

**KUVEYT TÜRK KATILIM BANKASI
ANONİM ŞİRKETİ**

**INDEPENDENT AUDITOR'S
REPORT,
UNCONSOLIDATED FINANCIAL
STATEMENTS AND NOTES
FOR THE YEAR ENDED
31 DECEMBER 2014**

*Translated into English
from the Original Turkish Report*

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ

INDEPENDENT AUDITOR'S REPORT FOR THE YEAR 1 JANUARY 2014 – 31 DECEMBER 2014

We have audited the accompanying balance sheet of Kuveyt Turk Katılım Bankası A.Ş. (the “Bank”) as of 31 December 2014, and the related 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 “The Licensing and Operations of Audit Firms in Banking” published in the Official Gazette No. 26333 on 1 November 2006 and in accordance with Independent Auditing Standards which is a part of Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority (“POA”). We planned and performed our audit to obtain reasonable assurance about 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 auditors’ 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 financial statements present fairly, in all material respects, the financial position of Kuveyt Turk Katılım Bankası A.Ş. as at 31 December 2014 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 of the Banking Act No: 5411, and other regulations, communiqués and circulars in respect of accounting and financial reporting and pronouncements made by BRSA.

Report on Other Legal and Regulatory Requirements

In accordance with paragraph four of the Article 402 of the Turkish Commercial Code No. 6102 ("TCC"), nothing has come to our attention that may cause us to believe that the Bank's set of accounts and financial statements prepared for the period 1 January-31 December 2014 does not comply with TCC and the provisions of the Bank's articles of association in relation to financial reporting.

In accordance with paragraph four of the Article 402 of TCC, the Board of Directors provided us all the required information and documentation with respect to our audit.

Additional paragraph for English translation:

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

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

Müjde Şehsuvaroğlu
Partner

İstanbul, 23 February 2015

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THE UNCONSOLIDATED FINANCIAL REPORT OF KUVEYT TÜRK KATILIM BANKASI A.Ş.

AS OF 31 DECEMBER 2014

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

- General information about the participation bank
- Unconsolidated financial statements of the participation bank
- Explanations on accounting policies
- Information on financial structure of the bank
- Footnotes and explanations on unconsolidated financial statements
- Other explanations
- Independent auditors' report

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

Hamad Abdulmohsen AL-MARZOUQ	Adnan ERTEM	M. Shujauddin AHMED	Ahmed S. AL KHARJI	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

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KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2014

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

SECTION ONE

GENERAL INFORMATION

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

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

II. Shareholding structure, shareholders jointly or individually having direct or indirect, control over the management and supervision of the Bank and the disclosures on any related changes in the current period, if any and information about the Group that the Bank belongs to

As of 31 December 2014 and 31 December 2013, 62.32% of the Bank’s shares are owned by Kuwait Finance House located in Kuwait, 18.74% by Vakıflar Genel Müdürlüğü Mazbut Vakıfları, 9.01% by The Public Institution For Social Security in Kuwait and 9.01% by Islamic Development Bank whereas the remaining 0.92% 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	Date of assignment to the audit committee	Educational degree	Ownership Percentage
Hamad Abdulmohsen AL MARZOUQ	Chairman of the BOD	25/06/2014		Master	-
Abdullah TIVNİKLİ	Vice Chairman of the BOD	16/05/2001		Master	0.0836%
Dr. Adnan ERTEM	Member of BOD and Chairman of the Audit Committee	22/12/2010	19/10/2010	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 Shujauddin AHMED	Member of BOD and Member of Audit Committee	17/05/2012	13/11/2013	Bachelor	-
Ufuk UYAN	Member of BOD and General Manager	10/05/1999		Master	0.0556%
Ahmed S. AL Kharji	Member of BOD and Member of Audit Committee	26/03/2014	24/09/2014	Master	-
Ahmet KARACA	Chief Financial Officer	12/07/2006		Master	0.0114%
Ahmet Süleyman KARAKAYA	Executive Vice President, Commercial Banking	14/01/2003		Bachelor	0.0011%
Bilal SAYIN	Executive Vice President, Credits	20/08/2003		Bachelor	0.0035%
İrfan YILMAZ	Chief Operations Officer	27/10/2005		Bachelor	0.0157%
Dr. Ruşen Ahmet ALBAYRAK	Executive Vice President, Corporate & International Banking	05/05/2005		Doctorate	0.0091%
Nurettin KOLAÇ	Executive Vice President, Legal and Risk Follow-up	20/04/2010		Bachelor	0.0007%
Aslan Demir	Executive Vice President, Strategy	08/10/2012		Bachelor	0.0047%
Mehmet ORAL	Executive Vice President, Retail and SME Banking	01/10/2012		Bachelor	0.0029%

In the Board of Director’s Meeting on May 21, 2014, resignation of the Board of Directors Chairman Mohammad S.A.I ALOMAR has been accepted and all the duties related to his board membership have been terminated. In the Board of Director’s Meeting on June 25, 2014; Hamad Abdulmohsen AL MARZOUQ has been assigned as Chairman of the Board of Directors in accordance with decision numbered 1531.

Chairman and members of the Board of Directors, members of auditing committee, general manager and assistant general managers own 0.20% of the Bank’s share capital (31 December 2013 – 0.19%).

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2014

(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	1,425,325	%62.32	1,425,325	-
Vakıflar Genel Müdürlüğü Mazbut Vakıfları	428,671	%18.74	428,671	-
Total	1,853,996	%81.06	1,853,996	-

As of 31 December 2014, the shares of parent shareholder of Bank, Kuwait Finance House (“KFH”) are 52.12% publicly traded; 24.08% of KFH belongs to Kuwait Investment Authority and 10.48% belongs to Public Authority for Minors Affairs.

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

The Bank’s field of operations includes corporate banking, international banking services, and retail banking and credit card services. The Bank’s core business is operating in accordance with the principles of interest-free banking as a participation bank by collecting funds through current and profit/loss sharing accounts, and lending such funds to its customers. As of 31 December 2014, the Bank is operating through 308 branches (31 December 2013 – 268) with 5,082 employees (31 December 2013 – 4,642). Summary of some of the Bank’s operations described in the Articles of Association are as follows:

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

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

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

None.

SECTION TWO

THE UNCONSOLIDATED FINANCIAL STATEMENTS

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
UNCONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2014
(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

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

	Note	Audited Current period (31.12.2014)			Audited Prior period (31.12.2013)		
		TL	FC	Total	TL	FC	Total
I. CASH AND BALANCES WITH THE CENTRAL BANK	(I-a)	594,034	5,990,608	6,584,642	398,486	3,915,121	4,313,607
II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (Net)	(I-b)	39,666	8,249	47,915	99,320	15,472	114,792
2.1 Held for trading financial assets		39,666	8,249	47,915	99,320	15,472	114,792
2.1.1 Public sector debt securities		-	-	-	-	-	-
2.1.2 Equity securities		-	-	-	-	-	-
2.1.3 Derivative financial assets held for trading		34,867	8,249	43,116	92,304	15,472	107,776
2.1.4 Other marketable securities		4,799	-	4,799	7,016	-	7,016
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)	34,681	2,632,853	2,667,534	31,267	2,442,612	2,473,879
IV. MONEY MARKET PLACEMENTS		-	-	-	-	-	-
V. FINANCIAL ASSETS AVAILABLE FOR SALE (Net)	(I-e)	1,617,489	586,700	2,204,189	1,104,437	219,260	1,323,697
5.1 Equity securities		9,936	44,059	53,995	8,872	42,686	51,558
5.2 Public sector debt securities		1,583,482	289,880	1,873,362	1,092,138	176,574	1,268,712
5.3 Other marketable securities		24,071	252,761	276,832	3,427	-	3,427
VI. LOANS AND RECEIVABLES	(I-f)	18,276,411	2,298,671	20,575,082	14,803,658	1,429,248	16,232,906
6.1 Loans and receivables		18,204,434	2,298,671	20,503,105	14,758,165	1,429,248	16,187,413
6.1.1 Loans to risk group of the Bank		38,026	62,253	100,279	30,320	92,221	122,541
6.1.2 Public sector debt securities		-	-	-	-	-	-
6.1.3 Other		18,166,408	2,236,418	20,402,826	14,727,845	1,337,027	16,064,872
6.2 Non-performing loans		481,195	-	481,195	381,676	-	381,676
6.3 Specific provisions (-)		409,218	-	409,218	336,183	-	336,183
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)	168,355	-	168,355	123,254	-	123,254
9.1 Unconsolidated financial subsidiaries		145,675	-	145,675	50,401	-	50,401
9.2 Unconsolidated non-financial subsidiaries		22,680	-	22,680	72,853	-	72,853
X. ENTITIES UNDER COMMON CONTROL (JOINT VENT.) (Net)	(I-j)	10,500	-	10,500	5,500	-	5,500
10.1 Accounted for under equity method		10,500	-	10,500	5,500	-	5,500
10.2 Unconsolidated		-	-	-	-	-	-
10.2.1 Financial subsidiaries		-	-	-	-	-	-
10.2.2 Non-financial subsidiaries		-	-	-	-	-	-
XI. FINANCE LEASE RECEIVABLES	(I-k)	592,059	118,527	710,586	379,139	29,293	408,432
11.1 Finance lease receivables		678,110	125,786	803,896	445,575	29,293	474,868
11.2 Operating lease receivables		-	-	-	-	-	-
11.3 Other		-	-	-	-	-	-
11.4 Unearned income (-)		86,051	7,259	93,310	66,436	-	66,436
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)	498,002	984	498,986	471,386	375	471,761
XIV. INTANGIBLE ASSETS (Net)	(I-n)	67,270	2,995	70,265	55,658	40	55,698
14.1 Goodwill		-	-	-	-	-	-
14.2 Other		67,270	2,995	70,265	55,658	40	55,698
XV. INVESTMENT PROPERTIES (Net)	(I-o)	-	-	-	-	-	-
XVI. TAX ASSET	(I-p)	50,016	-	50,016	30,953	-	30,953
16.1 Current tax asset		-	-	-	-	-	-
16.2 Deferred tax asset		50,016	-	50,016	30,953	-	30,953
XVII. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)	(I-r)	31,316	-	31,316	28,999	-	28,999
17.1 Held for sale		31,316	-	31,316	28,999	-	28,999
17.2 Discontinued operations		-	-	-	-	-	-
XVIII. OTHER ASSETS	(I-s)	281,822	106,967	388,789	251,895	58,169	310,064
TOTAL ASSETS		22,261,621	11,746,554	34,008,175	17,783,952	8,109,590	25,893,542

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
UNCONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2014
(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

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

	Note	Audited Current period (31.12.2014)			Audited Prior period (31.12.2013)		
		TL	FC	Total	TL	FC	Total
I. FUND COLLECTED	(II-a)	12,147,275	9,997,339	22,144,614	9,327,032	7,703,670	17,030,702
1.1 Funds from risk group of the Bank		137,594	336,766	474,360	128,939	246,511	375,450
1.2 Other		12,009,681	9,660,573	21,670,254	9,198,093	7,457,159	16,655,252
II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	(II-b)	14,088	11,797	25,885	43,664	15,284	58,948
III. FUNDS BORROWED	(II-c)	248,480	6,055,418	6,303,898	157,355	4,494,076	4,651,431
IV. MONEY MARKET BALANCES		708,743	-	708,743	221,428	-	221,428
V. MARKETABLE SECURITIES ISSUED (Net)		-	-	-	-	-	-
VI. SUNDRY CREDITORS	(II-d)	121,921	22,213	144,134	110,396	7,960	118,356
VII. OTHER LIABILITIES	(II-d)	415,747	23,321	439,068	426,108	24,398	450,506
VIII. FINANCE LEASE PAYABLES	(II-e)	-	321,358	321,358	-	296,815	296,815
8.1 Finance lease payables		-	374,240	374,240	-	345,512	345,512
8.2 Operating lease payables		-	-	-	-	-	-
8.3 Other		-	-	-	-	-	-
8.4 Deferred finance lease expenses (-)		-	52,882	52,882	-	48,697	48,697
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)	337,196	63,502	400,698	241,124	69,007	310,131
10.1 General loan loss provisions		200,563	40,213	240,776	142,814	31,437	174,251
10.2 Restructuring provisions		-	-	-	-	-	-
10.3 Reserve for employee benefits		92,738	36	92,774	66,362	520	66,882
10.4 Insurance technical reserves (net)		-	-	-	-	-	-
10.5 Other provisions		43,895	23,253	67,148	31,948	37,050	68,998
XI. TAX LIABILITY	(II-h)	32,315	-	32,315	20,096	-	20,096
11.1 Current tax liability		32,315	-	32,315	20,096	-	20,096
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)	-	464,592	464,592	-	433,080	433,080
XIV. SHAREHOLDERS' EQUITY	(II-k)	3,022,530	340	3,022,870	2,306,762	(4,713)	2,302,049
14.1 Paid-in capital		2,287,005	-	2,287,005	1,700,000	-	1,700,000
14.2 Capital reserves		26,542	340	26,882	17,712	(4,713)	12,999
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		20,729	340	21,069	6,738	(4,713)	2,025
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		(17,437)	-	(17,437)	(12,276)	-	(12,276)
14.3 Profit reserves		338,533	-	338,533	288,707	-	288,707
14.3.1 Legal reserves		77,869	-	77,869	60,800	-	60,800
14.3.2 Status reserves		-	-	-	-	-	-
14.3.3 Extraordinary reserves		208,951	-	208,951	203,396	-	203,396
14.3.4 Other profit reserves		51,713	-	51,713	24,511	-	24,511
14.4 Profit or loss		370,450	-	370,450	300,343	-	300,343
14.4.1 Prior period income/(losses)		-	-	-	-	-	-
14.4.2 Current period income/(losses)		370,450	-	370,450	300,343	-	300,343
14.5 Minority shares	(II-l)	-	-	-	-	-	-
TOTAL LIABILITIES AND EQUITY		17,048,295	16,959,880	34,008,175	12,853,965	13,039,577	25,893,542

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
STATEMENT OF UNCONSOLIDATED OFF-BALANCE SHEET COMMITMENTS AND
CONTINGENCIES AS OF 31 DECEMBER 2014

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

II. STATEMENT OF OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES

	Note	Audited Current period (31.12.2014)			Audited Prior period (31.12.2013)		
		TL	FC	Total	TL	FC	Total
A. OFF BALANCE SHEET CONTINGENCIES AND COMMITMENTS (I+II+III)		38,792,854	10,469,112	49,261,966	31,917,151	10,745,004	42,662,155
I. GUARANTEES	(III-a)	4,271,750	3,943,299	8,215,049	4,093,800	4,578,547	8,672,347
1.1 Letters of guarantees		4,253,808	2,613,265	6,867,073	4,075,558	3,051,522	7,127,080
1.1.1 Guarantees subject to state tender law		106,391	2,329	108,720	174,507	2,154	176,661
1.1.2 Guarantees given for foreign trade operations		983,511	364,016	1,347,527	179,860	33,000	212,860
1.1.3 Other letters of guarantee		3,163,906	2,246,920	5,410,826	3,721,191	3,016,368	6,737,559
1.2 Bank loans		4,033	55,757	59,790	1,096	56,491	57,587
1.2.1 Import letter of acceptances		4,033	55,757	59,790	1,096	56,491	57,587
1.2.2 Other bank acceptances		-	-	-	-	-	-
1.3 Letter of credits		1,220	914,546	915,766	627	1,216,650	1,217,277
1.3.1 Documentary letter of credits		227	357,189	357,416	227	526,708	526,935
1.3.2 Other letter of credits		993	557,357	558,350	400	689,942	690,342
1.4 Pre-financing given as guarantee		-	17,183	17,183	-	17,321	17,321
1.5 Endorsements		-	-	-	-	-	-
1.5.1 Endorsements to the Central Bank of Republic of Turkey		-	-	-	-	-	-
1.5.2 Other endorsements		-	-	-	-	-	-
1.6 Other guarantees		12,689	342,548	355,237	16,519	236,563	253,082
1.7 Other collaterals		-	-	-	-	-	-
II. COMMITMENTS	(III-a)	31,156,909	752,846	31,909,755	23,674,249	794,002	24,468,251
2.1 Irrevocable commitments		1,846,773	752,846	2,599,619	1,640,636	794,002	2,434,638
2.1.1 Forward asset purchase commitments		272,742	752,846	1,025,588	302,327	794,002	1,096,329
2.1.2 Share capital commitment to associates and subsidiaries		-	-	-	-	-	-
2.1.3 Loan granting commitments		104,813	-	104,813	41,181	-	41,181
2.1.4 Securities underwriting commitments		-	-	-	-	-	-
2.1.5 Commitments for reserve deposit requirements		-	-	-	-	-	-
2.1.6 Payment commitment for checks		876,101	-	876,101	824,093	-	824,093
2.1.7 Tax and fund liabilities from export commitments		99	-	99	106	-	106
2.1.8 Commitments for credit card expenditure limits		575,870	-	575,870	449,872	-	449,872
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		17,148	-	17,148	23,057	-	23,057
2.2 Revocable commitments		29,310,136	-	29,310,136	22,033,613	-	22,033,613
2.2.1 Revocable loan granting commitments		29,310,136	-	29,310,136	22,033,613	-	22,033,613
2.2.2 Other revocable commitments		-	-	-	-	-	-
III. DERIVATIVE FINANCIAL INSTRUMENTS	(III-b)	3,364,195	5,772,967	9,137,162	4,149,102	5,372,455	9,521,557
3.1 Derivative financial instruments for hedging purposes		-	-	-	-	-	-
3.1.1 Fair value hedge		-	-	-	-	-	-
3.1.2 Cash flow hedge		-	-	-	-	-	-
3.1.3 Hedge of net investment in foreign operations		-	-	-	-	-	-
3.2 Held for trading transactions		3,364,195	5,772,967	9,137,162	4,149,102	5,372,455	9,521,557
3.2.1 Forward foreign currency buy/sell transactions		3,361,606	4,882,317	8,243,923	4,139,512	5,208,626	9,348,138
3.2.1.1 Forward foreign currency transactions-buy		1,968,763	2,443,992	4,412,755	2,324,327	2,340,715	4,665,042
3.2.1.2 Forward foreign currency transactions-sell		1,392,843	2,438,325	3,831,168	1,815,185	2,867,911	4,683,096
3.2.2 Other forward buy/sell transactions		2,589	890,650	893,239	9,590	163,829	173,419
3.3 Other		-	-	-	-	-	-
B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)		129,010,642	73,881,498	202,892,140	87,086,723	68,887,686	155,974,409
IV. ITEMS HELD IN CUSTODY		4,547,108	1,069,432	5,616,540	3,785,834	673,347	4,459,181
4.1 Assets under management		-	-	-	-	-	-
4.2 Investment securities held in custody		-	-	-	44,848	-	44,848
4.3 Checks received for collection		3,902,750	433,156	4,335,906	3,279,385	400,775	3,680,160
4.4 Commercial notes received for collection		644,358	95,817	740,175	461,601	91,583	553,184
4.5 Other assets received for collection		-	-	-	-	-	-
4.6 Assets received for public offering		-	-	-	-	-	-
4.7 Other items under custody		-	-	-	-	-	-
4.8 Custodians		-	540,459	540,459	-	180,989	180,989
V. PLEDGED ITEMS		124,451,895	72,784,734	197,236,629	83,289,213	68,188,947	151,478,160
5.1 Marketable securities		287,604	22,609	310,213	204,398	30,619	235,017
5.2 Guarantee notes		102,015	938,496	1,040,511	102,015	865,325	967,340
5.3 Commodity		2,784,623	241,539	3,026,162	2,539,780	224,442	2,764,222
5.4 Warranty		-	-	-	-	-	-
5.5 Properties		56,170,230	531,266	56,701,496	38,528,360	644,430	39,172,790
5.6 Other pledged items		65,107,423	71,050,824	136,158,247	41,914,660	66,424,131	108,338,791
5.7 Pledged items-depository		-	-	-	-	-	-
VI. ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES		11,639	27,332	38,971	11,676	25,392	37,068
TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)		167,803,496	84,350,610	252,154,106	119,003,874	79,632,690	198,636,564

