

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

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

**Unconsolidated financial statements including  
independent auditors report as of  
December 31, 2010**

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

**Kuveyt Türk Katılım Bankası Anonim Şirketi**  
**Independent auditors' report**  
**For the year ended December 31, 2010**

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

We have audited the accompanying unconsolidated balance sheet of Kuveyt Türk Katılım Bankası Anonim Şirketi (the Bank) as of December 31, 2010 and the related unconsolidated income statement, unconsolidated statement of income and expense items under shareholders equity, unconsolidated statement of changes in shareholders equity and unconsolidated cash flow statement for the year then ended, as well as a summary of significant accounting policies and other explanatory notes.

**Disclosure for the responsibility of the Bank's board of directors:**

The Board of Directors of the Bank is responsible for the preparation and fair presentation of the unconsolidated financial statements in accordance with the "Regulation on the Principles and Procedures Regarding Banks' Accounting Applications and Safeguarding of Documents" published in the Official Gazette dated November 1, 2006 and numbered 26333 and Turkish Accounting Standards, Turkish Financial Reporting Standards and other regulations, circulars, communiqués and pronouncements in respect of accounting and financial reporting made by the Banking Regulation and Supervision Agency. 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 and selecting and applying appropriate accounting policies.

**Disclosure for the responsibility of the authorized audit firm:**

Our responsibility, as independent auditors, is to express an opinion on these financial statements based on our audit. Our independent audit has been conducted in accordance with the "Regulation on Authorization and Activities of Institutions to Conduct Independent Audit in Banks" published on the Official Gazette No: 26333 on November 1<sup>st</sup>, 2006 and the International Standards on Auditing. We have planned and performed our audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, 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 independent audit opinion stated below.

**Independent auditors' opinion:**

In our opinion, the accompanying unconsolidated financial statements are present fairly, in all material respects, the financial position of Kuveyt Türk Katılım Bankası A.Ş. at December 31, 2010, its financial performance and its cash flows for the year then ended in accordance with the accounting principles and standards set out by Article 37 of the Banking Act No: 5411 and other regulations, official communications, interpretations and circulars published by the BRSA on accounting and financial reporting principles.

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

**Additional paragraph for convenience translation:**

As explained in detail in Note XXIII of Section Three, the effects of differences between accounting principles and standards set out by regulations in conformity with article 37 of the Banking 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 financial statements. Accordingly, the accompanying unconsolidated financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

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

Fatma Ebru Yücel, SMMM  
Partner

March 9, 2011  
Istanbul, Turkey

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**The unconsolidated financial report of Kuveyt Turk Katılım Bankası A.Ş. as of December 31, 2010**

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

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

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

March 09, 2011

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

Adnan Ertem

Member of the Board of Directors  
and Head of Audit Committee

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

Name-Surname: Mehmet Keleş  
Position: External Reporting Manager  
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Facsimile: 0212 354 11 03

**Notes related to unconsolidated financial statements**  
**For the year ended December 31, 2010**  
**(Currency - Thousand Turkish Lira)**

**Section one**  
**General information**

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

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

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

As of December 31, 2010 and December 31, 2009, 62.23% of the Bank's shares are owned by Kuwait Finance House located in Kuwait, 18.72% by Vakıflar Genel Müdürlüğü Mazbut Vakıfları, 9.00% by The Public Institution For Social Security in Kuwait and 9.00% by Islamic Development Bank whereas the remaining 1.05% of the shares are owned by other real persons and legal entities.

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

Name	Title	Date of the assignment	Educational degree	Ownership percentage %
Mohammad S.A.I. ALOMAR	Chairman of the Board	19/07/2000	Bachelor	-
Abdullah TİVNİKLİ	Vice Chairman of the BOD	16/05/2001	Master	%0.0836
Azfar Hussain QARNI	Member of BOD and Audit Committee	23/05/2003	Master	-
Dr. Adnan ERTEM	Member of BOD and Head of Audit Committee	22/12/2010	Doctorate	-
Yusuf Beyazıt	Member of BOD	29/04/2010	Bachelor	-
Khaled Nasser Abdulaziz AL FOUZAN	Member of BOD	02/08/2006	Bachelor	-
Fawaz KH E AL SALEH	Member of BOD	20/10/2006	Bachelor	%0.0133
Shaheen H.A. KH: SH. ALGHANEM	Member of BOD	18/12/2006	Bachelor	-
Ufuk UYAN	Member of BOD, General Manager	10/05/1999	Master	%0.0556
Ahmet KARACA	Assistant General Manager	12/07/2006	Master	%0.0188
Ahmet Süleyman KARAKAYA	Assistant General Manager	14/01/2003	Bachelor	%0.0081
Bilal SAYIN	Assistant General Manager	20/08/2003	Bachelor	%0.0083
İrfan YILMAZ	Assistant General Manager	27/10/2005	Bachelor	%0.0083
Dr. Ruşen Ahmet ALBAYRAK	Assistant General Manager	05/05/2005	Doctorate	%0.0061
Murat ÇETİNKAYA	Assistant General Manager	02/01/2008	Bachelor	-
Nurettin KOLAÇ	Assistant General Manager	20/04/2010	Bachelor	-
Asım ÖZGÖZÜKARA	Auditor	22/11/1988	Bachelor	-
Güven OBALI	Auditor	11/12/2007	Bachelor	-
Miktad YETİM	Auditor	15/04/2010	Associate Degree	-

Chairman and members of the Board of Directors, members of auditing committee, general manager and assistant general managers own 0.20% of the Bank's share capital (December 31, 2009 – 0.18%).

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

**Notes related to unconsolidated financial statements**  
**For the year ended December 31, 2010**  
**(Currency - Thousand Turkish Lira)**

**IV. Information on qualified shareholders:**

Name / Commercial Name	Share amount (Nominal)	Shareholding percentage	Paid shares (Nominal)	Unpaid shares
Kuwait Finance House	528,994	%62.23	528,994	-
Vakıflar Genel Müdürlüğü Mazbut Vakıfları	159,114	%18.72	159,114	-
<b>Total</b>	<b>688,108</b>	<b>%80.95</b>	<b>688,108</b>	<b>-</b>

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

The Bank's field of operations includes corporate banking, international banking services, and retail banking and credit card services. The Bank's core business is operating in accordance with the principles of interest-free banking as a participation bank by collecting funds through current and profit/loss sharing accounts, and lending such funds to its customers. As of December 31, 2010, the Bank is operating with 2,834 employees (December 31, 2009 - 2,447). Summary of some of the Bank's operations described in the Articles of Association are as follows:

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

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

## **Section two**

### **The unconsolidated financial statements**

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



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

	Note (5th section)	Current period (31.12.2010)			Prior period (31.12.2009)		
		TL	FC	Total	TL	FC	Total
<b>I. Cash and balances with the central bank</b>	(I-a)	<b>351,372</b>	<b>901,498</b>	<b>1,252,870</b>	<b>216,071</b>	<b>651,130</b>	<b>867,201</b>
<b>II. Financial assets at fair value through profit and loss, net</b>	(I-b)	<b>15,755</b>	<b>16,956</b>	<b>32,711</b>	<b>8,515</b>	<b>1,410</b>	<b>9,925</b>
2.1 Trading financial assets		15,755	16,956	32,711	8,515	1,410	9,925
2.1.1 Public sector debt securities		-	-	-	-	-	-
2.1.2 Share certificates		-	-	-	-	-	-
2.1.3 Derivative financial assets held for trading		11,524	16,956	28,480	8,515	1,410	9,925
2.1.4 Other marketable securities		4,231	-	4,231	-	-	-
2.2 Financial assets at fair value through profit and loss		-	-	-	-	-	-
2.2.1 Public sector debt securities		-	-	-	-	-	-
2.2.2 Share certificates		-	-	-	-	-	-
2.2.3 Loans		-	-	-	-	-	-
2.2.4 Other marketable securities		-	-	-	-	-	-
<b>III. Banks</b>	(I-c)	<b>323,570</b>	<b>592,789</b>	<b>916,359</b>	<b>125,154</b>	<b>760,328</b>	<b>885,482</b>
<b>IV. Money market placements</b>		-	-	-	-	-	-
<b>V. Financial assets-available for sale (net)</b>	(I-d)	<b>4,548</b>	-	<b>4,548</b>	<b>27</b>	-	<b>27</b>
5.1 Share certificates		4,548	-	4,548	27	-	27
5.2 Public sector debt securities		-	-	-	-	-	-
5.3 Other marketable securities		-	-	-	-	-	-
<b>VI. Loans and receivables</b>	(I-e)	<b>6,580,419</b>	<b>391,108</b>	<b>6,971,527</b>	<b>4,424,005</b>	<b>227,443</b>	<b>4,651,448</b>
6.1 Loans and receivables		6,510,120	391,108	6,901,228	4,273,407	227,443	4,500,850
6.1.1 Loans to risk group of the bank		27,684	28,741	56,425	19,719	-	19,719
6.1.2 Public sector debt securities		-	-	-	-	-	-
6.1.3 Other		6,482,436	362,367	6,844,803	4,253,688	227,443	4,481,131
6.2 Non-performing loans		234,342	-	234,342	298,209	-	298,209
6.3 Specific provisions (-)		(164,043)	-	(164,043)	(147,611)	-	(147,611)
<b>VII. Investments held to maturity (net)</b>	(I-f)	-	-	-	-	<b>7,529</b>	<b>7,529</b>
<b>VIII. Investments in associates (net)</b>	(I-g)	-	-	-	<b>16,365</b>	-	<b>16,365</b>
8.1 Accounted for under equity method		-	-	-	-	-	-
8.2 Unconsolidated associates		-	-	-	16,365	-	16,365
8.2.1 Financial associates		-	-	-	3,806	-	3,806
8.2.2 Non-financial associates		-	-	-	12,559	-	12,559
<b>IX. Subsidiaries (net)</b>	(I-h)	<b>57,170</b>	-	<b>57,170</b>	<b>32,997</b>	-	<b>32,997</b>
9.1 Unconsolidated financial subsidiaries		17,917	-	17,917	17,917	-	17,917
9.2 Unconsolidated non-financial subsidiaries		39,253	-	39,253	15,080	-	15,080
<b>X. Joint ventures (net)</b>	(I-i)	-	-	-	-	-	-
10.1 Accounted for under equity method		-	-	-	-	-	-
10.2 Unconsolidated		-	-	-	-	-	-
10.2.1 Financial subsidiaries		-	-	-	-	-	-
10.2.2 Non-financial subsidiaries		-	-	-	-	-	-
<b>XI. Finance lease receivables (net)</b>	(I-j)	<b>83,761</b>	-	<b>83,761</b>	<b>49,995</b>	-	<b>49,995</b>
11.1 Finance lease receivables		98,725	-	98,725	55,412	-	55,412
11.2 Operating lease receivables		-	-	-	-	-	-
11.3 Other		-	-	-	-	-	-
11.4 Unearned income (-)		(14,964)	-	(14,964)	(5,417)	-	(5,417)
<b>XII. Derivative financial assets for hedging purposes</b>	(I-k)	-	-	-	-	-	-
12.1 Fair value hedge		-	-	-	-	-	-
12.2 Cash flow hedge		-	-	-	-	-	-
12.3 Hedge of net investment risks in foreign operations		-	-	-	-	-	-
<b>XIII. Tangible assets (net)</b>		<b>148,751</b>	<b>96</b>	<b>148,847</b>	<b>133,240</b>	<b>4</b>	<b>133,244</b>
<b>XIV. Intangible assets (net)</b>		<b>13,052</b>	<b>1</b>	<b>13,053</b>	<b>8,187</b>	-	<b>8,187</b>
14.1 Goodwill		-	-	-	-	-	-
14.2 Other		13,052	1	13,053	8,187	-	8,187
<b>XV. Investment property (net)</b>		<b>16,420</b>	-	<b>16,420</b>	<b>16,770</b>	-	<b>16,770</b>
<b>XVI. Tax asset</b>	(I-l)	<b>8,471</b>	-	<b>8,471</b>	<b>7,719</b>	-	<b>7,719</b>
16.1 Current tax asset		-	-	-	-	-	-
16.2 Deferred tax asset		8,471	-	8,471	7,719	-	7,719
<b>XVII. Assets held for sale and discontinued operations (net)</b>		<b>27,068</b>	-	<b>27,068</b>	<b>10,600</b>	-	<b>10,600</b>
17.1 Held for sale		27,068	-	27,068	10,600	-	10,600
17.2 Discontinued operations		-	-	-	-	-	-
<b>XVIII. Other assets</b>	(I-m)	<b>148,299</b>	<b>46,013</b>	<b>194,312</b>	<b>97,052</b>	<b>109,985</b>	<b>207,037</b>
<b>Total assets</b>		<b>7,778,656</b>	<b>1,948,461</b>	<b>9,727,117</b>	<b>5,146,697</b>	<b>1,757,829</b>	<b>6,904,526</b>

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

**Kuveyt Türk Katılım Bankası Anonim Şirketi**

**Unconsolidated balance sheet (Statement of financial position)**  
**as of December 31, 2010 and December 31, 2009**  
**(Currency – Thousands of Turkish Lira)**

