 used in the calculation of the operational risk within the scope of "Capital adequacy standard rate" indicated in the disclosure I of this section, represents the operational risk which might be exposed to. TL 115,876 also defines the minimum capital sum which is required in order to eliminate the mentioned risk.

Current Period	31/12/2010	31/12/2011	31/12/2012	Total/ No. of Years	Rate	Total
	Amount	Amount	Amount	of Positive Gross	(%)	
Gross Income	595,806	769,979	951,730	772,505	15	115,876
Value at Operational Risk (Total*12.5)						1,448,447

Prior Period	31/12/2009	31/12/2010	31/12/2011	Total/ No. of Years of	Rate	Total
	Amount	Amount	Amount	Positive Gross	(%)	
Gross Income	541,872	595,806	769,979	635,886	15	95,383
Value at Operational Risk (Total*12.5)						1,192,287

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IV. Explanations on consolidated currency risk

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

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

As of 31 December 2013, the Group carries a net foreign currency long position of TL 627,668 (31 December 2012 – TL 334,605 long position) comprising TL 558,509 balance sheet short position (31 December 2012 - TL 312,859 short position) and TL 69,159 off balance sheet long position (31 December 2012 - TL 21,745 long position).

The announced current foreign exchange buying rates of the Parent Bank as of 31 December 2012 and the previous five working days are as follows (Full TL):

	24/12/2013	25/12/2013	26/12/2013	27/12/2013	30/12/2013	Balance sheet evaluation rate
USD	2.0877	2.0812	2.071	2.0957	2.1604	2.1343
EURO	2.8573	2.8466	2.8353	2.8693	2.9844	2.9365
GBP	3.4091	3.3978	3.3735	3.4286	3.5601	3.5114
CHF	2.3255	2.3194	2.3111	2.3337	2.4307	2.3899
100 JPY	2.004	1.991	1.98	1.996	2.056	2.0231

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

	Monthly average FC purchase rate
USD	2.0572
EURO	2.8160
GBP	3.3627
CHF	2.2932
100 JPY	1.9854

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IV. Explanations on consolidated currency risk (continued)

Currency risk of the Group:

	EURO	USD	Other FC	Total
Current period				
Assets				
Cash (cash in vault, effectives, money in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey (***)	339,733	2,288,517	1,286,874	3,915,124
Banks	363,031	1,284,093	795,946	2,443,070
Financial assets at fair value through profit and loss	-	-	-	-
Money market placements	-	-	-	-
Available-for-sale financial assets (**)	-	219,974	-	219,974
Loans and finance lease receivables (*)	1,690,269	5,171,509	138,730	7,000,508
Subsidiaries, associates and joint ventures (**)	-	-	-	-
Held-to-maturity investments	-	-	-	-
Derivative financial assets for hedging purposes	-	-	-	-
Tangible assets	254	373	-	627
Intangible assets	5	35	-	40
Other assets	27,880	33,941	115	61,936
Total assets	2,421,172	8,998,442	2,221,665	13,641,279
Liabilities				
Current account and funds collected from Banks via participation accounts	92,686	229,009	97,867	419,562
Current and profit sharing accounts FC (****)	1,711,734	3,357,653	2,210,689	7,280,076
Money market borrowings	-	-	-	-
Funds provided from other financial institutions	267,924	4,201,716	-	4,469,640
Marketable securities issued	-	754,332	-	754,332
Miscellaneous payables	4,599	7,105	405	12,109
Derivative financial liabilities for hedging purposes	-	-	-	-
Other liabilities	19,582	55,657	2,653	77,892
Total liabilities	2,096,525	8,605,472	2,311,614	13,013,611
Net balance sheet position	324,647	392,970	(89,949)	627,668
Net off-balance sheet position	(306,654)	(336,898)	85,043	(558,509)
Financial derivative assets	560,227	1,997,013	246,734	2,803,974
Financial derivative liabilities	866,881	2,333,911	161,691	3,362,483
Non-cash loans (***)	1,484,520	2,613,401	480,626	4,578,547
Prior period				
Total assets	1,568,443	5,748,774	2,637,875	9,955,092
Total liabilities	1,138,725	6,207,256	2,274,506	9,620,487
Net balance sheet position	429,718	(458,482)	363,369	334,605
Net off-balance sheet position	(421,493)	468,106	(359,472)	(312,859)
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 5,474,647 (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 1,104,437 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 72,853 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 : 15,472 TL (31 December 2012 - 23,456 TL)
- Prepaid expenses: 1,282 TL (31 December 2012 - 0 TL)
- Derivative financial liabilities held for trading: 15,284 TL (31 December 2012 - 4,141 TL)
- The general provision for the bank's share: 15,696 TL (31 December 2012: 24,417 TL)
- Shareholders equity of FC: 3,053 TL (31 December 2012: 3,002 TL)

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

- Forward foreign currency purchase transactions: 346,835 TL (31 December 2012 - 125,986 TL)
- Forward foreign currency sale transactions: 447,167 TL (31 December 2012 - 137,557 TL)
- Future precious metal purchase transactions: 116,424 TL (31 December 2012 - 126,166 TL)
- Future precious metal sale transactions: 47,405 TL (31 December 2012- 479,084 TL)

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IV. Explanation on consolidated currency risk (continued)

Currency risk sensitivity:

The group is mainly exposed to foreign currency risk in EURO and USD.

The following table shows the group's sensitivity to 10% change both USD and EURO exchange rate.

	% changes on foreign currency	Effects on profit/loss		Effects on equity	
		Current period	Prior period	Current period	Prior period
USD	% 10	5,607	(962)	(471)	(43)
EURO	% 10	1,799	823	-	-

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

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

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

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

Current Period Equity Securities (shares)	Carrying Value	Comparison	
		Fair Value	Market Value
1 Securities Available-for-Sale (*)	51,558	-	-
Unquoted Securities	-	-	-
2 Investments in Associates	-	-	-
Unquoted Securities	-	-	-
3 Investment in Subsidiaries(*)	72,853	-	-
Unquoted Securities	-	-	-
4 Securities Available-for-Sale	5,064	-	-
Unquoted Securities	5,064	-	-

Prior Period Equity Securities (shares)	Carrying Value	Comparison	
		Fair Value	Market Value
1 Securities Available-for-Sale (*)	8,437	-	-
Unquoted Securities	-	-	-
2 Investments in Associates	-	-	-
Unquoted Securities	-	-	-
3 Investment in Subsidiaries(*)	57,863	-	-
Unquoted Securities	-	-	-

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

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

None (31December 2012: None).

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VI. Explanations on consolidated 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 Group diversifies funding sources (customer funds and funds borrowed from abroad) and keeps a certain level of assets as cash and cash equivalents.

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

The liquidity position of the Group's assets and liabilities within framework of the monitoring and evaluation of the liquidity ratio is calculated on a weekly basis. Rates during the period are as follows:

First Maturity Bracket (Weekly)			
Current Period	Average (%)	Highest (%)	Lowest (%)
FC	207.47	245.47	133.19
TL+FC	164.24	181.02	124.77
Second Maturity Bracket (Monthly)			
	Average (%)	Highest (%)	Lowest (%)
FC	345.95	452.19	210.34
TL+FC	245.35	301.76	190.15
First Maturity Bracket (Weekly)			
Prior Period	Average (%)	Highest (%)	Lowest (%)
FC	287.89	456.18	146.16
TL+FC	217.67	301.97	134.34
Second Maturity Bracket (Monthly)			
	Average (%)	Highest (%)	Lowest (%)
FC	184.48	275.68	118.73
TL+FC	151.19	199.69	110.67

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VI. Explanations on consolidated liquidity risk (consolidated)

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	1,325,519	2,988,091	-	-	-	-	-	4,313,610
Banks	2,220,473	180,690	62,926	10,248	-	-	-	2,474,337
Financial assets at fair value through profit and loss	7,014	37,555	54,651	15,325	247	-	-	114,792
Money market placements	-	-	-	-	-	-	-	-
Available-for-sale financial assets	-	-	-	3,427	1,268,712	-	51,558	1,323,697
Loans (*)	-	9,981,582	1,807,883	2,124,104	2,396,951	352,645	45,493	16,708,658
Held-to-maturity investments	-	-	-	-	-	-	-	-
Other assets (**)	37,352	269,808	54,079	-	30,953	-	452,266	844,458
Total assets	3,590,358	13,457,726	1,979,539	2,153,104	3,696,863	352,645	549,317	25,779,552
Liabilities								
Current account and funds collected from banks via participation accounts	120,344	197,455	72,120	40,034	-	-	-	429,953
Current and profit sharing accounts	4,883,841	4,408,679	5,873,371	1,209,445	221,280	-	-	16,596,616
Funds provided from other financial institutions	-	772,669	709,197	1,647,434	913,105	433,028	-	4,475,433
Money market borrowings	-	221,428	-	-	-	-	-	221,428
Marketable securities issued	-	-	-	-	905,894	-	-	905,894
Miscellaneous payables	92,924	29,582	-	-	-	-	-	122,506
Other liabilities (**)	-	348,105	32,426	7,249	5,944	-	2,633,998	3,027,722
Total liabilities	5,097,109	5,977,918	6,687,114	2,904,162	2,046,223	433,028	2,633,998	25,779,552
Net liquidity gap	(1,506,751)	7,479,808	(4,707,575)	(751,058)	1,650,640	(80,383)	(2,084,681)	-
Prior period								
Total assets	3,042,351	4,775,768	2,107,672	4,315,510	3,669,708	457,681	378,592	18,747,282
Total liabilities	3,354,024	4,258,872	5,242,147	2,243,846	1,379,103	361,661	1,907,629	18,747,282
Net liquidity gap	(311,673)	516,896	(3,134,475)	2,071,664	2,290,605	96,020	(1,529,037)	-

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

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

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VI. Explanations on consolidated liquidity risk (continued)

Analysis of financial liabilities by remaining contractual maturities:

The following table is prepared before the Group's liabilities are undiscounted and based on the earliest date to the payment. Adjustment column shows the items that give rise to probable cash exit according to contractual terms at later period. The items that is mentioned is included the maturity analysis however it is not included the balance sheet value of financial liabilities at the balance sheet.