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
UNCONSOLIDATED INCOME STATEMENT FOR THE PERIOD ENDED
31 DECEMBER 2014

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

III. INCOME STATEMENT (STATEMENT OF INCOME / LOSS)

		Current Period Audited 01.01 - 31.12.2014	Prior Period Audited 01.01 - 31.12.2013
		Note	
I.	PROFIT SHARE INCOME	2,018,781	1,439,926
1.1	Profit share on loans	1,817,072	1,327,932
1.2	Profit share on reserve deposits	275	-
1.3	Profit share on banks	4,645	5,415
1.4	Profit share on money market placements	-	-
1.5	Profit share on marketable securities portfolio	129,765	60,880
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	129,765	60,880
1.5.4	Investments held-to-maturity	-	-
1.6	Finance lease income	45,668	24,139
1.7	Other profit share income	21,356	21,560
II.	PROFIT SHARE EXPENSE	877,547	609,655
2.1	Expense on profit sharing accounts	636,519	449,334
2.2	Profit share expense on funds borrowed	190,035	134,218
2.3	Profit share expense on money market borrowings	33,277	10,356
2.4	Expense on securities issued	-	-
2.5	Other profit share expense	17,716	15,747
III.	NET PROFIT SHARE INCOME (I - II)	1,141,234	830,271
IV.	NET FEES AND COMMISSIONS INCOME/EXPENSE	133,895	114,931
4.1	Fees and commissions received	231,294	192,855
4.1.1	Non-cash loans	74,754	70,977
4.1.2	Other	156,540	121,878
4.2	Fees and commissions paid	97,399	77,924
4.2.1	Non-cash loans	169	197
4.2.2	Other	97,230	77,727
V.	DIVIDEND INCOME	-	-
VI.	NET TRADING INCOME	147,655	172,396
6.1	Capital market transaction gains / (losses)	66	(1,647)
6.2	Gains/ (losses) from derivative financial instruments	27,697	40,847
6.3	Foreign exchange gains / (losses)	119,892	133,196
VII.	OTHER OPERATING INCOME	146,916	137,605
VIII.	NET OPERATING INCOME (III+IV+V+VI+VII)	1,569,700	1,255,203
IX.	PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)	273,856	244,853
X.	OTHER OPERATING EXPENSES (-)	833,105	641,140
XI.	NET OPERATING INCOME/(LOSS) (VIII-IX-X)	462,739	369,210
XII.	AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER	-	-
XIII.	GAIN / (LOSS) ON EQUITY METHOD	-	-
XIV.	GAIN / (LOSS) ON NET MONETARY POSITION	-	-
XV.	PROFIT/(LOSS) FROM CONTINUED OPERATIONS BEFORE TAXES (XI+...+XIV)	462,739	369,210
XVI.	TAX CHARGE FOR CONTINUED OPERATIONS (±)	(92,289)	(68,867)
16.1	Current income tax charge	(114,822)	(73,152)
16.2	Deferred tax charge / benefit	22,533	4,285
XVII.	NET PROFIT/(LOSS) FROM CONTINUED OPERATIONS (XV±XVI)	370,450	300,343
XVIII.	INCOME ON DISCONTINUED OPERATIONS	-	-
18.1	Income on assets held for sale	-	-
18.2	Income on sale of associates, subsidiaries and jointly controlled entities (joint vent.)	-	-
18.3	Income on other discontinued operations	-	-
XIX.	LOSS FROM DISCONTINUED OPERATIONS (-)	-	-
19.1	Loss from assets held for sale	-	-
19.2	Loss on sale of associates, subsidiaries and jointly controlled entities (joint vent.)	-	-
19.3	Loss from other discontinued operations	-	-
XX.	PROFIT / (LOSS) ON DISCONTINUED OPERATIONS BEFORE TAXES (XVIII-XIX)	-	-
XXI.	TAX CHARGE FOR DISCONTINUED OPERATIONS (±)	-	-
21.1	Current income tax charge	-	-
21.2	Deferred tax charge / benefit	-	-
XXII.	NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XX±XXI)	-	-
XXIII.	NET PROFIT/LOSS (XVII+XXII)	370,450	300,343
23.1	Group's income/loss	370,450	300,343
23.2	Minority interest income/loss (-)	-	-

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
STATEMENTS OF UNCONSOLIDATED PROFIT AND LOSS ACCOUNTED FOR UNDER
EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2014

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

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

		Audited Current Period 01.01-31.12.2014	Audited Prior Period 01.01-31.12.2013
I.	Additions to marketable securities revaluation differences from available for sale financial assets	23,805	(13,978)
II.	Tangible assets revaluation differences	-	-
III.	Intangible assets revaluation differences	-	-
IV.	Currency translation differences for foreign currency transactions	-	-
V.	Profit/loss from derivative financial instruments for cash flow hedge purposes (effective portion of fair value differences)	-	-
VI.	Profit/loss from derivative financial instruments for hedge of net investment in foreign operations (effective portion of fair value differences)	-	-
VII.	The effect of corrections of errors and changes in accounting policies	-	-
VIII.	Other profit loss items accounted under equity as per Turkish accounting standards	(6,452)	(15,345)
IX.	Deferred tax on valuation differences	(3,470)	5,864
X.	Total net profit/loss accounted under equity (I+II+...+IX)	13,883	(23,459)
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)	13,883	(23,459)

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ

STATEMENT OF UNCONSOLIDATED CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2014

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

V. STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Reviewed	Note	Paid-in capital	Effect of inflation accounting on paid-in capital and other capital reserves	Share Premium	Share certificate cancellation profits	Legal reserves	Statutory Reserves	Extraordinary reserve	Other reserve	Current period net income / (loss)	Prior period net income / (loss)	Marketable securities revaluation reserve	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 – (01.01.2013-31.12.2013)																			
I.	Beginning balance	1,100,000	-	23,250	-	46,405	-	246,279	4,739	-	250,156	13,208	-	-	-	-	1,684,037	-	1,684,037
II.	Corrections concerning TAS 8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1	Effect of Errors Corrected	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2	Effect of Changes in Accounting Policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	New Balance (I-II)	1,100,000	-	23,250	-	46,405	-	246,279	4,739	-	250,156	13,208	-	-	-	-	1,684,037	-	1,684,037
IV.	Increase/decrease related to merger	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V.	Marketable securities revaluation differences	-	-	-	-	-	-	-	-	-	-	(11,183)	-	-	-	-	(11,183)	-	(11,183)
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	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
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	(II-k) 600,000	-	-	-	-	-	(188,491)	(1,509)	-	(50,000)	-	-	-	-	-	360,000	-	360,000
14.1	Cash	-	-	360,000	-	-	-	-	-	-	-	-	-	-	-	-	360,000	-	360,000
14.2	Internal sources (*)	(II-k) 240,000	-	-	-	-	-	(188,491)	(1,509)	-	(50,000)	-	-	-	-	-	-	-	-
XV.	Share issue premium	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.	Share cancellation profits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII.	Inflation adjustment to paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVIII.	Other (**)	-	-	-	-	-	-	-	(12,276)	-	-	-	-	-	-	-	(12,276)	-	(12,276)
XIX.	Net income/(loss) for the period	-	-	-	-	-	-	-	-	300,343	-	-	-	-	-	-	300,343	-	300,343
XX.	Profit distribution (*)	-	-	-	-	14,395	-	145,608	21,281	-	(200,156)	-	-	-	-	-	(18,872)	-	(18,872)
20.1	Dividends distributed	(V-b)	-	-	-	-	-	-	-	-	(18,872)	-	-	-	-	-	(18,872)	-	(18,872)
20.2	Transfers to reserves	-	-	-	-	14,395	-	145,608	21,281	-	(181,284)	-	-	-	-	-	-	-	-
20.3	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing balance (I+II+III+...+XVI+XVII+XX)		1,700,000	-	23,250	-	60,800	-	203,396	12,235	300,343	-	2,025	-	-	-	-	2,302,049	-	2,302,049

(*)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 250,156 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 18,872 and other reserves amounting to TL 21,281. Net profit amounting to TL 50,000 is subjected to capital increase.

(**) It represents actuarial loss and tax effect of retirement payments.

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ

STATEMENT OF UNCONSOLIDATED CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2014

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

V. 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	Tangible and intangible asset 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 (01.01.2014-31.12.2014)																			
I.	Beginning balance	1,700,000	-	23,250	-	60,800	-	203,396	12,235	-	300,343	2,025	-	-	-	-	2,302,049	-	2,302,049
	Changes in period																		
II.	Increase/decrease related to merger	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	Marketable securities revaluation differences	-	-	-	-	-	-	-	-	-	-	19,044	-	-	-	-	19,044	-	19,044
IV.	Hedging funds (effective portion)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.1	Cash-flow hedge	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.2	Hedge of net investment in foreign operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V.	Tangible assets revaluation differences	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.	Intangible assets revaluation differences	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Bonus shares obtained from associates, subsidiaries and jointly controlled operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Foreign exchange differences	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	Changes related to the disposal of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Changes related to the reclassification of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	The effect of change in associate's equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII.	Capital increase	(II-k)	590,000	-	-	-	-	-	-	-	(230,000)	-	-	-	-	-	360,000	-	360,000
12.1	Cash		360,000	-	-	-	-	-	-	-	-	-	-	-	-	-	360,000	-	360,000
12.2	Internal sources	(II-k)	230,000	-	-	-	-	-	-	-	(230,000)	-	-	-	-	-	-	-	-
XIII.	Share issue premium	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV.	Share cancellation profits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV.	Inflation adjustment to paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.	Other (**)	(2,995)	-	-	-	-	-	-	(5,161)	-	-	-	-	-	-	-	(8,156)	-	(8,156)
XVII.	Net income/(loss) for the period	-	-	-	-	-	-	-	-	370,450	-	-	-	-	-	-	370,450	-	370,450
XVIII.	Profit distribution (*)	-	-	-	-	17,069	-	5,555	27,202	-	(70,343)	-	-	-	-	-	(20,517)	-	(20,517)
18.1	Dividends distributed	(V-b)	-	-	-	17,069	-	5,555	27,202	-	(20,517)	-	-	-	-	-	(20,517)	-	(20,517)
18.2	Transfers to reserves		-	-	-	-	-	-	-	-	(49,826)	-	-	-	-	-	-	-	-
18.3	Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing balance																			
	(I+II+III+...+XVI+XVII+XVIII)	(II-k)	2,287,005	-	23,250	-	77,869	-	208,951	34,276	370,450	-	21,069	-	-	-	3,022,870	-	3,022,870

(*)With the decision taken in the Ordinary General Assembly Meeting held on 27 March 2014, after the deduction of financial obligations from the net profit of the year 2013, the remaining net profit for the period amounting to TL 300,343 are classified as; extraordinary reserves amounting to TL 5,555, legal reserves amounting to TL 17,069 including first legal reserves amounting to TL 15,017 and II. legal reserves amounting to TL 2,052; dividends paid to shareholders and members of the Board of Directors amounting to TL 20,517 and other reserves amounting to TL 27,202. Net profit amounting to TL 230,000 is subjected to capital increase.

(**) It represents the Bank's acquisition of its own shares amounting to TL 2,995 as a result of the Bank's shareholders not using their right of preference according to the commitment made in the capital increase in the Bank; amount of TL 5,161 represents actuarial loss and tax effect of retirement payments.

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
CASH FLOWS STATEMENT FOR THE PERIOD ENDED 31 DECEMBER 2014
(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

VI. STATEMENT OF CASH FLOWS

		Audited	Audited
		Current period	Prior period
		01.01.2014 –	01.01.2013 –
		31.12.2014	31.12.2013
	Note		
A.	CASH FLOWS FROM BANKING OPERATIONS		
1.1	Operating profit before changes in operating assets and liabilities	578,393	476,509
1.1.1	Profit share income received	1,907,941	1,396,482
1.1.2	Profit share expense paid	(883,107)	(599,240)
1.1.3	Dividend received	-	-
1.1.4	Fees and commissions received	232,532	165,217
1.1.5	Other income	232,700	67,714
1.1.6	Collections from previously written off loans	27,600	44,077
1.1.7	Payments to personnel and service suppliers	(612,949)	(457,064)
1.1.8	Taxes paid	(131,114)	(96,443)
1.1.9	Others	(195,210)	(44,234)
1.2	Changes in operating assets and liabilities	(1,098,381)	1,390,683
1.2.1	Net (increase) decrease held for trading financial assets	2,218	2,711
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	(3,636,150)	119,780
1.2.4	Net (increase) decrease in loans	(4,761,905)	(4,898,735)
1.2.5	Net (increase) decrease in other assets	(49,278)	4,708
1.2.6	Net increase (decrease) in bank deposits	417,862	433,985
1.2.7	Net increase (decrease) in other deposits	4,703,052	3,815,773
1.2.8	Net increase (decrease) in funds borrowed	1,651,025	1,738,229
1.2.9	Net increase (decrease) in due payables	-	-
1.2.10	Net increase (decrease) in other liabilities	574,795	174,232
I.	Net cash provided from / (used in) banking operations	(519,988)	1,867,192
B.	CASH FLOWS FROM INVESTING ACTIVITIES		
II.	Net cash provided from / (used in) investing activities	(1,004,041)	(942,049)
2.1	Cash paid for purchase jointly controlled operations, associates and subsidiaries	(50,101)	(37,934)
2.2	Cash obtained from sale of jointly controlled operations, associates and subsidiaries	-	-
2.3	Fixed assets purchases	(244,072)	(139,992)
2.4	Fixed assets sales	159,932	(20,797)
2.5	Cash paid for purchase of financial assets available for sale	(1,220,738)	(767,821)
2.6	Cash obtained from sale of financial assets available for sale	382,822	-
2.7	Cash paid for purchase of investment securities	-	-
2.8	Cash obtained from sale of investment securities	-	-
2.9	Other	(31,884)	24,495
C.	CASH FLOWS FROM FINANCING ACTIVITIES		
III.	Net cash provided from / (used in) financing activities	335,502	341,128
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	357,005	360,000
3.4	Dividends paid	(20,517)	(18,872)
3.5	Payments for finance leases	(986)	-
3.6	Other	-	-
IV.	Effect of change in foreign exchange rate on cash and cash equivalents	(V-c) 17,067	69,951
V.	Net increase (decrease) in cash and cash equivalents (I + II + III + IV)	(1,171,460)	1,336,222
VI.	Cash and cash equivalents at the beginning of the period	(V-a) 3,167,289	1,831,067
VII.	Cash and cash equivalents at the end of the period	(V-a) 1,995,829	3,167,289

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

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

VII. STATEMENT OF PROFIT DISTRIBUTION

	Current Period 01.01- 31.12.2014(*)	Prior Period 01.01-31.12.2013
I. Distribution of current year profit		
1.1. Current period profit	462,739	369,210
1.2. Taxes and legal duties payable (-)	92,289	68,867
1.2.1. Corporate tax (income tax)	114,822	73,152
1.2.2. Withholding tax	-	-
1.2.3. Other taxes and duties (**)	(22,533)	(4,285)
A. Net profit for the period (1.1-1.2) (Not V-I-17-c)	370,450	300,343
1.3. Accumulated losses (-)	-	-
1.4. First legal reserves (-)	-	15,017
1.5. Other statutory reserves (-)	-	-
B. Net profit available for distribution [(A-(1.3+1.4+1.5)]	-	285,326
1.6. First dividend to shareholders (-)	-	18,000
1.6.1. To owners of ordinary shares	-	18,000
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 (-)	-	2,517
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 (-)	-	2,052
1.11. Status reserves (-) (***)	-	-
1.12. Extra ordinary reserves	-	234,648
1.13. Other reserves	-	28,109
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	-	0.013
4.2. To owners of ordinary shares (%)	-	1.274
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 230,000 is realized from internal sources in 2014 with the General Assembly Meeting decision on 27 March 2014. TL 229,093 of this amount is provided from net profit of 2013.