**Liabilities and equity**

		Note	Current period (31.12.2010)			Prior period (31.12.2009)		
		(5th Section)	TL	FC	Total	TL	FC	Total
<b>I.</b>	<b>Funds collected</b>	(II-a)	<b>4,496,126</b>	<b>2,885,347</b>	<b>7,381,473</b>	<b>2,987,415</b>	<b>2,370,842</b>	<b>5,358,257</b>
1.1	Funds from risk group of the bank		18,255	178,401	196,656	16,798	87,928	104,726
1.2	Other		4,477,871	2,706,946	7,184,817	2,970,617	2,282,914	5,253,531
<b>II.</b>	<b>Derivative financial liabilities held for trading</b>	(II-b)	<b>5,601</b>	<b>8,699</b>	<b>14,300</b>	<b>892</b>	<b>5,339</b>	<b>6,231</b>
<b>III.</b>	<b>Funds borrowed</b>	(II-c)	-	<b>639,405</b>	<b>639,405</b>	-	<b>383,681</b>	<b>383,681</b>
<b>IV.</b>	<b>Debts to money markets</b>		-	-	-	-	-	-
<b>V.</b>	<b>Marketable securities issued (net)</b>		-	-	-	-	-	-
<b>VI.</b>	<b>Miscellaneous payables</b>	(II-d)	<b>46,604</b>	<b>10,425</b>	<b>57,029</b>	<b>47,818</b>	<b>70,978</b>	<b>118,796</b>
<b>VII.</b>	<b>Other liabilities</b>	(II-d)	<b>169,153</b>	<b>54,625</b>	<b>223,778</b>	<b>102,330</b>	<b>10,183</b>	<b>112,513</b>
<b>VIII.</b>	<b>Finance lease payables (net)</b>	(II-e)	-	<b>1</b>	<b>1</b>	-	<b>3</b>	<b>3</b>
8.1	Finance lease payables		-	1	1	-	4	4
8.2	Operating lease payables		-	-	-	-	-	-
8.3	Other		-	-	-	-	-	-
8.4	Deferred finance lease expenses (-)		-	-	-	-	(1)	(1)
<b>IX.</b>	<b>Hedging derivative financial liabilities</b>	(II-f)	-	-	-	-	-	-
9.1	Fair value hedge		-	-	-	-	-	-
9.2	Cash flow hedge		-	-	-	-	-	-
9.3	Hedge of net investment in foreign operations		-	-	-	-	-	-
<b>X.</b>	<b>Provisions</b>	(II-g)	<b>103,236</b>	<b>8,983</b>	<b>112,219</b>	<b>73,290</b>	<b>9,541</b>	<b>82,831</b>
10.1	General loan loss provisions		65,560	8,061	73,621	41,776	9,390	51,166
10.2	Restructuring provisions		-	-	-	-	-	-
10.3	Reserve for employee benefits		33,066	190	33,256	23,735	151	23,886
10.4	Insurance technical reserves (net)		-	-	-	-	-	-
10.5	Other provisions		4,610	732	5,342	7,779	-	7,779
<b>XI.</b>	<b>Tax liability</b>	(II-h)	<b>42,227</b>	-	<b>42,227</b>	<b>34,902</b>	-	<b>34,902</b>
11.1	Current tax liability		42,227	-	42,227	34,902	-	34,902
11.2	Deferred tax liability		-	-	-	-	-	-
<b>XII.</b>	<b>Liabilities for the assets held for sale and discontinued operations (net)</b>		-	-	-	-	-	-
12.1	Held for sale		-	-	-	-	-	-
12.2	Discontinued operations		-	-	-	-	-	-
<b>XIII.</b>	<b>Subordinated loans</b>		-	-	-	-	-	-
<b>XIV.</b>	<b>Shareholders' equity</b>	(II-i)	<b>1,256,242</b>	<b>443</b>	<b>1,256,685</b>	<b>806,499</b>	<b>813</b>	<b>807,312</b>
14.1	Paid-in capital		850,000	-	850,000	500,000	-	500,000
14.2	Capital reserves		23,250	-	23,250	23,250	-	23,250
14.2.1	Share premium		23,250	-	23,250	23,250	-	23,250
14.2.2	Share cancellation profits		-	-	-	-	-	-
14.2.3	Marketable securities revaluation reserve		-	-	-	-	-	-
14.2.4	Tangible assets revaluation reserve		-	-	-	-	-	-
14.2.5	Intangible assets revaluation reserve		-	-	-	-	-	-
14.2.6	Investment property revaluation reserve		-	-	-	-	-	-
14.2.7	Bonus shares obtained from associates, subsidiaries and jointly controlled entities		-	-	-	-	-	-
14.2.8	Hedging funds (effective portion)		-	-	-	-	-	-
14.2.9	Value increase on assets held for resale		-	-	-	-	-	-
14.2.10	Other capital reserves		-	-	-	-	-	-
14.3	Profit reserves		223,787	-	223,787	156,929	-	156,929
14.3.1	Legal reserves		25,565	-	25,565	18,067	-	18,067
14.3.2	Status reserves		-	-	-	-	-	-
14.3.3	Extraordinary reserves		196,712	-	196,712	137,352	-	137,352
14.3.4	Other profit reserves		1,510	-	1,510	1,510	-	1,510
<b>14.4</b>	<b>Profit or loss</b>		<b>159,205</b>	<b>443</b>	<b>159,648</b>	<b>126,320</b>	<b>813</b>	<b>127,133</b>
14.4.1	Prior year income/(losses)		-	-	-	-	-	-
14.4.2	Current year income/(losses)		159,205	443	159,648	126,320	813	127,133
<b>Total liabilities and equity</b>			<b>6,119,189</b>	<b>3,607,928</b>	<b>9,727,117</b>	<b>4,053,146</b>	<b>2,851,380</b>	<b>6,904,526</b>

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

**Kuveyt Türk Katılım Bankası Anonim Şirketi**
**Unconsolidated statement of off-balance sheet (Statement of financial position)**  
**As of December 31, 2010 and December 31, 2009**  
**(Currency – Thousands of Turkish Lira)**

	Notes (5th Section)	Current period (31.12.2010)			Prior period (31.12.2009)		
		TL	FC	Total	TL	FC	Total
<b>A. Off balance sheet commitments and contingencies (I+II+III)</b>		<b>3,570,685</b>	<b>29,804,535</b>	<b>33,375,220</b>	<b>2,857,466</b>	<b>4,145,972</b>	<b>7,003,438</b>
<b>I. Guarantees</b>	(III-a)	<b>1,810,779</b>	<b>1,919,429</b>	<b>3,730,208</b>	<b>1,511,827</b>	<b>1,818,804</b>	<b>3,330,631</b>
1.1. Letters of guarantees		1,810,779	1,339,576	3,150,355	1,511,827	1,355,609	2,867,436
1.1.1. Guarantees subject to state tender law		119,775	10,362	130,137	160,036	18,885	178,921
1.1.2. Guarantees given for foreign trade operations		48,287	1,101	49,388	69,970	1,944	71,914
1.1.3. Other letters of guarantee		1,642,717	1,328,113	2,970,830	1,281,821	1,334,780	2,616,601
1.2. Bank loans		-	39,285	39,285	-	30,567	30,567
1.2.1. Import letter of acceptances		-	39,285	39,285	-	30,567	30,567
1.2.2. Other bank acceptances		-	-	-	-	-	-
1.3. Letter of credits		-	535,890	535,890	-	426,991	426,991
1.3.1. Documentary letter of credits		-	289,659	289,659	-	165,349	165,349
1.3.2. Other letter of credits		-	246,231	246,231	-	261,642	261,642
1.4. Prefinancing given as guarantee		-	-	-	-	-	-
1.5. Endorsements		-	-	-	-	-	-
1.5.1. Endorsements to the central bank of turkey		-	-	-	-	-	-
1.5.2. Other endorsements		-	-	-	-	-	-
1.6. Other guarantees		-	4,678	4,678	-	5,637	5,637
1.7. Other collaterals		-	-	-	-	-	-
<b>II. Commitments</b>	(III-a)	<b>1,033,684</b>	<b>25,751,219</b>	<b>26,784,903</b>	<b>659,395</b>	<b>1,265,074</b>	<b>1,924,469</b>
2.1. Irrevocable commitments		722,735	561,936	1,284,671	659,395	1,265,074	1,924,469
2.1.1. Forward asset purchase commitments		64,427	561,936	626,363	11,406	1,265,074	1,276,480
2.1.2. Share capital commitment to associates and subsidiaries		36,594	-	36,594	23,334	-	23,334
2.1.3. Loan granting commitments		7,697	-	7,697	1,938	-	1,938
2.1.4. Securities underwriting commitments		-	-	-	-	-	-
2.1.5. Commitments for reserve deposit requirements		-	-	-	146,723	-	146,723
2.1.6. Payment commitment for checks		492,993	-	492,993	368,914	-	368,914
2.1.7. Tax and fund liabilities from export commitments		106	-	106	106	-	106
2.1.8. Commitments for credit card expenditure limits		120,918	-	120,918	101,974	-	101,974
2.1.9. Commitments for promotions related with credit cards and banking activities		-	-	-	-	-	-
2.1.10. Receivables from short sale commitments		-	-	-	-	-	-
2.1.11. Payables for short sale commitments		-	-	-	-	-	-
2.1.12. Other irrevocable commitments		-	-	-	5,000	-	5,000
2.2. Revocable commitments (*)		310,949	25,189,283	25,500,232	-	-	-
2.2.1. Revocable loan granting commitments		310,949	25,189,283	25,500,232	-	-	-
2.2.2. Other revocable commitments		-	-	-	-	-	-
<b>III. Derivative financial instruments</b>		<b>726,222</b>	<b>2,133,887</b>	<b>2,860,109</b>	<b>686,244</b>	<b>1,062,094</b>	<b>1,748,338</b>
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		726,222	2,133,887	2,860,109	686,244	1,062,094	1,748,338
3.2.1. Forward foreign currency buy/sell transactions		726,222	1,802,439	2,528,661	686,244	971,157	1,657,401
3.2.1.1. Forward foreign currency transactions-buy		580,456	713,569	1,294,025	679,247	172,093	851,340
3.2.1.2. Forward foreign currency transactions-sell		145,766	1,088,870	1,234,636	6,997	799,064	806,061
3.2.2. Other forward buy/sell transactions		-	331,448	331,448	-	90,937	90,937
3.3. Other		-	-	-	-	-	-
<b>B. Custody and pledged items (IV+V+VI)</b>		<b>18,545,056</b>	<b>40,585,413</b>	<b>59,130,469</b>	<b>12,685,341</b>	<b>28,470,423</b>	<b>41,155,764</b>
<b>IV. Items held in custody</b>		<b>1,343,232</b>	<b>187,071</b>	<b>1,530,303</b>	<b>896,970</b>	<b>267,061</b>	<b>1,164,031</b>
4.1. Assets under management		-	-	-	1	-	1
4.2. Investment securities held in custody		1,428	-	1,428	1,038	3	1,041
4.3. Checks received for collection		1,128,441	129,178	1,257,619	758,433	207,323	965,756
4.4. Commercial notes received for collection		213,363	57,893	271,256	137,498	59,735	197,233
4.5. Other assets received for collection		-	-	-	-	-	-
4.6. Assets received for public offering		-	-	-	-	-	-
4.7. Other items under custody		-	-	-	-	-	-
4.8. Custodians		-	-	-	-	-	-
<b>V. Pledged items</b>		<b>17,200,530</b>	<b>40,382,233</b>	<b>57,582,763</b>	<b>11,788,371</b>	<b>28,188,305</b>	<b>39,976,676</b>
5.1. Marketable securities		52,529	-	52,529	6,529	-	6,529
5.2. Guarantee notes		110,704	834,764	945,468	112,371	828,298	940,669
5.3. Commodity		1,417,446	32,092	1,449,538	1,030,480	37,027	1,067,507
5.4. Warranty		-	-	-	-	-	-
5.5. Properties		14,495,959	601,946	15,097,905	9,726,282	726,102	10,452,384
5.6. Other pledged items		1,123,892	38,913,431	40,037,323	912,709	26,596,878	27,509,587
5.7. Pledged items-depository		-	-	-	-	-	-
<b>VI. Accepted independent guarantees and warranties</b>		<b>1,294</b>	<b>16,109</b>	<b>17,403</b>	<b>-</b>	<b>15,057</b>	<b>15,057</b>
<b>Total off balance sheet accounts (A+B)</b>		<b>22,115,741</b>	<b>70,389,948</b>	<b>92,505,689</b>	<b>15,542,807</b>	<b>32,616,395</b>	<b>48,159,202</b>

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

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

**Kuveyt Türk Katılım Bankası Anonim Şirketi****Unconsolidated statement of income  
for the year ended December 31, 2010 and 2009  
(Currency – Thousands of Turkish Lira)**

		Current period		Prior period
		Note	01.01.2010- 31.12.2010	01.01.2009- 31.12.2009
Statement of income		(5th section)	Total	Total
I.	Profit share income	(IV-a)	698,871	668,134
1.1	Profit share on loans		659,900	610,551
1.2	Income from reserve deposits		-	-
1.3	Income from banks		22,051	37,065
1.4	Income from money market placements		-	-
1.5	Income from marketable securities portfolio		33	225
1.5.1	Held-for-trading financial assets		-	-
1.5.2	Financial assets at fair value through profit and loss		-	-
1.5.3	Available-for-sale financial assets		-	-
1.5.4	Investment-held for maturity		33	225
1.6	Finance lease income		4,854	7,092
1.7	Other profit share income		12,033	13,201
II.	Profit share expense	(IV-b)	302,814	320,475
2.1	Expense on profit sharing accounts		288,270	299,973
2.2	Profit share expense on funds borrowed		14,543	20,496
2.3	Profit share expense on money market borrowings		-	-
2.4	Expense on securities issued		-	-
2.5	Other profit share expense		1	6
III.	Net profit share income (I – II)		396,057	347,659
IV.	Net fees and commissions income/expenses		60,350	58,116
4.1	Fees and commissions received		85,183	86,668
4.1.1	Non-cash loans		45,138	45,120
4.1.2	Other	(IV-l)	40,045	41,548
4.2	Fees and commissions paid		24,833	28,552
4.2.1	Non-cash loans		25	252
4.2.2	Other	(IV-l)	24,808	28,300
V.	Dividend income	(IV-c)	-	-
VI.	Net trading income	(IV-d)	63,967	80,479
6.1	Capital market transaction gains / (losses)		808	57
6.2.	Derivative transactions gains / (losses)		23,044	47,705
6.3	Foreign exchange gains / (losses)		40,115	32,717
VII.	Other operating income	(IV-e)	84,492	57,351
VIII.	Net operating income (III+IV+V+VI+VII)		604,866	543,605
IX.	Provision for loan losses and other receivables (-)	(IV-f)	116,715	142,903
X.	Other operating expenses (-)	(IV-g)	287,028	237,025
XI.	Net operating income/(loss) (VIII-IX-X)		201,123	163,677
XII.	Amount in excess recorded as gain after merger		-	-
XIII.	Gain/(loss) on equity method		-	-
XIV.	Gain/(loss) on net monetary position		-	-
XV.	Profit/(loss) from continued operations before taxes (XI+...+XIV)	(IV-h)	201,123	163,677
XVI.	Tax provision for continued operations (±)	(IV-i)	(41,475)	(36,544)
16.1	Provision for current income taxes	(IV-j)	(42,227)	(34,902)
16.2	Provision for deferred taxes		752	(1,642)
XVII.	Net profit/(loss) from continued operations (XV±XVI)		159,648	127,133
XVIII.	Income on discontinued operations		-	-
18.1	Income on assets held for sale		-	-
18.2	Income on sale of associates, subsidiaries and jointly controlled entities (joint vent.)		-	-
18.3	Income on other discontinued operations		-	-
XIX.	Loss from discontinued operations (-)		-	-
19.1	Loss from assets held for sale		-	-
19.2	Loss on sale of associates, subsidiaries and jointly controlled entities (joint vent.)		-	-
19.3	Loss from other discontinued operations		-	-
XX.	Income/(loss) on discontinued operations before taxes (XVIII-XIX)		-	-
XXI.	Tax provision for discontinued operations (±)	(IV-j)	-	-
21.1	Provision for current income taxes		-	-
21.2	Provision for deferred taxes		-	-
XXII.	Net income/loss from discontinued operations (XX±XXI)		-	-
XXIII.	Net income/loss (XVII+XXII)	(IV-k)	159,648	127,133
23.1	Group's income/loss		159,648	127,133
23.2	Minority interest		-	-
	Earnings per share		0.239	0.254

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

**Kuveyt Türk Katılım Bankası Anonim Şirketi**

**Unconsolidated statement of income and expenses accounted under equity**  
**(Other comprehensive income statement)**  
**for the year ended December 31, 2010 and 2009**  
**(Currency – Thousands of Turkish Lira)**

	Current period	Prior period
Statement of income and expenses accounted under equity	(31.12.2010)	(31.12.2009)
I. Additions to marketable securities revaluation differences from available for sale financial assets	-	-
II. Tangible assets revaluation differences	-	-
III. Intangible assets revaluation differences	-	-
IV. Currency translation differences for foreign currency transactions	-	-
V. Profit/loss from derivative financial instruments for cash flow hedge purposes (effective portion of fair value differences)	-	-
VI. Profit/loss from derivative financial instruments for hedge of net investment in foreign operations (effective portion of fair value differences)	-	-
VII. The effect of corrections of errors and changes in accounting policies	-	-
VIII. Other profit loss items accounted under equity as per Turkish accounting standards	-	-
IX. Deferred tax on valuation differences	-	-
X. Total net profit/loss accounted under equity (I+II+...+IX)	-	-
XI. Profit/loss	159,648	127,133
XI.1 Change in fair value of marketable securities (transfer to profit/loss)	-	-
Reclassification of derivatives accounted for cash flow hedge purposes to		
income statement	-	-
XI.2 Reclassification of hedge of net investments in foreign operations to income statement	-	-
XI.3 Other	159,648	127,133
XI.4		
XII. Total profit/loss accounted for the period (X±XI)	159,648	127,133