	Up to 1 month	1-3 month	3-12 month	1-5 years	Above 5 years	Total	Adjustments	Balance Sheet Value
31 December 2013								
Collective Fundings	9,610,319	5,945,491	1,249,479	221,280	-	17,026,569	-	17,026,569
Marketable Securities Issued	-	3,405	204,102	834,778	-	1,042,285	(136,391)	905,894
Other Fundings	773,577	723,928	1,544,437	1,203,830	498,401	4,744,173	(270,568)	4,473,605
Borrowings from Leasings	-	-	-	1,849	-	1,849	(21)	1,828
Money market balances	221,509	-	-	-	-	221,509	(81)	221,428
Total	10,605,405	6,672,824	2,998,018	2,261,737	498,401	23,036,385	(407,061)	22,629,324

31 December 2012								
Collective Fundings	6,325,959	4,975,113	1,069,254	381,831	-	12,752,157	-	12,752,157
Marketable Securities Issued	-	4,679	219,594	733,875	-	958,148	(146,609)	811,539
Other Fundings	742,288	253,988	1,026,263	490,732	436,098	2,949,369	(239,898)	2,709,471
Borrowings from Leasings	26	51	26	-	-	103	(1)	102
Total	7,068,273	5,233,831	2,315,137	1,606,438	436,098	16,659,777	(386,508)	16,273,269

Maturity analysis for guarantees and contingencies:

	Demand	Up to 1 month	1-3 month	3-12 month	1-5 years	Above 5 years	Unallocated	Total
31 December 2013								
Letters of Guarantee	4,090,787	264,274	346,261	1,445,490	925,457	54,811	-	7,127,080
Bills of Exchange and Bank Acceptances	36,355	-	1,265	4,565	15,402	-	-	57,587
Letters of Credit	745,915	12,525	24,756	283,255	150,729	97	-	1,217,277
Other guarantees	211,765	-	405	1,544	39,147	221	-	253,082
Pre-financings given as guarantee	10,143	-	592	733	5,853	-	-	17,321
Total	5,094,965	276,799	373,279	1,735,587	1,136,588	55,129	-	8,672,347

31 December 2012								
Letters of Guarantee	1,011,744	4,923	1,489	168,843	3,294,447	727,222	-	5,208,668
Bills of Exchange and Bank Acceptances	58,915	-	-	-	6,471	-	-	65,386
Letters of Credit	278,562	5,397	8,390	122,705	557,307	19,251	-	991,612
Other guarantees	6,320	-	265	698	1,033	17,264	-	25,580
Pre-financings given as guarantee	3,477	-	-	240	1,828	3,661	-	9,206
Total	1,359,018	10,320	10,144	292,486	3,861,086	767,398	-	6,300,452

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VI. Explanations on consolidated liquidity risk (continued)

Contractual maturity analysis of derivative instruments:

31 December 2013	Up to 1 month	1-3 month	3-12 month	1-5 years	5 years and over	Total
Derivatives financial assets held for trading						
Foreign exchange derivatives:						
Entry	3,607,829	858,832	237,291	80,282	-	4,784,234
Exit	3,602,697	816,969	230,128	87,529	-	4,737,323
Hedging purposes financial assets						
Foreign exchange derivatives						
Entry	-	-	-	-	-	-
Exit	-	-	-	-	-	-
Total Cash Inflow	3,607,829	858,832	237,291	80,283	-	4,784,234
Total Cash Outflow	3,602,697	816,969	230,128	87,529	-	4,737,323
31 December 2012						
31 December 2012	Up to 1 month	1-3 month	3-12 month	1-5 years	5 years and over	Total
Derivatives financial assets held for trading						
Foreign exchange derivatives:						
Entry	1,816,294	791,865	128,550	-	-	2,736,709
Exit	1,796,251	781,943	127,325	-	-	2,705,519
Hedging purposes financial assets						
Foreign exchange derivatives						
Entry	-	-	-	-	-	-
Exit	-	-	-	-	-	-
Total Cash Inflow	1,816,294	791,865	128,550	-	-	2,736,709
Total Cash Outflow	1,796,251	781,943	127,325	-	-	2,705,519

VII. Explanations on consolidated securitization positions

None (31 December 2012 – None).

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VIII. Credit risk mitigation techniques

The Parent Bank applies the Comprehensive Financial Collateral Techniques explained in “Credit Risk Mitigation Techniques Communiqué” published in Official Gazette No. 28337 as of 28 June 2012.

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.

Exposure Categories	Amount(*)	Financial Collaterals	Other/Physical Collaterals	Guaranties and Credit Derivatives
Conditional and unconditional receivables from central governments or central banks	3,228,145	-	-	-
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	3,828,652	-	-	-
Conditional and unconditional receivables from Corporates	30,277,556	312,784	-	-
Conditional and unconditional retail receivables	8,554,173	144,708	-	-
Conditional and unconditional receivables secured by Mortgages	6,841,108	45,172	-	-
Past due receivables	22,616	24	-	-
Receivables defined in high risk category by BRSA	189,303	211	-	-
Securities collateralized by mortgages	-	-	-	-
Securitization positions	-	-	-	-
Short-term receivables from banks, brokerage houses and corporates	-	-	-	-
Investments similar to collective investment funds	-	-	-	-
Other receivables	2,013,076	-	-	-
Total	54,954,629	502,899	-	-

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

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VIII. Credit risk mitigation techniques (continued)

Exposure Categories (Prior Period)	Amount(*)	Financial Collaterals	Other/Physical Collaterals	Guaranties and Credit Derivatives
Conditional and unconditional receivables from central governments or central banks	2,061,557	-	-	-
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	1,996,825	-	-	-
Conditional and unconditional receivables from Corporates	23,052,789	185,376	-	-
Conditional and unconditional retail receivables	7,753,788	131,852	-	-
Conditional and unconditional receivables secured by Mortgages	5,015,330	25,084	-	-
Past due receivables	17,925	42	-	-
Receivables defined in high risk category by BRSA	28,513	222	-	-
Securities collateralized by mortgages	-	-	-	-
Securitization positions	-	-	-	-
Short-term receivables from banks, brokerage houses and corporates	-	-	-	-
Investments similar to collective investment funds	-	-	-	-
Other receivables	2,607,125	-	-	-
Total	42,533,852	342,576	-	-

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

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IX. 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 Parent 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 Parent 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 Information Technologies (“IT”) risk evaluations. Besides, in accordance to market trends, economic conduct and Bank’s strategic growth, capital adequacy stress test and scenario analyses, evaluation of economic development in the World and Turkey are presented to Internal Systems Committee and Board of Directors by Risk Management Service. These analyses contribute to Bank Top Management’s resolution process about risk appetite and awareness of risks, capital adequacy, strategy revisions and future estimation.

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

Risk Management Service continues risk monitoring and analysing 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 modelling 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 motorized.

Fair values of financial assets and liabilities

The table summarizes the book value and fair value of the financial assets and liabilities that were not accounted by the values in Group’s financial statements. Book value is the sum of the acquisition value and accumulated profit share accruals.

	Book Value		Fair Value	
	Current period	Prior period	Current period	Prior period
Financial Assets				
Banks	2,474,337	894,367	2,474,337	894,367
Financial assets available for sale	1,323,697	549,496	1,323,697	549,496
Loans and lease receivables	16,663,165	12,556,856	16,642,011	12,747,032
Financial Liabilities				
Current account and funds collected from banks via participation accounts.	429,953	296,422	429,953	296,422
Other current and profit sharing accounts	16,596,616	12,455,735	16,596,616	12,455,735
Funds provided from other financial institutions	4,475,433	2,709,573	4,477,097	2,748,140
Money market balances	221,428	-	221,428	-
Marketable Securities issued	905,894	811,539	898,353	848,473
Miscellaneous payables	122,506	92,456	122,506	92,456

The estimated fair value of the loans is calculated by discounting future cash flows by using current market rates of profit share. The fair value of financial assets and liabilities carried at amortized cost other than loans, and funds provided from other financial institutions approximates to their book values since they are short term in nature and their effective profit share rates are similar with current effective profit rates.

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

Hierarchy of valuation techniques which establishes basis for fair value calculation of financial assets and liabilities

Level 1: Quoted prices in active markets for identical assets and liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable market information for the assets or liability, either directly or indirectly.

Level 3: Inputs for the asset or liability that is not based on observable market information.

Fair value hierarchy of the financial assets and liabilities carried at fair value according to the foregoing principles as of 31 December 2013 and 31 December 2012 are given in the table below:

Current Period	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets held for trading	7,016	107,776	-	114,792
Forward transactions	-	102,418	-	102,418
Swap transactions	-	5,358	-	5,358
Other marketable securities	7,016	-	-	7,016
Available-for-sale financial assets	1,272,139	-	-	1,272,139
Equity securities	1,268,712	-	-	1,268,712
Government debt securities	3,427	-	-	3,427
Other marketable securities	-	-	-	-
Financial liabilities				
Financial liabilities held for trading	-	58,948	-	58,948
Forward transactions	-	32,480	-	32,480
Swap transactions	-	26,468	-	26,468
Prior Period				
Financial assets				
Financial assets held for trading	9,727	38,891	-	48,618
Forward transactions	-	25,293	-	25,293
Swap transactions	-	13,598	-	13,598
Other marketable securities	9,727	-	-	9,727
Available-for-sale financial assets	541,059	-	-	541,059
Government debt securities	541,059	-	-	541,059
Financial liabilities				
Financial liabilities held for trading	-	7,393	-	7,393
Forward transactions	-	5,132	-	5,132
Swap transactions	-	2,261	-	2,261

No transfers have taken place between Level 1 and Level 2 for the current year.

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

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

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XI. Explanations on business segments

The Group operates in Retail and Enterprise Banking, Commercial Banking, Corporate and International Banking sectors.

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

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

In International Banking, the relationships with foreign correspondent banks and investment institutes are executed directly or via branches abroad, representative offices and agencies. The firms, which are exceed size limits, are classified "corporate" customers and directed to the Corporate Banking. The products are the same with the Commercial Banking. The aim of international banking is to enable foreign trade financing and develop mutual long term financing agreements with foreign banks. Besides supplying syndicated loans and issue the Sukuk for the Bank, investment banking also supplies syndicated loans in corporate basis for the firms and groups in Turkey. The Treasury in addition to monitoring foreign currency position and liquidity of the Bank, also conducts spot and forward transactions in TL or foreign currencies, performs derivative transactions (Forward, Swap) with banks and customers, trades of gold within the context of membership of Istanbul Gold Exchange, trades share certificates in BIST and international markets and conducts Murabaha transactions with foreign banks.