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SECTION THREE

ACCOUNTING PRINCIPLES

I. Explanations on basis of presentation

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

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 29,960 amount of received fees and commission presented under Other Operating Income in Income Statement of prior period to “Received Fees and Commissions”, in order to be in consistent with representation of financials of current period.

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

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

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

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I. Explanations on basis of presentation (continued)

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

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

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

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

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

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

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

III. Investments in associates and subsidiaries

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

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

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

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

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

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IV. Explanations on forward transactions and option contracts and derivative instruments (continued)

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

V. Explanations on profit share income and expense

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

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

VI. Explanations on fees and commission income and expenses

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

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

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

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

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

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

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

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VII. Explanations on financial assets (continued)

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. When these securities are disposed of, the related fair value differences accumulated in the shareholders’ equity are transferred to the income statement.

c. Loans and receivables:

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

d. Held to maturity financial assets:

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

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 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.

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VIII. Explanations on impairment of financial assets (continued)

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.

IX. Explanations on offsetting of financial assets and liabilities

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

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

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

As of 31 December 2014, the Bank has repurchasing agreements amounting to TL 708,743 (31 December 2013 – 221,428).

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

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

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

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

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

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

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

XII. Explanations on goodwill and other intangible assets

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

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

There is no goodwill related to associates and subsidiaries.

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XIII. Explanations on tangible assets

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

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

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

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

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

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

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

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

XIV. Explanations on leasing transactions

Bank as a lessee

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

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

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

Bank as a lessor

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

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

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

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

XVI. Explanations on liabilities relating to employee benefits

a) Defined benefit plans:

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

Liabilities amount which is related to “Turkish Accounting Standard on Employee Benefits” (“TAS 19”) is reflected accompanying financial statements and these liabilities are calculated by an independent actuary firm. Bank is accounted all actuarial profit and loss under Statement of other Comprehensive Income.

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

b) Defined contribution plans:

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

c) Short term benefits to employees:

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

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

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XVII. Explanations on taxation

Current tax

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

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

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.

For the purpose of issuance of certificate of leasing immovables to resource institutions, with the sale of asset leasing companies, the scope of Financial Leasing, Factoring and Financing Companies Law No.6361, dated 21 November 2012 in order to lease it back and in case of taking back at the end of the contract, with the sale of financial leasing companies and asset leasing by asset leasing companies, for gains from the sale of the immovable property inherited from the institution applies this rate as 100% and for the immovable is not compulsory to be in assets at least for a period of two years. But the mentioned immovable's; except in case of failure to fulfill the obligations arising from the source institution, the lesser or leasing agreement, immovable in question by the asset leasing company, in case of selling a third person or institutions, these immovable's with the carrying value before its transfer to resource institution or asset leasing in lesser or asset leasing company, in mentioned institutions taking into consideration the total amount of depreciation is taxable for corporation engaged in the sale.

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

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

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

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XVII. Explanations on taxation (continued)

Deferred tax

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

XVIII. Explanations on additional disclosures on borrowings

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

There are no debt securities issued by the Bank.

The Bank has not issued convertible bonds.

Borrowing through the rent certificates (Sukuk)

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

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. In current period, TL 36,507 (31 December 2013 – 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.

XIX. Explanations on share certificates issued

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

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XX. Explanations on acceptances and availed drafts

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

XXI. Explanations on government grants

There are no government grants received by the Bank.

XXII. Explanations on segment reporting

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

Segment reporting is disclosed in Section Four, Note XI.

XXIII. Explanations on other matters

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

XXIV. Additional paragraph for convenience translation

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

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SECTION FOUR

INFORMATION ON FINANCIAL STRUCTURE

I. Explanations and notes on capital adequacy standard ratio

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

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

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

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

Based on the Communiqué concerning “Measurement and Assessment of Capital Adequacy of Banks”, the capital adequacy ratio of the Bank is 15.09% (31 December 2013: 14.24%).

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I. Explanations on capital adequacy standard ratio (continued)

Information for capital adequacy standard ratio:

Current Period (*)	Risk Weights								
	0%	10%	20%	50%	75%	100%	150%	200%	250%
Value at Credit Risk	-	-	308,313	4,734,088	2,765,218	11,797,797	129,443	210,198	10,065
Exposure Categories	7,129,750	-	1,541,567	9,468,175	3,686,958	11,797,797	86,295	105,099	4,026
Conditional and unconditional receivables from central governments or central banks	4,582,025	-	-	7	-	-	-	-	-
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	42,160	-	1,458,485	1,676,210	-	448,404	-	-	-
Conditional and unconditional receivables from corporates	301,845	-	-	-	-	8,785,997	-	-	-
Conditional and unconditional retail receivables	123,163	-	-	-	3,686,958	4,743	-	-	-
Conditional and unconditional receivables secured by mortgages	32,250	-	-	7,781,138	-	1,410,080	-	-	-
Past due receivables	8	-	-	10,820	-	20,849	-	-	-
Receivables defined in high risk category by BRSA	154	-	-	-	-	-	86,295	105,099	4,026
Securities collateralized by mortgages	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-
Short-term receivables from banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-
Investments similar to collective investment funds	-	-	-	-	-	-	-	-	-
Other receivables	2,048,145	-	83,082	-	-	1,127,724	-	-	-

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

Prior Period (*)	Risk Wights							
	0%	10%	20%	50%	75%	100%	150%	200%
Value at Credit Risk	-	-	288,497	3,255,024	2,528,361	10,532,501	181,986	105,642
Exposure Categories	4,993,804	-	1,442,483	6,510,048	3,371,148	10,532,501	121,324	52,821
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
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 Bank does not perform securitization, 1250% risk weight is not shown in the tables above.

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I. Explanations on capital adequacy standard ratio (continued)

Summary of the capital adequacy standard ratio of the Bank:

	Current Period	Prior Period
Capital Requirement for Credit Risk (Amount Subject to Credit Risk *0.08) (CRCR)	1,596,410	1,354,350
Capital Requirement for Market Risk (MRCR)	61,290	33,767
Capital Requirement for Operational Risk (ORCR)	147,418	116,665
Shareholders' Equity	3,404,564	2,678,763
Shareholders' Equity / ((TRWA + ASMR + ASOR) *12.5 *100)	15.09	14.24
Core Capital /((TRWA+ASMR+ASOR) *12.5)*100	12.68	-
Tier I Capital/((TRWA+ASMR+ASOR) *12.5)*100	13.10	-

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I. Explanations on capital adequacy standard ratio (continued)

Components of shareholders' equity:

	Current Period
TIER 1 CAPITAL	2,956,338
Paid-in Capital to be Entitled for Compensation after All Creditors	2,287,005
Share Premium	23,250
Share Cancellation Profits	-
Reserves	286,820
Other Comprehensive Income According to TAS	72,783
Profit	370,450
Current Period Profit	370,450
Prior Period Profit	-
General Reserves for Possible Losses	-
Bonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Current Period's Profit	-
Tier 1 Capital Before Deductions	3,040,308
Deductions from Tier 1 Capital	
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-)	17,437
Leasehold Improvements on Operational Leases (-)	42,476
Goodwill and Other Intangible Assets and Related Deferred Taxes (-)	14,054
Net Deferred Tax Asset/Liability (-)	10,003
Shares Obtained against Article 56, Paragraph 4 of the Banking Law (-)	-
Direct and Indirect Investments of the Bank on its own Tier I Capital (-)	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-
Mortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital (-)	-
Net Deferred Tax Assets arising from Temporary Differences Exceeding the 10% Threshold of Tier I Capital (-)	-
Amount Exceeding the 15% Threshold of Tier I Capital as per the Article 2, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital not deducted from Tier I Capital (-)	-
Mortgage Servicing Rights not deducted (-)	-
Excess Amount arising from Deferred Tax Assets from Temporary Differences (-)	-
Other items to be Defined by the BRSA (-)	-
Deductions from Tier I Capital in cases where there are no adequate Additional Tier I or Tier II Capitals (-)	-
Total Deductions from Tier I Capital	83,970
Total Tier 1 Capital	2,956,338
ADDITIONAL CORE CAPITAL	
Preferred Stock not included in Tier I Capital in cases where there are no adequate Additional Tier I or Tier II Capitals (-)	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained after 1.1.2014)	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained before 1.1.2014)	-
Additional Core Capital before Deductions	-
Deductions from Additional Core Capital	
Direct and Indirect Investments of the Bank on its own Additional Core Capital (-)	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital (-)	-
Other items to be Defined by the BRSA (-)	-
Deductions from Additional Core Capital in cases where there are no adequate Tier II Capital (-)	-
Total Deductions from Additional Core Capital	-
Total Additional Core Capital	-
Deductions from Core Capital	96,224
Goodwill and Other Intangible Assets and Related Deferred Taxes not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	56,211
Net Deferred Tax Asset/Liability not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	40,013
Total Core Capital	2,860,114

(*)The valuation of retirement pay liability amounting TL 17,437 is including actuarial loss amount in the current period.

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I. Explanations on capital adequacy standard ratio (continued)

Components of shareholders' equity: (continued)

	Current Period
TIER II CAPITAL	563,835
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained after 1.1.2014)	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained before 1.1.2014)	384,909
Pledged Assets of the Shareholders to be used for the Bank's Capital Increases	-
General Provisions	178,926
Tier II Capital Before Deductions	563,835
Deductions from Tier II Capital	
Direct and Indirect Investments of the Bank on its own Tier II Capital (-)	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Core Capital and Tier II Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of Tier I Capital (-)	-
Other items to be Defined by the BRSA (-)	-
Total Deductions from Tier II Capital	-
Total Tier II Capital	563,835
CAPITAL	3,423,949
Loans Granted against the Articles 50 and 51 of the Banking Law (-)	-
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years (-)	3,495
Loans to Banks, Financial Institutions (domestic/foreign) or Qualified Shareholders in the form of Subordinated Debts or Debt Instruments Purchased from Such Parties and Qualified as Subordinated Debts (-)	-
Deductions as per the Article 20, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-
Other items to be Defined by the BRSA (-)	15,890
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Tier I Capital, Additional Core Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where The Bank Owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Additional Core Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital, of the Net Deferred Tax Assets arising from Temporary Differences and of the Mortgage Servicing Rights not deducted from Tier I Capital as per the Temporary Article 2, Clause 2, Paragraph (1) and (2) and Temporary Article 2, Clause 1 of the Regulation (-)	-
EQUITY	3,404,564
Amounts lower than Excesses as per Deduction Rules	
Remaining Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital	-
Remaining Total of Net Long Positions of the Investments in Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% or less of the Tier I Capital	-
Remaining Mortgage Servicing Rights	-
Net Deferred Tax Assets arising from Temporary Differences	-

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I. Explanations on capital adequacy standard ratio (continued)

Components of shareholders' equity: (continued)

	Prior Period
CORE CAPITAL	
Paid-in Capital	1,700,000
Nominal capital	2,060,000
Capital commitments (-)	360,000
Inflation indexation difference on paid-in capital	-
Share premium	23,250
Share cancellation profits	-
Legal Reserves	252,306
Inflation Adjustments to Legal Reserves	-
Profit	300,343
Current Period's Profit	300,343
Prior Period's Profit	-
Provision for Possible Losses (up to 25% of Core Capital)	-
Income on Sale of Equity Shares and Real Estates	24,125
Primary subordinated loans up to 15% of the core capital	-
Loss (in excess of Reserves) (-)	-
Current Period's Losses (-)	-
Prior Period's Losses (-)	-
Leasehold Improvements on Operational Leases (-)	38,046
Intangible Assets (-)	55,698
Deferred Tax Asset in excess of 10% of Core Capital (-)	-
Excess amount in the Article 56, Clause 3 of the Banking Law (-)	-
Total core capital	2,206,280
SUPPLEMENTARY CAPITAL	
General provisions	126,414
45% of the revaluation reserve for movable fixed assets	-
45% of the of revaluation reserve for properties	-
Bonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Current Period's Profit	-
Primary subordinated loans excluded in the calculation of the core capital	-
Secondary subordinated loans	350,741
45% of Securities Value Increase Fund	911
Inflation Adjustments to Other Capital and Profit Reserves and Prior Periods' Profit / Loss	-
Total supplementary capital	478,066
CAPITAL	2,684,346
DEDUCTIONS FROM CAPITAL	5,583
Shareholdings of banks and financial institutions (Domestic, Foreign) in which the Bank has investments of ten percent or more	-
Shareholdings of banks and financial institutions (Domestic, Foreign) in which the Bank has investments less than ten percent total of which exceed ten percent of Bank's Core and Supplementary Capital	-
Loans to Banks, Financial Institutions (domestic/foreign) or Qualified Shareholders in the form of Secondary Subordinated Debts and Debt Instruments purchased from such parties qualified as Primary or Secondary Subordinated Debts	-
Loan granted to Customer against the Articles 50 and 51 of the Banking Law	-
The net book value of properties exceeding fifty percent of equity and properties held for sale and properties and commodity to be disposed, acquired in exchange of loans and receivables according to the Article 57 of the Banking Law and have not been disposed yet after 5 years from foreclosure	2,431
Securitization Positions to be Deducted from Equity	-
Other	3,152
TOTAL SHAREHOLDER'S EQUITY	2,678,763

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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 Bank'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 Bank'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 Bank 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 Credit Risk

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

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 Bank is subjected to outside of Turkey is followed up by the Board of Directors within the frame of the determined limits on the basis of countries and regions. Within this scope, the total risk which the Bank had taken 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 generated 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 Bank in Turkey should be followed up.

The risks and limits arising of the treasury transactions and customer based commercial transactions are followed up daily. Moreover, the control of the limits allocated as based on the degrees of the correspondent banks and the maximum risk that the Bank can take within its equities are also performed daily. The risk limits relevant to the transactions performed daily are determined and the risk intensity relevant to off the 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 taken and this way the prevention of the bank's loss is aimed. The account statement documents for the loan generations are taken as defined in the legislation. The guarantees are taken 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 allocation decision taken by the credit committee.

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II. Explanations on Credit Risk (Continued)

The loans which do not meet the delay term required for classification 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 qualified 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".

The positions in the form of futures, options agreements and similar agreements are not held. Indemnified non-cash loans are subject to the same risk weight with the overdue loans in compliance with the Principles and Procedures for the Determination of the Quality of Loans and Other Receivables and Reserves to be provided for these Loans. The re-scheduled and re-structured 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 and the country risks, limits, correspondent risks and limits are regularly evaluated within this scope. There is no important credit risk concentration when evaluated together with the financial activities of the other financial institutes.

The Bank's largest 100 and 200 cash loan customers represent 19% and 26% of the total cash loan portfolio, respectively.

The Bank's largest 100 and 200 non-cash loan customers represent 45% and 54% of the total non-cash loan portfolio, respectively.

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

The general provision for credit risk amounts to TL 240,776 (31 December 2013: TL 174,251).

Exposure Categories (Current Period)	Period end Risk Amount(*)	Average Risk Amount(**)
Conditional and unconditional exposures to central governments or central banks	4,582,032	3,926,431
Conditional and unconditional exposures to regional governments or local authorities	-	-
Conditional and unconditional exposures to administrative bodies and noncommercial 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	3,625,259	3,359,872
Conditional and unconditional exposures to corporates	9,087,842	8,700,815
Conditional and unconditional retail exposures	3,814,864	3,569,352
Conditional and unconditional exposures secured by real estate property	9,223,468	7,763,296
Past due items	31,677	44,707
Items in regulatory high-risk categories	195,574	142,908
Exposures in the form of bonds secured by mortgages	-	-
Securitization positions	-	-
Short term exposures to banks, brokerage houses and corporates	-	-
Exposures in the form of collective investment undertakings	-	-
Other items	3,258,951	2,644,606
Total	33,819,667	30,151,988

(*) 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)

Exposure Categories (Prior Period)	Period end Risk Amount(*)	Average Risk Amount(**)
Conditional and unconditional exposures to central governments or central banks	3,228,145	2,667,556
Conditional and unconditional exposures to regional governments or local authorities	-	-
Conditional and unconditional exposures to administrative bodies and noncommercial 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	3,142,491	2,117,495
Conditional and unconditional exposures to corporates	8,309,538	6,855,734
Conditional and unconditional retail exposures	3,530,268	3,466,372
Conditional and unconditional exposures secured by real estate property	6,421,871	5,607,044
Past due items	22,616	39,741
Items in regulatory high-risk categories	189,303	128,618
Exposures in the form of bonds secured by mortgages	-	-
Securitization positions	-	-
Short term exposures to banks, brokerage houses and corporates	-	-
Exposures in the form of collective investment undertakings	-	-
Other items	2,194,844	2,294,269
Total	27,039,076	23,176,829

(*) 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" (28 June 2012) to the period end.