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

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

## Kuveyt Türk Katılım Bankası Anonim Şirketi

### Unconsolidated statement of changes in shareholders' equity for the year ended December 31, 2010 and 2009 (Currency – Thousands of Turkish Lira)

	Note (5 th section )	Paid-in capital	Effect of inflation accounting on paid-in capital and other capital reserves	Share premium	Share certificate cancellation profits	Legal reserves	Statutory reserves	Extraordinary reserve	Other reserve	Current period net income / (loss)	Prior period net income / (loss)	Marketable securities revaluation reserve	Tangible and intangible assets revaluation fund	Bonus shares from investments	Hedging reserves	Asset held for sale and disc.op. valuation fund	Total equity
<b>Current period (31.12.2010)</b>																	
I. Beginning balance		500,000	-	23,250	-	18,067	-	137,352	1,510	127,133	-	-	-	-	-	-	807,312
Changes in period		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
II. Increase/decrease related to merger		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. Marketable securities revaluation differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IV. Hedging funds (effective portion)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.1 Cash-flow hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.2 Hedge of net investment in foreign operations		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V. Tangible assets revaluation differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI. Intangible assets revaluation differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Bonus shares obtained from associates, subsidiaries and jointly controlled operations		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Foreign exchange differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Changes related to the disposal of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Changes related to the reclassification of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI. The effect of change in associate's equity		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII. Capital increase		350,000	-	-	-	-	-	-	-	-	(50,000)	-	-	-	-	-	300,000
12.1 Cash		300,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	300,000
12.2 Internal sources		50,000	-	-	-	-	-	-	-	-	(50,000)	-	-	-	-	-	-
XIII. Share issue premium		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV. Share cancellation profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV. Inflation adjustment to paid-in capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI. Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII. Net income/(loss) for the period		-	-	-	-	-	-	-	-	159,648	-	-	-	-	-	-	159,648
XVIII. Profit distribution		-	-	-	-	7,498	-	59,360	-	(127,133)	50,000	-	-	-	-	-	(10,275)
18.1 Dividends distributed		-	-	-	-	-	-	-	-	-	(10,275)	-	-	-	-	-	(10,275)
18.2 Transfers to reserves		-	-	-	-	7,498	-	59,360	-	-	(66,858)	-	-	-	-	-	-
18.3 Other		-	-	-	-	-	-	-	-	(127,133)	127,133	-	-	-	-	-	-
<b>Closing balance (I+II+III+...+XVI+XVII+XVIII)</b>		<b>850,000</b>	<b>-</b>	<b>23,250</b>	<b>-</b>	<b>25,565</b>	<b>-</b>	<b>196,712</b>	<b>1,510</b>	<b>159,648</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,256,685</b>

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

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

## Kuveyt Türk Katılım Bankası Anonim Şirketi

### Unconsolidated statement of changes in shareholder's equity for the year ended December 31, 2010 and 2009 (Currency – Thousands of Turkish Lira)

	Note (5 th section )	Paid-in capital	Effect of inflation accounting on paid-in capital and other capital reserves	Share premium	Share certificate cancellation profits	Legal reserves	Statutory reserves	Extraordinary reserve	Other reserve	Current period net income (loss)	Prior period net income/(loss)	Marketable securities revaluation reserve	Tangible and intangible assets revaluation fund	Bonus shares from investments	Hedging reserves	Asset held for sale and disc.op. valuation fund	Total equity
<b>Prior period (31.12.2009)</b>																	
<b>I. Beginning balance</b>		500,000	-	23,250	-	12,313	-	45,299	728	104,086	3	-	-	-	-	-	<b>685,679</b>
Changes in period																	
<b>II. Increase/decrease related to merger</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>III. Marketable securities revaluation differences</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>IV. Hedging funds (effective portion)</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.1 Cash-flow hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.2 Hedge of net investment in foreign operations		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>V. Tangible assets revaluation differences</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>VI. Intangible assets revaluation differences</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>VII. Bonus shares obtained from associates, subsidiaries and jointly controlled operations</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>VIII. Foreign exchange differences</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>IX. Changes related to the disposal of assets</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>X. Changes related to the reclassification of assets</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XI. The effect of change in associate's equity</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XII. Capital increase</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.1 Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2 Internal sources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XIII. Share issue premium</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XIV. Share cancellation profits</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XV. Inflation adjustment to paid-in capital</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XVI. Other</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XVII. Period net income/(loss)</b>		-	-	-	-	-	-	-	-	127,133	-	-	-	-	-	-	127,133
<b>XVIII. Profit distribution</b>		-	-	-	-	5,754	-	92,053	782	(104,086)	(3)	-	-	-	-	-	(5,500)
18.1 Dividends distributed		-	-	-	-	-	-	-	-	-	(5,500)	-	-	-	-	-	(5,500)
18.2 Transfers to reserves		-	-	-	-	5,754	-	92,053	782	-	(98,589)	-	-	-	-	-	-
18.3 Other		-	-	-	-	-	-	-	-	(104,086)	104,086	-	-	-	-	-	-
<b>Closing balance</b>																	
<b>(I+II+III+...+XVI+XVII+XVIII)</b>		500,000	-	23,250	-	18,067	-	137,352	1,510	127,133	-	-	-	-	-	-	<b>807,312</b>

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

**Kuveyt Türk Katılım Bankası Anonim Şirketi****Unconsolidated statement of cash flows  
for the year ended December 31, 2010 and 2009  
(Currency – Thousands of Turkish Lira)**

Statement of cash flows		Note (5th section)	Current period 01.01.2010 - 31.12.2010	Prior period 01.01.2009 - 31.12.2009
<b>A.</b>	<b>Cash flows from banking operations</b>			
<b>1.1</b>	<b>Operating profit (loss) before changes in operating assets and liabilities</b>		<b>325,174</b>	<b>384,061</b>
1.1.1	Profit share income received		732,896	713,642
1.1.2	Profit share expense paid		(297,128)	(349,037)
1.1.3	Dividend received		-	-
1.1.4	Fees and commissions received		90,286	86,668
1.1.5	Other income		43,277	42,029
1.1.6	Collections from previously written off loans		77,402	40,240
1.1.7	Payments to personnel and service suppliers		(135,217)	(114,814)
1.1.8	Taxes paid		(45,459)	(36,718)
1.1.9	Others		(140,883)	2,051
<b>1.2</b>	<b>Changes in operating assets and liabilities</b>		<b>(346,731)</b>	<b>(317,677)</b>
1.2.1	Net (increase) decrease trading financial assets		(18,948)	4,008
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		(194,482)	(322,696)
1.2.4	Net (increase) decrease in loans		(2,416,538)	(853,095)
1.2.5	Net (increase) decrease in other assets		13,371	(159,478)
1.2.6	Net increase (decrease) in bank deposits		-	-
1.2.7	Net increase (decrease) in other deposits		2,019,415	1,291,889
1.2.8	Net increase (decrease) in funds borrowed		253,194	(408,774)
1.2.9	Net increase (decrease) in due payables		-	-
1.2.10	Net increase (decrease) in other liabilities		(2,743)	130,469
<b>I.</b>	<b>Net cash provided from (used in) banking operations</b>		<b>(21,557)</b>	<b>66,384</b>
<b>B.</b>	<b>Cash flows from investing activities</b>			
<b>II.</b>	<b>Net cash provided from (used in) investing activities</b>		<b>(58,109)</b>	<b>(76,041)</b>
2.1	Cash paid for purchase jointly controlled operations, associates and subsidiaries		(16,840)	(24,297)
2.2	Cash obtained from sale of jointly controlled operations, associates and subsidiaries		-	15,745
2.3	Fixed assets purchases		(60,880)	(73,962)
2.4	Fixed assets sales		12,082	6,382
2.5	Cash paid for purchase of financial assets available for sale		-	(27)
2.6	Cash obtained from sale of financial assets available for sale		-	64
2.7	Cash paid for purchase of investment securities		7,529	54
2.8	Cash obtained from sale of investment securities		-	-
2.9	Other		-	-
<b>C.</b>	<b>Cash flows from financing activities</b>			
<b>III.</b>	<b>Net cash provided from (used in) financing activities</b>		<b>289,723</b>	<b>(5,501)</b>
3.1	Cash obtained from funds borrowed and securities issued		-	-
3.2	Cash used for repayment of funds borrowed and securities issued		-	-
3.3	Capital increase		300,000	-
3.4	Dividends paid		(10,275)	(5,500)
3.5	Payments for finance leases		(2)	(1)
3.6	Other		-	-
<b>IV.</b>	<b>Effect of change in foreign exchange rate on cash and cash equivalents</b>		<b>(2,393)</b>	<b>7,265</b>
<b>V.</b>	<b>Net increase (decrease) in cash and cash equivalents (I + II + III + IV)</b>		<b>207,664</b>	<b>(7,893)</b>
<b>VI.</b>	<b>Cash and cash equivalents at the beginning of the period</b>	(V-a)	<b>1,124,410</b>	<b>1,132,303</b>
<b>VII.</b>	<b>Cash and cash equivalents at the end of the period</b>	(V-a)	<b>1,332,074</b>	<b>1,124,410</b>

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



**Kuveyt Türk Katılım Bankası Anonim Şirketi****Unconsolidated statements profit distribution  
for the year ended December 31, 2010 and 2009  
(Currency – Thousands of Turkish Lira)**

	Current period 31.12.2010 (*)	Prior period 31.12.2009
<b>I. Distribution of current period income</b>		
1.1. Current period income	201,123	163,677
1.2. Taxes and other legal payables (-)	(41,475)	(36,544)
1.2.1. Corporate Tax (Income tax)	(42,227)	(34,902)
1.2.2. Withholding tax	-	-
1.2.3. Other taxes and legal liabilities (**)	752	(1,642)
<b>A. Net period income (1.1-1.2) (Note V-I-17-c)</b>	<b>159,648</b>	<b>127,133</b>
1.3. Prior year's losses (-)	-	-
1.4. First legal reserves (-)	-	6,357
1.5. Other statutory reserves (-)	-	-
<b>B. Distributable net period income [(A)-(1.3+1.4+1.5)]</b>	<b>-</b>	<b>120,776</b>
1.6. First dividend to shareholders (-)	-	9,623
1.6.1. To owners of ordinary shares	-	9,623
1.6.2. To owners of preferred stocks	-	-
1.6.3. To owners of preferred stocks (Preemptive rights)	-	-
1.6.4. To profit sharing bonds	-	-
1.6.5. To owners of the profit /loss sharing certificates	-	-
1.7. Dividend to personnel (-)	-	-
1.8. Dividend to board of directors (-)	-	652
1.9. Second dividend to shareholders (-)	-	-
1.9.1. To owners of ordinary shares	-	-
1.9.2. To owners of preferred stocks	-	-
1.9.3. To owners of preferred Stocks (Preemptive rights)	-	-
1.9.4. To profit sharing bonds	-	-
1.9.5. To owners of the profit /loss sharing Certificates	-	-
1.10. Second legal reserve (-)	-	1,142
1.11. Status reserves (-)	-	-
1.12. Extraordinary reserves	-	109,359
1.13. Other reserves	-	-
1.14. Special funds	-	-
<b>II. Distribution from reserves</b>	<b>-</b>	<b>-</b>
2.1. Distributed reserves	-	-
2.2. Second legal reserves (-)	-	-
2.3. Share to shareholders (-)	-	-
2.3.1. To owners of ordinary shares	-	-
2.3.2. To owners of preferred stocks	-	-
2.3.3. To owners of preferred stocks (Preemptive rights)	-	-
2.3.4. To profit sharing bonds	-	-
2.3.5. To owners of the profit /loss sharing certificates	-	-
2.4. Share to personnel (-)	-	-
2.5. Share to board of directors (-)	-	-
<b>III. Earnings per share</b>	<b>-</b>	<b>127,133</b>
3.1. To owners of stocks (***)	-	0.254
3.2. To owners of stocks (%)	-	%25.43
3.3. To owners of preferred stocks	-	-
3.4. To owners of preferred stocks (%)	-	-
<b>IV. Dividend per share</b>	<b>-</b>	<b>-</b>
4.1. To owners of stocks	-	0.0192
4.2. To owners of stocks (%)	-	%1.92
4.3. To owners of preferred stocks	-	-
4.4. To owners of preferred stocks (%)	-	-

(\*) General Assembly of the Bank is deciding on the profit appropriations and Ordinary General Assembly Meeting has not been held as of the date of these financial statements.

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

**Kuveyt Türk Katılım Bankası Anonim Şirketi**

**Notes related to unconsolidated financial statements  
for the year ended December 31, 2010  
(Currency - Thousands of Turkish Lira)**

**Section three**

**Accounting principles**

**I. Explanations on basis of presentation**

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

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

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

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

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

TAS/TFRS amendments which are effective from January 1, 2010 have no effect on the accounting policies, financial position and performance of the Bank. It is expected that, TAS/TFRS amendments other than TFRS 9 “Financial Instruments Standard”; which had been issued but not effective as of the reporting date, have no significant effect on the accounting policies, financial position and performance of the Bank. The Bank is assessing the impact of TFRS 9.

**Kuveyt Türk Katılım Bankası Anonim Şirketi**

**Notes related to unconsolidated financial statements  
for the year ended December 31, 2010  
(Currency - Thousands of Turkish Lira)**

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

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

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

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

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

In accordance with the clarification declared by the BRSA related with 'Reserve Deposits' to the Association of the Participation Banks at January 3, 2008, some changes and reclassifications has been performed on the prior period's financial statements presented for comparison purposes.

The Bank has classified loans given to banks with maturity less than 3 months amounting to TL 354,087 from "Loans and receivables" account to "Banks" account in balance sheet as of December 31, 2009 to be comparative with the current year presentation. In addition, profit share income obtained from such loans amounting to TL 26,302 has been classified from "Profit Share on Loans" to "Profit Share on Banks" in the income statement for the period ending December 31, 2009.

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

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

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

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

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

There are no foreign currency differences capitalized by the Bank.

**Kuveyt Türk Katılım Bankası Anonim Şirketi**

**Notes related to unconsolidated financial statements  
for the year ended December 31, 2010  
(Currency - Thousands of Turkish Lira)**

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

The Bank enters into forward agreements to decrease its currency risk and to manage its foreign currency liquidity. The Bank classifies its derivative instruments as “Held for Hedging” and “Held for Trading” in accordance with TAS 39. Even though some derivative transactions economically hedge risk, since all necessary conditions for hedge accounting are not met, they are accounted for as “held for trading” within the framework of TAS 39, and are reflected in the “Derivative Financial Assets/Liabilities Held for Trading” account in the balance sheet.

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

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

Embedded derivatives are separated from the host contract and recognized as a derivative contract in accordance with TAS 39; 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. If the host contract and the embedded derivative is engaged to each other, embedded derivative is recognized in accordance with the standard that the host contract bases upon.

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

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

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

**V. Explanations on fees and commission income and expenses**

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

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

In 2009, the portion of the commission and fees which are related to the reporting period and collected in advance for loans granted has been reflected to the income statement by using the internal rate of return method in accordance with provisions of TFRS; remaining part of the commission and fees amounting to TL 24,934 as of December 31, 2009 which are related to the future periods has been recorded to the Deferred Revenues under Other Liabilities account. Due to the difficulties in the IT systems, commissions and fees obtained for the loans granted in prior periods could not be decomposed and the balances of deferred revenues corresponding to the prior periods could not have been identified.

**Kuveyt Türk Katılım Bankası Anonim Şirketi**

**Notes related to unconsolidated financial statements  
for the year ended December 31, 2010  
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**VI. Explanations on financial assets**

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

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

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

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

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

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

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

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.