Specific balance sheet and income statement items according to segments:

Current Period 1 January – 31 December 2013	Retail and enterprise banking	Commercial banking	Corporate and international banking	Unallocated	Group's total operation
Operating income	751,243	948,486	224,585	-	1,924,314
Operating expenses	427,779	308,502	195,654	615,589	1,547,524
Transfers between segments	231,803	(202,790)	(29,013)	-	-
Net operating income(loss)	555,267	437,194	(82)	(615,589)	376,790
Income from associates	-	-	-	-	-
Income (loss) before tax	555,267	437,194	(82)	(615,589)	376,790
Provision for taxation	-	-	-	68,867	68,867
Net income for the period	555,267	437,194	(82)	(684,456)	307,923
Current Period 31 December 2013					
Segment assets	5,262,667	9,787,448	9,884,979	-	24,935,094
Associates, subsidiaries and joint Ventures	-	-	-	77,917	77,917
Undistributed assets	-	-	-	766,541	766,541
Total assets	5,262,667	9,787,448	9,884,979	844,458	25,779,552
Segment liabilities	12,095,960	4,733,518	5,635,538	-	22,465,016
Undistributed liabilities	-	-	-	990,852	990,852
Shareholders' equity	-	-	-	2,323,684	2,323,684
Total liabilities	12,095,960	4,733,518	5,635,538	3,314,536	25,779,552

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XI. Explanations on business segments (continued)

Prior Period 1 January - 31 December 2012	Retail and enterprise banking	Commercial banking	Corporate and international banking	Unallocated	Group's total operation
Operating income	642,530	864,292	141,635	-	1,648,457
Operating expenses	417,117	265,379	171,149	483,779	1,337,424
Transfers between segments	234,631	(179,150)	(55,481)	-	-
Net operating income(loss)	460,044	419,763	(84,995)	(483,779)	311,033
Income from associates	-	-	-	-	-
Income (loss) before tax	460,044	419,763	(84,995)	(483,779)	311,033
Provision for taxation	-	-	-	59,100	59,100
Net income for the period	460,044	419,763	(84,995)	(542,879)	251,933
Prior Period 31 December 2012	4,005,148	5,108,569	8,956,384	-	18,070,101
Segment assets	-	-	-	57,863	57,863
Associates, subsidiaries and joint Ventures	-	-	-	619,318	619,318
Total assets	4,005,148	5,108,569	8,956,384	677,181	18,747,282
Segment liabilities	9,331,261	2,951,073	3,998,226	-	16,280,560
Undistributed liabilities	-	-	-	779,960	779,960
Shareholders' equity	-	-	-	1,686,762	1,686,762
Total liabilities	9,331,261	2,951,073	3,998,226	2,466,722	18,747,282

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SECTION FIVE

EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

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	243,463	460,198	175,840	128,245
The Central Bank of Republic of Turkey	155,023	2,988,091	173,223	1,853,649
Other (*)	-	466,835	280	1,656,346
Total	398,486	3,915,124	349,343	3,638,240

(*) As of 31 December 2013, precious metal account amounting to TL 466,835 (31 December 2012 - TL 1,655,798) and money in transit are presented in this line.

2. Balances with the Central Bank of Turkey:

	Current period		Prior period	
	TL	FC	TL	FC
Unrestricted demand deposit	155,023	-	173,223	-
Unrestricted time deposit	-	-	-	-
Restricted time deposit	-	2,988,091	-	1,853,649
Total	155,023	2,988,091	173,223	1,853,649

In accordance with the “Communiqué on Reserve Requirements no. 2005/1”, published by the Central Bank of the Republic of Turkey, required reserves in Turkish Lira, Foreign Currency and Gold are included in the table.

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

1. As of 31 December 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	87,054	15,364	13,873	11,421
Swap transactions	5,250	108	1,562	12,035
Futures transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
Total	92,304	15,472	15,435	23,456

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I. Explanations and notes related to assets (continued)

c. Information on Banks:

	Current period		Prior period	
	TL	FC	TL	FC
Banks	31,267	2,443,070	62,663	834,286
Domestic	30,558	1,183,614	62,030	413,449
Foreign	709	1,259,456	633	420,837
Branches and head office abroad	-	-	-	-
Total	31,267	2,443,070	62,633	834,286

d. Information on foreign bank accounts::

	Current period		Prior period	
	Unrestricted Amount	Restricted Amount	Unrestricted Amount	Restricted Amount
EU Countries	504,629	-	775,226	-
USA and Canada	246,196	-	78,407	-
OECD Countries(*)	372,325	-	6,343	-
Off-shore Banking Regions	386	-	103,942	-
Other	136,629	-	144,476	-
Total	1,260,165	-	1,108,394	-

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

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

1. Information on Financial Assets Available-for-Sale subject to repurchase transactions, given as a guarantee or blocked:

On 14 September 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 31 December 2013, rent certificates recorded as financial assets available-for -sale, amounting to TL 218,522 subject to sales transactions of repurchase agreements and based upon this transaction, rent certificate amounting to TL 61,000 given as collateral. The amount of fund provided from CBRT is TL 221,428 based upon repurchasing agreements.

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I. Explanations and notes related to assets (continued)

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

The details of the Rent Certificates which are in Bank's Portfolio "Financial Assets Available for-Sale" are presented below as of 31 December 2013.

- a) On 5 March 2013 and 19 November 2013 the Bank invested in domestic currency rent certificates ("Sukuk") issued by a private company with an annual profit rate of 7.1% and 9.1%, quarterly profit share payment schedule, maturity of 1 and 5 year, amounting to TL 2,000,000 (full amount) and TL 1,000,000 (full amount) respectively. The aforementioned "Sukuk" is classified under "Other Marketable Securities" at the accompanying financial statements.
- b) In addition; the Bank included rent certificates which are presented below and these amounts are classified under "Government debt securities" at the accompanying financial statements.

On 26 September 2012, the Bank invested in foreign currency rent certificate issued by T.R Undersecretariat of the Treasury with an annual profit rate 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 issued by T.R Undersecretariat of the Treasury with an annual profit rate of 7.4%, semiannual profit share payment schedule, maturity of 2 years and amounting to TL 382,820,168 (full amount).

On 20 February 2013, the Bank invested in domestic currency rent certificate issued by T.R Undersecretariat of the Treasury again with an annual profit rate of 5.7%, semiannual profit share payment schedule, maturity of 2 years and amounting to TL 352,504,059 (full amount).

On 20 February 2013, the Bank invested in domestic currency rent certificate issued by T.R Undersecretariat of the Treasury with an annual profit rate of 5.7%, semiannual profit share payment schedule, maturity of 2 years and amounting to TL 1,000,000 (full amount).

On 21 August 2013, the Bank invested in domestic currency rent certificate issued by T.R Undersecretariat of the Treasury again with an annual profit rate of 9%, semiannual profit share payment schedule, maturity of 2 years and amounting to TL 323,000,000 (full amount).

On 10 October 2013, the Bank invested in foreign currency rent certificate issued by T.R Undersecretariat of the Treasury with an annual profit rate of 4.5%, semiannual profit share payment schedule, maturity of 5 years and amounting to USD 9,800,000 (full amount).

	Current Period	Prior Period
Debt Securities	1,282,841	541,059
Quoted on stock exchange	1,282,841	541,059
Not quoted on stock exchange	-	-
Share certificates	51,558	8,437
Quoted on stock exchange	-	-
Not quoted on stock exchange	51,558	8,437
Impairment provision (-)	(10,702)	-
Total	1,323,697	549,496

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I. Explanations and notes related to assets (continued)

f. 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	621	676	1,146	544
Corporate Shareholders	-	676	-	544
Real Person Shareholders	621	-	1,146	-
Indirect Loans Granted to Shareholders	80,270	55	84,084	13,157
Loans Granted to Employees	6,031	7	4,677	6
Total	86,922	738	89,907	13,707

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

Current Period	Performing Loans and Other Receivables			Loans and Other Receivables under Follow-Up		
	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	15,591,182	210,740	-	286,797	161,224	-
Financing commodity against document	9,234	-	-	-	-	-
Exports Loan	32,836	-	-	38	3,200	-
Imports Loans	1,217,096	-	-	1,953	-	-
Enterprise Loans	9,575,752	206,091	-	208,831	149,792	-
Consumer Loans	2,584,387	3,571	-	68,844	4,223	-
Credit Cards	186,981	-	-	3,025	-	-
Precious Metal Loans	136,359	-	-	-	-	-
Loans Given to Financial Sector	3	-	-	-	-	-
Loans Extended Abroad	510,531	1,078	-	322	4,009	-
Other	1,338,003	-	-	3,784	-	-
Other Receivables	2,636	-	-	2,154	-	-
Total	15,593,818	210,740	-	288,951	161,224	-

Prior Period	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	11,796,565	31,604	-	349,392	178,309	-
Financing commodity against document	60,054	-	-	-	-	-
Exports Loan	965,684	-	-	4,333	-	-
Imports Loans	6,749,257	30,973	-	262,437	175,566	-
Enterprise Loans	1,865,306	631	-	67,712	2,743	-
Consumer Loans	131,751	-	-	3,440	-	-
Credit Cards	144,187	-	-	1	-	-
Precious Metal Loans	9	-	-	-	-	-
Loans Given to Financial Sector	866,604	-	-	3,805	-	-
Loans Extended Abroad	1,013,713	-	-	7,664	-	-
Other	2,999	-	-	14,246	-	-
Other Receivables	11,799,564	31,604	-	363,638	178,309	-

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

f. Information on loans and receivables: (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		
Current Period	Performing Loans and Other Receivables	Performing Loans and Other Receivables
1 or 2 times	210,740	161,224
3,4 or 5 times	-	-
Over 5 times	-	-
Total	210,740	161,224
Extension Periods for Repayment Plan Changes	Performing Loans and Other Receivables	Loans and Other Receivables under Follow-Up
0 - 6 months	5,621	3,249
6 - 12 months	17,753	18,652
1 - 2 years	44,252	57,256
2 - 5 years	82,244	81,585
5 years and over	60,870	482
Total	210,740	161,224
Number of Extensions for Repayment Plan		
Prior Period	Performing Loans and Other Receivables	Loans and Other Receivables under Follow-Up
1 or 2 times	31,604	178,309
3,4 or 5 times	-	-
Over 5 times	-	-
Total	31,604	178,309
Extension Periods for Repayment Plan Changes	Performing Loans and Other Receivables	Loans and Other Receivables under Follow-Up
0 - 6 months	1,023	5,526
6 - 12 months	4,358	20,239
1 - 2 years	23,156	97,442
2 - 5 years	2,741	54,295
5 years and over	326	807
Total	31,604	178,309

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

f. Information on loans and receivables: (continued)