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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	Conditional and unconditional exposures secured by real estate property	Past due items	Items in regulatory high-risk categories	Other	Total
Domestic	4,582,032	1,924,237	8,942,350	3,800,118	9,127,168	31,675	195,574	-	28,603,154
European Union (EU) Countries	-	460,649	23,364	1,638	9,274	1	-	-	494,926
OECD Countries(**)	-	122,460	-	345	2,585	-	-	-	125,390
Off-Shore Banking Regions	-	143,017	55,167	2,907	6,701	-	-	-	207,792
USA, Canada	-	382,564	-	100	418	-	-	-	383,082
Other Countries	-	592,332	66,961	9,756	77,322	1	-	-	746,372
Associates, Subsidiaries and Joint –Ventures	-	-	-	-	-	-	-	168,355	168,355
Unallocated	-	-	-	-	-	-	-	3,090,596	3,090,596
Assets/Liabilities(***)									
Total	4,582,032	3,625,259	9,087,842	3,814,864	9,223,468	31,677	195,574	3,258,951	33,819,667

(*) 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.

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	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	8,149,156	3,519,255	6,353,433	22,616	189,303	-	22,690,563
European Union (EU) Countries	-	312,000	24,358	1,364	5,535	-	-	-	343,257
OECD Countries(**)	-	773,958	-	172	2,598	-	-	-	776,728
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	98,767	8,868	38,933	-	-	-	642,483
Associates, Subsidiaries and Joint –Ventures	-	-	-	-	-	-	-	123,254	123,254
Unallocated	-	-	-	-	-	-	-	2,071,590	2,071,590
Assets/Liabilities(***)									
Total	3,228,145	3,142,491	8,309,538	3,530,268	6,421,871	22,616	189,303	2,194,844	27,039,076

(*) 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 Credit Risk (Continued)

Risk profile by sectors or counterparties

Current 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 from 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	-	-	-	-	-	150,263	75,434	75,572	523	210	-	-	-	-	-	-	245,113	56,889	302,002	
Farming and Stockbreeding	-	-	-	-	-	115,285	38,877	37,247	283	95	-	-	-	-	-	-	159,213	32,574	191,787	
Forestry	-	-	-	-	-	28,367	34,893	30,881	211	85	-	-	-	-	-	-	75,429	19,008	94,437	
Fishery	-	-	-	-	-	6,611	1,664	7,444	29	30	-	-	-	-	-	-	10,471	5,307	15,778	
Manufacturing	-	-	-	-	-	3,355,113	775,414	1,549,900	6,292	3,439	-	-	-	-	-	-	2,603,094	3,087,064	5,690,158	
Mining and Quarrying	-	-	-	-	-	527,150	134,156	246,538	1,752	502	-	-	-	-	-	-	453,393	456,705	910,098	
Production	-	-	-	-	-	2,056,882	606,602	1,274,065	4,330	2,540	-	-	-	-	-	-	1,926,522	2,017,897	3,944,419	
Electricity, Gas and Water	-	-	-	-	-	771,081	34,656	29,297	210	397	-	-	-	-	-	-	223,179	612,462	835,641	
Construction	-	-	-	-	-	2,014,279	526,946	1,737,136	4,955	2,094	-	-	-	-	-	-	2,588,525	1,696,885	4,285,410	
Services	4,582,032	-	-	-	-	3,625,259	2,906,968	1,346,444	2,354,537	15,110	10,041	-	-	-	-	-	4,084,832	10,755,559	14,840,391	
Wholesale and Retail Trade	-	-	-	-	-	1,624,719	866,143	1,562,134	12,684	6,260	-	-	-	-	-	-	2,315,706	1,756,234	4,071,940	
Accommodation and Dining	-	-	-	-	-	53,063	38,208	131,339	51	401	-	-	-	-	-	-	121,421	101,641	223,062	
Transportation and Telecom.	-	-	-	-	-	679,831	252,451	264,335	1,372	2,513	-	-	-	-	-	-	571,987	628,515	1,200,502	
Financial Institutions	4,582,032	-	-	-	-	3,625,259	31,004	3,339	20,783	-	-	-	-	-	-	-	523,270	7,739,147	8,262,417	
Real Estate and Rental	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Services	-	-	-	-	-	240,794	31,180	162,289	96	84	-	-	-	-	-	-	85,836	348,607	434,443	
Professional Services	-	-	-	-	-	66	353	638	-	2	-	-	-	-	-	-	937	122	1,059	
Educational Services	-	-	-	-	-	48,390	13,050	34,384	225	46	-	-	-	-	-	-	67,919	28,176	96,095	
Health and Social Services	-	-	-	-	-	229,101	141,720	178,635	682	735	-	-	-	-	-	-	397,756	153,117	550,873	
Others	-	-	-	-	-	661,219	1,090,626	3,506,323	4,797	179,790	-	-	-	-	-	-	3,258,951	6,220,684	2,481,022	8,701,706
Total	4,582,032	-	-	-	-	3,625,259	9,087,842	3,814,864	9,223,468	31,677	195,574	-	-	-	-	-	3,258,951	15,742,247	18,077,419	33,819,667

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

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II. Explanations on Credit Risk (Continued)

Risk profile by sectors or counterparties

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 bank	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	-	-	-	-	-	2,043,933	3,049,977	5,093,910
Mining and Quarrying	-	-	-	-	-	-	777,807	144,269	231,946	593	833	-	-	-	-	-	640,715	514,733	1,155,448
Production	-	-	-	-	-	-	1,689,731	546,837	978,578	3,249	1,416	-	-	-	-	-	1,269,040	1,950,771	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	-	-	-	-	-	2,045,223	1,548,015	3,593,238
Services	3,228,145	-	-	-	-	-	3,142,491	2,563,442	1,246,573	1,698,726	4,331	4,686	-	-	-	-	3,118,247	8,770,147	11,888,394
Wholesale and Retail Trade	-	-	-	-	-	-	1,474,209	808,902	1,214,353	3,113	2,145	-	-	-	-	-	1,811,083	1,691,639	3,502,722
Accommodation and Dining	-	-	-	-	-	-	50,852	32,296	111,910	668	176	-	-	-	-	-	92,422	103,480	195,902
Transportation and Telecom.	-	-	-	-	-	-	647,720	261,210	138,598	441	1,916	-	-	-	-	-	487,327	562,558	1,049,885
Financial Institutions	3,228,145	-	-	-	-	-	3,142,491	31,568	290	16,829	-	-	-	-	-	-	387,007	6,032,316	6,419,323
Real Estate and Rental																			
Services	-	-	-	-	-	-	165,449	19,595	74,408	4	85	-	-	-	-	-	42,332	217,209	259,541
Professional Services	-	-	-	-	-	-	39	338	819	-	-	-	-	-	-	-	1,102	94	1,196
Educational Services	-	-	-	-	-	-	33,759	9,511	16,681	76	71	-	-	-	-	-	28,123	31,975	60,098
Health and Social Services	-	-	-	-	-	-	159,846	114,431	125,128	29	293	-	-	-	-	-	268,851	130,876	399,727
Others	-	-	-	-	-	-	536,179	1,033,847	2,268,891	5,156	179,938	-	-	-	-	-	2,194,844	4,558,002	1,660,853
Total	3,228,145	-	-	-	-	-	3,142,491	8,309,538	3,530,268	6,421,871	22,616	189,303	-	-	-	-	2,194,844	11,945,298	15,093,778

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

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II. Explanations on 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	632,442	229,701	-	156	95,426
Conditional and unconditional exposures to corporates	2,023,442	919,545	1,022,809	1,630,005	3,410,998
Conditional and unconditional retail exposures	342,292	354,146	467,336	723,749	1,685,665
Conditional and unconditional exposures secured by real estate property	276,196	360,747	660,652	1,211,441	6,714,432
Past due items					
Items in regulatory high-risk categories	10,231	1,547	1,816	2,195	179,785
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	-	-	-	-	-
Total	3,284,603	1,865,686	2,152,613	3,567,546	12,086,306

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

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II. Explanations on Credit Risk (Continued)

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	-	-	-	-	-
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	1,572,715	942,055	877,939	1,393,964	3,459,642
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	2,795,972	1,711,448	1,904,803	3,007,605	9,502,894

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

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II. Explanations on 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 in calculation of the risk weighted sums 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 receivables class 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 house" (BKV) and if more than 3 months, as "Receivables from Banks and Brokerage house" (BA). The banks and institutions residing in the country are evaluated without rating.

The ratings provided by the international rating institution are used in determination of 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 given in the following table.

Credit Quality Grade	Fitch Risk Rating	Exposure Categories			
		Exposures from Banks and Brokerage Houses			
		Exposures to Central Governments or Central Banks	Exposures with Remaining Maturities Less Than 3 Months	Exposures with Remaining Maturities More Than 3 Months	Exposures to Corporates
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 Credit Risk (Continued)

Exposures by risk weights:

Current Period	0%	10%	20%	50%	75%	100%	150%	200%	250%	Deductions from
Risk Weights										Equity
Exposures before										
Credit Risk										
Mitigation	6,672,330	-	1,541,567	9,468,178	3,810,121	12,131,895	86,449	105,099	4,026	19,385
Exposures after										
Credit Risk										
Mitigation	7,129,750	-	1,541,567	9,468,175	3,686,958	11,797,797	86,295	105,099	4,026	19,385
Prior Period	0%	10%	20%	50%	75%	100%	150%	200%	250%	Deductions from
Risk Weights										Equity
Exposures before										
Credit Risk										
Mitigation	4,490,905	-	1,442,483	6,510,058	3,515,856	10,890,471	121,535	52,821	14,947	5,583
Exposures after										
Credit Risk										
Mitigation	4,993,804	-	1,442,483	6,510,048	3,371,148	10,532,501	121,324	52,821	14,947	5,583

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	Value Adjustments (*)	Provisions
Agriculture	5,737	4,006	137	4,722
Farming and Stockbreeding	2,444	949	32	1,913
Forestry	2,888	3,029	104	2,475
Fishery	405	28	1	334
Manufacturing	107,238	119,078	4,560	93,959
Mining and Quarrying	27,414	35,805	1,423	24,327
Production	70,796	80,401	3,029	61,428
Electricity, Gas and Water	9,028	2,872	108	8,204
Construction	141,315	181,739	7,847	131,659
Services	166,666	157,359	5,355	131,528
Wholesale and Retail Trade	118,244	74,545	2,885	91,687
Accommodation and Dining	4,166	7,678	264	3,531
Transportation and				
Telecommunication	32,686	59,618	1,810	27,313
Financial Institutions	8	-	-	8
Real Estate and Rental Services.	1,629	2,206	56	1,399
Professional Services	4	44	1	2
Educational Services	865	1,059	22	475
Health and Social Services	9,064	12,209	317	7,113
Others	60,239	137,736	3,026	47,350
Total	481,195	599,918	20,925	409,218

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

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II. Explanations on Credit Risk (Continued)

Information by major sectors and type of counterparties (continued)

Prior Period	Credits		Provisions	
	Impaired Credits	Past due Credits	Value Adjustments (*)	Provisions
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 Credit Risk (Continued)

Movements in value adjustments and provisions

Current Period	Opening Balance	Provision for Period	Provision Reversals	Other Adjustments(*)	Closing Balance
Specific Provisions	336,183	206,098	(84,700)	(48,363)	409,218
General Provisions	174,251	66,525	-	-	240,776

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.

Information of Cash and Noncash Loans according to 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 in Turkish Commercial Code. Ratings which are calculated since 1 February 2013 are shown the table below as of 31 December 2014.

	Cash Loans	Non-Cash Loans	Total
High Quality	25%	60%	35%
Medium Quality	22%	19%	21%
Average	19%	11%	17%
Below Average	6%	2%	5%
Unrated	27%	9%	22%

III. Explanations on market risk

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

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III. Explanations on market risk (continued)

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 2014, in accordance with the Market Risk Calculation principles pursuant to the Part 2 of the Second Section of the “Regulation on Measurement and Assessment of Capital Adequacy of Banks” published in the Official Gazette No. 28337 on 28 June 2012.

a. Information related to market risk:

	Current Period	Prior Period
(I) Capital Obligation against General Market Risk - Standard Method	16,873	14,451
(II) Capital Obligation against Specific Risk - Standard Method	29,728	3,392
Capital Requirement against Specific Risks of Securitization Positions– Standard Method	-	-
(III) Capital Obligation against Currency Risk - Standard Method	7,345	8,408
(IV) Capital Obligation against Commodity Risk - Standard Method	5,012	5,493
(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	2,332	2,023
(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)	61,290	33,767
(X) Value-At-Market Risk (12.5 x VIII) or (12.5 x IX)	766,125	422,088

b. Monthly average values at market risk

	Current Period		
	Average	Highest	Lowest
Interest Rate Risk	25,911	45,833	14,097
Equity-Shares Position Risk	789	1,596	540
Currency Position Risk	8,402	11,218	4,984
Commodity Risk	4,649	5,452	4,063
Clearing Risk	-	-	-
Option Market Risk	-	-	-
Counterparty Credit Risk	1,701	2,332	1,462
Total Value at Risk	41,452	66,431	25,146
	Prior Period		
	Average	Highest	Lowest
Interest Rate Risk	13,235	18,480	333
Equity-Shares Position Risk	16,083	106,195	694
Currency Position Risk	9,079	14,525	6,243
Commodity Risk	7,204	9,013	5,493
Clearing Risk	-	-	-
Option Market Risk	-	-	-
Counterparty Credit Risk	1,699	2,379	1,181
Total Value at Risk	47,300	150,592	13,944

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III. Explanations on market risk (continued)

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	44,127	46,803
Commodity Contracts	5,103	4,435
Equity-Shares Related Contracts	-	-
Other	-	-
Gross Positive Fair Values	862	1,098
Netting Benefits	-	-
Net Current Exposure Amount	-	-
Collaterals Received	-	-
Net Derivative Position	50,092	52,336

Explanation on Operational Risk

"Basic Indicator Method" is used in operational risk calculation of the Bank. The sum that is the basis for the operational risk is calculated by the use of the gross revenues of the Bank for the last 3 years, 2013, 2012 and 2011 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 147,418 corresponding to the 8% of TL 1,842,725 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 147,418 also defines the minimum capital sum which is required in order to eliminate the mentioned risk.

Current Period	31/12/2011	31/12/2012	31/12/2013	Total/ No. of Years	Rate	Total
	Amount	Amount	Amount	of Positive Gross	(%)	
Gross Income	770,741	967,469	1,210,155	982,789	15	147,418
Value at Operational Risk (Total*12.5)						1,842,725

Prior Period	31/12/2010	31/12/2011	31/12/2012	Total/ No. of	Rate	Total
	Amount	Amount	Amount	Years of Positive	(%)	
				Gross		
Gross Income	595,096	770,741	967,469	777,769	15	116,665
Value at Operational Risk (Total*12.5)						1,458,313

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IV. Explanations on currency risk

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

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

As of 31 December 2014, the Bank carries a net foreign currency long position of TL 670,491 (31 December 2013 – TL 605,188 long position) comprising TL 621,615 balance sheet short position (31 December 2013 - TL 558,509 short position) and TL 48,876 off balance sheet long position (31 December 2013 - TL 46,679 long position).

The announced current foreign exchange buying rates of the Bank as of 31 December 2014 and the previous five working days are as follows (full TL):

	24/12/2014	25/12/2014	26/12/2014	29/12/2014	30/12/2014	Balance sheet evaluation rate
USD	2.3165	2.3209	2.3177	2.3182	2.3235	2.3189
EURO	2.8317	2.8312	2.8368	2.8255	2.8339	2.8207
GBP	3.5972	3.6005	3.5933	3.5997	3.6090	3.5961
CHF	2.3486	2.3492	2.3589	2.3447	2.3504	2.3397
JPY	0.0192	0.0192	0.0193	0.0192	0.0193	0.0194

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

	Monthly average FC purchase rate
USD	2.2868
EUR	2.8202
GBP	3.5695
CHF	2.3402
JPY	0.0191

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IV. Explanations on currency risk (continued) :

Currency risk of the Bank:

	EURO	USD	Other FC	Total
Current period				
Assets				
Cash (cash in vault, effectives, money in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey (****)	430,947	3,305,114	2,254,547	5,990,608
Banks	195,780	2,110,908	326,165	2,632,853
Financial assets at fair value through profit and loss	-	-	-	-
Money market placements	-	-	-	-
Available-for-sale financial assets (**)	-	587,414	-	587,414
Loans and finance lease receivables (*)	2,048,942	5,961,183	175,052	8,185,177
Subsidiaries, associates and joint ventures (**)	-	95,402	-	95,402
Held-to-maturity investments	-	-	-	-
Derivative financial assets for hedging purposes	-	-	-	-
Tangible assets	784	200	-	984
Intangible assets	2,949	46	-	2,995
Other assets	69,421	37,088	190	106,699
Total assets	2,748,823	12,097,355	2,755,954	17,602,132
Liabilities				
Current account and funds collected from Banks via participation accounts	8,614	230,430	171,238	410,282
Current and profit sharing accounts FC (****)	2,327,725	5,399,487	1,859,845	9,587,057
Money market borrowings	-	-	-	-
Funds provided from other financial institutions	228,166	6,613,202	-	6,841,368
Marketable securities issued	-	-	-	-
Miscellaneous payables	1,734	19,660	819	22,213
Derivative financial liabilities for hedging purposes	-	-	-	-
Other liabilities(*****)	16,190	54,109	422	70,721
Total liabilities	2,582,429	12,316,888	2,032,324	16,931,641
Net balance sheet position	166,394	(219,533)	723,630	670,491
Net off-balance sheet position	(150,334)	257,303	(728,584)	(621,615)
Financial derivative assets	384,078	2,376,794	191,227	2,952,099
Financial derivative liabilities	534,412	2,119,491	919,811	3,573,714
Non-cash loans (***)	1,157,680	2,375,346	410,273	3,943,299
Prior period				
Total assets	2,419,977	8,976,856	2,221,665	13,618,498
Total liabilities	2,096,525	8,605,171	2,311,614	13,013,310
Net balance sheet position	323,452	371,685	(89,949)	605,188
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

(*) Includes foreign currency indexed loans amounting to TL 5,767,979 (31 December 2013 – TL 5,474,647) followed as TL on the balance sheet.