**c. Loans and receivables:**

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

**d. Held to maturity financial assets:**

Held to maturity financial assets are financial assets with fixed maturities and fixed or determinable payments where management has the intent and ability to hold the financial assets to maturity that are not classified under 'Loans and receivables'. Held to maturity financial assets are initially recognized at cost and subsequently carried at 'Amortized Cost' using the 'Internal Rate of Return'. Profit share income from held to maturity financial assets is reflected in the income statement.

**Kuveyt Türk Katılım Bankası Anonim Şirketi**

**Notes related to unconsolidated financial statements  
for the year ended December 31, 2010  
(Currency - Thousands of Turkish Lira)**

**VII. Explanations on impairment of financial assets:**

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

i) Loans and receivables:

If there is objective evidence that the loans might not be collected, the Bank reclassifies such loans to III., IV. and V. groups and provides impairment reserve in accordance with the Communiqué of “Principles and Procedures for the Determination of the Quality of Loans and Other Receivables and Reserves to be provided for these Loans” published on November 1, 2006 in the official Gazette numbered 26333 and “Communiqué for the amendment of the Communiqué of “Principles and Procedures for the Determination of the Quality of Loans and Other Receivables and Reserves to be provided for these Loans” published on January 23, 2009 in the official Gazette numbered 27119. For the loans with poor financial position and/or payment capability, the Bank can provide a specific impairment reserve in excess of the amounts calculated using the minimum required rates for the related group. In case of collections from impaired loans, the principal amount is reimbursed first and then profit share receivables are collected.

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

The Bank provides general provision in accordance with the Communiqué of “Principles and Procedures for the Determination of the Quality of Loans and Other Receivables and Reserves to be provided for these Loans” published on November 1, 2006 in the official Gazette numbered 26333 and Communiqué for the amendment of the Communiqué of “Principles and Procedures for the Determination of the Quality of Loans and Other Receivables and Reserves to be provided for these Loans” published on January 23, 2009 in the official Gazette numbered 27119.

ii) Financial assets held to maturity:

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

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.

**Kuveyt Türk Katılım Bankası Anonim Şirketi**

**Notes related to unconsolidated financial statements  
for the year ended December 31, 2010  
(Currency - Thousands of Turkish Lira)**

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

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

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

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

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

As mandated by the Banking Act 5411 article 57 “banks cannot participate in commercial real-estate and commodity trade with the exception of real-estate and commodity based agreements within the scope of Capital Markets Act No. 2499, and precious metal trade as seen appropriate by the board, and cannot participate in partnerships with firms whose main business activity is commercial real-estate, with the exception of real-estate investment partnerships and companies that finance mortgaged residential estates. The rules and procedures regarding the sales of real-estate and commodities that were acquired due to receivables and debtors’ obligations to the bank are determined by the board.”

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

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

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

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

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

As of December 31, 2010, assets held for sale amounts to TL 27,068 (December 31, 2009 – TL 10,600).

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

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

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

As of December 31, 2010 there is no goodwill related to associates and subsidiaries.

**XII. Explanations on tangible assets**

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

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

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

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

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

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

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

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



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**XIII. Explanations on leasing transactions**

*Bank as a lessee*

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

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

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

*Bank as a lessor*

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

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

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

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

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

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

**a) Defined benefit plans:**

In accordance with existing social legislation, the Bank is required to make severance pay to each employee who has completed over one year of service with the Bank and who retires or whose employment is terminated due to reasons other than resignation or misconduct.

The retirement pay provision recognized in the accompanying financial statements, is calculated based on "Turkish Accounting Standard on Employee Benefits (TAS 19)", by using the "projection method" and based on upon factors derived using the past experience of the Bank with respect to completion of service period and eligibility to receive retirement pay and discounted by using the current market yield rate of government bonds at the balance sheet date.

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

**b) Defined contribution plans:**

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

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

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

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

**XVI. Explanations on taxation**

***Current tax***

Effective from January 1, 2006, the effective tax rate has been decreased to 20% in accordance with the Corporate Tax Law No 5520 published and came in force on September 21, 2006. The tax legislation provides a temporary tax of 20% to be calculated and paid based on the tax basis calculated for each quarter. The amounts thus calculated and paid are offset against the final corporate tax liability for the year, which is calculated over the yearly tax basis.

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.

Effective from April 24, 2003, new fixed asset investments over a specific amount, which have an economic life and are directly related with the production of services, are deducted from the annual taxable income amounting to 40% of the cost of the fixed asset. Investment allowances with incentive certificates obtained prior to April 24, 2003, would be subject to 19.8% withholding tax unless the companies choose to convert to the new application. Before the implementation of the new investment incentive application, effective from January 1, 2006, all investment incentives could have been carried forward indefinitely, however, as of January 1, 2006 the investment incentive application was terminated. Unused qualifying capital investment amounts from periods prior to December 31, 2005 could be deducted from the corporate income tax base until the end of December 31, 2008. However, in this case corporate tax rate would be 30%. Furthermore, qualifying capital investments to be made until the end of December 31, 2008 within the scope of the investment projects started before December 31, 2005 would be subject to investment incentives until the end of December 31, 2008. Unused investment incentives accumulated until December 31, 2007 has been deducted from the tax base by the Bank and for the tax base exceeding the investment incentive amount the effective tax rate was 30%. For the year 2008, as the unused investment incentive did not supply a tax advantage, the Bank did not deduct it from the tax base and the effective tax rate was 20%. In both 2010 and 2009 the effective corporate tax rate applicable to the Bank is 20%.

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With the decision dated as October 15, 2009 and numbered principal 2006/95 – 2009/144 of the Constitutional Court, the phrase which is added to the end of the first paragraph of Article 69 of Law No. 193 "... only in the 2006, 2007 and 2008 years ..." and "2" figure in (2) paragraph of Article 15 of Law No. 5479 has been cancelled. In this context, as described in the article of Serial No. 276 issued by the Ministry of Finance Income Tax General Communiqué 2.3 "Amounts of investment tax credits calculated over the investments which have been newly started and investments performed between the dates of January 1, 2006- April 8, 2006 can be benefited from in the context of the abolished Article 19 of the Income Tax Act. In this context, regardless of available earnings in the related period, investment incentives calculated over the investment expenditures can be deducted from the tax base, by considering the explanations of the Section 3 of the communiqué and their indexed amounts.

In accordance with this provision, investment expenditures between January 1, 2006 and April 8, 2006 is 13,130TL. 40% of this amount; TL 5,252; has been calculated as investment incentive amount. TL 6,937 has been calculated by indexation for the periods between 2007 and 2010 and has been deducted from the corporate tax base. Accordingly; a tax benefit of TL 1,387; representing 20% of TL 6,937; has been achieved.

In accordance with the provisions of the communiqué, the amount of investment incentive to be deducted from the tax basis cannot exceed 25% of the related tax base. Tax amount is calculated as 20%- the effective tax rate of the remaining tax base. As the investment allowance amount TL 6,937 is less than 25% of the total tax base, total investment incentive has been deducted from the tax base.

The Bank has not benefited from the investment incentives amounting to TL 67,262 arising from the investment incentive certificates which are issued in accordance with the applications before the date of April 24, 2003 and are subject to withholding tax at 19.8% as such investment incentives did not supply a tax advantage in the related periods

Corporate tax losses can be carried forward for a maximum period of five years following the year in which the losses were incurred. The tax authorities can inspect tax returns and the related accounting records for a retrospective maximum period of five years.

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

***Deferred tax***

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

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

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

There are no debt securities issued by the Bank.

The Bank has not issued convertible bonds.

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**XVIII. Explanations on share certificates issued**

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

**XIX. Explanations on acceptances and availed drafts**

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

**XX. Explanations on government grants**

There are no government grants received by the Bank.

**XXI. Explanations on segment reporting**

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

Segment reporting is disclosed in Section 4, Note IX.

**XXII. Explanations on other matters**

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

**XXIII. Additional paragraph for convenience translation**

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

- a. The tax legislation procedures for a temporary tax of 20% to be calculated and paid based on tax basis generated for each quarter. The amounts thus calculated and paid are offset against the final corporate tax liability for the year, which is calculated over the year basis.

**Kuveyt Türk Katılım Bankası Anonim Şirketi****Notes related to unconsolidated financial statements  
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Capital Adequacy Standard Ratio is calculated in accordance with the Communiqué on "Measurement and Assessment of Capital Adequacy of Banks", which was published on November 1, 2006 in the Official Gazette numbered 26333. The calculation of Capital Adequacy Ratio includes the methods used in determining the Capital Adequacy Ratio, determination of risk weighted assets and non-cash credits in line with the relevant banking regulation and measuring the market risk and operational risk ratio in line with the same regulation. Based on the "Measurement and Assessment of Capital Adequacy of Banks", the capital adequacy ratio of the Bank is 17.05% (December 31, 2009 – 14.56%).

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

	Risk weights					
	0%	20%	50%	100%	150%	Bank 200%
<b>Amount subject to credit risk</b>						
Balance sheet items (Net)	<b>1,421,825</b>	<b>701,422</b>	<b>3,029,166</b>	<b>3,085,028</b>	<b>1,719</b>	<b>72</b>
Cash and cash equivalents	628,877	-	-	-	-	-
Matured marketable securities	-	-	-	-	-	-
The Central Bank of the Republic of Turkey	294,145	-	-	-	-	-
Domestic Banks, Foreign Banks, Foreign Head Offices and Branches	-	689,989	-	135,164	-	-
Money market placements	-	-	-	-	-	-
Receivables from reverse repo transactions	-	-	-	-	-	-
Reserve deposits	230,641	-	-	-	-	-
Loans	213,956	11,201	2,948,011	2,406,309	1,719	72
Non-performing loans (Net)	-	-	-	56,808	-	-
Financial lease receivables	565	-	20,007	59,236	-	-
Available-for-sale financial assets	-	-	-	4,548	-	-
Held to maturity investments	-	-	-	-	-	-
Receivables from installment sales of assets	-	-	-	-	-	-
Miscellaneous receivables	-	-	-	60,718	-	-
Accrued profit share and income accruals	4,795	232	61,148	49,912	-	-
Investment in associates, subsidiaries and joint ventures (Business Partnerships) (net)	-	-	-	57,170	-	-
Tangible assets	-	-	-	169,433	-	-
Other assets	48,846	-	-	85,730	-	-
Off-balance sheet items	<b>93,613</b>	<b>11,605</b>	<b>301,552</b>	<b>1,660,603</b>	-	-
Guarantees and commitments	93,613	5,594	301,552	1,649,212	-	-
Derivative financial instruments	-	6,011	-	11,391	-	-
Accounts without weighted risk	-	-	-	-	-	-
Total risk weighted assets	<b>1,515,438</b>	<b>713,027</b>	<b>3,330,718</b>	<b>4,745,631</b>	<b>1,719</b>	<b>72</b>

(\*) represents unweighted balances

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

	Current period	Prior period
Total Risk Weighted Assets (TRWA)	<b>6,556,317</b>	4,858,537
Amount Subject to Market Risk (ASMR)	<b>54,213</b>	23,575
Amount Subject to Operational Risk (ASOR)	<b>795,684</b>	583,487
Shareholders' Equity	<b>1,262,629</b>	795,749
Shareholders' Equity / (TRWA + ASMR + ASOR) *100	<b>17.05</b>	14.56

**Kuveyt Türk Katılım Bankası Anonim Şirketi****Notes related to unconsolidated financial statements  
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	Current period	Prior period
<b>Core capital</b>		
Paid-in capital	<b>850,000</b>	<b>500,000</b>
Nominal capital	850,000	500,000
Capital commitments (-)	-	-
Inflation adjustment to Share Capital	-	-
Share premium	<b>23,250</b>	<b>23,250</b>
Share cancellations profits	-	-
<b>Legal reserves</b>	<b>25,565</b>	<b>18,067</b>
First legal reserve (Turkish Commercial Code 466/1)	20,371	14,015
Second legal reserve (Turkish Commercial Code 466/2)	5,194	4,052
Other legal reserve per special legislation	-	-
Status reserves	-	-
<b>Extraordinary reserves</b>	<b>198,222</b>	<b>138,862</b>
Reserves allocated by the General Assembly	198,222	138,862
Retained earnings	-	-
Accumulated losses	-	-
Foreign currency share capital exchange difference	-	-
Inflation Adjustments to Legal Reserve, status reserves and extraordinary reserves	-	-
<b>Profit</b>	<b>159,648</b>	<b>127,133</b>
Current year profit	159,648	127,133
Prior years' profits	-	-
Provision for possible losses up to 25% of the core capital	4,600	7,452
Gains on sale of associates and subsidiaries and properties to be added to capital	-	-
Primary subordinated loans up to 15% of the core capital	-	-
<b>Losses that cannot be covered by reserves (-)</b>		
Net current period loss	-	-
Prior years' losses	-	-
Leasehold Improvements (-)(*)(**)	(20,520)	(17,416)
Prepaid Expenses (-) (**)	(5,748)	(3,797)
Intangible Assets (-) (**)	(13,053)	(8,187)
Deferred Tax Asset in excess of 10% of Core Capital (-)(**)	-	-
Excess amount in the Article 56, Clause 3 of the Banking Law (-)	-	-
<b>Total core capital</b>	<b>1,221,964</b>	<b>785,364</b>
<b>Supplementary capital</b>		
General provisions	43,047	32,100
45% of the revaluation reserve for movable fixed assets	-	-
45% of the of revaluation reserve for properties	-	-
Bonus shares of investment in associates, subsidiaries and joint ventures	-	-
Primary subordinated loans excluded in the calculation of the core capital	-	-
Secondary subordinated loans	-	-
45 % of the marketable securities value increase fund	-	-
Associates and subsidiaries	-	-
Available for sale securities	-	-
Indexation differences for capital reserves, profit reserves and retained earnings (Except for indexation differences for legal reserves, statutory reserves and extraordinary reserves)	-	-
<b>Total supplementary capital</b>	<b>43,047</b>	<b>32,100</b>
<b>TIER III capital</b>	<b>-</b>	<b>-</b>
<b>Capital</b>	<b>1,265,011</b>	<b>817,464</b>
<b>Deductions from the capital</b>	<b>2,382</b>	<b>21,715</b>
Shareholdings of banks and financial institutions (Domestic, Foreign) in which the Bank has investments of ten percent or more	-	17,917
Shareholdings of banks and financial institutions (Domestic, Foreign) in which the Bank has investments less than ten percent total of which exceed ten percent of Bank's Core and Supplementary Capital	-	-
Loans to Banks, Financial Institutions (domestic/foreign) or Qualified Shareholders in the form of Secondary Subordinated Debts and Debt Instruments purchased from Such Parties qualified as Primary or Secondary Subordinated Debts	-	-
<b>Loan granted to Customer against the Articles 50 and 51 of the Banking Law</b>	<b>-</b>	<b>-</b>
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	2,382	3,798
Other	-	-
<b>Total shareholder's equity</b>	<b>1,262,629</b>	<b>795,749</b>

(\*) Leasehold Improvements amounting to TL 20,520 as of December 31, 2010, have been classified under tangible assets in the accompanying financial statements and are presented as deductions from the capital due to declaration of BRSA numbered 5379 dated March 18, 2009 (As of December 31, 2009- TL, 17,416 TL).

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

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**II. Explanations on credit risk**

- (1) Credit risk represents the Bank's risk arisen from corporate and individual customers who have cash or non-cash credit relations not fulfilling or partially fulfilling the terms of their agreements. The Credit Risk Management Unit is responsible for the management of credit risk.