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

Current Period	Performing Loans and Other Receivables		Loans and other receivables under Follow-Up	
	Loans and other receivables	Loans and Receivables with Revised Contract Terms	Loans and other receivables	Loans and Receivables with Revised Contract Terms
Cash Loans				
Short-term loans and other receivables	5,240,875	6,395	48,683	1,568
Loans	5,238,239	6,395	46,529	1,568
Other receivables	2,636	-	2,154	-
Medium and long-term loans and other receivables	10,352,943	204,345	240,268	159,656
Loans	10,352,943	204,345	240,268	159,656
Other receivables	-	-	-	-
Total	15,593,818	210,740	288,951	161,224
Prior Period				
Cash Loans				
Short-term loans and other receivables	4,433,638	1,426	72,210	17,825
Loans	4,430,639	1,426	57,964	17,825
Other receivables	2,999	-	14,246	-
Medium and long-term loans and other receivables (*)	7,365,926	30,178	291,428	160,484
Loans	7,365,926	30,178	291,428	160,484
Other receivables	-	-	-	-
Total	11,799,564	31,604	363,638	178,309

(*) 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)

f. Information on loans and receivables: (continued)

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

Current Period	Short term	Medium and long term	Total
Consumer Loans-TL	4,212	2,522,900	2,527,112
Housing Loans	1,245	2,380,610	2,381,855
Vehicle Loans	2,185	122,276	124,461
Consumer Loans	750	18,214	18,964
Other	32	1,800	1,832
Consumer Loans-FC Indexed	-	20,470	20,470
Housing Loans	-	19,031	19,031
Vehicle Loans	-	22	22
Consumer Loans	-	-	-
Other	-	1,417	1,417
Consumer Loans-FC	-	111,847	111,847
Housing Loans	-	36,658	36,658
Vehicle Loans	-	57	57
Consumer Loans	-	-	-
Other	-	75,132	75,132
Retail Credit Cards-TL	98,775	17,009	115,784
With Installment	38,792	17,004	55,796
Without Installment	59,983	5	59,988
Retail Credit Cards-FC	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Personnel Loans-TL	37	1,559	1,596
Housing Loans	-	454	454
Vehicle Loans	30	752	782
Consumer Loans	7	351	358
Other	-	2	2
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	4,559	313	4,872
With Installment	1,883	313	2,196
Without Installment	2,676	-	2,676
Personnel Credit Cards-FC	-	-	-
Installment based	-	-	-
Without-installment	-	-	-
Overdraft Account-TL (Real Person)	-	-	-
Overdraft Account-FC (Real Person)	-	-	-
Total	107,583	2,674,098	2,781,681

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

f. Information on loans and receivables: (continued)

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

Prior Period	Short term	Medium and long term	Total
Consumer Loans-TL	4,698	1,877,906	1,882,604
Housing Loans	1,357	1,746,412	1,747,769
Vehicle Loans	2,212	123,235	125,447
Consumer Loans	1,014	6,555	7,569
Other	115	1,704	1,819
Consumer Loans-FC Indexed	-	28,355	28,355
Housing Loans	-	27,938	27,938
Vehicle Loans	-	78	78
Consumer Loans	-	98	98
Other	-	241	241
Consumer Loans-FC	-	23,797	23,797
Housing Loans	-	23,707	23,707
Vehicle Loans	-	89	89
Consumer Loans	-	-	-
Other	-	1	1
Retail Credit Cards-TL	58,137	19,803	77,940
With Installment	12,586	19,803	32,389
Without Installment	45,551	-	45,551
Retail Credit Cards-FC	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Personnel Loans-TL	25	1,611	1,636
Housing Loans	-	592	592
Vehicle Loans	12	598	610
Consumer Loans	8	418	426
Other	5	3	8
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	3,314	240	3,554
With Installment	1,339	240	1,579
Without Installment	1,975	-	1,975
Personnel Credit Cards-FC	-	-	-
Installment based	-	-	-
Without-installment	-	-	-
Overdraft Account-TL (Real Person)	-	-	-
Overdraft Account-FC (Real Person)	-	-	-
Total	66,174	1,951,712	2,017,886

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

f. Information on loans and receivables: (continued)

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

Current Period	Short term	Medium and long term	Total
Commercial Installment Loans-TL	79,056	1,905,718	1,984,774
Business Loans	4,105	424,021	428,126
Vehicle Loans	35,493	625,331	660,824
Consumer Loans	-	69,683	69,683
Other	39,458	786,683	826,141
Commercial Installment Loans-FC Indexed	16,047	1,099,590	1,115,637
Business Loans	460	270,187	270,647
Vehicle Loans	7,713	283,186	290,899
Consumer Loans	-	-	-
Other	7,874	546,217	554,091
Commercial Installment Loans-FC	-	286,114	286,114
Business Loans	-	71,951	71,951
Vehicle Loans	-	973	973
Consumer Loans	-	-	-
Other	-	213,190	213,190
Corporate Credit Cards-TL	69,350	-	69,350
With Installment	10,159	-	10,159
Without Installment	59,191	-	59,191
Corporate Credit Cards-FC	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Overdraft Account-TL (Legal Entity)	-	-	-
Overdraft Account-FC (Legal Entity)	-	-	-
Total	164,453	3,291,422	3,455,875
Prior Period	Short term	Medium and long term	Total
Commercial Installment Loans-TL	52,860	1,271,436	1,324,296
Business Loans	3,554	230,124	233,678
Vehicle Loans	23,898	596,931	620,829
Consumer Loans	-	30,260	30,260
Other	25,408	414,121	439,529
Commercial Installment Loans-FC Indexed	8,889	677,124	686,013
Business Loans	961	136,921	137,882
Vehicle Loans	3,225	222,750	225,975
Consumer Loans	-	-	-
Other	4,703	317,453	322,156
Commercial Installment Loans-FC	74	142,656	142,730
Business Loans	-	34,777	34,777
Vehicle Loans	74	1,245	1,319
Consumer Loans	-	-	-
Other	-	106,634	106,634
Corporate Credit Cards-TL	53,697	-	53,697
With Installment	5,827	-	5,827
Without Installment	47,870	-	47,870
Corporate Credit Cards-FC	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Overdraft Account-TL (Legal Entity)	-	-	-
Overdraft Account-FC (Legal Entity)	-	-	-
Total	115,520	2,091,216	2,206,736

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

f. Information on loans and receivables: (continued)

6. Allocation of loans by customers:

	Current period	Prior period
Public	16,253	64,774
Private	16,238,480	12,305,759
Total	16,254,733	12,370,533

7. Breakdown of domestic and foreign loans:

	Current period	Prior period
Domestic loans	15,738,793	12,189,630
Foreign loans	515,940	180,903
Total	16,254,733	12,370,533

8. Loans granted to subsidiaries and associates:

	Current period	Prior period
Loans granted directly to subsidiaries and associates	42,032	126,633
Loans granted indirectly to subsidiaries and associates	-	-
Total	42,032	126,633

9. Specific provisions for loans:

	Current period	Prior period
Specific provisions		
Loans and receivables with limited collectability	27,935	34,838
Loans and receivables with doubtful collectability	72,971	55,484
Uncollectible loans and receivables	235,277	161,836
Total	336,183	252,158

10. 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	4,156	245	11,903
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	-	-	-

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

f. Information on loans and receivables: (continued)

10. Information on non-performing loans (net): (continued)

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

	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 (+)	40,707	94,369	55,692
Transfers from other categories of non-performing loans(+)	-	8,208	91,478
Transfers to other categories of non-performing loans (-)	44,261	55,425	-
Collections in the current period (-)	3,873	9,242	30,962
Disposals in the current period (-)	1,937	987	6,963
Write offs (-)	2,433	5,755	32,279
Corporate and commercial loans	1,432	1,778	22,240
Retail loans	863	3,112	7,503
Credit Cards	138	865	2,536
Other	-	-	-
Ending balance of the current period	41,393	99,295	240,988
Specific provisions (-)	27,935	72,971	235,277
Net balance at the balance sheet	13,458	26,324	5,711

	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	28,016	29,201	152,211
Additions in the current period (+)	53,202	66,280	28,426
Transfers from other categories of non-performing loans(+)	-	1,204	35,055
Transfers to other categories of non-performing loans (-)	14,942	21,317	-
Collections in the current period (-)	2,919	3,099	20,545
Disposals in the current period (-)	10,167	4,142	2,483
Write offs (-)	-	-	28,642
Corporate and commercial loans	-	-	18,595
Retail loans	-	-	7,512
Credit Cards	-	-	2,535
Other	-	-	-
Ending balance of the current period	53,190	68,127	164,022
Specific provisions (-)	34,838	55,484	161,836
Net balance at the balance sheet	18,352	12,643	2,186

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

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

f. Information on loans and receivables: (continued)

10. Information on non-performing loans (net): (continued)

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

	Group III: Loans and receivables with limited collectability	Group IV: Loans and receivables with doubtful collectability	Group V: Uncollectible loans and receivables
Current period (Net)	13,458	26,324	5,711
Loans granted to real persons and legal entities (Gross)	41,393	99,295	240,988
Specific provision (-)	27,935	72,971	235,277
Loans to real persons and legal entities (Net)	13,458	26,324	5,711
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.

(v). Aging analysis of past due but not impaired financial assets per classes of financial instruments is as follows:

Current period – 31 December 2013	Less than 30 days	31-60 days	61-90 days	More than 91 days	Total
Loans and receivables					
Corporate loans	147,027	72,062	61,805	-	280,894
Retail loans	25,224	86,798	54,233	-	166,255
Credit cards	2,376	445	205	-	3,026
Total	174,627	159,305	116,243	-	450,175
<hr/>					
Prior Period – 31 December 2012	Less than 30 days	31-60 days	61-90 days	More than 91 days	Total
Loans and receivables					
Corporate loans	215,566	92,350	53,164	-	361,080
Retail loans	30,110	93,335	53,980	-	177,425
Credit cards	1,778	1,366	296	-	3,440
Total	247,454	187,051	107,440	-	541,945

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

f. Information on loans and receivables: (continued)

11. 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 40,467 have been written-off (31 December 2012 – TL 28,642).

12. Information on the write-off policy:

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

g. Information on held-to-maturity investments (Net):

None (31 December 2012 – None).

h. Information on investment in associates (Net):

1. The 1.75% ownership of Kredi Garanti Fonu A.Ş. of TL 4,210 (31 December 2012 – TL 4,210), 8.36% 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 3,752 (31 December 2012 – TL 3,332) and TL 181 amount of swift shares (31 December 2012 – TL 181) and 0,0035% ownership of Borsa İstanbul A.Ş. of TL 15 (31 December 2012 – None) 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).
2. Information related to consolidated associates: None (31 December 2012 – None).