(**) Includes TL 714 (31 December 2013 – TL 714) of foreign currency denominated available for sale financial assets, which are followed in Turkish Lira as TL 2,204,189 on the balance sheet and TL 95,402 (31 December 2013 – TL 50,301) of foreign currency denominated subsidiaries, which are followed in Turkish Lira as TL 168,355 on the balance sheet.

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

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

(*****) Other liabilities amount includes general provision for FX Indexed Loans in amount of TL 19,073. Company share of general provision for loans amount of TL 34,680 and provision for impairment of securities that fair value difference are translated into profit/loss amount of TL 495 are not included in currency risk.

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

- Derivative financial assets held for trading TL 8,249 (31 December 2013 – TL 15,472)
- Prepaid expenses : TL 268 (31 December 2013 – 1,282)
- Derivative financial liabilities held for trading : TL 11,797 (31 December 2013 – TL 15,284)
- Marketable securities of FC revaluation reserve: TL 340 (31 December 2013 - TL (4,713))

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

- Forward foreign currency purchase transactions TL 346,189 (31 December 2013 - TL 346,835)
- Forward foreign currency sale transactions: TL 408,657 (31 December 2013 - TL 447,167)
- Future precious metal purchase transactions: TL 163,918 (31 December 2013 - TL 116,424)
- Future precious metal sale transactions: TL 726,732 (31 December 2013 – TL 47,405)

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IV. Explanation on currency risk (continued)

Currency risk sensitivity:

The bank is mainly exposed to foreign currency risk in EURO, USD and XAU

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

	% changes on foreign currency	Effects on profit/loss			Effects on equity	
		Current period	Prior period	Current period	Prior period	
USD	10%	3,777	3,479	34	(471)	
EURO	10%	1,606	1,680	-	-	
XAU	10%	(340)	(48)	-	-	

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

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

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

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

Current Period Equity Securities (shares)	Carrying Value	Comparison	
		Fair Value	Market Value
1 Securities Available-for-Sale (*)	53,995	-	-
Quoted Securities	-	-	-
2 Investments in Associates	-	-	-
Quoted Securities	-	-	-
3 Investment in Subsidiaries	168,355	-	-
Quoted Securities	-	-	-
4 Securities Available-for-Sale	10,500	-	-
Quoted Securities	-	-	-

Prior Period Equity Securities (shares)	Carrying Value	Comparison	
		Fair Value	Market Value
1 Securities Available-for-Sale (*)	51,558	-	-
Quoted Securities	-	-	-
2 Investment in Subsidiaries	-	-	-
Quoted Securities	-	-	-
3 Investments in Associates	123,254	-	-
Quoted Securities	-	-	-
4 Other	5,500	-	-
Quoted 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.

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VI. Explanations on liquidity risk

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

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

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

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

First Maturity Bracket (Weekly)			
Current Period	Average (%)	Highest (%)	Lowest (%)
FC	266.41	342.01	173.07
TL+FC	204.12	244.92	155.10
Second Maturity Bracket (Monthly)			
	Average (%)	Highest (%)	Lowest (%)
FC	172.37	201.73	136.55
TL+FC	141.64	154.41	121.83
First Maturity Bracket (Weekly)			
Prior 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

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VI. Explanations on liquidity risk (continued)

Presentation of assets and liabilities according to their remaining maturities:

	Demand	Up to 1 month	1-3 Months	3-12 months	1-5 years	Over 5 years	Unallocated (**)	Total
Current period								
Assets								
Cash (cash in vault, effectives, cash in transit, Cheques purchased) and balances with the Central Bank of the Republic of Turkey	2,429,173	4,155,469	-	-	-	-	-	6,584,642
Banks	2,667,534	-	-	-	-	-	-	2,667,534
Financial assets at fair value through profit and loss	4,799	32,966	4,943	5,207	-	-	-	47,915
Money market placements	-	-	-	-	-	-	-	-
Available-for-sale financial assets	-	832,103	175,590	327,988	795,489	19,026	53,993	2,204,189
Loans (*)	-	2,714,984	3,130,279	7,353,009	7,096,528	918,891	71,977	21,285,668
Held-to-maturity investments	-	-	-	-	-	-	-	-
Other assets (**)	10,783	375,944	89,870	-	50,016	-	691,614	1,218,227
Total assets	5,112,289	8,111,466	3,400,682	7,686,204	7,942,033	937,917	817,584	34,008,175
Liabilities								
Current account and funds collected from banks via participation accounts	199,506	99,167	65,421	53,768	-	-	-	417,862
Current and profit sharing accounts	6,448,292	9,570,623	4,509,103	1,091,097	107,637	-	-	21,726,752
Funds provided from other financial institutions	-	849,019	687,417	1,949,891	3,133,196	470,325	-	7,089,848
Money market borrowings	-	708,743	-	-	-	-	-	708,743
Marketable securities issued	-	-	-	-	-	-	-	-
Miscellaneous payables	109,798	34,336	-	-	-	-	-	144,134
Other liabilities (**)	-	451,233	36,571	2,333	7,131	-	3,423,568	3,920,836
Total liabilities	6,757,596	11,713,121	5,298,512	3,097,089	3,247,964	470,325	3,423,568	34,008,175
Net liquidity gap	(1,645,307)	(3,601,655)	(1,897,830)	4,589,115	4,694,069	467,592	(2,605,984)	-
Prior period								
Total assets	3,589,897	13,416,974	1,965,825	2,145,351	3,691,762	352,645	731,088	25,893,542
Total liabilities	5,093,102	6,113,744	6,691,104	2,904,162	2,046,222	433,028	2,612,180	25,893,542
Net liquidity gap	(1,503,205)	7,303,230	(4,725,279)	(758,811)	1,645,540	(80,383)	(1,881,092)	-

(*) 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 liquidity risk (Continued)

Analysis of financial liabilities by remaining contractual maturities:

The following table is prepared before the Bank'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 2014								
Collective Fundings	16,317,588	4,574,524	1,144,865	107,637	-	22,144,614	-	22,144,614
Other Fundings	849,840	705,025	2,106,696	3,178,905	515,717	7,356,183	(587,693)	6,768,490
Funds provided under epurchase agreements	709,392	-	-	-	-	709,392	(649)	708,743
Borrowings from Leasings	-	-	18,647	336,920	-	355,567	(34,209)	321,358
Total	17,876,820	5,279,549	3,270,208	3,623,462	515,717	30,565,756	(622,551)	29,943,205

31 December 2013

Collective Fundings	9,610,462	5,949,481	1,249,479	221,280	-	17,030,702	-	17,030,702
Other Fundings	773,577	727,333	1,731,377	1,712,162	498,401	5,442,850	(358,339)	5,084,511
Borrowings from Leasings	221,509	-	-	-	-	221,509	(81)	221,428
	-	-	17,162	328,295	-	345,457	(48,642)	296,815
Total	10,384,039	6,676,814	2,998,018	2,261,737	498,401	22,819,009	(406,981)	22,412,028

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 2014								
Letters of Guarantee	2,707,986	129,826	598,342	1,779,622	1,484,363	166,934	-	6,867,073
Bills of Exchange and Bank Acceptances	59,308	-	-	482	-	-	-	59,790
Letters of Credit	772,191	16,702	28,656	50,881	17,147	30,189	-	915,766
Other guarantees	196,398	529	3,452	-	140,945	13,913	-	355,237
Pre-financings given as guarantee	10,006	97	1,159	-	-	5,921	-	17,183
Total	3,745,889	147,154	631,609	1,830,985	1,642,455	216,957		8,215,049

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

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VI. Explanations on liquidity risk (Continued)

Contractual maturity analysis of derivative instruments

31 December 2014	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	4,033,436	280,216	176,782	86,239	-	4,576,673
Exit	4,013,904	279,003	173,459	94,123	-	4,560,489
Hedging purposes financial assets						
Foreign exchange derivatives						
Entry	-	-	-	-	-	-
Exit	-	-	-	-	-	-
Total Cash Inflow	4,033,436	280,216	176,782	86,239		4,576,673
Total Cash Outflow	4,013,904	279,003	173,459	94,123		4,560,489

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

VII. Explanations on securitization positions

None.

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VIII. Credit risk mitigation techniques

The 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.

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

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

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

Financial collaterals are evaluated on a daily basis.

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

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

Exposure Categories	Amount(*)	Financial Collaterals	Other/Physical Collaterals	Guaranties and Credit Derivatives
Conditional and unconditional receivables from central governments or central banks	4,582,032	-	-	-
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	4,399,170	-	-	-
Conditional and unconditional receivables from Corporates	38,286,349	301,845	-	-
Conditional and unconditional retail receivables	8,805,862	123,163	-	-
Conditional and unconditional receivables secured by Mortgages	9,565,417	32,250	-	-
Past due receivables	31,677	8	-	-
Receivables defined in high risk category by BRSA	195,574	154	-	-
Securities collateralized by mortgages	-	-	-	-
Securitization positions	-	-	-	-
Short-term receivables from banks, brokerage houses and corporates	-	-	-	-
Investments similar to collective investment funds	-	-	-	-
Other receivables	3,258,951	-	-	-
Total	69,125,032	457,420	-	-

(*)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	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	3,828,194	-	-	-
Conditional and unconditional receivables from Corporates	30,210,236	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	2,194,844	-	-	-
Total	55,068,619	502,899	-	-

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

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 Bank is exposed. The Board of Directors is the owner of the Bank's Risk Management System and ensures the establishment of an effective, sufficient and appropriate risk management system as well as the continuity of the system. The main objective of the Bank's Risk Management System is to identify, measure, monitor and control the risks that the Bank is exposed to, by determining the policies, limits and procedures to control, to monitor, and if necessary to change the risk-return structure of the Bank's future cash flows and the level & the quality of related activities.

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

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

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

Risk Management Service continues risk monitoring and analyzing operations in accordance to Board of Director's Kuveyt Türk's mission, vision and growth strategy to prevent the potential risks. In this context credit and market risks, liquidity risk, operational risks and all limits, internal personal scoring and corporate rating modeling with IT risks issues, IT risk evaluation, operational lost data base, key risk indicators, operational risk insurances, market risk calculations, following up of treasury transactions and asset-liability risks are being 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 Bank'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
Current Period				
Financial Assets				
Banks	2,667,535	2,473,879	2,667,535	2,473,879
Financial assets available for sale	2,204,189	1,323,697	2,204,189	1,323,697
Loans and lease receivables	21,213,691	16,595,845	21,164,937	16,570,701
Financial Liabilities				
Current account and funds collected from banks via participation accounts.	414,861	433,985	414,861	433,985
Other current and profit sharing accounts	21,729,753	16,596,717	21,729,753	16,596,717
Money market balances	708,743	221,428	708,743	221,428
Funds provided from other financial institutions	6,768,490	5,381,326	6,723,869	5,439,369
Marketable Securities issued	-	-	-	-
Miscellaneous payables	144,134	118,356	144,134	118,356
Payables from leasing transactions	321,358	296,815	303,083	296,815

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, available for sales financial assets 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 of the Bank carried at fair value according to the foregoing principles as of 31 December 2014 and 31 December 2013 are given in the table below:

Current Period	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets held for trading	4,799	43,116	-	47,915
Forward transactions	-	21,584	-	21,584
Swap transactions	-	21,532	-	21,532
Other marketable securities	4,799	-	-	4,799
Available-for-sale financial assets	2,204,189	-	-	2,204,189
Equity securities	53,995	-	-	53,995
Government debt securities	1,873,362	-	-	1,873,362
Other marketable securities	276,832	-	-	276,832
Financial liabilities				
Financial liabilities held for trading	-	25,885	-	25,885
Forward transactions	-	14,614	-	14,614
Swap transactions	-	11,271	-	11,271
Prior Period				
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	1,323,697	-	-	1,323,697
Government debt securities	-	-	-	-
	1,268,712	-	-	1,268,712
Financial liabilities				
Financial liabilities held for trading	3,427	-	-	3,427
Forward transactions	-	-	-	-
Swap transactions	-	58,948	-	58,948

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

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

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

XI. Explanations on business segments

The Bank 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 2014	Retail and enterprise banking	Commercial banking	Corporate and international banking	Unallocated	Bank's total operation
Operating income	1,035,672	1,440,043	68,931	-	2,544,646
Operating expenses	793,236	226,587	272,650	789,434	2,081,907
Transfers between segments	333,842	(313,430)	(20,412)	-	-
Net operating income(loss)	576,278	900,026	(224,131)	(789,434)	462,739
Income from associates	-	-	-	-	-
Income (loss) before tax	576,278	900,026	(224,131)	(789,434)	462,739
Provision for taxation	-	-	-	92,289	92,289
Net income for the period	576,278	900,026	(224,131)	(881,723)	370,450
Current Period 31 December 2014					
Segment assets	7,593,054	13,580,282	11,616,612	-	32,789,948
Associates, subsidiaries and joint Ventures	-	-	-	178,855	178,855
Undistributed assets	-	-	-	1,039,372	1,039,372
Total assets	7,593,054	13,580,282	11,616,612	1,218,227	34,008,175
Segment liabilities	16,549,369	5,593,491	7,826,230	-	29,969,090
Undistributed liabilities	-	-	-	1,016,215	1,016,215
Shareholders' equity	-	-	-	3,022,870	3,022,870
Total liabilities	16,549,369	5,593,491	7,826,230	4,039,085	34,008,175

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XI. Explanations on business segments (continued)

Prior Period 1 January - 31 December 2013	Retail and enterprise banking	Commercial banking	Corporate and international banking	Unallocated	Bank's total operation
Operating income	751,243	970,467	221,073	-	1,942,783
Operating expenses	460,211	309,239	195,655	608,468	1,573,573
Transfers between segments	231,803	(202,790)	(29,013)	-	-
Net operating income(loss)	522,835	458,438	(3,595)	(608,468)	369,210
Income from associates	-	-	-	-	-
Income (loss) before tax	522,835	458,438	(3,595)	(608,468)	369,210
Provision for taxation	-	-	-	68,867	68,867
Net income for the period	522,835	458,438	(3,595)	(677,335)	300,343
Prior Period 31 December 2013					
Segment assets	5,266,657	9,716,138	9,884,518	-	24,867,313
Associates, subsidiaries and joint Ventures	-	-	-	128,754	128,754
Undistributed assets	-	-	-	897,475	897,475
Total assets	5,266,657	9,716,138	9,884,518	1,026,229	25,893,542
Segment liabilities	12,095,960	4,733,518	5,862,926	-	22,692,404
Undistributed liabilities	-	-	-	899,089	899,089
Shareholders' equity	-	-	-	2,302,049	2,302,049
Total liabilities	12,095,960	4,733,518	5,862,926	3,201,138	25,893,542

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SECTION FIVE

I. Explanations and notes related to assets

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

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash/foreign currency	302,472	454,265	243,463	460,195
The Central Bank of Republic of Turkey	287,882	4,155,476	155,023	2,988,091
Other (*)	3,680	1,380,867	-	466,835
Total	594,034	5,990,608	398,486	3,915,121

(*) As of 31 December 2014, precious metal account amounting to TL 1,301,465 (31 December 2013 - TL 466,835) and money in transit are presented in this line amounting to TL 83,082 (31 December 2013 – TL None).

2. Balances with the Central Bank of Turkey:

	Current period		Prior period	
	TL	FC	TL	FC
Unrestricted demand deposit	287,742	7	155,023	-
Unrestricted time deposit	-	-	-	-
Restricted time deposit	140	4,155,469	-	2,988,091
Total	287,882	4,155,476	155,023	2,988,091

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 2014, there are no financial assets at fair value through profit and loss subject to repurchase transactions, given as a collateral or blocked (31 December 2013 – 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	15,292	6,292	87,054	15,364
Swap transactions	19,575	1,957	5,250	108
Futures transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
Total	34,867	8,249	92,304	15,472

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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	34,681	2,632,853	31,267	2,442,612
Domestic	34,410	1,814,572	30,558	1,183,614
Foreign	271	818,281	709	1,258,998
Branches and head office abroad	-	-	-	-
Total	34,681	2,632,853	31,267	2,442,612

d. Information on foreign bank accounts:

	Current period		Prior period	
	Unrestricted Amount	Restricted Amount	Unrestricted Amount	Restricted Amount
EU Countries	269,602	-	504,629	-
USA and Canada	382,563	-	246,196	-
OECD Countries(*)	38,404	-	372,325	-
Off-shore Banking Regions	404	-	386	-
Other	127,579	-	136,171	-
Total	818,552	-	1,259,707	-

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

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

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

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 2014, rent certificates recorded as financial assets available-for -sale, amounting to TL 684,991 subject to sales transactions of repurchase agreements and based upon this transaction, rent certificate amounting to TL 687,018 given as collateral. The amount of fund provided from CBRT is TL 708,165 based upon repurchasing agreements.