Concerning credit risk, customers or groups of customers are subject to risk limitation. According to Board of Director's decision, total available credit to any given customer, except for the exceptions or derogations provided by regulations, is limited to 25% of Bank's total corporate credit limit. Likewise, the loan amount available to any group, except for the exceptions or derogations provided by regulations, is limited to 25% of Bank's total corporate credit limit. Risk concentration is followed up monthly by sector.

In accordance with the risk management concept of the Bank, it is noted that the credit risk of long term commitments is higher compared to the short term commitments. Hence the determination of risk limits and collateralization for long term commitments are considered in more detailed compared to the short term commitments.

The credibility of the debtors of credit and other receivables are monitored periodically in accordance with related legislation. The financial documents for opened loans are gathered as stated in the related legislation. Credit limits of customers are renewed periodically according to the Bank's credit limit renewal procedure.

The Bank obtains necessary collaterals for loans and other receivables by analyzing the worthiness of corporate and individual loans according to credit policy.

- (2) The Bank has control limits on the forward agreements. Credit risks related with these instruments are managed together with other risks that arise from market fluctuations.
- (3) The Bank regularly controls the risks arising from options as well as other similar instruments and reduces the risks when necessary according to the credit risk type.
- (4) Indemnified non-cash loans are subject to the same risk burden as overdue loans. Rescheduled or restructured loans are followed in accordance with the principles of credit risk management and follow-up principle of the Bank. Financial position and business operations of those customers are analyzed systematically while the principal and profit payments based on the restructured payment plan are monitored by the related departments.
- (5) Country risk is taken into consideration in the determination of financial institutions credit limit by considering the association with these institutions. The Bank's activities in foreign countries and credit transactions do not constitute an important risk in terms of related countries' economic conditions and activities of customers and companies.

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- (6) The share of the Bank's receivables from its top 100 cash loan customers in its total cash loan portfolio is 24.31% (December 31, 2009 – 31.79%).

The share of the Bank's receivables from its top 100 non-cash loan customers in its total non-cash loan portfolio is 50.90% (December 31, 2009 – 58.20%).

The share of cash and non cash balances of its top 100 customers comprises of 33.63% of total cash and non-cash credit loans (December 31, 2009 - 42.54%).

- (7) As of December 31, 2010, the Bank's general provision amount for its credit risk is TL 73,621 (December 31, 2009 – TL 51,166).

**Distribution of credit risk by types of borrowers and geographical concentration:**

	Loans to real person and legal entities		Loans to Bank's and Other financial Institutions		Marketable securities (*)		Other loans (**)	
	Current period	Prior period	Current period	Prior period	Current period	Prior period	Current period	Prior period
<b>Loans according to borrowers</b>								
Private Sector	5,678,910	3,557,521	-	-	24,827	8,592	4,358,266	3,946,996
Public Sector	51	1,464	-	-	-	-	-	15
Banks	-	-	-	-	7,884	7,782	639,610	1,308,738
Retail Customers	1,222,267	941,865	-	-	-	1,080	17,003	1,861
Share Certificates	-	-	-	-	-	-	-	-
<b>Total</b>	<b>6,901,228</b>	<b>4,500,850</b>	<b>-</b>	<b>-</b>	<b>32,711</b>	<b>17,454</b>	<b>5,014,879</b>	<b>5,257,610</b>
<b>Information according to geographical concentration</b>								
Domestic	6,785,804	4,413,412	-	-	26,696	4,245	4,354,915	3,891,134
European Union Countries	24,383	12,058	-	-	6,013	4,434	597,056	1,301,462
OECD Countries (***)	-	-	-	-	-	-	2,459	1,248
Off-shore Banking Regions	25,031	15,812	-	-	-	1,246	20	24,390
USA, Canada	8	90	-	-	2	-	6,180	11
Other Countries	66,002	59,478	-	-	-	7,529	54,249	39,365
<b>Total</b>	<b>6,901,228</b>	<b>4,500,850</b>	<b>-</b>	<b>-</b>	<b>32,711</b>	<b>17,454</b>	<b>5,014,879</b>	<b>5,257,610</b>

(\*) Includes financial assets at fair value through profit and loss, available for sale and held to maturity.

(\*\*) Includes the transactions defined as loans in Article 48 of the Banking Act No: 5411 and classified in the Uniform Chart of Accounts, except the ones presented in the first three columns of the table.

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



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**Geographical concentration:**

	Assets	Liabilities	Non-cash loans	Capital expenditures	Net profit (*)
Current period					
Domestic	8,993,760	7,495,098	3,660,856	-	159,205
European union countries	425,597	84,792	12,624	-	-
OECD countries (**)	415	1,013	2,459	-	(651)
Off-shore Banking Regions	82,881	192,549	20	-	1094
USA, Canada	14,669	8,379	-	-	-
Other Countries	152,625	688,601	54,249	-	-
Associates, Subsidiaries and Joint Ventures	-	-	-	57,170	-
Unallocated assets/liabilities (***)	-	-	-	-	-
<b>Total</b>	<b>9,669,947</b>	<b>8,470,432</b>	<b>3,730,208</b>	<b>57,170</b>	<b>159,648</b>

	Assets	Liabilities	Non-cash loans	Capital expenditures	Net profit (*)
Prior period					
Domestic	6,119,339	5,574,054	3,240,630	-	126,320
European union countries	486,296	183,667	24,987	-	-
OECD countries (**)	12,257	365	1,248	-	-
Off-shore Banking Regions	143,520	245,703	24,390	-	813
USA, Canada	10,467	1,359	11	-	-
Other countries	83,285	92,066	39,365	-	-
Associates, subsidiaries and joint ventures	-	-	-	49,362	-
Unallocated assets/liabilities (***)	-	-	-	-	-
<b>Total</b>	<b>6,855,164</b>	<b>6,097,214</b>	<b>3,330,631</b>	<b>49,362</b>	<b>127,133</b>

(\*) The distribution has not been made for geographical regions.

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

(\*\*\*) Assets and liabilities that cannot be allocated on an appropriate basis.

**Kuveyt Türk Katılım Bankası Anonim Şirketi****Notes related to unconsolidated financial statements  
for the year ended December 31, 2010  
(Currency - Thousands of Turkish Lira)****Sector concentration for cash loans:**

	Current period				Prior period			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
Agriculture	149,253	2.29	8,136	2.08	118,743	2.78	2,517	1.11
Farming and Raising								
Livestock	67,405	1.04	8,136	2.08	42,831	1.00	2,517	1.11
Forestry	78,409	1.20	-	-	74,321	1.74	-	-
Fishery	3,439	0.05	-	-	1,591	0.04	-	-
Manufacturing	1,874,912	28.80	175,826	44.96	966,882	22.63	71,871	31.60
Mining and Quarry	475,195	7.30	55,008	14.06	331,534	7.76	7,240	3.18
Production	1,226,424	18.84	53,969	13.80	562,711	13.17	8,435	3.71
Electricity, Gas and Water	173,293	2.66	66,849	17.09	72,637	1.70	56,196	24.71
Construction	847,107	13.01	100,412	25.67	683,537	16.00	98,862	43.47
Services	2,082,944	32.00	104,953	26.83	1,037,141	24.26	54,193	23.82
Wholesale and Retail Trade	1,366,289	20.99	48,950	12.52	435,934	10.20	16,088	7.07
Hotel, Tourism, Food and Beverage Services	63,354	0.97	28,464	7.28	33,303	0.78	-	-
Transportation and Communication	305,332	4.69	22,388	5.72	112,901	2.64	5,979	2.63
Financial Institutions	-	-	-	-	-	-	-	-
Real Estate and Renting								
Services	98,641	1.52	3,279	0.84	22,377	0.52	1,400	0.62
Self-Employment Services	1,036	0.02	-	-	314,737	7.37	30,726	13.51
Education Services	14,780	0.23	-	-	6,627	0.16	-	-
Health and Social Services	233,512	3.59	1,872	0.48	111,262	2.60	-	-
Other (*)	1,555,904	23.90	1,781	0.46	1,467,104	34.33	-	-
<b>Total</b>	<b>6,510,120</b>	<b>100.00</b>	<b>391,108</b>	<b>100.00</b>	<b>4,273,407</b>	<b>100</b>	<b>227,443</b>	<b>100</b>

(\*) Includes credit cards balances amounting to TL 74,045 as of December 31, 2010 (December 31, 2009 - TL 96,900) and profit share income accruals amounting TL 134,242 as of December 31, 2010 (December 31, 2009 - TL 131,381).

**Kuveyt Türk Katılım Bankası Anonim Şirketi****Notes related to unconsolidated financial statements  
for the year ended December 31, 2010  
(Currency - Thousands of Turkish Lira)****The table below shows the maximum exposure to credit risk for the components of the financial statements:**

	Current period	Prior period
The Central Bank of Republic of Turkey	623,988	399,618
Derivative financial instruments held for trading	28,480	9,925
Share Certificates	-	-
Derivative financial assets held for trading	28,480	9,925
Banks	916,359	885,482
Financial Assets Available for Sale	4,548	27
Loans	6,971,527	4,651,448
Held to maturity investments	-	7,529
Finance Lease Receivables	83,761	49,995
Other Assets	154,784	177,005
<b>Total Balance Sheet Items Subject to Credit Risk Exposure</b>	<b>8,783,447</b>	<b>6,181,029</b>
Guarantees - Contingent Liabilities	3,730,208	3,330,631
Commitments	1,284,671	1,924,469
<b>Off Balance Sheet Items subject to Credit Risk Exposure</b>	<b>5,014,879</b>	<b>5,255,100</b>
<b>Total Credit Risk Exposure</b>	<b>13,798,326</b>	<b>11,436,129</b>

**Credit rating system:**

December 31, 2010	High grade	Standard grade	Sub-standard grade	Unrated (*)	Total
Due from banks, central bank and reserve deposits (excluding cash on hand)	623,988	916,359	-	-	1,540,347
Loans and Financial Lease Receivables	221,613	3,063,048	128,234	3,642,393	7,055,288
Corporate	219,456	3,040,618	127,935	1,266,393	4,654,402
Individual	-	-	-	1,407,414	1,407,414
Small Business	1,666	17,239	46	896,712	915,663
Credit Card	491	5,191	253	71,874	77,809
Contingent liabilities – Guarantees	452,106	2,008,123	81,866	1,188,113	3,730,208
Commitments	625,386	-	-	659,285	1,284,671
<b>Total</b>	<b>1,923,093</b>	<b>5,987,530</b>	<b>210,100</b>	<b>5,489,791</b>	<b>13,610,514</b>
December 31, 2009	High grade	Standard grade	Sub- standard rate	Unrated (*)	Total
Due from banks, central bank and reserve deposits (excluding cash on hand)	399,617	885,591	-	-	1,285,208
Loans and Financial Lease Receivables	101,781	1,603,822	53,836	2,942,004	4,701,443
Corporate	99,341	1,580,945	53,319	1,115,634	2,849,239
Individual	-	-	-	1,257,243	1,257,243
Small Business	2,043	18,415	450	467,146	488,054
Credit Card	397	4,462	67	101,981	106,907
Contingent liabilities – guarantees	270,844	1,620,450	50,850	1,388,486	3,330,630
Commitments	1,275,633	-	-	648,836	1,924,469
<b>Total</b>	<b>2,047,875</b>	<b>4,109,863</b>	<b>104,686</b>	<b>4,979,326</b>	<b>11,241,750</b>

(\*) Non performing loans (net) is included in Unrated Loans.

**Kuveyt Türk Katılım Bankası Anonim Şirketi****Notes related to unconsolidated financial statements  
for the year ended December 31, 2010  
(Currency - Thousands of Turkish Lira)****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 November 1, 2006.

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

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

The capital which should be kept against general market risk and specifics risks, is calculated and monthly reported in accordance with the "Marketing risk measurement process with standard method" which is the third chapter of "Calculation of Marketing Risk Amount" of the "Communiqué on the "Measurement and Assessment of Capital Adequacy of Banks". As of December 31, 2010, the details of market risk calculated in accordance with the mentioned method are as follows:

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

	<b>Amount</b>
(I) Capital Requirement to be Employed For General Market Risk - Standard Method	498
(II) Capital Requirement to be Employed For Specific Risk - Standard Method	85
(III) Capital Requirement to be Employed For Currency Risk - Standard Method	1,016
(IV) Capital Requirement to be Employed For Commodity Risk - Standard Method	2,738
(V) Capital Requirement to be Employed For Settlement Risk - Standard Method	-
(VI) Total Capital Requirement to be Employed For Market Risk Resulting From Options - Standard	-
(VII) Total Capital Requirement to be Employed For Market Risk in Banks Using Risk Measurement	-
(VIII) Total Capital Requirement to be Employed For Market Risk (I+II+III+IV+V+VI)	4,337
(IX) Amount Subject to Market Risk (12.5 x VIII)	54,213

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

	Current period December 31, 2010			Prior period December 31, 2009		
	Average	Maximum	Minimum	Average	Maximum	Minimum
Interest Rate Risk (*)	111	199	3	19	91	-
Common Stock Risk	98	424	-	12	16	-
Currency Risk	2,711	5,100	963	1,539	2,545	692
Commodity Risk	2,217	4,282	709	1,293	1,775	410
Settlement Risk	-	-	-	-	-	-
Option Risk	-	-	-	-	-	-
Total amount subject to risk	64,208	121,425	22,138	35,779	53,688	14,988

(\*) Includes foreign currency forward transactions.

**Kuveyt Türk Katılım Bankası Anonim Şirketi**

**Notes related to unconsolidated financial statements  
for the year ended December 31, 2010  
(Currency - Thousands of Turkish Lira)**

**IV. Explanations on operational risk**

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

**V. 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 December 31, 2010, the Bank carries a net foreign currency long position of TL 1,751 (December 31, 2009 – TL – 5,680 long position) comprising TL 440,788 (December 31, 2009 - TL 657,432 long position) long balance sheet position and TL 439,037 off balance sheet short position (December 31, 2009 - TL 651,662 short position).