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I. Explanations and notes related to assets (continued)

i. Information on investment in associates (Net):

- 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.
- Information on subsidiaries:

Title	Address (City/ Country)	Bank's share percentage, if different-voting Percentage (%)	Bank's risk group share Percentage (%)
Körfez Tatil Beldesi Turistik Tesisler ve Devremülk İşletmeciliği San.ve Tic. A.Ş. (*)	İstanbul/Türkiye	%99.9	%99.9
Körfez Gayrimenkul Yatırım Ortaklığı A.Ş. (*) (**)	İstanbul/Türkiye	%99.9	%99.9

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
22,764	22,707	39	702	-	555	(151)	-
78,147	29,476	11,229	-	-	(2,559)	(1,651)	-

(*) These figures are shown per Turkish Trade Law financial statements as at 31 December 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.

Movement for subsidiaries

	Current period	Prior period
Balance at the beginning of the year	57,863	65,653
Movements during the year	-	-
Purchases (*)	-	-
Transfers from subsidiaries	-	-
Bonus shares	-	-
Dividends from current year income	-	-
Sales	-	-
Revaluation increase	31,312	-
(Impairment)/reversal of impairment	-	(7,790)
Capital commitment payments (**)	(16,322)	-
	72,853	57,863
Balance at the end of the year		57,863
Capital commitments	-	-
Share percentage at the end of the year (%)	-	-

(*) The bank's subsidiary, Körfez Gayrimenkul Yatırım Ortaklığı A.Ş. performed capital decrement amounting to TL 16,322 from accumulated prior year losses by deducting from paid-in capital. Cancellation of shares method is used for the capital decrement and Kuveyt Türk Katılım Bankası A.Ş.'s nominal values of shares amounting to TL 16,322 were cancelled. Kuveyt Türk Katılım Bankası A.Ş.'s capital amount has been decreased to TL 49,498.

Extraordinary General Assembly Decision and Board of Directors Report for capital decrease are registered on 01 August 2013 and published in Trade Registry Gazette No. 8380 dated 07 August 2013.

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

i. Information on subsidiaries : (continued)

3. Information on consolidated subsidiaries:

Description	Address (City/ Country)	Bank's share percentage- If different voting percentage (%)	Bank's risk group share percentage (%)
1. Kuwait Turkish Participation Bank Dubai Ltd (*)	Dubai/BAE	100%	100%
2. KT Sukuk Varlık Kiralama A.Ş. (**)	İstanbul/Türkiye	100%	100%
3. KT Kira Sertifikaları Varlık Kiralama A.Ş.(***)	İstanbul/Türkiye	100%	100%

(*) Financial figures as of 31 December 2013 for this entity in the table above are based on the financial information prepared in accordance with the local regulations of the country in which this entity operates.

(**) The special purpose entity, Kuveyt Turk Sukuk Limited was established at 24 August 2010 which is not a subsidiary of the Bank. Since the Bank has 100% control power on the subsidiary it is included in the scope of consolidation.

(***) With the decision of Board of Directors at 18 September 2013, KT Kira Sertifikaları Varlık Kiralama A.Ş. included in the scope of consolidation as subsidiary of the Bank's.

	Total Assets	Shareholders' Equity	Total Fixed Assets	Profit Share Income	Income from marketable securities	Current Period Profit/Loss	Prior Period Profit/Loss	Fair Value
1.	77,114	72,781	252	15,641	-	6,546	1,751	-
2.	754,410	78	-	3	-	15	13	-
3.	151,595	31	-	-	-	(19)	-	-

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	100	50

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

4. Information on capital adequacies of major subsidiaries:

The Bank does not have any major subsidiary.

5. Accounting method of the reasonable justification of unconsolidated in subsidiaries that booked on the unconsolidated financial statements:

Subsidiaries are carried by cost value after deduction of impairments since necessary requirements for consolidation is not met.

j. Information on joint ventures (business partnerships) (Net):

	Bank's share percentage	Total assets	Equity	Total fixed assets	Current period profit/loss	Prior period profit /loss
Katılım Emeklilik ve Hayat A.Ş. (*) (**)	50%	11,943	11,000	968	1,090	-

(*) As of 31 December 2013, financial figures for this entity in the table above are based on the financial information prepared in accordance with the local regulations

(**) In accordance with decision of the Bank's Board of Directors on 25 April 2013, Kuveyt Türk Katılım Bankası A.Ş. and Albaraka Türk Katılım Bankası A.Ş. decided to establish the Pension Company in line with main shares. Bank decided to establish that pension company with the equal share amounts with Albaraka Türk Katılım Bankası A.Ş. and that pension company is registered with the trade name "Katılım Emeklilik ve Hayat Anonim Şirketi", 895027 registry numbered dated 17 December 2013 by İstanbul Ticaret Sicil Müdürlüğü.

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

k. 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	243,846	208,397	92,278	74,930
1 to 4 years	207,259	178,361	123,213	100,109
More than 4 years	23,763	21,674	10,167	8,702
Total	474,868	408,432	225,658	183,741

2. Net investments in finance leases:

	Current period	Prior period
Gross receivable from finance leases	474,868	225,658
Unearned finance lease income (-)	(66,436)	(41,917)
Cancelled amounts (-)	-	-
Net receivable from finance leases	408,432	183,741

3. Information on finance lease contracts:

The Group determines the settlements of the financial lease agreements in accordance with related legislations. Payment terms and amounts may be rearranged with additional agreements upon customers' requests. On the agreements, the Bank gives the customer the option to buy the related property. According to the Financial Lease Law, if a customer does not fulfill its obligations, the Bank sends a notice to the customer and the Bank takes legal action against the customer if necessary. Non performing finance lease receivables amounting to TL 3,905 are included in the non-performing loans in the balance sheet (31 December 2012– TL 2,597).

Impairment provision amounting to TL 3,043 (31 December 2012– TL 2,095) for financial lease receivables are included under the specific provision account under loans in the balance sheet.

l. Information on derivative financial assets for hedging purposes:

None (31 December 2012 – None).

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

m. Explanations on Tangible Assets (Net):

	Real Estates	Leased Tangible Assets	Vehicles	Other Tangible Assets(*)	Total
At End of Prior Period: 31 December 2012					
Cost	61,216	71,640	1,061	207,847	341,764
Accumulated Depreciation (-)	1,948	10,114	775	90,197	103,034
Net Book Value	59,268	61,526	286	117,650	238,730
At End of Current Period: 31 December 2013					
Net book value at beginning of period	59,268	61,526	286	117,650	238,730
Additions	81,817	5,651	-	52,628	140,096
Disposals (-)	19,276	615	34	905	20,830
Transfers to assets held for sale (-)	-	-	-	323	323
Transfer from assets held for sale	-	-	-	5,036	5,036
Impairment/Reversal of Impairment Losses (**)	-	-	-	(82)	(82)
Depreciation Expense (-)	631	714	31	25,647	27,023
Currency Translation Differences on Foreign Operations (-)	-	-	-	-	-
Reversal of the provision for decrease in value	-	-	-	-	-
Cost at period end	123,758	76,676	1,027	264,364	465,825
Accumulated depreciation end of period (-)	2,580	10,828	806	115,843	130,057
Closing net book value	121,178	65,848	221	148,521	335,768
At End of Prior Period: 31 December 2011					
Cost	5,697	71,354	923	172,840	250,814
Accumulated Depreciation (-)	1,796	9,240	653	67,103	78,792
Net Book Value	3,901	62,114	270	105,737	172,022
At End of Current Period: 31 December 2012					
Net book value at beginning of period	3,901	62,114	270	105,737	172,022
Additions	55,519	295	149	50,099	106,061
Disposals (-)	-	9	11	19,769	19,789
Transfers to assets held for sale (-)	-	-	-	8,935	8,935
Transfer from assets held for sale	-	-	-	13,151	13,151
Impairment/Reversal of Impairment Losses (**)	-	-	-	(461)	(461)
Depreciation Expense (-)	152	874	122	23,094	24,242
Cost at period end	61,216	71,640	1,061	207,847	341,764
Accumulated depreciation end of period (-)	1,948	10,114	775	90,197	103,034
Closing net book value	59,268	61,526	286	117,650	238,730

(*) TL 18,361 (31 December 2012-TL 33,228) includes the amount of real estates to be disposed off.

n. Explanations on Intangible Assets:

1. Cost and Accumulated Amortization Balances at beginning and end of period:

	End of Period	Beginning of Period
Cost	82,916	58,421
Accumulated Amortization	(27,218)	(14,769)
Total (net)	55,698	43,652

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

n. Explanations on Intangible Assets: (Continued)

2. Movements of intangible assets

	Current Period	Prior Period
Opening balance	43,652	26,454
Additions	29,074	24,872
Disposals (-), net	(4,579)	(12)
Depreciation amount (-)	(12,449)	(7,662)
Closing net book value	55,698	43,652

Intangible assets include computer software and program licenses which are taken for banking systems.

o. Investment property:

None.

p. Information on deferred tax asset:

In accordance with the related regulations deferred tax asset calculated as of 31 December 2013 is TL 47,829 (31 December 2012 – TL 35,058) and deferred tax liability is TL 16,876 (31 December 2012 – TL 14,254).

	Current Period	Prior Period
Reserve for employee benefits	21,195	18,442
Retirement pay liability	9,260	2,998
Deferred income	5,755	2,342
Impairment provision for subsidiaries, fixed assets and assets held for sale	7,621	5,797
Precious metals valuation difference	2,525	5,243
Other	1,473	236
Deferred tax asset	47,829	35,058
Difference between carrying value and tax base of tangible assets	(4,552)	(3,206)
Accruals of derivative financial instruments held for trading(net)	(9,620)	(6,207)
Other	(2,704)	(4,841)
Deferred tax liability	(16,876)	(14,254)
Deferred tax asset, (net)	30,953	20,804

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

p. 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	4,285	(8,721)
Deferred tax accounted under shareholders' equity	5,864	(3,302)
Deferred tax asset	30,953	20,804

r. Assets held for sale and assets of discontinued operations

Tangible assets which are obtained through receivables of the Bank and which the Bank plans to sell within to sell one year has been published in the web site are valued with the lower of the net book value and fair value as is required by the Communiqué of "Principles and Procedures on Bank's Disposal of Precious Metals and Asset Held For Sale" published on 1 November 2006 in the Official Gazette No. 26333 in the unconsolidated financial statements.