	Current Period	Prior Period
Debt Securities	2,152,452	1,282,841
Quoted on stock exchange	2,152,452	1,282,841
Not quoted on stock exchange	-	-
Share certificates	53,995	51,558
Quoted on stock exchange	-	-
Not quoted on stock exchange	53,995	51,558
Impairment provision (-)	(2,258)	(10,702)
Total	2,204,189	1,323,697

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

e. Information on financial assets available-for-sale: (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 2014

a) The Bank purchased the rent certificates ("sukuk") as details given table below from private entities that are stated under "Other Securities" in given financial statements.

REFERENCE	CURRENCY	COUPON FREQUENCY	ISSUER	PURCHASE DATE	MATURITY DATE	COST VALUE	RATE
TRDKTVK31513	TRY	6	KT KİRA SERTİFİKALARI V.K.Ş.	29/09/2014	23/03/2015	13,595	9.81
TRDKTVK51511	TRY	6	KT KİRA SERTİFİKALARI V.K.Ş.	20/11/2014	14/05/2015	976	2.80
TRDKTVKK1510	TRY	6	KT KİRA SERTİFİKALARI V.K.Ş.	20/11/2014	19/11/2015	9,500	2.80
XS1145516198	USD	6	IILMH	28/11/2014	27/02/2015	108,988	2.80
XS1126908596	USD	6	IILMH	23/10/2014	22/01/2015	120,583	2.80
XS1082151868	USD	6	ALBARAKA TURK	30/06/2014	30/06/2019	92,756	6.25

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.

REFERENCE	CURRENCY	COUPON FREQUENCY	ISSUER	PURCHASE DATE	MATURITY DATE	COST VALUE	RATE
XS0831353361	USD	6	T.C. HAZİNE	26/09/2012	26/03/2018	173,890	5.50
XS0975124180	USD	6	T.C. HAZİNE	10/10/2013	10/10/2018	25,691	4.50
XS1141043296	USD	6	T.C. HAZİNE	25/11/2014	25/11/2024	18,551	2.80
TRD170216T17	TRY	6	T.C. HAZİNE	19/02/2014	17/02/2016	385,886	10.60
TRD190815T10	TRY	6	T.C. HAZİNE	21/08/2013	19/08/2015	305,326	9.00
TRD180215T17	TRY	6	T.C. HAZİNE	20/02/2013	18/02/2015	353,331	5.70
TRD180215T17	TRY	6	T.C. HAZİNE	20/02/2013	18/02/2015	984	5.70
TRD280916T17	TRY	6	T.C. HAZİNE	01/10/2014	28/09/2016	469,011	5.30

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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	580	13,638	621	676
Corporate Shareholders	-	13,638	-	676
Real Person Shareholders	580	-	621	-
Indirect Loans Granted to Shareholders	79,663	283	80,270	55
Loans Granted to Employees	8,553	6	6,031	7
Total	88,796	13,927	86,922	738

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	
Cash Loans		Extension of Repayment Plan	Other		Extension of Repayment Plan	Other
Loans	19,664,607	234,553	-	309,452	287,721	-
Financing commodity against document	16,944	-	-	-	-	-
Exports Loan	5,980	-	-	-	-	-
Imports Loans	1,206,270	-	-	2,452	-	-
Enterprise Loans	11,707,354	225,201	-	197,433	280,206	-
Consumer Loans	3,947,201	6,423	-	100,741	6,332	-
Credit Cards	195,307	-	-	4,738	54	-
Precious Metal Loans	171,743	-	-	-	-	-
Loans Given to Financial Sector	543,070	-	-	-	-	-
Loans Extended Abroad	262,152	2,610	-	-	1,129	-
Other	1,608,586	319	-	4,088	-	-
Other Receivables	4,027	-	-	2,745	-	-
Total	19,668,634	234,553	-	312,197	287,721	-
Prior Period	Performing Loans and Other Receivables			Loans and Other Receivables under Follow-Up		
Cash Loans	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	15,523,862	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	9,547,566	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	471,397	1,078	-	322	4,009	-
Other	1,338,003	-	-	3,784	-	-
Other Receivables	2,636	-	-	2,154	-	-
Total	15,526,498	210,740	-	288,951	161,224	-

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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):

Current Period	Number of Extensions for Repayment Plan	
	Performing Loans and Other Receivables	Performing Loans and Other Receivables
1 or 2 times	234,553	287,721
3,4 or 5 times	-	-
Over 5 times	-	-
Total	234,553	287,721

Extension Periods for Repayment Plan Changes	Performing Loans and Other Receivables	Loans and Other Receivables under Follow-Up
0 - 6 months	1,360	976
6 - 12 months	5,294	39,818
1 - 2 years	45,628	108,503
2 - 5 years	98,897	131,896
5 years and over	83,374	6,528
Total	234,553	287,721

Prior Period	Number of Extensions for Repayment Plan	
	Performing Loans and Other Receivables	Loans and Other Receivables under Follow-Up
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

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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	5,674,445	10,205	35,628	2,375
Loans	5,670,418	10,205	32,883	2,375
Other receivables	4,027	-	2,745	-
Medium and long-term loans and other receivables (*)	13,994,189	224,348	276,569	285,346
Loans	13,994,189	224,348	276,569	285,346
Other receivables	-	-	-	-
Total	19,668,634	234,553	312,197	287,721

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

Prior 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	5,186,102	6,395	48,683	1,568
Loans	5,183,466	6,395	46,529	1,568
Other receivables	2,636	-	2,154	-
Medium and long-term loans and other receivables (*)	10,340,396	204,345	240,268	159,656
Loans	10,340,396	204,345	240,268	159,656
Other receivables	-	-	-	-
Total	15,526,498	210,740	288,951	161,224

(*) 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	82,009	3,811,850	3,893,859
Housing Loans	4,649	3,631,205	3,635,854
Vehicle Loans	4,248	156,841	161,089
Consumer Loans	71,035	18,441	89,476
Other	2,077	5,363	7,440
Consumer Loans-FC Indexed	-	14,387	14,387
Housing Loans	-	12,774	12,774
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	1,613	1,613
Consumer Loans-FC	-	148,138	148,138
Housing Loans	-	46,759	46,759
Vehicle Loans	-	78	78
Consumer Loans	-	-	-
Other	-	101,301	101,301
Retail Credit Cards-TL	109,741	5,035	114,776
With Installment	28,660	5,034	33,694
Without Installment	81,081	1	81,082
Retail Credit Cards-FC	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Personnel Loans-TL	1,754	2,559	4,313
Housing Loans	-	996	996
Vehicle Loans	134	1,315	1,449
Consumer Loans	1,620	248	1,868
Other	-	-	-
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	4,777	110	4,887
With Installment	1,567	110	1,677
Without Installment	3,210	-	3,210
Personnel Credit Cards-FC	-	-	-
Installment based	-	-	-
Without-installment	-	-	-
Overdraft Account-TL (Real Person)	-	-	-
Overdraft Account-FC (Real Person)	-	-	-
Total	198,281	3,982,079	4,180,360

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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	4,212	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)

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

Current Period	Short term	Medium and long term	Total
Commercial Installment Loans-TL	96,723	2,653,296	2,750,019
Business Loans	3,006	616,276	619,282
Vehicle Loans	41,998	706,132	748,130
Consumer Loans	-	121,436	121,436
Other	51,719	1,209,452	1,261,171
Commercial Installment Loans-FC Indexed	25,651	1,342,007	1,367,658
Business Loans	1,480	370,873	372,353
Vehicle Loans	2,882	278,942	281,824
Consumer Loans	-	-	-
Other	21,289	692,192	713,481
Commercial Installment Loans-FC	102	478,865	478,967
Business Loans	-	69,799	69,799
Vehicle Loans	-	2,166	2,166
Consumer Loans	-	-	-
Other	102	406,900	407,002
Corporate Credit Cards-TL	80,382	54	80,436
With Installment	11,289	-	11,289
Without Installment	69,093	54	69,147
Corporate Credit Cards-FC	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Overdraft Account-TL (Legal Entity)	-	-	-
Overdraft Account-FC (Legal Entity)	-	-	-
Total	202,858	4,474,222	4,677,080

Prior 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

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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	65,835	16,253
Private	20,437,270	16,171,160
Total	20,503,105	16,187,413

7. Breakdown of domestic and foreign loans:

	Current period	Prior period
Domestic loans	20,237,214	15,710,613
Foreign loans	265,891	476,800
Total	20,503,105	16,187,413

8. Loans granted to subsidiaries and associates:

	Current period	Prior period
Loans granted directly to subsidiaries and associates	20,036	41,650
Loans granted indirectly to subsidiaries and associates	-	-
Total	20,036	41,650

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

f. Information on loans and receivables: (continued)

9. Specific provisions for loans:

	Current period	Prior period
Specific provisions		
Loans and receivables with limited collectability	25,044	27,935
Loans and receivables with doubtful collectability	84,119	72,971
Uncollectible loans and receivables	300,055	235,277
Total	409,218	336,183

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	-	-	-
Rescheduled loans and other receivables	-	-	-
Prior period			
(Gross amounts before specific provision)			
Restructured loans and other receivables	4,156	245	11,903
Rescheduled loans and other receivables	-	-	-

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

	Group III	Group IV	Group V
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Current Period			
Ending balance of prior period	41,393	99,295	240,988
Additions in the current period (+)	48,085	110,635	54,420
Transfers from other categories of non-performing loans(+)	-	5,814	110,605
Transfers to other categories of non-performing loans (-)	33,030	83,389	-
Collections in the current period (-)	4,932	12,144	30,144
Disposals in the current period (-)	1,463	602	15,973
Write offs (-)	84	3,284	44,995
Corporate and commercial loans	-	-	25,345
Retail loans	-	1,456	16,340
Credit Cards	84	1,828	3,310
Other	-	-	-
Ending balance of the current period	49,969	116,325	314,901
Specific provisions (-)	25,044	84,119	300,055
Net balance at the balance sheet	24,925	32,206	14,846

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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
Prior Period	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

(iii). Information on non-performing loans granted as foreign currency: None (31 December 2013 – None).

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

	Group III:	Group IV:	Group V:
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Current period (Net)	24,925	32,206	14,846
Loans granted to real persons and legal entities (Gross)	49,969	116,325	314,901
Specific provision (-)	25,044	84,119	300,055
Loans to real persons and legal entities (Net)	24,925	32,206	14,846
Banks (Gross)	-	-	-
Specific provision (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	-	-	-
Specific provision (-)	-	-	-
Other loans and receivables (Net)	-	-	-
Prior period (Net)	13,458	26,324	5,711
Loans 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)	-	-	-

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

f. Information on loans and receivables: (continued)

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 2014	Less than 30 days	31-60 days	61-90 days	More than 91 days	Total
Loans and receivables					
Corporate loans	266,004	117,078	104,971	-	488,053
Retail loans	32,398	44,882	29,793	-	107,073
Credit cards	3,587	836	369	-	4,792
Total	301,989	162,796	135,133	-	599,918

Prior Period – 31 December 2013	Less than 30 days	31-60 days	61-90 days	More than 91 days	Total
Loans and receivables					
Corporate loans	162,608	119,510	91,965	-	374,083
Retail loans	9,643	39,350	24,074	-	73,067
Credit cards	2,376	445	204	-	3,025
Total	174,627	159,305	116,243	-	450,175

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 2014, non-performing loans amounting to TL 48,363 have been written-off (31 December 2013 – TL 40,467).

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 2013 – None).

h. Information on investment in associates (Net):

- The 1.75% ownership of Kredi Garanti Fonu A.Ş. of TL 4,210 (31 December 2013 – TL 4,210), 8.36% ownership of Islamic International Rating Agency of TL 714 (31 December 2013 – TL 714), and 6.99% ownership of Neova Sigorta A.Ş. of TL 3,752 (31 December 2013 – TL 3,332) and TL 181 amount of swift shares (31 December 2013 – TL 181) and 0,0035% ownership of Borsa İstanbul A.Ş. of TL 15 (31 December 2013 – 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.
- Information about investments in unconsolidated associates: None (31 December 2013 – None).
- Information related to consolidated associates: None (31 December 2013 – None).

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I. Explanations and notes related to assets (continued)

i. Information on investment in associates (Net):

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

Title	Address (City/ Country)	Bank's share percentage, if different-voting Percentage (%)	Bank's risk group share Percentage (%)
Kuwait Turkish Participation Bank Dubai Ltd. (*)	Dubai/United Arab Emirates	100%	100%
Körfez Tatil Beldesi Turistik Tesisler ve Devremülk İşletmeciliği San.ve Tic. A.Ş. (**)	İstanbul/Turkey	99.99%	99.99%
Körfez Gayrimenkul Yatırım Ortaklığı A.Ş. (**)(***)	İstanbul/Turkey	75%	97.61%
KT Sukuk Varlık Kiralama A.Ş. (**)	İstanbul/Turkey	100%	100%
KT Kira Sertifikaları Varlık Kiralama A.Ş.	İstanbul/Turkey	100%	100%

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

Total assets	Equity	Total fixed assets	Profit share income	Income from marketable securities	Current period profit/loss	Prior period profit/loss	Fair value
141,437	115,945	250	20,477	-	7,018	5,757	-
21,788	21,762	3	-	-	(876)	620	-
101,995	68,317	-	2,324	-	(262)	(693)	-
815,458	100	-	-	-	27	17	-
1,400,730	65,736	-	-	-	35	14	-

(*) As of 31 December 2014, financial figures for this entity in the table above are based on the financial information prepared in accordance with the local regulations of the country in which this entity operates.

(**) These figures are shown per Turkish Trade Law financial statements as at 31 December 2014.

(***) The previous name of the Company is Körfez Gayrimenkul İnşaat Taahhüt Turizm Sanayi ve Anonim Şirketi. The Company completed its transformation into real estate investment trust company and registered its title as 'Körfez Gayrimenkul Yatırım Ortaklığı Anonim Şirketi' as at 29 December 2011 and public offering process was completed on 25 April 2014.

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I. Explanations and notes related to assets (continued)

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

Movement for subsidiaries

	Current period	Prior period
Balance at the beginning of the year	123,254	75,830
Movements during the year		-
Purchases (*)	45,101	32,434
Transfers from subsidiaries	-	-
Bonus shares	-	-
Dividends from current year income	-	-
Sales	-	-
Revaluation increase	-	31,312
(Impairment)/reversal of impairment	-	-
Capital commitment payments (**)	-	(16,322)
Balance at the end of the year	168,355	123,254
Capital commitments	-	-
Share percentage at the end of the year (%)	-	-

(*) In accordance with decision of the Bank's Board of Directors numbered 158 and dated 20 March 2014, the capital of Bank's subsidiary, Kuwait Turkish Participation Bank Dubai Ltd., has been increased from USD 30,000,000 (full amount) to USD 40,000,000 (full amount) and increased to USD 50,000,000 (full amount) as of 31 December 2014 .

(**) 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.

Sectoral information on consolidated subsidiaries and the related carrying amounts:

	Current period	Prior period
Banks	95,402	50,301
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	-	-
Finance Companies	-	-
Other Financial Subsidiaries	50,273	100

Subsidiaries that are quoted on the stock exchange:

	Current Period	Prior Period
Quoted on Domestic Stock Exchanges (*)	50,173	50,173
Quoted on International Stock Exchanges	-	-
Total	50,173	50,173

(*) Körfez Gayrimenkul Yatırım Ortaklığı Anonim Şirketi. The Company has been publicly traded since 25 April 2014 and consolidated since 30 June 2014.

3. Information on capital adequacies of major subsidiaries:

The Bank does not have any major subsidiary.

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

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

	Bank's share percentage	Bank's risk group share percentage
Katılım Emeklilik ve Hayat A.Ş. (*)	50%	50%

(*) 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.

	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	67,025	8,762	2,501	(11,147)	(6,618)

(**) As of 31 December 2014, financial figures for this entity in the table above are based on the financial information prepared in accordance with the local regulations.

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	402,826	361,685	243,846	208,397
1 to 4 years	357,656	309,384	207,259	178,361
More than 4 years	43,414	39,517	23,763	21,674
Total	803,896	710,586	474,868	408,432

2. Net investments in finance leases:

	Current period	Prior period
Gross receivable from finance leases	803,896	474,868
Unearned finance lease income (-)	(93,310)	(66,436)
Cancelled amounts (-)	-	-
Net receivable from finance leases	710,586	408,432

3. Information on finance lease contracts:

The Bank determines the settlements of the financial lease agreements in accordance with related legislations. Payment terms and amounts may be rearranged with additional agreements upon customers' requests. On the agreements, the Bank gives the customer the option to buy the related property. According to the Financial Lease Law, if a customer does not fulfill its obligations, the Bank sends a notice to the customer and the Bank takes legal action against the customer if necessary. Non performing finance lease receivables amounting to TL 8,429 are included in the non-performing loans in the balance sheet (31 December 2013– TL 3,905).