The announced current foreign exchange buying rates of the Bank as of December 31, 2010 and the previous five working days are as follows (Full TL):

	24/12/2010	27/12/2010	28/12/2010	29/12/2010	30/12/2010	Balance sheet evaluation rate
USD	1.5446	1.5392	1.5403	1.5416	1.5567	1.5460
CHF	1.6134	1.5984	1.5990	1.6238	1.6333	1.6438
GBP	2.3772	2.3769	2.3769	2.3814	2.3940	2.3886
JPY	1.8570	1.8530	1.8570	1.8730	1.8910	1.8930
EUR	2.0225	2.0204	2.0260	2.0406	2.0437	2.0491

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

	Monthly average FC purchase rate
USD	1.5118
CHF	1.5520
GBP	2.3572
JPY	1.8080
EUR	1.9964

**Kuveyt Türk Katılım Bankası Anonim Şirketi****Notes related to unconsolidated financial statements  
for the year ended December 31, 2010  
(Currency - Thousands of Turkish Lira)****Currency risk of the Bank:**

	EURO	USD	Yen	Other FC	Total
<b>Current period</b>					
<b>Assets</b>					
Cash (cash in vault, effectives, money in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey	15,668	376,987	117	508,726	901,498
Banks(****)	17,345	545,465	154	29,825	592,789
Financial assets at fair value through profit and loss	1	433	1	2	437
Money market placements	-	-	-	-	-
Available-for-sale financial assets (**)	-	714	-	-	714
Loans and finance lease receivables (*)	748,061	1,724,694	-	2	2,472,757
Subsidiaries, associates and joint ventures (**)	-	17,917	-	-	17,917
Held-to-maturity investments	-	-	-	-	-
Derivative financial assets for hedging purposes	-	-	-	-	-
Tangible assets	76	20	-	-	96
Intangible assets	-	1	-	-	1
Other assets	3,900	38,905	-	3,203	46,008
<b>Total assets</b>	<b>785,051</b>	<b>2,705,136</b>	<b>272</b>	<b>541,758</b>	<b>4,032,217</b>
<b>Liabilities</b>					
Current account and funds collected from Banks via participation accounts	39,510	202,665	-	20,977	263,152
Current and profit sharing accounts FC(****)	718,450	1,439,609	155	463,981	2,622,195
Money market borrowings	-	-	-	-	-
Funds provided from other financial institutions	10,356	628,975	-	74	639,405
Marketable securities issued	-	-	-	-	-
Miscellaneous payables	125	10,093	-	207	10,425
Derivative financial liabilities for hedging purposes	-	-	-	-	-
Other liabilities	30,306	23,174	48	2,724	56,252
<b>Total liabilities</b>	<b>798,747</b>	<b>2,304,516</b>	<b>203</b>	<b>487,963</b>	<b>3,591,429</b>
Net balance sheet position	(13,696)	400,620	69	53,795	440,788
Net off-balance sheet position	18,381	(405,594)	14	(51,838)	(439,037)
Financial derivative assets	386,186	570,012	472	171,723	1,128,393
Financial derivative liabilities	367,805	975,606	458	223,561	1,567,430
Non-cash loans (***)	499,243	1,362,197	979	57,010	1,919,429
<b>Prior period</b>					
Total assets	878,393	2,204,862	160	425,307	3,508,722
Total liabilities	849,239	1,818,285	142	183,714	2,851,380
Net balance sheet position	29,154	386,577	18	241,593	657,342
Net off-balance sheet position	(27,220)	(388,809)	-	(235,633)	(651,662)
Financial derivative assets	101,941	503,832	-	231,980	837,753
Financial derivative liabilities	129,161	892,641	-	467,613	1,489,415
Non-cash loans (***)	601,470	1,149,020	4,823	63,491	1,818,804

(\*) Includes foreign currency indexed loans amounting to TL 2,081,649 (December 31, 2009 – TL 1,732,262) followed as TL on the balance sheet.

(\*\*) Includes TL 714 (December 31, 2009 – TL 714) of foreign currency denominated available for sale financial assets, which are followed as Turkish Lira in TL 4,548 of available for sale financial assets and TL 17,917 (December 31, 2009 – TL 17,917) of foreign currency denominated subsidiaries, which are followed as Turkish Lira in TL 57,170 of investments in subsidiaries on the balance sheet.

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

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

## Kuveyt Türk Katılım Bankası Anonim Şirketi

### Notes related to unconsolidated financial statements for the year ended December 31, 2010 (Currency - Thousands of Turkish Lira)

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 16,519 (December 31, 2009 – TL 1,364)
- Prepaid expenses : TL 5 (December 31, 2009 – TL 935)
- Derivative financial liabilities held for trading : TL 8,561 (December 31, 2009 – TL 5,239)

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

- Forward foreign currency purchase transactions: TL 313,392 (December 31, 2009 TL 638,700)
- Forward foreign currency sale transactions: TL 312,974 (December 31, 2009 TL 637,775)

#### Foreign currency sensitivity:

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

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

	Change in currency rate in %	Effect on profit or loss		Effect on equity	
		Current period	Prior period	Current period	Prior period
USD	%10	(497)	223	-	-
EURO	%10	469	193	-	-

## 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.

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

**Kuveyt Türk Katılım Bankası Anonim Şirketi****Notes related to unconsolidated financial statements  
for the year ended December 31, 2010  
(Currency - Thousands of Turkish Lira)****Presentation of assets and liabilities according to their remaining maturities:**

	Demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Unallocated (*)	Total
<b>Current period</b>								
<b>Assets</b>								
Cash (cash in vault, effectives, cash in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey	1,252,870	-	-	-	-	-	-	1,252,870
Banks	463,338	453,021	-	-	-	-	-	916,359
Financial assets at fair value through profit and loss	4,231	6,892	1,328	20,260	-	-	-	32,711
Money market placements	-	-	-	-	-	-	-	-
Available-for-sale financial assets	-	-	-	-	-	-	4,548	4,548
Loans	-	856,144	1,120,426	2,470,946	2,536,029	1,444	-	6,984,989
Held-to-maturity investments	-	-	-	-	-	-	-	-
Other assets (*)	4,777	106,821	43,026	37,100	8,470	-	335,446	535,640
<b>Total assets</b>	<b>1,725,216</b>	<b>1,422,878</b>	<b>1,164,780</b>	<b>2,528,306</b>	<b>2,544,499</b>	<b>1,444</b>	<b>339,994</b>	<b>9,727,117</b>
<b>Liabilities</b>								
Current account and funds collected from banks via participation accounts	5,558	-	86,033	151,297	23,552	-	-	266,440
Current and profit sharing accounts	1,691,047	568,578	3,824,910	478,132	552,366	-	-	7,115,033
Funds provided from other financial institutions	-	83,967	37,278	360,726	157,434	-	-	639,405
Money market borrowings	-	-	-	-	-	-	-	-
Marketable securities issued	-	-	-	-	-	-	-	-
Miscellaneous payables	43,762	13,267	-	-	-	-	-	57,029
Other liabilities (*)	-	236,770	42,768	768	-	-	1,368,904	1,649,210
<b>Total liabilities</b>	<b>1,740,367</b>	<b>902,582</b>	<b>3,990,989</b>	<b>990,923</b>	<b>733,352</b>	<b>-</b>	<b>1,368,904</b>	<b>9,727,117</b>
<b>Net liquidity gap</b>	<b>(15,151)</b>	<b>520,296</b>	<b>(2,826,209)</b>	<b>1,537,383</b>	<b>1,811,147</b>	<b>1,444</b>	<b>(1,028,910)</b>	<b>-</b>
<b>Prior period</b>								
Total assets	1,398,623	1,105,026	748,732	1,719,540	1,561,830	13	370,762	6,904,526
Total liabilities	1,254,796	314,044	3,167,788	806,186	471,569	-	890,143	6,904,526
Net liquidity gap	143,827	790,982	(2,419,056)	913,354	1,090,261	13	(519,381)	-

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

**Financial liabilities based on the remaining contractual maturities:**

The table below has been prepared based on the undiscounted financial liabilities of the Bank as forecasted on their earliest payment dates. The "Adjustments" column indicates items that are predicted to lead to cash flows in the following period. These items are included in maturity analysis, but not included in the balance sheet value of such financial liabilities.

	Up to 1 month	1-3 months	3-12 months	1-5 Years	Over 5 year	Total	Adjustments	Per balance sheet
<b>December 31, 2010</b>								
Funds collected	2,265,183	3,910,943	629,429	575,918	-	7,381,473	-	7,381,473
Funds borrowed	84,032	37,510	368,170	179,017	-	668,729	(29,324)	639,405
Finance lease payables	-	-	1	-	-	1	-	1
<b>Total</b>	<b>2,349,215</b>	<b>3,948,453</b>	<b>997,600</b>	<b>754,935</b>	<b>-</b>	<b>8,050,203</b>	<b>(29,324)</b>	<b>8,020,878</b>
<b>December 31, 2009</b>								
Funds collected	1,338,778	3,115,996	437,210	466,273	-	5,358,257	-	5,358,257
Funds borrowed	79,952	-	303,216	5,654	-	388,822	(5,141)	383,681
Finance lease payables	-	1	2	-	-	3	-	3
<b>Total</b>	<b>1,418,730</b>	<b>3,115,997</b>	<b>740,428</b>	<b>471,927</b>	<b>-</b>	<b>5,747,082</b>	<b>(5,141)</b>	<b>5,741,941</b>



**Kuveyt Türk Katılım Bankası Anonim Şirketi****Notes related to unconsolidated financial statements  
for the year ended December 31, 2010  
(Currency - Thousands of Turkish Lira)****Breakdown of derivative instruments according to their remaining contractual maturities:**

<b>Current period – December 31, 2010</b>	<b>Up to 1 month</b>	<b>1-3 months</b>	<b>3-12 months</b>	<b>1-5 years</b>	<b>Over 5 years</b>	<b>Total</b>
<b>Derivatives held for trading</b>						
Foreign exchange derivatives:						
Inflow	945,163	78,245	414,826	1,505	-	1,439,739
Outflow	944,181	76,043	398,645	1,500	-	1,420,369
<b>Derivatives held for hedging</b>						
Foreign exchange derivatives:						
Inflow	-	-	-	-	-	-
Outflow	-	-	-	-	-	-
<b>Total cash inflow</b>	<b>945,163</b>	<b>78,245</b>	<b>414,826</b>	<b>1,505</b>	<b>-</b>	<b>1,439,739</b>
<b>Total cash outflow</b>	<b>944,181</b>	<b>76,043</b>	<b>398,645</b>	<b>1,500</b>	<b>-</b>	<b>1,420,369</b>
<b>Prior period - December 31, 2009</b>	<b>Up to 1 month</b>	<b>1-3 months</b>	<b>3-12 months</b>	<b>1-5 years</b>	<b>Over 5 years</b>	<b>Total</b>
<b>Derivatives held for trading</b>						
Foreign exchange derivatives:						
Inflow	840,738	10,340	29,014	-	-	880,092
Outflow	836,577	10,400	21,269	-	-	868,246
<b>Derivatives held for hedging</b>						
Foreign exchange derivatives:						
Inflow	-	-	-	-	-	-
Outflow	-	-	-	-	-	-
<b>Total cash inflow</b>	<b>840,738</b>	<b>10,340</b>	<b>29,014</b>	<b>-</b>	<b>-</b>	<b>880,092</b>
<b>Total cash outflow</b>	<b>836,577</b>	<b>10,400</b>	<b>21,269</b>	<b>-</b>	<b>-</b>	<b>868,246</b>

**VII. Explanations on presentation of financial assets and liabilities at fair value**

The table below summarizes the book value and fair value of the financial assets and liabilities that were not shown according to fair values in Bank's financial statements. Book value is the sum of the acquisition value and accumulated profit share accruals.

	<b>Book value</b>		<b>Fair value</b>	
	<b>Current period December 31, 2010</b>	<b>Prior period December 31, 2009</b>	<b>Current period December 31, 2010</b>	<b>Prior period December 31, 2009</b>
<b>Financial assets</b>				
Banks	916,359	885,482	916,359	885,482
Held to maturity investments	-	7,529	-	7,541
Loans and financial lease receivables	6,984,989	4,550,845	7,055,320	4,532,599
<b>Financial liabilities</b>				
Current account and funds collected from banks via participation accounts	266,436	124,419	266,436	124,419
Other current and profit sharing accounts	7,115,037	5,233,838	7,115,037	5,233,838
Funds provided from other financial institutions	639,405	383,681	643,087	384,891
Marketable securities issued	-	-	-	-
Miscellaneous payables	57,029	118,796	57,029	118,796

**Kuveyt Türk Katılım Bankası Anonim Şirketi**

**Notes related to unconsolidated financial statements  
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The expected fair values of loans are determined by calculating the discounted cash flows by using the current market profit share ratios. The fair value of financial assets and liabilities carried at amortized cost other than loans, held to maturity investments and funds obtained from other financial institutions approximates to their book values since they are short-term in nature and their effective profit share rates are current effective profit rates.

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

Level I: Quoted prices in active markets for identical assets or liabilities

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

Level III: Inputs for the asset or liability that are 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 December 31, 2010 and December 31, 2009 are given in the table below:

<b>Current period</b>	<b>Level I</b>	<b>Level II</b>	<b>Level III</b>	<b>Total</b>
<b>Financial assets</b>				
Financial assets held for trading	4,231	28,480	-	32,711
Forward transactions	-	22,612	-	22,612
Swap transactions	-	5,868	-	5,868
Futures transactions	-	-	-	-
Options	-	-	-	-
Other	4,231	-	-	4,231
<b>Financial liabilities</b>				
Financial liabilities held for trading	-	14,300	-	14,300
Forward transactions	-	9,361	-	9,361
Swap transactions	-	4,939	-	4,939
Futures transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-

**Kuveyt Türk Katılım Bankası Anonim Şirketi****Notes related to unconsolidated financial statements  
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<b>Prior period</b>	<b>Level I</b>	<b>Level II</b>	<b>Level III</b>	<b>Total</b>
<b>Financial assets</b>				
Financial assets held for trading	-	9,925	-	9,925
Forward transactions	-	1,425	-	1,425
Swap transactions	-	8,500	-	8,500
Futures transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
<b>Financial liabilities</b>				
Financial liabilities held for trading	-	6,231	-	6,231
Forward transactions	-	4,659	-	4,659
Swap transactions	-	1,572	-	1,572
Futures transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-

There are no transfers between Level I and Level II as of December 31, 2010 and December 31, 2009 report dates.

The maturity analysis of guarantees and warranties are presented below:

	<b>Demand</b>	<b>Up to 1 month</b>	<b>1-3 months</b>	<b>3-12 months</b>	<b>1-5 years</b>	<b>Over 5 years</b>	<b>Un allocated</b>	<b>Total</b>
Current Period – December 31, 2010								
Letters of Guarantees	666,345	160,602	244,502	745,434	1,146,879	186,593	-	3,150,355
Acceptances	39,218	-	-	-	67	-	-	39,285
Letter of Credits	100,362	68,175	184,258	163,298	19,642	155	-	535,890
Other Guarantees	-	-	-	376	3,606	696	-	4,678
<b>Total</b>	<b>805,925</b>	<b>228,777</b>	<b>428,760</b>	<b>909,108</b>	<b>1,170,194</b>	<b>187,444</b>	<b>-</b>	<b>3,730,208</b>
Prior Period – December 31, 2009								
Letters of Guarantees	574,604	188,137	141,381	701,337	991,528	270,449	-	2,867,436
Acceptances	30,033	115	419	-	-	-	-	30,567
Letter of Credits	25,332	116,219	108,017	162,346	14,833	244	-	426,991
Other Guarantees	-	5,099	306	-	232	-	-	5,637
<b>Total</b>	<b>629,969</b>	<b>309,570</b>	<b>250,123</b>	<b>863,683</b>	<b>1,006,593</b>	<b>270,693</b>	<b>-</b>	<b>3,330,631</b>

**VIII. 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 faith based transactions.

**Kuveyt Türk Katılım Bankası Anonim Şirketi****Notes related to unconsolidated financial statements  
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The Bank operates in Corporate and Commercial Banking, Retail Banking, International Banking – Treasury and Investment Banking sectors.

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

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

International Banking: In International Banking, the relationships with foreign correspondent banks and investment institutes are executed directly or via branches abroad, representative offices and agencies. The aim of international banking is to enable foreign trade financing and develop mutual long term financing agreements with foreign banks. The Matched Murabaha is offered to SME's and international investors to meet the financing needs of SME's with international funds. Besides supplying syndicated loans for the Bank, investment banking also supplies syndicated loans in corporate basis for the firms and groups in Turkey. The Treasury in addition to monitoring foreign currency position and liquidity of the Bank, also conducts spot and forward transactions in TL or foreign currencies, performs derivative transactions (Forward, SWAP) with banks and customers, trades of gold within the context of membership of Istanbul Gold Exchange, trades share certificates in Istanbul Stock Exchange and international markets and conducts Murabaha transactions with foreign banks.