	Current Period	Prior Period
Opening balance	30,004	25,015
Additions	17,892	22,028
Transfer from tangible assets	322	8,935
Disposals (-), net	(13,123)	(12,855)
Transfer to tangible assets	(6,096)	(13,151)
Depreciation amount (-)	-	-
Impairment losses provision (-)	-	(32)
Closing net book value	28,999	30,004

s. Information on other assets:

As of balance sheet date, the Group's other assets amount to TL 315,123 (31 December 2012 - TL 286,128). 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 and over	Accumulated profit sharing accounts	Total
I. Real persons current accounts-TL	1,258,677	-	-	-	-	-	-	1,258,677
II. Real persons profit sharing accounts TL	-	1,787,884	2,767,949	432,619	-	186,385	333,875	5,508,712
III. Other current accounts-TL	1,381,890	-	-	-	-	-	-	1,381,890
Public sector	55,130	-	-	-	-	-	-	55,130
Commercial sector	1,298,169	-	-	-	-	-	-	1,298,169
Other institutions	20,476	-	-	-	-	-	-	20,476
Commercial and other institutions	-	-	-	-	-	-	-	-
Banks and participation banks	8,115	-	-	-	-	-	-	8,115
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-
Domestic banks	288	-	-	-	-	-	-	288
Foreign banks	1,801	-	-	-	-	-	-	1,801
Participation banks	3,026	-	-	-	-	-	-	3,026
Others	3,000	-	-	-	-	-	-	3,000
IV. Profit sharing accounts-TL	-	269,772	562,021	128,288	-	127,289	90,281	1,177,651
Public sector	-	1,928	74	38	-	4,294	-	6,334
Commercial sector	-	246,838	525,063	125,066	-	109,720	89,846	1,096,533
Other institutions	-	21,006	36,627	3,184	-	13,275	435	74,527
Commercial and other institutions	-	-	238	-	-	-	-	238
Banks and participation banks	-	-	19	-	-	-	-	19
V. Real persons current accounts-FC	730,758	-	-	-	-	-	-	730,758
VI. Real persons profit sharing accounts-FC	-	718,971	1,129,443	352,656	-	183,833	170,752	2,555,655
VII. Other current accounts-FC	887,167	-	-	-	-	-	-	887,167
Commercial residents in Turkey	705,942	-	-	-	-	-	-	705,942
Commercial residents in Abroad	68,892	-	-	-	-	-	-	68,892
Banks and participation banks	112,333	-	-	-	-	-	-	112,333
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-
Domestic banks	609	-	-	-	-	-	-	609
Foreign banks	105,355	-	-	-	-	-	-	105,355
Participation banks	6,369	-	-	-	-	-	-	6,369
Others	-	-	-	-	-	-	-	-
VIII. Profit sharing accounts- FC	-	267,138	856,418	39,595	-	67,423	125,513	1,356,087
Public sector	-	-	35	-	-	-	-	35
Commercial sector	-	126,944	653,020	26,457	-	67,396	64,919	938,736
Other institutions	-	51,138	4,687	12,236	-	27	3,345	71,433
Commercial and other institutions	-	9,532	12,308	902	-	-	13,648	36,390
Banks and participation banks	-	79,524	186,368	-	-	-	43,601	309,493
IX. Precious metal funds	745,899	-	1,306,651	72,840	-	44,582	-	2,169,972
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	5,004,391	3,043,765	6,622,482	1,025,998	-	609,512	720,421	17,026,569

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	886,312	-	-	-	-	-	-	-	886,312
Public sector	40,229	-	-	-	-	-	-	-	40,229
Commercial sector	826,724	-	-	-	-	-	-	-	826,724
Other institutions	18,733	-	-	-	-	-	-	-	18,733
Commercial and other institutions	-	-	-	-	-	-	-	-	-
Banks and participation banks	626	-	-	-	-	-	-	-	626
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	-	-	-	-	-	-	-	-	-
Foreign banks	611	-	-	-	-	-	-	-	611
Participation banks	15	-	-	-	-	-	-	-	15
Others	-	-	-	-	-	-	-	-	-
IV. Profit sharing accounts-TL	-	93,992	574,975	23,972	-	137,989	74,085	-	905,013
Public sector	-	66	6,012	2,740	-	2,173	250	-	11,241
Commercial sector	-	87,567	458,059	18,372	-	74,915	72,323	-	711,236
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	1,082,449	159,296	-	93,875	158,157	-	1,897,319
VII. Other current accounts-FC	631,630	-	-	-	-	-	-	-	631,630
Commercial residents in Turkey	486,891	-	-	-	-	-	-	-	486,891
Commercial residents in Abroad	21,337	-	-	-	-	-	-	-	21,337
Banks and participation banks	123,402	-	-	-	-	-	-	-	123,402
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	-	-	-	-	-	-	-	-	-
Foreign banks	90,449	-	-	-	-	-	-	-	90,449
Participation banks	32,953	-	-	-	-	-	-	-	32,953
Others	-	-	-	-	-	-	-	-	-
VIII. Profit sharing accounts- FC	-	122,929	627,265	17,471	-	7,862	104,251	-	879,778
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	6,251	2,937	-	-	6,658	-	17,564
Banks and participation banks	-	27,813	5,338	895	-	-	30,659	-	64,705
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	3,284,763	1,505,353	6,345,221	457,948	-	387,527	771,345	-	12,752,157

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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	4,075,680	2,395,607	2,663,583	2,558,714
FC accounts	2,774,746	1,972,913	2,559,062	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.

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

The headquarters of the Parent Bank is in Turkey.

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

The 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	2,484	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	208	170

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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	24,364	8,116	3,252	1,880
Swap transactions	19,300	7,168	-	2,261
Futures transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
Total	43,664	15,284	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	-	-	-	9,254
From Foreign Banks, Institutions and Funds	5,793	4,034,732	5,440	2,333,116
Total	5,793	4,034,732	5,440	2,342,370

2. Information on maturity structure of borrowings:

	Current period		Prior period	
	TL	FC	TL	FC
Short-term	5,793	3,519,813	5,440	2,157,740
Medium and Long-Term	-	514,894	-	184,630
Total	5,793	4,034,707	5,440	2,342,370

As explained in Section Three Note XVIII, On 31 October 2011 the Parent 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 million out of the sale and leaseback transaction amounting to USD 213,130 thousand is booked in funds borrowed.

The Bank invested in domestic currency rent certificate issued by KT Kira Sertifikaları Varlık Kiralama A.Ş. with permission of Capital Markets Boards of Turkey on 7 November 2013, quarterly profit share payment schedule, maturity of 364 day and amounting to TL 150,000,000 (full amount) and classified under “Funds Borrowed” at the accompanying financial statements.

The Bank provided subordinated loans, with maturity of 1 and 2 years respectively, amounting to USD 275 million and EUR 83 million in the current period. Subordinated loans have profit share of Libor/Euribor + %0.90 for annual maturity and profit share of Libor/Euribor + % 1,25 for 2 years maturity.

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.

d. Information on other liabilities and miscellaneous payables:

As of 31 December 2013, other liabilities amounting to TL 314,680 (31 December 2012 - TL 450,841), sundry creditors amounting to TL 122,506 (31 December 2012- TL 92,456), both of them do not exceed 10% of the balance sheet total.

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II. Explanations and notes related to liabilities (continued)

e. Information on finance lease payables (net):

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

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

ii. Information on Financial Lease Obligations

	Current period		Prior period	
	Gross	Net	Gross	Net
Less than 1 year	-	-	-	-
Between 1-4 years	1,878	1,828	-	-
More than 4 years	-	-	103	102
Total	1,878	1,828	103	102

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.

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

g. Information on provisions:

1. Information on general provisions:

	Current period	Prior Period
General Provisions	174,251	138,118
I.For Loans and Receivables in Group I (Total)	127,687	109,118
Profit Sharing Accounts' Share	37,629	45,477
The Bank's Share	83,227	62,109
Other	-	-
I.Additional Provision for Loans and Receivables with Extended Maturities	6,831	1,532
Profit Sharing Accounts' Share	1,900	1,235
The Bank's Share	4,931	297
Other	-	-
II.Loans and Receivables in Group II (Total)	15,016	10,305
Profit Sharing Accounts' Share	2,721	1,468
The Bank's Share	4,567	237
Other	-	-
II.Additional Provision for Loans and Receivables with Extended Maturities	7,728	8,600
Profit Sharing Accounts' Share	5,587	3,112
The Bank's Share	2,141	5,488
Other	-	-
Provisions for Non Cash Loans	15,775	14,174
Other	15,773	4,521

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II. Explanations and notes related to liabilities (continued)

h. Information on provisions: (continued)

2. Information on provisions related with foreign currency evaluation difference of foreign currency indexed loans: As of 31 December 2013, effect of decrease in exchange rates on foreign currency indexed loans amounting to TL 548 (31 December 2012 - TL 30,174) and TL 5,622 for leasing receivables (31 December 2012 - TL 5,439) is offset against loans and receivables.
3. Information on other provisions:

	Current Period	Prior Period
Provisions for non- liquidated non cash loans (*)	27,593	20,509
Provisions for cheque books (*)	9,605	6,401
Provisions from equity/profit sharing accounts	30,430	14,713
Other	1,370	334
Total	68,998	41,957

(*) 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 28,959 (31 December 2012 – TL 11,806), vacation pay liability amounting to TL 608 (31 December 2012 – TL 435), performance premium amounting to TL 36,700 (31 December 2012 – TL 28,000), retirement bonuses on payment of TL 15 (31 December 2012 – TL 551) and overtime payment amounting to TL 783 (31 December 2012 – TL 0).

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 3,438 (31 December 2012 – TL 3,129) for each year of service. The liability is not funded, as there is no funding requirement.

The reserve has been calculated by estimating the present value of the future probable obligation of the 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 (%)	3.29	2.38
Inflation rate (%)	6.5	5
Interest rate (%)	10.0	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	11,806	9,193
Provisions recognized during the period	4,179	4,061
Actuarial loss (*)	15,345	-
Paid during the period	(2,371)	(1,448)
Balances at the end of the period	28,959	11,806

(*)Retirement pay liability arising from current period and amounting TL 15,345 is an actuarial loss amount and deferred tax amounting to TL 3,069 related with the retirement pay liability is accounted under Statement of other Comprehensive Income .

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II. Explanations and notes related to liabilities (continued)

h. Explanations on tax liability:

1. Explanations on current tax liability:

i. Information on tax provisions: As of 31 December 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 20,096.

	Current period	Prior period
Provision for corporate income tax	73,152	50,379
Prepaid taxes	(53,056)	(34,685)
Total (*)	20,096	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	6,284	6,908
Taxation of immovable property	662	514
Banking Insurance Transaction Tax (BITT)	9,104	6,114
Foreign Exchange Transaction Tax	-	-
Value Added Tax Payable	1,820	1,469
Income tax deducted from wages	4,340	3,218
Other	1,630	733
Total	23,840	18,956

iii. Information on premiums (*):

	Current period	Prior period
Social Security Premiums-Employee	2,492	1,887
Social Security Premiums-Employer	2,671	1,865
Unemployment insurance-Employee	178	135
Unemployment insurance-Employer	401	308
Total	5,742	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).