Impairment provision amounting to TL 8,163 (31 December 2013– TL 3,043) 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 2013 – 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 2013					
Cost	123,758	215,960	750	247,305	587,773
Accumulated Depreciation (-)	2,579	13,868	670	98,895	116,012
Net Book Value	121,179	202,092	80	148,410	471,761
At End of Current Period: 31 December 2014					
Net book value at beginning of period	121,179	202,092	80	148,410	471,761
Additions	198,653	1,776	48	43,595	244,072
Disposals (-)	157,382	5	-	2,545	159,932
Transfers to assets held for sale (-)	-	-	-	-	-
Transfer from assets held for sale	-	-	-	17,303	17,303
Impairment/Reversal of Impairment Losses (**)	-	36,507	-	230	36,737
Depreciation Expense (-)	4,451	3,305	44	29,681	37,481
Cost at period end	165,029	181,224	798	305,428	652,479
Accumulated depreciation end of period (-)	7,030	17,173	714	128,576	153,493
Closing net book value	157,999	164,051	84	176,852	498,986
At End of Prior Period: 31 December 2012					
Cost	61,217	238,512	750	190,891	491,370
Accumulated Depreciation (-)	1,949	10,969	631	73,385	86,934
Net Book Value	59,268	227,543	119	117,506	404,436
At End of Current Period: 31 December 2013					
Net book value at beginning of period	59,268	227,543	119	117,506	404,436
Additions	81,817	5,650	-	52,525	139,992
Disposals (-)	19,276	615	-	906	20,797
Transfers to assets held for sale (-)	-	-	-	323	323
Transfer from assets held for sale	-	-	-	5,036	5,036
Impairment/Reversal of Impairment Losses (**)	-	27,587	-	(82)	27,505
Depreciation Expense (-)	630	2,899	39	25,510	29,078
Cost at period end	123,758	215,960	750	247,305	587,773
Accumulated depreciation end of period (-)	2,579	13,868	670	98,895	116,012
Closing net book value	121,179	202,092	80	148,410	471,761

(*) TL 28,466 (31 December 2013-TL 18,361) includes the amount of real estates to be disposed off.

(**) Includes TL 36,507 impairment for real estate property transferred from KT Sukuk Varlık Kiralama A.Ş. The difference occurred as a result of sale and lease back transaction, is accounted as expense during the lease period (Section 3, Not XVIII). (31 December 2013 – TL 27,587)

n. Explanations on Intangible Assets:

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

	End of Period	Beginning of Period
Cost	114,727	82,916
Accumulated Amortization	(44,462)	(27,218)
Total (net)	70,265	55,698

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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	55,698	43,652
Additions	32,018	29,074
Disposals (-), net	208	4,579
Depreciation amount (-)	17,243	12,449
Closing net book value	70,265	55,698

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 2014 is TL 65,177 (31 December 2013 – TL 47,829) and deferred tax liability is TL 15,161 (31 December 2013 – TL 16,876).

	Current Period	Prior Period
Reserve for employee benefits	10,172	7,621
Retirement pay liability	8,383	5,755
Deferred income	24,356	21,195
Impairment provision for subsidiaries, fixed assets and assets held for sale	16,562	9,260
Precious metals valuation difference	5,148	2,525
Other	556	1,473
Deferred tax asset	65,177	47,829
Difference between carrying value and tax base of tangible assets	(5,896)	(4,552)
Accruals of derivative financial instruments held for trading(net)	(3,313)	(9,620)
Difference between fair value and tax base of available for sale financial assets	(5,182)	(506)
Other	(769)	(2,198)
Deferred tax liability	(15,161)	(16,876)
Deferred tax asset, (net)	50,016	30,953

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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	30,953	20,804
Deferred tax (expense)/income	22,533	4,285
Deferred tax accounted under shareholders' equity	(3,470)	5,864
Deferred tax asset	50,016	30,953

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 Communique 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	28,999	30,004
Additions	35,741	17,892
Transfer from tangible assets	-	322
Disposals (-), net	16,121	13,123
Transfer to tangible assets	17,303	6,096
Depreciation amount (-)	-	-
Impairment losses provision (-)	-	-
Closing net book value	31,316	28,999

s. Information on other assets:

As of balance sheet date, the Bank's other assets amount to TL 388,789 (31 December 2013 - TL 310,064). Other assets balance does not exceed 10% of the total assets on the balance sheet excluding off balance sheet commitments.

Required initial capital of the Bank's new subsidiary to be established in Germany and in the name of KT Bank AG is EUR 45,000,000 (full amount). The amount of EUR 22,500,000 (full amount) for compulsory paid-in capital for licencing and establishment of the bank has been transferred to the subsidiary's account in Ziraat Bank AG. That amount will be accounted under "investments in associates" line item following the completion of establishment and licencing process.

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SECTION FIVE

II. Explanations and notes related to liabilities

a. Information on funds collected:

1. Information on maturity structure of funds collected:

i. Current period:

	Demand	Up to 1 Month	Up to 3 Months	Up to 6 months	Up to 9 months	Up to 1 year	1 year and over	Accumulated profit sharing accounts	Total
I. Real persons current accounts-TL	1,909,330	-	-	-	-	-	-	-	1,909,330
II. Real persons profit sharing accounts TL	-	2,343,300	3,926,130	583,822	-	194,654	275,644	-	7,323,550
III. Other current accounts-TL	1,580,643	-	-	-	-	-	-	-	1,580,643
Public sector	67,748	-	-	-	-	-	-	-	67,748
Commercial sector	1,486,386	-	-	-	-	-	-	-	1,486,386
Other institutions	18,950	-	-	-	-	-	-	-	18,950
Commercial and other institutions	-	-	-	-	-	-	-	-	-
Banks and participation banks	7,559	-	-	-	-	-	-	-	7,559
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	1,199	-	-	-	-	-	-	-	1,199
Foreign banks	3,201	-	-	-	-	-	-	-	3,201
Participation banks	159	-	-	-	-	-	-	-	159
Others	3,000	-	-	-	-	-	-	-	3,000
IV. Profit sharing accounts-TL	-	331,993	697,678	114,080	-	103,014	79,049	-	1,325,814
Public sector	-	134	648	41	-	15,858	6,596	-	23,277
Commercial sector	-	287,626	653,028	104,051	-	85,775	70,465	-	1,200,945
Other institutions	-	22,099	43,563	9,988	-	1,381	380	-	77,411
Commercial and other institutions	-	22,134	418	-	-	-	1,608	-	24,160
Banks and participation banks	-	-	21	-	-	-	-	-	21
V. Real persons current accounts-FC	1,438,232	-	-	-	-	-	-	-	1,438,232
VI. Real persons profit sharing accounts-FC	-	1,144,093	2,043,002	519,895	-	263,869	206,998	-	4,177,857
VII. Other current accounts-FC	1,112,728	-	-	-	-	-	-	-	1,112,728
Commercial residents in Turkey	884,542	-	-	-	-	-	-	-	884,542
Commercial residents in Abroad	36,239	-	-	-	-	-	-	-	36,239
Banks and participation banks	191,947	-	-	-	-	-	-	-	191,947
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	46,308	-	-	-	-	-	-	-	46,308
Foreign banks	145,423	-	-	-	-	-	-	-	145,423
Participation banks	216	-	-	-	-	-	-	-	216
Others	-	-	-	-	-	-	-	-	-
VIII. Profit sharing accounts- FC	-	374,917	708,582	77,939	-	117,813	224,396	-	1,503,647
Public sector	-	-	-	-	-	-	-	-	-
Commercial sector	-	187,119	610,552	47,623	-	89,629	162,261	-	1,097,184
Other institutions	-	74,757	17,089	2,391	-	348	3,079	-	97,664
Commercial and other institutions	-	31,160	50,428	2,487	-	72	6,317	-	90,464
Banks and participation banks	-	81,881	30,513	25,438	-	27,764	52,739	-	218,335
IX. Precious metal funds	606,865	-	1,056,799	61,744	-	39,467	-	-	1,764,875
X. Profit sharing accounts special funds - TL	-	-	-	-	-	3,209	4,729	-	7,938
Residents in Turkey	-	-	-	-	-	3,209	4,729	-	7,938
Residents Abroad	-	-	-	-	-	-	-	-	-
XI. Profit sharing accounts special funds - FC	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
Total	6,647,798	4,194,303	8,432,191	1,357,480	-	722,026	790,816	-	22,144,614

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	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	562,122	128,288	-	127,289	90,281	-	1,177,752
Public sector	-	1,928	74	38	-	4,294	-	-	6,334
Commercial sector	-	246,838	525,164	125,066	-	109,720	89,846	-	1,096,634
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	887,209	-	-	-	-	-	-	-	887,209
Commercial residents in Turkey	705,942	-	-	-	-	-	-	-	705,942
Commercial residents in Abroad	68,892	-	-	-	-	-	-	-	68,892
Banks and participation banks	112,375	-	-	-	-	-	-	-	112,375
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	609	-	-	-	-	-	-	-	609
Foreign banks	105,397	-	-	-	-	-	-	-	105,397
Participation banks	6,369	-	-	-	-	-	-	-	6,369
Others	-	-	-	-	-	-	-	-	-
VIII. Profit sharing accounts- FC	-	271,128	856,418	39,595	-	67,423	125,513	-	1,360,077
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	-	83,514	186,368	-	-	-	43,601	-	313,483
IX. Precious metal funds	745,794	-	1,306,651	72,840	-	44,687	-	-	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	5,004,328	3,047,755	6,622,583	1,025,998	-	609,617	720,421	-	17,030,702

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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	5,738,367	4,075,680	3,463,278	2,663,583
FC accounts	3,321,617	2,774,746	3,973,599	2,559,062
Foreign branches' deposits under foreign authorities' insurance	-	-	-	-
Off-shore banking regions' under foreign authorities' insurance	-	-	-	-

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

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

The headquarters of the Bank is in Turkey.

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

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

	Current period	Prior period
Foreign branches' profit sharing accounts and other accounts	-	-
Profit sharing accounts and other accounts of controlling shareholders and profit sharing accounts of their mother, father, spouse, children in care	-	-
Profit sharing account and other accounts of President and Members of Board of Directors, CEO and Vice Presidents and profit sharing accounts of their mother, father, spouse and children in care	4,174	2,484
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	226	208

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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	12,537	2,077	24,364	8,116
Swap transactions	1,551	9,720	19,300	7,168
Futures transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
Total	14,088	11,797	43,664	15,284

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	240,368	1,660,052	150,000	459,343
From Foreign Banks, Institutions and Funds	8,112	4,395,366	7,355	4,034,733
Total	248,480	6,055,418	157,355	4,494,076

2. Information on maturity structure of borrowings:

	Current period		Prior period	
	TL	FC	TL	FC
Short-term	248,480	3,571,161	157,355	3,519,838
Medium and Long-Term	-	2,484,257	-	974,238
Total	248,480	6,055,418	157,355	4,494,076

Details of significant transactions that are accounted under Funds Borrowed are stated in table below.

Current Period:

Type	Customer	Opening Date	Maturity	Currency	Rate (Yearly)	Principal	Profit Share
Sukuk	KT KİRA SERTİFİKALARI V.K.Ş.	30/12/2014	23/03/2015	TRY	8.877%	50,000,000	1,023,290
Sukuk	KT KİRA SERTİFİKALARI V.K.Ş.	20/11/2014	14/05/2015	TRY	8.650%	57,000,000	2,396,730
Sukuk	KT KİRA SERTİFİKALARI V.K.Ş.	20/11/2014	19/11/2015	TRY	9.015%	30,000,000	2,734,488
Sukuk	KT KİRA SERTİFİKALARI V.K.Ş.	29/09/2014	23/03/2015	TRY	9.814%	100,000,000	4,770,550
Sukuk	KT KİRA SERTİFİKALARI V.K.Ş.	26/06/2014	26/06/2019	USD	5.077%	500,000,000	128,767,923
Sukuk	KT Sukuk V.K.Ş.	31/10/2011	31/10/2016	USD	5.875%	213,129,648	63,545,937
Sukuk	KT Sukuk V.K.Ş.	31/10/2011	31/10/2016	USD	5.875%	136,870,352	40,808,751
Syndicated	STANDARD CHARTERED BANK	27/12/2013	28/12/2015	EUR	1.544%	20,000,000	627,036
Syndicated	STANDARD CHARTERED BANK	27/12/2013	28/12/2015	USD	1.496%	105,000,000	3,189,277

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II. Explanations and notes related to liabilities (continued)

c. Information on funds borrowed: (continued)

2. Information on maturity structure of borrowings: (continued)

Current Period: (continued)

Type	Customer	Opening Date	Maturity	Currency	Rate (Yearly)	Principal	Profit Share
Syndicated	EMIRATES NBD BANK PJSC	29/12/2014	29/12/2016	USD	1.259%	300,000,000	7,666,704
Syndicated	EMIRATES NBD BANK PJSC	29/12/2014	29/12/2015	EUR	0.883%	10,000,000	89,522
Syndicated	EMIRATES NBD BANK PJSC	29/12/2014	29/12/2016	EUR	1.083%	30,000,000	659,701

Previous Period:

Type	Customer	Opening Date	Maturity	Currency	Rate (Yearly)	Principal	Profit Share
Sukuk	KT KİRA SERTİFİKALARI V.K.Ş.	19/11/2013	18/11/2014	TL	8.980%	150,000,000	13,620,000
Sukuk	KT Sukuk V.K.Ş	31/10/2011	31/10/2016	USD	5.875%	213,129,648	18,782,050
Sukuk	KT Sukuk V.K.Ş	31/10/2011	31/10/2016	USD	5.875%	136,870,352	12,061,700
Syndicated	STANDARD CHARTERED BANK	27/12/2013	29/12/2014	EUR	1.194%	63,000,000	766,847
Syndicated	STANDARD CHARTERED BANK	27/12/2013	28/12/2015	EUR	1.544%	20,000,000	627,036
Syndicated	STANDARD CHARTERED BANK	27/12/2013	29/12/2014	USD	1.146%	120,000,000	1,401,757
Syndicated	STANDARD CHARTERED BANK	27/12/2013	28/12/2015	USD	1.496%	105,000,000	3,189,277
Syndicated	STANDARD CHARTERED BANK	27/12/2013	29/12/2014	USD	1.146%	50,000,000	584,065

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 2014, other liabilities amounting to TL 439,068 (31 December 2013 - TL 450,506), sundry creditors amounting to TL 144,134 (31 December 2013- TL 118,356), both of them do not exceed 10% of the balance sheet total.

e. Information on finance lease payables (net):

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

As of 31 December 2014, finance lease payables details of the transaction of issuing certificate of rent (sukuk) is explained under section three and disclosure XVIII, with the permission of BRSA's decision numbered B.02.1.BDK.0.06.00.00-045.01(3/8)-5397 and as of 13 March 2012, it is accounted as sale and leaseback transaction in accordance with TAS 17.

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II. Explanations and notes related to liabilities (continued)

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

- i. Information on the changes in agreements and new obligations originating from these changes: None (31 December 2013 – None).
- ii. Information on Financial Lease Obligations

	Current period		Prior period	
	Gross	Net	Gross	Net
Less than 1 year	-	-	-	-
Between 1-4 years	374,240	321,358	345,512	296,815
More than 4 years	-	-	-	-
Total	374,240	321,358	345,512	296,815

iii. Information on Operational Leases:

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

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

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

iv. Information on sale and leaseback transactions:

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

f. Information on hedging derivative financial liabilities: None (31 December 2013 – None)

g. Information on provisions:

1. Information on general provisions:

	Current period	Prior Period
General Provisions	240,776	174,251
I.For Loans and Receivables in Group I (Total)	188,788	127,687
Profit Sharing Accounts' Share	49,246	37,629
The Bank's Share	131,179	83,227
Other	-	-
I.Additional Provision for Loans and Receivables with Extended Maturities	8,363	6,831
Profit Sharing Accounts' Share	2,708	1,900
The Bank's Share	5,655	4,931
Other	-	-
II.Loans and Receivables in Group II (Total)	20,324	15,016
Profit Sharing Accounts' Share	546	2,721
The Bank's Share	6,134	4,567
Other	-	-
II.Additional Provision for Loans and Receivables with Extended Maturities	13,644	7,728
Profit Sharing Accounts' Share	9,350	5,587
The Bank's Share	4,294	2,141
Other	-	-
Provisions for Non Cash Loans	16,306	15,775
Other	15,358	15,773

According to the subclause 6 in article 8 which was added on 8 October 2013 to "Regulation on Procedures and Principles for Determination of Qualifications of Loans and Other Receivables by Banks and Provisions to be set aside" that is published in Official Gazette numbered 26333 on 1 November 2006; it has been stated that the banks can apply the rates for general provisions as zero percent (0%) for cash and non-cash exporting loans in Group I; five over thousand percent (0.5%) for cash loans to SMEs in Group I, and one over thousand percent (0.1%) for non-cash loans for SMEs in Group I." Since exceptional rules mentioned above has not been applied in the current period financial statements, the Bank has incurred additional general provision amounting to TL 18,690.

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II. Explanations and notes related to liabilities (continued)

g. Information on provisions: (continued)

2. Information on provisions related with foreign currency evaluation difference of foreign currency indexed loans: As of 31 December 2014, effect of decrease in exchange rates on foreign currency indexed loans amounting to TL 18,574 (31 December 2013 – TL 548) and TL 17,290 for leasing receivables (31 December 2013 – TL 5,622) is offset against loans and receivables.
3. Information on other provisions:

	Current Period	Prior Period
Provisions for non- liquidated non cash loans (*)	42,544	27,593
Provisions for cheque books (*)	9,181	9,605
Provisions from equity/profit sharing accounts	14,186	30,430
Provisions for Promotion Activities for Credit Cards	347	144
Other	890	1,370
Total	67,148	68,998

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

4. Information on provisions for employee benefits:

Provisions for employee benefits consist of reserve for employee termination benefits amounting to TL 41,916 (31 December 2013 – TL 28,776), vacation pay liability amounting to TL 430 (31 December 2013 – TL 608), performance premium amounting to TL 48,600 (31 December 2013 – TL 36,700), retirement bonuses on payment of TL 1,828 (31 December 2013 – TL 15) and overtime payment amounting to - None (31 December 2013 – TL 783).