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

December 31, 2010	Retail Banking	Corporate and Commercial Banking	Treasury, Investment Banking and International Banking	Unallocated	Bank's total operation
Operating income	342,547	500,274	64,859	-	907,680
Operating expenses	(266,136)	(151,496)	(14,543)	(274,382)	706,557
Transfers between segments	140,191	(131,567)	(8,624)	-	-
<b>Net operating income(loss) (*)</b>	<b>216,602</b>	<b>217,211</b>	<b>41,692</b>	<b>(274,382)</b>	<b>201,123</b>
Income from associates	-	-	-	-	-
<b>Income (loss) before tax</b>	<b>216,602</b>	<b>217,211</b>	<b>41,692</b>	<b>(274,382)</b>	<b>201,123</b>
Provision for taxation	-	-	-	(41,475)	(41,475)
<b>Net income for the period</b>	<b>216,602</b>	<b>217,211</b>	<b>41,692</b>	<b>(317,857)</b>	<b>159,648</b>
Segment assets	2,325,389	4,728,417	2,206,488	-	9,260,294
Associates, subsidiaries and joint ventures	-	-	-	57,170	57,170
Undistributed assets	-	-	-	409,653	409,653
<b>Total assets</b>	<b>2,325,389</b>	<b>4,728,417</b>	<b>2,206,488</b>	<b>466,823</b>	<b>9,727,117</b>
Segment liabilities	5,026,332	2,355,141	653,705	-	8,035,178
Undistributed liabilities	-	-	-	435,254	435,254
Shareholders' equity	-	-	-	1,256,685	1,256,685
<b>Total liabilities</b>	<b>5,026,332</b>	<b>2,355,141</b>	<b>653,705</b>	<b>1,691,939</b>	<b>9,727,117</b>
Other segment items					
Capital investment	-	-	-	-	35,576
Depreciation	-	-	-	-	21,818
Non- cash income- expense	-	-	-	-	(122,739)
Restructuring expenses	-	-	-	-	-

**Kuveyt Türk Katılım Bankası Anonim Şirketi****Notes related to unconsolidated financial statements  
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<b>December 31, 2009</b>	<b>Retail Banking</b>	<b>Corporate and Commercial Banking</b>	<b>Treasury, Investment Banking and International Banking</b>	<b>Unallocated</b>	<b>Bank's total operation</b>
Operating income	304,814	461,636	97,632	-	864,082
Operating expenses	(296,917)	(147,422)	(28,808)	(227,258)	(700,405)
Transfers between segments	136,972	(133,841)	(3,131)	-	-
<b>Net operating income/loss</b>	<b>144,869</b>	<b>180,373</b>	<b>65,693</b>	<b>(227,258)</b>	<b>163,677</b>
Income from associates	-	-	-	-	-
<b>Income(loss) before tax</b>	<b>144,869</b>	<b>180,373</b>	<b>65,693</b>	<b>(227,258)</b>	<b>163,677</b>
Provision for taxation	-	-	-	(36,544)	(36,544)
<b>Net income for the period</b>	<b>7,897</b>	<b>314,214</b>	<b>68,824</b>	<b>(263,802)</b>	<b>127,133</b>
Segment assets	2,012,731	2,938,608	1,520,268	-	6,471,607
Associates, subsidiaries and joint ventures	-	-	-	49,362	49,362
Undistributed assets	-	-	-	383,557	383,557
<b>Total assets</b>	<b>2,012,731</b>	<b>2,938,608</b>	<b>1,520,268</b>	<b>432,919</b>	<b>6,904,526</b>
Segment liabilities	3,713,280	1,272,525	390,910	-	5,376,715
Undistributed liabilities	-	-	-	275,151	275,151
Shareholders' equity	-	-	-	787,571	787,571
<b>Total liabilities</b>	<b>3,762,842</b>	<b>1,595,415</b>	<b>389,912</b>	<b>1,156,357</b>	<b>6,904,526</b>
Other segment items					
Capital investment	-	-	-	24,297	24,297
Depreciation	-	-	-	17,818	17,818
Non- cash income- expense	-	-	-	(130,124)	(130,124)
Restructuring expenses	-	-	-	-	-

**Kuveyt Türk Katılım Bankası Anonim Şirketi**

**Notes related to unconsolidated financial statements  
for the year ended December 31, 2010  
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**Section five**

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

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

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

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

	Current period		Prior period	
	TL	FC	TL	FC
Cash/foreign currency	58,118	63,452	34,264	23,614
The CBRT	293,254	330,735	181,687	217,931
Other(*)	-	507,311	120	409,585
<b>Total</b>	<b>351,372</b>	<b>901,498</b>	<b>216,071</b>	<b>651,130</b>

(\*) As of December 31, 2010 precious metal depot account amounting to TL 507,311 is reflected in this line (December 31, 2009 - TL 409,585).

**2. Information on CBRT:**

	Current period		Prior period	
	TL	FC	TL	FC
Unrestricted demand deposit	292,897	1,248	179,692	1,237
Unrestricted time deposit	-	-	-	-
Restricted time deposit	357	329,487	1,995	216,694
<b>Total</b>	<b>293,254</b>	<b>330,735</b>	<b>181,687</b>	<b>217,931</b>

As of December 31, 2010, banks operating in Turkey; are obliged to deposit obligatory reserves to TCMB with a rate of %6 over their Turkish Lira denominated liabilities and %11 for foreign currency liabilities in terms of US Dollar or Euro, in accordance with the "Communiqué on Reserve Requirements" of TCMB. TCMB does not pay any interest for foreign currency denominated reserves. Interest payments for Turkish Lira denominated reserves has been revoked in accordance with the "Communiqué on the changes to the Communiqué on Reserve Requirements" published in the Official Gazette No.27708 dated September 23, 2010.

**Kuveyt Türk Katılım Bankası Anonim Şirketi****Notes related to unconsolidated financial statements  
for the year ended December 31, 2010  
(Currency - Thousands of Turkish Lira)****b. Information on financial assets at fair value through profit and loss:**

- As of December 31, 2010, there are no financial assets at fair value through profit and loss subject to repurchase transactions, given as a collateral or blocked (December 31, 2009 – None).
- Positive Differences Related to Derivative Financial Assets Held-for-Trading:

Derivative financial assets held-for-trading	Current period		Prior period	
	TL	FC	TL	FC
Forward transactions	7,053	15,559	910	515
Swap transactions	4,471	1,397	7,605	895
Futures transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>11,524</b>	<b>16,956</b>	<b>8,515</b>	<b>1,410</b>

**c. Information on Banks:**

- Information on Banks:

	Current period		Prior period	
	TL	FC	TL	FC
Banks	323,570	592,789	125,154	760,328
Domestic	20,552	360,807	20,507	364,263
Foreign	303,018	231,982	104,647	396,065
Branches and head office abroad	-	-	-	-
<b>Total</b>	<b>323,570</b>	<b>592,789</b>	<b>125,154</b>	<b>760,328</b>

- Information on Foreign Bank Accounts:

	Current period		Prior period	
	Unrestricted amount	Restricted amount	Unrestricted amount	Restricted amount
European Union Countries	391,358	-	368,057	-
USA and Canada	14,660	-	10,377	-
OECD Countries* (*)	283	-	776	-
Off-shore banking regions	-	-	-	-
Other	128,699	-	121,502	-
<b>Total</b>	<b>535,000</b>	<b>-</b>	<b>500,712</b>	<b>-</b>

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

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

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

**Kuveyt Türk Katılım Bankası Anonim Şirketi**

**Notes related to unconsolidated financial statements  
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2. Information on Financial Assets Available-for-Sale:

	Current period	Prior period
Debt Securities	-	-
Quoted on stock exchange	-	-
Not quoted on stock exchange	-	-
Share certificates	4,548	27
Quoted on stock exchange (*)	-	-
Not quoted on stock exchange	4,548	27
Impairment provision	-	-
<b>Total</b>	<b>4,548</b>	<b>27</b>

- (\*) In previous periods, the Bank had classified its ownership of 1.67% in Kredi Garanti Fonu A.Ş. corresponding to TL 2,000, ownership of 8.99% Islamic International Rating Agency corresponding to TL 714 and ownership of 6.99% in Neova Sigorta A.Ş. corresponding to TL 1,806 under investments in associates. Since the Bank's percentage of ownership in these companies is less than 10% and it does not have a significant influence, these amounts have been reclassified under available for sale financial assets.

**e. Information on loans and receivables:**

1. All types of loans and advances given to shareholders and employees of the Bank:

	Current period		Prior period	
	Cash	Non-Cash	Cash	Non-Cash
Direct Loans Granted to Shareholders	186	315	61	111
Corporate Shareholders	37	295	-	111
Real Person Shareholders	149	20	61	-
Indirect Loans Granted to Shareholders	56,238	5,097	19,657	10,372
Loans Granted to Employees	2,588	9	2,398	-
<b>Total</b>	<b>59,012</b>	<b>5,421</b>	<b>22,116</b>	<b>10,483</b>



**Kuveyt Türk Katılım Bankası Anonim Şirketi****Notes related to unconsolidated financial statements  
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	Standard loans and other receivables		Loans and other receivables under close monitoring	
	Loans and other receivables	Restructured or rescheduled	Loans and other receivables	Restructured or rescheduled
Cash Loans				
Loans	<b>6,440,965</b>	<b>167,299</b>	<b>98,455</b>	<b>189,994</b>
Financing of documents on goods	-	-	-	-
Export loans	78,289	1,104	-	348
Import loans	539,440	-	340	-
Business loans	3,895,857	161,170	55,405	159,303
Consumer loans	1,141,664	48	35,450	8,108
Credit cards	72,117	-	1,928	-
Investments on profit/loss partnership	-	-	-	-
Precious metals loans	-	-	-	-
Loans given to financial sector	-	-	-	-
Loans given abroad	92,790	-	1,951	20,683
Other	620,808	4,977	3,381	1,552
Other receivables	237	-	4,278	-
<b>Total</b>	<b>6,441,202</b>	<b>167,299</b>	<b>102,733</b>	<b>189,994</b>

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

	Standard loans and other receivables		Loans and other receivables under close monitoring	
	Loans and other receivables	Restructured or rescheduled	Loans and other receivables	Restructured or rescheduled
Cash loans				
Short-term loans and other receivables	<b>1,933,076</b>	<b>443</b>	<b>14,800</b>	<b>24,810</b>
Loans	1,932,840	443	10,521	24,810
Other receivables	236	-	4,279	-
Medium and long-term loans and other receivables (*)	<b>4,508,126</b>	<b>166,856</b>	<b>87,933</b>	<b>165,184</b>
Loans	4,508,126	166,856	87,933	165,184
Other receivables	-	-	-	-
<b>Total</b>	<b>6,441,202</b>	<b>167,299</b>	<b>102,733</b>	<b>189,994</b>

(\*) Loans with have original maturities longer than a year are classified as "Medium and Long Term Loans". The time left to the maturities for the mentioned loans are diminishing with time.

**Kuveyt Türk Katılım Bankası Anonim Şirketi****Notes related to unconsolidated financial statements  
for the year ended December 31, 2010  
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	Short term	Medium and long term	Total
<b>Consumer Loans-TL</b>	<b>5,462</b>	<b>1,095,966</b>	<b>1,101,428</b>
Housing Loans	2,954	1,015,996	1,018,950
Vehicle Loans	1,639	74,165	75,804
Consumer Loans	640	3,973	4,613
Other	229	1,832	2,061
<b>Consumer Loans-FC Indexed</b>	<b>-</b>	<b>69,654</b>	<b>69,654</b>
Housing Loans	-	66,451	66,451
Vehicle Loans	-	1,282	1,282
Consumer Loans	-	231	231
Other	-	1,690	1,690
<b>Consumer Loans-FC</b>	<b>-</b>	<b>13,101</b>	<b>13,101</b>
Housing Loans	-	282	282
Vehicle Loans	-	12,819	12,819
Consumer Loans	-	-	-
Other	-	-	-
<b>Retail Credit Cards-TL</b>	<b>34,793</b>	<b>521</b>	<b>35,314</b>
With Installment	13,392	521	13,913
Without Installment	21,401	-	21,401
<b>Retail Credit Cards-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
With Installment	-	-	-
Without Installment	-	-	-
<b>Personnel Loans-TL</b>	<b>54</b>	<b>993</b>	<b>1,047</b>
Housing Loans	-	421	421
Vehicle Loans	50	424	474
Consumer Loans	3	148	151
Other	1	-	1
<b>Personnel Loans-FC Indexed</b>	<b>-</b>	<b>41</b>	<b>41</b>
Housing Loans	-	17	17
Vehicle Loans	-	18	18
Consumer Loans	-	6	6
Other	-	-	-
<b>Personnel Loans-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Personnel Credit Cards-TL</b>	<b>1,663</b>	<b>19</b>	<b>1,682</b>
With Installment	650	19	669
Without Installment	1,013	-	1,013
<b>Personnel Credit Cards-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Installment based	-	-	-
Without-installment	-	-	-
<b>Overdraft Account-TL (Real Person)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Overdraft Account-FC (Real Person)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>41,972</b>	<b>1,180,295</b>	<b>1,222,267</b>

**Kuveyt Türk Katılım Bankası Anonim Şirketi****Notes related to unconsolidated financial statements  
for the year ended December 31, 2010  
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## 5. Information on commercial installment loans and corporate credit cards:

	Short term	Medium and long term	Total
<b>Commercial Installment Loans-TL</b>	<b>32,671</b>	<b>975,999</b>	<b>1,008,670</b>
Business Loans	1,704	212,245	213,949
Vehicle Loans	10,093	347,998	358,091
Consumer Loans	-	36,849	36,849
Other	20,874	378,907	399,781
<b>Commercial Installment Loans-FC Indexed</b>	<b>6,178</b>	<b>267,897</b>	<b>274,075</b>
Business Loans	1,258	53,737	54,995
Vehicle Loans	1,821	76,627	78,448
Consumer Loans	48	-	48
Other	3,051	137,533	140,584
<b>Commercial Installment Loans-FC</b>	<b>-</b>	<b>16,683</b>	<b>16,683</b>
Business Loans	-	1,772	1,772
Vehicle Loans	-	10,529	10,529
Consumer Loans	-	-	-
Other	-	4,382	4,382
<b>Corporate Credit Cards-TL</b>	<b>37,048</b>	<b>-</b>	<b>37,048</b>
With Installment	22,409	-	22,409
Without Installment	14,639	-	14,639
<b>Corporate Credit Cards-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
With Installment	-	-	-
Without Installment	-	-	-
<b>Overdraft Account-TL (Legal Entity)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Overdraft Account-FC (Legal Entity)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>75,897</b>	<b>1,260,579</b>	<b>1,336,476</b>

## 6. Loans according to types of borrowers:

	Current period	Prior period
Public	51	1,464
Private	6,901,177	4,499,386
<b>Total</b>	<b>6,901,228</b>	<b>4,500,850</b>

## 7. Breakdown of domestic and foreign loans:

	Current period	Prior period
Domestic loans	6,785,804	4,413,412
Foreign loans	115,424	87,438
<b>Total</b>	<b>6,901,228</b>	<b>4,500,850</b>

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8. Loans granted to subsidiaries and associates:

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

9. Specific provisions for loans:

	Current period	Prior period
Specific provisions		
Loans and receivables with limited collectability	19,003	24,464
Loans and receivables with doubtful collectability	18,067	35,154
Uncollectible loans and receivables	126,973	87,993
<b>Total</b>	<b>164,043</b>	<b>147,611</b>

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

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

	Group III Loans and receivables with limited collectability	Group IV Loans and receivables with doubtful collectability	Group V Uncollectible loans and receivables
--	---	---	--

**Current period- December 31, 2010**

(Gross amounts before specific provision)

Restructured loans and other receivables 13,359 13,001 28,487

Rescheduled loans and other receivables - - -

**Prior period- December 31, 2009**

(Gross amounts before specific provision)