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II. Explanations and notes related to liabilities (continued)

j. Information on subordinated loans:

	Current Period		Prior Period	
	TL	FC	TL	FC
From Domestic Banks	-	-	-	-
From Other Domestic Institutions	-	-	-	-
From Foreign Banks	-	433,080	-	361,661
From Other Foreign Institutions	-	-	-	-
Total	-	433,080	-	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 Parent 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: None. (31 December 2012 – None)

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 in 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 (until 10 September 2014) after the registration of capital increase by 10 June 2013.

6. Possible effect of estimations made for the Group's revenues, profitability and liquidity on equity considering prior period indicators and uncertainties:

Based on the evaluation made considering the Group's prior and current period indicators related to net profit share and commission income, it is observed that the Group continues its operations profitably.

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

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II. Explanations and notes related to liabilities (continued)

k. Information on shareholders' equity: (continued)

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 (*)	6,738	(4,713)	12,137	1,071
Foreign Exchange Difference	-	-	-	-
Total	6,738	(4,713)	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 31 December 2013 is TL 449,872 (31 December 2012 – TL 269,062); payment commitments for cheque books are TL 824,093 (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 31 December 2013, the Bank has guarantees and surety ships constituting of TL 7,127,080 (31 December 2012 – TL 5,208,668) letters of guarantee; TL 57,587 (31 December 2012 – TL 65,386) acceptances and TL 1,217,277 (31 December 2012 – TL 991,612) letters of credit. In addition, the Bank has also Other Guarantees and Securities amounting to TL 253,082 (31 December 2012: 25,580).

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

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

	Current period	Prior period
Non-cash loans given against cash loans	-	-
With original maturity of 1 year or less	-	-
With original maturity of more than 1 year	-	-
Other non-cash loans	8,672,347	6,300,452
Total	8,672,347	6,300,452

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

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

(ii). Sectorial risk concentration of non-cash loans

	Current period				Prior period			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
Agriculture	49,384	1.21	8,857	0.19	32,306	0.94	17,783	0.62
Farming and Stockbreeding	29,277	0.72	6,512	0.14	19,048	0.55	13,419	0.47
Forestry	19,999	0.49	2,051	0.04	12,236	0.36	3,964	0.14
Fishery	108	0.00	294	0.01	1,022	0.03	400	0.01
Manufacturing	675,374	16.50	1,020,681	22.29	467,200	13.59	594,213	20.76
Mining and quarrying	181,676	4.44	258,192	5.64	147,462	4.29	201,999	7.06
Production	332,373	8.12	412,445	9.01	251,979	7.33	350,607	12.25
Electricity, Gas, Water	161,325	3.94	350,044	7.65	67,759	1.97	41,607	1.45
Construction	1,805,231	44.10	1,664,001	36.34	1,483,639	43.15	990,309	34.60
Services	1,081,576	26.42	1,494,332	32.64	747,554	21.74	734,311	25.66
Wholesale and Retail Trade	515,266	12.59	432,119	9.44	369,609	10.75	298,015	10.41
Hotel, Food and Beverage	53,700	1.31	30,804	0.67				
Services					39,926	1.16	18,094	0.63
Transportation and Telecom.	255,737	6.25	445,850	9.74	124,730	3.63	134,892	4.71
Financial Institutions	30,279	0.74	536,107	11.71	12,858	0.37	259,529	9.07
Real Estate and Renting Services	7,804	0.19	816	0.02	6,375	0.19	1,641	0.06
"Self-Employment" Type Services	195	0.00	-	-	344	0.01	-	-
Educational Services	16,020	0.39	9,675	0.21	8,356	0.24	2,031	0.07
Health and Social Services	202,575	4.95	38,961	0.85	185,356	5.39	20,109	0.70
Other	482,235	11.77	390,676	8.54	707,574	20.58	525,563	18.36
Total	4,093,800	100.00	4,578,547	100.00	3,438,273	100.00	2,862,179	100.00

(iii). Non-cash loans classified under Group I and II:

Current Period	Group I		Group II	
	TL	FC	TL	FC
Non-Cash Loans	4,035,160	4,568,049	58,640	10,498
Letters of Guarantee	4,016,918	3,043,277	58,640	8,247
Bills of Exchange and Bank Acceptances	1,096	54,818	-	1,673
Letters of Credit	627	1,216,072	-	578
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Related Guarantees	-	-	-	-
Other Guarantees and Sureties	16,519	253,882	-	-
Prior Period	Group I		Group II	
	TL	FC	TL	FC
Non-Cash Loans	3,386,069	2,849,255	52,204	12,924
Letters of Guarantee	3,385,269	1,758,294	52,204	12,901
Bills of Exchange and Bank Acceptances	-	65,386	-	-
Letters of Credit	800	990,789	-	23
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Related Guarantees	-	-	-	-
Other Guarantees and Sureties	-	34,786	-	-

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

b. Financial derivative instruments

	Derivative transactions according to aims	
	Current Period	Current Period
Trading derivatives		
Foreign Currency Related Derivative Transactions (I):	9,348,138	4,803,738
Currency Forwards-Purchases, sales	4,826,767	2,189,777
Currency Swaps-Purchases, sales	4,521,371	2,613,961
Currency Futures	-	-
Currency Options-Purchases, sales	-	-
Interest Rate Related Derivative Transactions (II):	-	-
Interest rates forwards-Purchase, sales	-	-
Interest rates swaps-Purchases, sales	-	-
Interest rates options-Purchases, sales	-	-
Interest rates futures-Purchases, sales	-	-
Other Trading Derivatives (III)	173,419	638,490
A.Total Trading Derivatives (I+II+III)	9,521,557	5,442,228
Hedging Derivatives		
Fair value hedges	-	-
Cash flow hedges	-	-
Foreign currency investment hedges	-	-
B. Total Hedging Derivatives	-	-
Total Derivatives Transactions (A+B)	9,521,557	5,442,228

The Parent Bank enters short term swap transactions based on its market expectations and cash flow. These transactions are generally short term and consist of foreign currency to foreign currency and foreign currency to Turkish Lira agreements. As of 31 December 2013, the Bank has commitments to buy TL 802,691, USD 527,197,000, EUR 171,524,000 and GBP 1,792,000 in return of selling commitments of TL 1,332,609, USD 299,591,000, EUR 120,782,000 and GBP 1,494,000 (As of 31 December 2012, the Parent Bank has commitments to buy TL 309,852, USD 279,712,000 EUR 120,804,000 and GBP 2,057,000 in return of selling commitments of TL 552,182, USD 168,975,000, EUR 93,244,000 and GBP 2,164,000).

c. Credit derivatives and risk exposures on credit derivatives: None.

d. Contingent liabilities and assets:

In accordance with decision of the Bank's Board of Directors numbered 1117 and dated 21 June 2011, recoverable foreign currency loan granting commitments to real and legal persons and who do not have the unconditional right to utilize these commitment has been translated into Turkish Lira and no longer followed as foreign currency commitments.

e. Explanations on custodian and intermediary services

The Bank has no operations like money placements on behalf of real or legal persons, charitable foundations, retirement insurance funds and other institution.

f. Summary Information on the Bank's Rating by the International Rating Institutions

Fitch Rating's December 2013	Notes
Long Term Issuer Default Rating	BBB
Short Term Issuer Default Rating	F3
Local Currency Long Term Issuer Default Rating	BBB+
Local Currency Short Term Issuer Default Rating	F2
Support Rating	2

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IV. Explanations and disclosures 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	FC
Profit share on loans	1,260,333	73,190	1,191,252	58,443
Short term loans	382,334	12,829	413,180	10,670
Medium and long term loans	872,772	60,361	774,725	47,773
Profit share on non-performing loans	5,227	-	3,347	-
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	2,047	8,069	7,879	4,853
Branches and head office abroad	-	-	-	-
Total	2,047	8,069	7,879	4,853

3. Information on profit share income from securities portfolio:

The Parent Bank has received TL 60,880 profit share income from rent certificates (sukuk) which is given the details in available for sale financial assets information. (1 January-31 December 2012: 8.037 TL).

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

	Current period	Prior period
Profit share income received from associates and subsidiaries	31	237

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	1,929	108,444	40	65,035
The Central Bank of the Republic of Turkey	-	-	-	-
Domestic banks	367	71,665	-	-
Foreign banks	-	-	40	65,035
Branches and head office abroad	1,562	37,741	-	-
Other Institutions	-	-	-	28,482
Total	1,929	109,406	40	93,517

ii. Profit share expense given to associates and subsidiaries:

	Current Period	Prior Period
Profit share expenses given to associates and subsidiaries	1,829	1,937

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iii. Profit share expense paid to securities issued: The Group has paid TL 41,739 for securities issued (1 January-31 December 2012: 39,364).

c. Information on dividend income: None (1 January-31 December 2012: None).

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

Current period		Profit Sharing Accounts						Accumulated profit sharing accounts	Total
Account Name	Up to 1 month	Up to 3 month	Up to 6 month	Up to 9 month	Up to 1 year	Above 1 year			
TL									
Collected funds from banks through current and profit share accounts	-	585	1,692	-	2,929	-	-	5,206	
Real person's non-trading profit sharing account	79,691	153,569	22,361	-	9,832	24,381	-	289,834	
Public sector profit sharing account	76	112	40	-	794	7	-	1,029	
Commercial sector profit sharing account	9,832	29,869	7,140	-	2,963	2,056	-	51,860	
Other institutions profit sharing account	1,039	4,398	904	-	17	49	-	6,407	
Total	90,638	188,533	32,137	-	16,535	26,493	-	354,336	
FC									
Banks	-	382	4	-	-	-	-	386	
Real person's non-trading profit sharing account	13,912	24,971	6,329	-	3,811	4,948	-	53,971	
Public sector profit sharing account	3,042	1	-	-	-	-	-	1	
Commercial sector profit sharing account	1,143	13,579	755	-	2,712	751	-	20,839	
Other institutions profit sharing account	-	3,267	409	-	1	98	-	4,819	
Precious metal accounts	-	11,978	498	-	379	-	-	12,855	
Total	18,097	54,178	7,995	-	6,903	5,797	-	92,970	
Total	108,735	242,711	40,132	-	23,438	32,290	-	447,306	
Prior Period		Profit Sharing Accounts						Accumulated profit sharing accounts	Total
Account Name	Up to 1 month	Up to 3 month	Up to 6 month	Up to 9 month	Up to 1 year	Above 1 year			
TL									
Collected funds from banks through current and profit share accounts	31	960	-	-	528	-	-	1,519	
Real person's non-trading profit sharing account	67,941	176,957	12,586	-	7,630	53,595	-	318,709	
Public sector profit sharing account	3	54	178	-	654	24	-	913	
Commercial sector profit sharing account	5,483	30,664	2,663	-	1,836	5,769	-	46,415	
Other institutions profit sharing account	532	3,093	73	-	22	178	-	3,898	
Total	73,990	211,728	15,500	-	10,670	59,566	-	371,454	
FC									
Banks	60	119	4	-	-	355	-	538	
Real person's non-trading profit sharing account	12,870	28,737	3,325	-	3,059	6,728	-	54,719	
Public sector profit sharing account	-	-	-	-	-	-	-	-	
Commercial sector profit sharing account	1,245	17,354	3,557	-	151	1,581	-	23,888	
Other institutions profit sharing account	919	1,276	407	-	2	361	-	2,965	
Precious metal accounts	-	11,805	346	-	559	-	-	12,710	
Total	15,094	59,291	7,639	-	3,771	9,025	-	94,820	
Total	89,084	271,019	23,139	-	14,441	68,591	-	466,274	