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 2013 – 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	3.29
Inflation rate (%)	6.5	6.5
Interest rate (%)	10.0	10.0

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

	Current period	Prior period
Balance at the beginning of the period	28,776	11,710
Provisions recognized during the period	9,506	4,092
Actuarial loss (*)	6,452	15,345
Paid during the period	(2,818)	(2,371)
Balances at the end of the period	41,916	28,776

(*)Retirement pay liability arising from current period and amounting TL 21,796 is an actuarial loss amount and deferred tax amounting to TL 4,359 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 2014, the Bank has current tax liability after deducting temporary taxes paid during the period from the provision for corporate income tax amounting to TL 32,315.

	Current period	Prior period
Provision for corporate income tax	122,182	73,152
Prepaid taxes	(89,867)	(53,056)
Total (*)	32,315	20,096

(*) 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	8,427	6,284
Taxation of immovable property	783	662
Banking Insurance Transaction Tax (BITT)	10,871	9,104
Foreign Exchange Transaction Tax	-	-
Value Added Tax Payable	1,049	1,820
Income tax deducted from wages	5,360	4,340
Other	831	1,630
Total	27,321	23,840

iii. Information on premiums (*):

	Current period	Prior period
Social Security Premiums-Employee	3,028	2,492
Social Security Premiums-Employer	3,288	2,671
Unemployment insurance-Employee	217	178
Unemployment insurance-Employer	482	401
Total	7,015	5,742

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

iv. Information on deferred tax liability: None (31 December 2013 - None).

i. **Information on payables related to assets held for sale:** None (31 December 2013 – 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	-	464,592	-	433,080
From Other Foreign Institutions	-	-	-	-
Total	-	464,592	-	433,080

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	2,287,005	1,700,000
Preferred stock	-	-

2. Amount of paid-in capital, disclosure on whether the bank applies the registered share capital system, and, if so, the ceiling amount of the registered share capital: Registered capital system is not applied in the bank.

3. Information on the share capital increases during the period and their sources; other information on increased capital shares in the current period:

Date of increase	Amount of increase	Cash	Profit reserves subject to increase
4 April 2014	230,000	-	230,000
26 June 2014	360,000	360,000	-

4. Information on share capital increases from capital reserves during the current period: None. (31 December 2013 – None)

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

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

6. 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)

7. 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 (*)	20,729	340	6,738	(4,713)
Foreign Exchange Difference	-	-	-	-
Total	20,729	340	6,738	(4,713)

(*)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 2013 – 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 2014 is TL 575,870 (31 December 2013 – TL 449,872); payment commitments for cheque books are TL 876,101 (31 December 2013 – TL 824,093)
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 2014, the Bank has guarantees and surety ships constituting of TL 6,867,073 (31 December 2013 – TL 7,127,080) letters of guarantee; TL 59,790 (31 December 2013 – TL 57,587) acceptances and TL 915,766 (31 December 2013 – TL 1,217,277) letters of credit. In addition, the Bank has also Other Guarantees and Securities amounting to TL 355,237 (31 December 2013: 253,082).

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

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

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

3.(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	8,215,049	8,672,347
Total	8,215,049	8,672,347

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

	Current period				Prior period			
	TL	(%)	TL	(%)	TL	(%)	TL	(%)
Agriculture	37,382	0.88	19,728	0.50	49,384	1.21	8,857	0.19
Farming and Stockbreeding	19,746	0.46	5,351	0.14	29,277	0.72	6,512	0.14
Forestry	17,548	0.41	13,598	0.34	19,999	0.49	2,051	0.04
Fishery	88	0.00	779	0.02	108	0.00	294	0.01
Manufacturing	684,028	16.01	849,066	21.53	675,374	16.50	1,020,681	22.29
Mining and quarrying	155,495	3.64	235,337	5.97	181,676	4.44	258,192	5.64
Production	338,656	7.93	355,342	9.01	332,373	8.12	412,445	9.01
Electricity, Gas, Water	189,877	4.44	258,387	6.55	161,325	3.94	350,044	7.65
Construction	1,848,355	43.27	1,316,787	33.39	1,805,231	44.10	1,664,001	36.34
Services	1,170,082	27.39	1,300,135	32.97	1,081,576	26.42	1,494,332	32.64
Wholesale and Retail Trade	532,883	12.47	363,809	9.23	515,266	12.59	432,119	9.44
Hotel, Food and Beverage Services	45,054	1.05	27,405	0.69	53,700	1.31	30,804	0.67
Transportation and Telecom.	305,131	7.14	453,271	11.49	255,737	6.25	445,850	9.74
Financial Institutions	20,946	0.49	397,783	10.09	30,279	0.74	536,107	11.71
Real Estate and Renting Services	9,963	0.23	1,307	0.03	7,804	0.19	816	0.02
"Self-Employment" Type Services	112	0.00	-	-	195	0.00	-	-
Educational Services	27,764	0.65	3,006	0.08	16,020	0.39	9,675	0.21
Health and Social Services	228,229	5.34	53,554	1.36	202,575	4.95	38,961	0.85
Other	531,903	12.45	457,583	11.60	482,235	11.77	390,676	8.54
Total	4,271,750	100.00	3,943,299	100.00	4,093,800	100.00	4,578,547	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	4,226,915	3,933,754	44,835	9,545
Letters of Guarantee	4,208,973	2,607,892	44,835	5,373
Bills of Exchange and Bank Acceptances	4,033	51,804	-	3,953
Letters of Credit	1,220	914,327	-	219
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Related Guarantees	-	-	-	-
Other Guarantees and Sureties	12,689	359,731	-	-
Prior Period	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	1,095,550	54,818	-	1,673
Letters of Credit	627	1,216,071	-	578
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Related Guarantees	-	-	-	-
Other Guarantees and Sureties	16,519	253,883	-	-

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b. Financial derivative instruments

	Derivative transactions according to aims	
	Current Period	Prior Period
Trading derivatives		
Foreign Currency Related Derivative Transactions (I):	8,243,923	9,348,138
Currency Forwards-Purchases, sales	3,387,898	4,826,767
Currency Swaps-Purchases, sales	4,856,025	4,521,371
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)	893,239	173,419
A.Total Trading Derivatives (I+II+III)	9,137,162	9,521,557
Hedging Derivatives		
Fair value hedges	-	-
Cash flow hedges	-	-
Foreign currency investment hedges	-	-
B. Total Hedging Derivatives	-	-
Total Derivatives Transactions (A+B)	9,137,162	9,521,557

The 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 2014, the Bank has commitments to buy TL 677,103, USD 323,169,000, EUR 97,261,000 and GBP 167,000 in return of selling commitments of TL 785,183, USD 265,505,000, EUR 95,098,000 and GBP 97,000 (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).

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 2014	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	1,736,342	80,730	1,260,333	67,599
Short term loans	536,729	9,864	382,333	7,238
Medium and long term loans	1,193,354	70,866	872,773	60,361
Profit share on non-performing loans	6,259	-	5,227	-
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	318	4,327	2,047	3,368
Branches and head office abroad	-	-	-	-
Total	318	4,327	2,047	3,368

3. Information on profit share income from securities portfolio:

The Bank has received TL 129,765 profit share income from rent certificates (sukuk) which is given the details in available for sale financial assets information. (1 January-31 December 2013: TL 60,880).

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

	Current period	Prior period
Profit share income received from associates and subsidiaries	1,230	2,414

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				
The Central Bank of the Republic of Turkey	-	-	-	-
Domestic banks	-	8	-	-
Foreign banks	1,709	69,279	367	68,557
Branches and head office abroad	-	-	-	-
Other Institutions	16,568	102,471	1,562	63,732
Total	18,277	171,758	1,929	132,289

ii. Profit share expense given to associates and subsidiaries:

	Current Period	Prior Period
Profit share expenses given to associates and subsidiaries	129,543	23,978

iii. Profit share expense paid to securities issued: None (1 January-31 December 2013: None).

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

c. Information on dividend income: None (1 January-31 December 2013: 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	-	1	-	-	-	-	-	1	
Real person's non-trading profit sharing account	136,105	225,439	40,423	-	12,336	22,159	-	436,462	
Public sector profit sharing account	46	55	3	-	1,445	3	-	1,552	
Commercial sector profit sharing account	14,256	37,778	8,297	-	1,977	1,629	-	63,937	
Other institutions profit sharing account	1,691	2,636	463	-	351	35	-	5,176	
Total	152,098	265,909	49,186	-	16,109	23,826	-	507,128	
FC									
Banks	2,447	5,715	130	-	213	1,417	-	9,922	
Real person's non-trading profit sharing account	19,818	37,860	11,025	-	4,969	4,729	-	78,401	
Public sector profit sharing account	-	-	-	-	-	-	-	-	
Commercial sector profit sharing account	4,026	20,563	870	-	1,986	373	-	27,818	
Other institutions profit sharing account	1,739	1,178	95	-	23	217	-	3,252	
Precious metal accounts	-	9,147	516	-	335	-	-	9,998	
Total	28,030	74,463	12,636	-	7,526	6,736	-	129,391	
Grand Total	180,128	340,372	61,822	-	23,635	30,562	-	636,519	

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	-	585	1,692	-	2,929	-	-	5,206	
Real person's non-trading profit sharing account	79,691	153,568	22,361	-	9,832	24,381	-	289,833	
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	188,532	32,137	-	16,535	26,493	-	354,335	
FC									
Banks	675	535	4	-	-	1,201	-	2,415	
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	-	1	-	-	-	-	-	1	
Commercial sector profit sharing account	3,042	13,579	755	-	2,712	751	-	20,839	
Other institutions profit sharing account	1,143	3,267	409	-	1	98	-	4,918	
Precious metal accounts	-	11,978	498	-	379	-	-	12,855	
Total	18,772	54,331	7,995	-	6,903	6,998	-	94,999	
Grand Total	109,410	242,863	40,132	-	23,438	33,491	-	449,334	

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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
Trading income/loss (net)	147,655	172,396
Income	7,063,732	16,223,297
Gain on capital market transactions	829	848
Gain on derivative financial instruments	430,601	274,427
Foreign exchange gains	6,632,302	15,948,022
Losses (-)	(6,916,077)	(16,050,901)
Losses on capital market transactions	(763)	(2,495)
Losses on derivative financial instruments	(402,904)	(233,580)
Foreign exchange losses	(6,512,410)	(15,814,826)

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 Bank.

	Current period	Prior period
Reversal of prior period provisions	84,855	79,778
Income from sale of assets	19,454	17,333
Income from the real estate sales' gains by rent certificates	36,507	27,587
Income from checkbooks	72	38
Lease income	1,922	1,686
Other Income	4,106	11,183
Total	146,916	137,605

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

	Current period	Prior period
Specific provisions for loans and other receivables	206,098	197,727
III. group loans and receivables	32,385	35,547
IV. group loans and receivables	89,409	71,015
V. group loans and receivables	84,304	91,165
Doubtful commissions, fees and other receivables	15	1
General provision expenses	66,525	36,133
Provision expenses for possible losses	-	-
Impairment provision of marketable securities	670	355
Financial Assets at fair value through profit and loss	670	355
Investment securities available for sale	-	-
Impairment provision of associates, subsidiaries, joint ventures and held to maturity investments	-	-
Associates	-	-
Subsidiaries	-	-
Joint ventures	-	-
Held to maturity investments	-	-
Other	548	10,637
Total	273,856	244,853

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

h. Information on other operating expenses:

	Current period	Prior period
Personnel expenses	428,357	336,084
Provision for retirement pay liability	7,174	1,641
Depreciation expenses of fixed assets	36,293	28,548
Impairment expenses of tangible assets	36,737	27,587
Depreciation expenses of intangible assets	17,317	12,449
Depreciation expenses of assets held for sale	1,188	530
Other operating expenses	197,345	147,150
Rent expenses	73,109	59,739
Maintenance expenses	14,165	10,475
Advertisement expenses	13,797	14,099
Communication expenses	20,828	13,855
Heating, electricity and water expenses	9,467	7,011
Cleaning expenses	4,068	2,014
Vehicle expenses	4,654	3,992
Stationery expenses	4,212	3,041
Other expenses	53,045	32,924
Losses on sales of assets	225	241
Deposit insurance fund expenses	43,442	32,673
Other	65,027	54,237
Total	833,105	641,140

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

Income before tax amounts to TL 462,739 increased by 25,33% as compared to the prior period (2013 – TL 369,210). Income before tax includes TL 1,141,234 (2013 – TL 830,271) net profit share income and TL 133,895 (2013 – TL 113,931) net fees and commission income. Other operating expense amount is TL 833,105 (2013 – TL 641,140).

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

At current period, deferred tax income of the Bank is TL 22,533 (31 December 2013 – TL 4,285 deferred tax income) and current tax provision expense is TL 114,822 (2013 – TL 73,152).

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.

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

I. Information on net income/loss:

- i. The nature and amount of certain income and expense items from ordinary operations is disclosed if the disclosure for nature, amount and repetition rate of such items is required for a complete understanding of the Bank's performance for the period: As of 31 December 2014, net profit share income is TL 1,141,234 (1 January-31 December 2013 – TL 830,271), net fees and commission income is TL 133,895 (1 January-31 December 2013 – TL 114,931).
- ii. Effect of changes in accounting estimates on income statement for the current and, if any for subsequent periods: None (1 January-31 December 2013 – None).
- iii. Profit/Loss attributable to minority interest: None (1 January-31 December 2013 – None).

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 2014, other fees and commissions received is TL 156,540 (1 January-31 December 2013 – TL 121,878), TL 24,214 of this amount is related with credit card fees and commissions (1 January-31 December 2013 – TL 12,763) and TL 30,582 of this amount is related with POS machine commissions (1 January-31 December 2013 – TL 23,098).

As of 31 December 2014, other fees and commissions given is TL 97,230 (1 January-31 December 2013 – TL 77,727), TL 37,866 (1 January-31 December 2013 – TL 27,582) of this amount is related with POS clearing commissions and installation expenses, TL 4,241 (1 January-31 December 2013 – TL 5,476) 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 18,000 to its shareholders and TL 2,517 TL to members of Board of Directors. In the General Assembly meeting held in 27 March 2014 it has been decided amount of TL 17,069 transferred to legal reserves, amount of TL 5,555 transferred to extraordinary reserve, amount of TL 27,202 transferred to other reserves and amount of TL 230,000 transferred to paid up capital.

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VI. Explanations and notes related to cash flow statement

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

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

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

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

	Current period	Prior period
Cash	3,167,289	1,831,067
Cash in TL/foreign currency, others	703,658	304,080
Demand deposits at banks	2,463,631	1,526,987
Cash equivalents	-	-
Interbank money markets	-	-
Time deposits at banks	-	-
Marketable securities	-	-
Total cash and cash equivalents	3,167,289	1,831,067

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

	Current period	Prior period
Cash	1,995,829	3,167,289
Cash in TL/foreign currency, others	756,737	703,658
Demand deposits at banks (up to 3 months)	1,239,092	2,463,631
Cash equivalents	-	-
Interbank money markets	-	-
Time deposits at banks	-	-
Marketable securities	-	-
Total cash and cash equivalents	1,995,829	3,167,289

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 (195,210) (31 December 2013: TL (44,234)) 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 574,795 (31 December 2013: TL 174,232) 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 (49,278) (31 December 2013: TL 4,708) 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 17,067 as of 31 December 2014 (31 December 2013 – TL 69,951).

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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	Cash	Non-Cash
Loans and other receivables						
Balance at beginning of period	41,650	78	621	676	80,270	55
Balance at end of period	20,036	25,640	580	13,638	79,663	283
Profit share and commission income	1,230	-	50	-	4,461	-

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

2. Prior period:

Risk group of the Bank (*)	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the Bank		Other real or legal persons included in the risk group	
	Cash	Non-Cash	Cash	Cash	Cash	Non-Cash
Loans and other receivables						
Balance at beginning of period	126,633	30	1,146	544	84,723	13,157
Balance at end of period	41,650	78	621	676	80,270	55
Profit share and commission income	2,414	-	48	-	6,736	-

(*) 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	175,431	78,331	28,882	21,047	171,137	107,600
Balance at the end of period	224,299	175,431	42,633	28,882	207,428	171,137
Profit share expense	6,587	3,857	1,939	1,298	5,028	3,210

(*) 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.

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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)

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	459,343	383,651	2,300,361	1,919,506	61,173	271,130
Balance at end of period	2,220,205	459,343	2,618,833	2,300,361	26,640	61,173
Profit share expense	122,956	24,426	77,854	74,197	270	8,549

b. Information on remunerations provided to top management:

As of 31 December 2014, the Bank has paid TL 14,112 to top management (31 December 2013 – TL 11,288).

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 (*)	306	3,335			
			Country		
Foreign representative offices	1	1	Germany	Total Assets (TL)	Legal Capital (USD)
Off-shore branches	1	4	Bahrain	2,908,231	
Foreign branches	1	47	Germany	596	

(*) 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 2014, 40 new domestic branches (2013-47 branches) were opened.

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

During the meeting held on 18 February 2015 the Board of Directors has decided to get the approval of General Assembly for the proposed distribution of year 2014 profit as TL 36,000 cash dividend to its shareholders, TL 2,824 cash dividend to the members of Board of Directors, TL 240,000 transfer to paid up capital, TL 22,405 transfer to legal reserves, TL 32,714 transfer to extraordinary reserve and TL 36,507 transfer to other reserves.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2014

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

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 auditors' report:**

The unconsolidated 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 23 February 2015 is presented before the accompanying financial statements.

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