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

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

	Current period	Prior period
	172,251	103,645
Trading income/loss (net)	16,223,297	5,912,277
Income	848	1,652
Gain on capital market transactions	274,427	84,478
Gain on derivative financial instruments	15,948,022	5,826,147
Foreign exchange gains	16,051,046	5,808,632
Losses (-)	2,495	1,936
Losses on capital market transactions	233,580	63,075
Losses on derivative financial instruments	15,814,971	5,743,621

f. Information on other operating income:

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

	Current period	Prior period
Reversal of prior period provisions	79,778	57,563
Income from sale of assets	17,333	20,926
Expertise fees	12,433	8,271
Income from EFT and money transfers	9,385	7,436
Income from checkbooks	3,297	3,873
Income from bounced check provisions	2,333	2,538
Income from check provisions	2,157	2,041
Lease income	1,686	1,494
Other Income	12,066	8,443
Total	140,468	112,585

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

	Current period	Prior period
Specific provisions for loans and other receivables	197,727	159,532
III. group loans and receivables	35,547	37,118
IV. group loans and receivables	71,015	51,626
V. group loans and receivables	91,165	70,788
Doubtful commissions, fees and other receivables	1	57
General provision expenses	36,133	27,730
Provision expenses for possible losses	-	-
Impairment provision of marketable securities	355	28
Financial Assets at fair value through profit and loss	355	28
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	10,637	2,941
Total	244,853	198,078

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h. Information on other operating expenses:

	Current period	Prior period
Personnel expenses	338,496	261,541
Provision for retirement pay liability	1,808	2,613
Depreciation expenses of fixed assets	26,493	24,242
Depreciation expenses of intangible assets	12,449	7,662
Depreciation expenses of assets held for sale	530	727
Other operating expenses	149,082	123,124
Rent expenses	59,991	42,610
Maintenance expenses	10,482	13,778
Advertisement expenses	14,099	13,756
Communication expenses	13,928	11,304
Heating, electricity and water expenses	7,011	6,282
Cleaning expenses	2,019	1,918
Vehicle expenses	4,001	3,168
Stationery expenses	3,050	2,753
Other expenses	34,501	27,555
Losses on sales of assets	241	279
Deposit insurance fund expenses	32,673	20,859
Other	54,058	43,011
Total	615,830	484,058

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

Income before tax amounts to TL 376,790 increased by 21.14% as compared to the prior period (2012 – TL 311,033). Income before tax includes TL 839,482 (2012 – TL 701,705) net profit share income and TL 85,708 (2012 – TL 75,234) net fees and commission income. Other operating expense amount is TL 615,830 (2012 – TL 484,058).

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

At current period, deferred tax income of the Group is TL 4,285 (31 December 2012 – TL 8,721 deferred tax expense) and current tax provision expense is TL 73,152 (2012 – TL 50,379).

k. 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.

l. Information on net income/loss:

- i. The nature and amount of certain income and expense items from ordinary operations is disclosed if the disclosure for nature, amount and repetition rate of such items is required for a complete understanding of the Group's performance for the period: As of 31 December 2013, net profit share income is TL 839,482 (1 January-31 December 2012 – TL 701,705), net fees and commission income is TL 85,708 (1 January-31 December 2012 – TL 75,234).
- ii. Effect of changes in accounting estimates on income statement for the current and, if any for subsequent periods: None (1 January-31 December 2012 – None).
- iii. Profit/Loss attributable to minority interest: None (1 January-31 December 2012 – None).

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

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

As of 31 December 2013, other fees and commissions received is TL 91,918 (1 January-31 December 2012 – TL 70,814), TL 12,763 of this amount is related with credit card fees and commissions (1 January-31 December 2012 – TL 12,251) and TL 23,098 of this amount is related with POS machine commissions (1 January-31 December 2012 – TL 22,078).

As of 31 December 2013, other fees and commissions given is TL 76,990 (1 January-31 December 2012 – TL 55,989), TL 27,582 (1 January-31 December 2012 – TL 25,734) of this amount is related with POS clearing commissions and installation expenses, TL 5,476 (1 January-31 December 2012 – TL 5,356) of this amount is related with fees and commissions paid for credit cards.

V. Statement of Changes in Shareholders' Equity

a) There are no disclosed dividend amounts subsequent to the balance sheet date, prior to the presentation of the financial statements.

Decision on the dividend distribution will be made in the General Assembly. However, the General Assembly has not been held as of the date when the accompanying financial statements are finalized.

b) In current year, the Bank has realized dividend payments amounting to TL 17,000 to its shareholders and TL 1,872 TL to members of Board of Directors. In the General Assembly meeting has decided amounting to TL 14,395 transferred to legal reserves, amounting to TL 145,608 transferred to extraordinary reserve and amounting to TL 50,000 transferred to paid up capital.

VI. Explanations and notes related to cash flow statement

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

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

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

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

	Current period	Prior period
Cash	1,831,072	1,355,187
Cash in TL/foreign currency, others	304,085	170,832
Demand deposits at banks	1,526,987	1,184,355
Cash equivalents	-	-
Interbank money markets	-	-
Time deposits at banks	-	-
Marketable securities	-	-
Total cash and cash equivalents	1,831,072	1,355,187

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

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

	Current period	Prior period
Cash	2,987,060	1,831,478
Cash in TL/foreign currency, others	703,661	304,085
Demand deposits at banks (up to 3 months)	2,283,399	1,527,393
Cash equivalents	-	-
Interbank money markets	-	-
Time deposits at banks	-	-
Marketable securities	-	-
Total cash and cash equivalents	2,987,060	1,831,478

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

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

“Other items” amounting to TL 60,920 (2012: TL 11,484) in “Operating profit before changes in operating assets and liabilities” consists of fees and commissions paid and other operating expenses except for collection from non-performing loans and personnel expenses.

“Net increase/decrease in other liabilities” amounting to TL 145,172 (2012: TL 6,054) in “Changes in operating assets and liabilities” consists of changes in sundry creditors, other liabilities and taxes and other duties payables.

“Net increase/decrease in other assets” amounting to TL 478 (2012: TL 53,443) in “Changes in operating assets and liabilities” consist of changes in prepaid rent expense and other asset.

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

Effect of the changes in foreign currency rates on cash and cash equivalents has been calculated approximately TL 69,005 as of 2013 (2012 – TL 10,314).

VII. 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	Non-Cash
Loans and other receivables						
Balance at beginning of period	126,633	30	1,146	544	84,273	13,157
Balance at end of period	42,032	78	621	676	96,077	55
Profit share and commission income	31	-	48	-	6,736	-

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

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VII. 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. Prior period:

Risk group of the Bank (*)	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the Bank		Other real or legal persons included in the risk group	
	Cash	Non-Cash	Cash		Cash	Non-Cash
Loans and other receivables						
Balance at beginning of period	-	30	147	298	87,387	2,919
Balance at end of period	126,633	30	1,146	544	84,273	13,157
Profit share and commission income	237	-	88	-	4,154	-

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

3. (i). Information on current and profit sharing accounts of the Bank's risk group:

Risk group of the Bank (*)	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the bank		Other real or legal persons included in the risk group	
	Current period	Prior period	Current period	Prior period	Current period	Prior period
Current and profit sharing accounts						
Balance at the beginning of period	75,445	28,441	21,047	22,759	107,600	95,340
Balance at the end of period	171,298	75,445	28,882	21,047	171,137	107,600
Profit share expense	1,829	1,937	1,298	1,358	3,210	612

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

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

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

Risk group of the Bank	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the bank		Other real or legal persons included in the risk group	
	Current period	Prior period	Current period	Prior period	Current period	Prior period
Loans Received						
Balance at beginning of period	-	-	1,919,506	953,854	89,620	242,455
Balance at end of period	-	-	2,300,361	1,919,506	70,022	89,620
Profit share expense	-	-	74,197	60,712	2,080	3,046

b. Information on remunerations provided to top management:

As of 31 December 2013, the Bank has paid TL 11,288 to top management (31 December 2012 - TL 10,510).

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VIII. Domestic, foreign and off-shore branches or equity investments, and foreign representative offices

1. Domestic and foreign branches and representative offices:

	Number of Branches	Number of Employees			
Domestic branches (*)	266	3,330			
			Country		
Foreign representative offices	1	1	Germany	Total Assets (TL)	Legal Capital (USD)
Foreign banks					
	1	3		2,762,893	
Off-shore branches	1	6	Bahrain	1,729	

(*) The personnel working at Headquarters, Operation Center and Region quarters are not included in the domestic branches personnel number.

2. Opening or closing of domestic and foreign branches and representative offices and significant changes in organizational structure

In 2013, 47 new domestic branches (2012-41 branches) were opened.

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

On January 29, 2014, the Bank's Board of Directors' decided to increase Kuwait Turkish Participation Bank Dubai Ltd.'s, one of the Bank's Subsidiaries, capital by USD 10,000,000, from USD 30,000,000 (total amount) to USD 40,000,000 (total amount).

The Parent Bank will be plan to finalize second part of unpaid capital which was increased in 2013 as amount TL 360,000,000 (full amount) based on the decision of the Board of Directors numbered 1446 and dated 29 January 2014.

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SECTION SIX

OTHER EXPLANATIONS AND DISCLOSURES

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

SECTION SEVEN

INDEPENDENT AUDITORS' REPORT

I- Explanations on the independent auditors' report

The consolidated financial statements of the Bank have been audited by DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member of Deloitte Touche Tohmatsu Limited) and the independent auditors' report dated 3 March 2014 is presented before the accompanying consolidated financial statements.

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