Restructured loans and other receivables 36,207 10,867 13,357

Rescheduled loans and other receivables - - -

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

	Group III Loans and receivables with limited collectability	Group IV Loans and receivables with doubtful collectability	Group V Uncollectible loans and receivables
<b>Ending balance of prior period</b>	<b>72,199</b>	<b>74,879</b>	<b>151,131</b>
Additions in the current period (+)	87,097	6,259	1,815
Transfers from other categories of non-performing loans (+)	-	87,066	101,349
Transfers to other categories of non-performing loans (-)	87,066	101,349	-
Collections in the current period (-)	15,139	17,711	44,551
Disposals in the current period (-)	23,597	15,942	16,914
Write offs (-)	-	-	25,184
Corporate and commercial loans	-	-	2,699
Retail loans	-	-	2,594
Credit Cards	-	-	19,891
Other	-	-	-
<b>Ending balance of the current period</b>	<b>33,494</b>	<b>33,202</b>	<b>167,646</b>
Specific provisions (-)	19,003	18,067	126,973
<b>Net balance at the balance sheet</b>	<b>14,491</b>	<b>15,135</b>	<b>40,673</b>

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

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

	Group III Loans and receivables with limited collectability	Group IV Loans and receivables with doubtful collectability	Group V Uncollectible loans and receivables
<b>Current period (Net)</b>	<b>14,491</b>	<b>15,135</b>	<b>40,673</b>
Loans granted to real persons and legal entities (Gross)	33,494	33,202	167,646
Specific provision (-)	19,003	18,067	126,973
Loans to real persons and legal entities (Net)	<b>14,491</b>	<b>15,135</b>	<b>40,673</b>
Banks (Gross)	-	-	-
Specific provision (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	-	-	-
Specific provision (-)	-	-	-
Other loans and receivables (Net)	-	-	-
<b>Prior period (Net)</b>	<b>47,735</b>	<b>39,725</b>	<b>63,138</b>
Loans to real persons and legal entities (Gross)	72,199	74,879	151,131
Specific provision (-)	24,464	35,154	87,993
Loans to real persons and legal entities (Net)	<b>47,735</b>	<b>39,725</b>	<b>63,138</b>
Banks (Gross)	-	-	-
Specific provision (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	-	-	-
Specific provision (-)	-	-	-
Other loans and receivables (Net)	-	-	-

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

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

<b>Current period – December 31, 2010</b>	<b>Less than 30 days (*)</b>	<b>31-60 days</b>	<b>61-90 days</b>	<b>More than 91 days</b>	<b>Total</b>
Loans					
Corporate and commercial loans	64,189	25,874	23,125	-	113,188
Retail loans	122,055	40,289	15,433	-	177,777
Credit cards	4,709	2,657	1,246	-	8,612
<b>Total</b>	<b>190,953</b>	<b>68,820</b>	<b>39,804</b>	<b>-</b>	<b>299,577</b>

<b>Prior period – December 31, 2009</b>	<b>Less than 30 days</b>	<b>31-60 days</b>	<b>61-90 days</b>	<b>More than 91 days</b>	<b>Total</b>
Loans					
Corporate and commercial loans	119,118	26,394	18,051	-	163,563
Retail loans	121,215	34,909	18,009	-	174,133
Credit cards	7,341	3,588	502	-	11,431
<b>Total</b>	<b>247,674</b>	<b>64,891</b>	<b>36,562</b>	<b>-</b>	<b>349,127</b>

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 November 01, 2006 and for which a full impairment provision has been made, are written-off per the decision of the Bank top management. In 2010, non-performing loans amount to TL 25,184 were written-off (December 31, 2009 – TL 80,298).

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.

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

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

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3. Information on held-to-maturity investments:

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

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

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

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

1. In previous periods, the Bank had classified its ownership of 1.67% in Kredi Garanti Fonu A.Ş. corresponding to TL 2,000, ownership of 8.99% Islamic International Rating Agency corresponding to TL 714 and ownership of 6.99% in Neova Sigorta A.Ş. corresponding to TL 1,806 under investments in associates. Since the Bank's percentage of ownership in these companies is less than 10% and it does not have a significant influence, these amounts have been reclassified under available for sale financial assets.
2. Information about investments in unconsolidated associates: None.
3. Information related to consolidated associates: None.

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

1. Although the Bank has control power over the management and capital of its non-financial subsidiaries, these subsidiaries do not confirm to the definition of financial subsidiary in accordance with "Regulation related to the Preparation of Consolidated Financial Statements by Banks" published in the Official Gazette No. 26340 dated November 8, 2006 ; hence they have not been consolidated. In prior periods, the total assets of the Bank's subsidiary Kuwait Turkish Participation Bank Dubai Ltd, founded on November 25, 2009, had been less than 1% of the total assets of the parent Bank and was therefore not consolidated. As it has surpassed the 1% threshold, Kuwait Turkish Participation Bank Dubai Ltd has been consolidated in the September 30, 2010 financial statements for the first time. The Bank has reflected its subsidiaries at restated cost less any provision for impairment in its financial statements until December 31, 2004.

2. Information on subsidiaries:

Title	Address (City/ Country)	Bank's share percentage, if different-voting percentage (%)	Bank's risk group share percentage (%)
Kuwait Turkish Participation Bank Dubai Ltd.	Dubai/UAE	%100.00	%100.00
Körfez Tatil Beldesi Turistik Tesisler ve Devremülk İşletmeciliği San. ve Tic. A.Ş.	İstanbul/Turkey	%99.9	%99.9
İnşaat Taahhüt Turizm Sanayi ve Ticaret A.Ş.	İstanbul/Turkey	%99.9	%99.9

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

Total assets	Equity	Total fixed assets	Profit share income	Income from marketable securities	Current period income/loss	Prior period income/loss	Fair value
90,923	18,204	166	22	-	(105)	(204)	-
14,612	14,459	3,608	12	-	(214)	(276)	-
30,879	24,405	19,344	60	-	3,692	(819)	-

Sectoral information on financial subsidiaries and the related carrying amounts:

	Current period	Prior period
Banks (*)	17,917	17,917
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	-	-
Finance Companies	-	-
Other Financial Subsidiaries	-	-

Listed Subsidiaries: None. (December 31, 2009 – None.)



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Movement for subsidiaries:

	Current period	Prior period
<b>Balance at the beginning of the year</b>	32,997	36,894
Movements during the year		
Purchases (*)	22,306	21,297
Transfers from subsidiaries	11,845	-
Bonus shares	-	-
Dividends from current year income	-	-
Sales (*)	-	(25,194)
Revaluation increase	-	-
Impairment provision (*)	(9,978)	-
	-	-
<b>Balance at the end of the year</b>	57,170	32,997
Capital commitments (**)	33,600	7,600
Share percentage at the end of the year (%)	-	-

(\*) The Bank has sold 51% of equity shares of Körfez Gayrimenkul, to Kuwait based Hayat Investment Company for USD 10,613,000 (TL 15,729) and TL 2,450 on November 23, 2009, the remaining 49% shares and previously recognized impairment provision for Körfez Gayrimenkul have been classified into "investments in associates" account. However, the Bank has bought back 51% of Körfez Gayrimenkul A.S. from Hayat Investment Company under the same conditions; USD 10,572,000 (TL 16,840) and TL 2,450 on June 10, 2010. Consequitively Körfez gayrimenkul has been classified back to "Subsidiaries" account and additional TL 9.978 impairment has been booked.

(\*\*) The Bank has capital commitments of TL 7,600 to its subsidiary Körfez Tatil Beldesi and TL 26,000 to Körfez Gayrimenkul A.S. as of December 31, 2010.

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

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

1. Presentation of remaining maturities of net finance leases:

	Current period		Prior period	
	Gross	Net	Gross	Net
Less than 1 year	48,551	42,634	32,424	29,976
1 to 4 years	44,487	36,467	22,486	19,560
More than 4 years	5,687	4,660	502	459
<b>Total</b>	<b>98,725</b>	<b>83,761</b>	<b>55,412</b>	<b>49,995</b>

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2. Net investments in finance leases:

	Current period	Prior period
Gross receivable from finance leases	98,725	55,412
Unearned finance lease income (-)	(14,964)	(5,417)
Cancelled amounts (-)	-	-
<b>Net receivable from finance leases</b>	<b>83,761</b>	<b>49,995</b>

3. Information on finance lease contracts:

The Bank determines the settlements of the financial lease agreements in accordance with related legislations. Payment terms and amounts may be rearranged with additional agreements upon customers' requests. On the agreements, the Bank gives the customer the option to buy the related property. According to the Financial Lease Law, if a customer does not fulfill its obligations, the Bank sends a notice to the customer and informs them that if the obligations are not fulfilled within 60 days the financial lease agreement will be terminated. If the customer does not fulfill its obligations in 60 days, the Bank takes legal action against the customer. Non performing finance lease receivables amounting to TL 8,111 are included in the non-performing loans (December 31, 2009 – TL 16,365). Impairment provision amounting to TL 4,832 (December 31, 2009 – TL 7,057) for financial lease receivables are included under the specific provision account under loans in the balance sheet.

k. **Information on derivative financial assets for hedging purposes:** None (December 31, 2009 – None).

**Kuveyt Türk Katılım Bankası Anonim Şirketi****Notes related to unconsolidated financial statements  
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	Land and buildings	Leased tangible assets	Vehicles	Other tangible assets (*)	Total
Prior period end: December 31, 2009					
Cost	51,495	11,555	1,588	134,120	198,758
Accumulated depreciation(-)	5,843	7,809	1,112	50,750	65,514
Net book value	45,652	3,746	476	83,370	133,244
Current period end: December 31, 2010					
Net book value at the beginning of the period	45,652	3,746	476	83,370	133,244
Additions	1,607	658	814	61,382	64,461
Disposals (-)	1,323	645	811	14,801	17,580
Transfers to assets held for sale(-)	-	-	-	18,014	18,014
Transfers from assets held for sale	-	-	-	5,504	5,504
Impairments (-)	-	-	-	175	175
Depreciation (-)	607	1,762	158	16,066	18,593
Foreign currency evaluation differences arisen from foreign associates(-)	-	-	-	-	-
Reversal of provision	-	-	-	-	-
Cost at period end	50,983	10,924	779	150,940	213,626
Accumulated depreciation at period end (-)	5,654	8,927	458	49,740	64,779
<b>Closing net book value</b>	<b>45,329</b>	<b>1,997</b>	<b>321</b>	<b>101,200</b>	<b>148,847</b>

Prior period end: December 31, 2008					
Cost	38,255	11,588	1,299	89,208	140,350
Accumulated depreciation(-)	4,886	5,758	994	37,243	48,881
Net book value	33,369	5,830	305	51,965	91,469
Current period end: December 31, 2009					
Net book value at the beginning of the period	33,369	5,830	305	51,965	91,469
Additions	13,653	-	289	52,990	66,932
Disposals (-)	-	33	-	2,746	2,779
Transfers to asset held for sale(-)	-	-	-	10,370	10,370
Transfers from asset held for sale	-	-	-	6,739	6,739
Impairment(-)	413	-	-	1,259	1,672
Depreciation (-)	957	2,051	118	13,065	16,191
Foreign currency evaluation differences arisen from foreign associates(-)	-	-	-	-	-
Reversal of provision	-	-	-	-	-
Cost at period end	51,495	11,555	1,588	134,120	198,758
Accumulated depreciation at period end (-)	5,843	7,809	1,112	50,750	65,514
<b>Closing net book value</b>	<b>45,652</b>	<b>3,746</b>	<b>476</b>	<b>83,370</b>	<b>133,244</b>

(\*) Includes asset held for sales amounting to TL 42,388 (December 31, 2009 – TL 32,113.)

**m. Information on intangible assets:****1. Cost and accumulated depreciation at the beginning and end of the period:**

	Current period	Prior period
Gross book value	20,631	12,897
Accumulated depreciation	(7,578)	(4,710)
<b>Total (net)</b>	<b>13,053</b>	<b>8,187</b>

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2. Intangible Assets Movement between the beginning and end of the period:

	Current period	Prior period
Opening balance	8,187	2,806
Additions	7,735	7,030
Disposals (-), net	-	-
Depreciation expense (-)	(2,869)	(1,649)
<b>Closing net book value</b>	<b>13,053</b>	<b>8,187</b>

n. Information on the investment property:

	Current period	Prior period
Opening balance	16,770	16,911
Additions	-	209
Disposals (-), net	-	-
Depreciation expense (-)	(350)	(350)
<b>Closing net book value</b>	<b>16,420</b>	<b>16,770</b>

I. Information on deferred tax asset:

In accordance with the related regulations deferred tax asset calculated as of December 31, 2010 is TL 14,882 (December 31, 2009 – TL 11,308) and deferred tax liability is TL 6,411 (December 31, 2009 – TL 3,989).

	Current period	Prior period
Financial lease adjustments	-	449
Personnel bonus accrual and vacation pay liability	602	3,800
Retirement pay liability	1,416	952
Deferred income	12,283	5,745
Impairment provision for subsidiaries, fixed assets and assets held for sale	545	337
Other	36	25
<b>Deferred tax asset</b>	<b>14,882</b>	<b>11,308</b>
Financial lease adjustments	(574)	(992)
Difference between carrying value and tax base of tangible assets	(2,589)	(2,162)
Accruals of derivative financial instruments held for trading(net)	(2,836)	(435)
Other	(412)	-
<b>Deferred tax liability</b>	<b>(6,411)</b>	<b>(3,589)</b>
<b>Deferred tax, net</b>	<b>8,471</b>	<b>7,719</b>

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**p. Information on assets held for sale and discontinued operations:**

Tangible assets which are obtained through receivables of the Bank and which the Bank plans to sell within one year has been published in the web site and valued with the lower of the net book value and fair value as is required by the Communiqué of "Principles and Procedures on Bank's Disposal of Precious Metals and Asset Held for Sale" published on November 1, 2006 in the Official Gazette numbered 26333 in the unconsolidated financial statements.

	Current period	Prior period
Opening balance	10,600	7,870
Additions	15,811	-
Transfer from tangible assets	18,014	10,370
Disposals (-), net	12,092	891
Transfer to tangible assets	5,503	6,739
Depreciation (-)	-	-
Impairment provision (-)	(238)	10
<b>Net closing balance</b>	<b>27,068</b>	<b>10,600</b>

**m. Information on other assets:**

As of balance sheet date, the Bank's other assets amount to TL 194,312(December 31, 2009 - TL 207,037). Other assets balance does not exceed 10% of the total assets on the balance sheet excluding off balance sheet commitments.

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	Demand	Up to 1 month	Up to 3 months	Up to 6 months	Up to 9 months	Up to 1 year	Up to 1 year and over	Accumulated profit sharing accounts	Total
<b>I. Real persons current accounts-TL</b>	<b>435,634</b>	-	-	-	-	-	-	-	<b>435,634</b>
<b>II. Real persons profit sharing accounts-TL</b>	-	<b>1,829,667</b>	<b>567,142</b>	<b>59,625</b>	-	<b>39,692</b>	<b>414,699</b>	-	<b>2,910,825</b>
<b>III. Other current accounts-TL</b>	<b>626,382</b>	-	-	-	-	-	-	-	<b>626,382</b>
Public sector	18,060	-	-	-	-	-	-	-	18,060
Commercial sector	598,004	-	-	-	-	-	-	-	598,004
Other institutions	7,074	-	-	-	-	-	-	-	7,074
Commercial and other institutions	-	-	-	-	-	-	-	-	-
<b>Banks and participation banks</b>	<b>3,244</b>	-	-	-	-	-	-	-	<b>3,244</b>
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	-	-	-	-	-	-	-	-	-
Foreign banks	2,632	-	-	-	-	-	-	-	2,632
Participation banks	612	-	-	-	-	-	-	-	612
Others	-	-	-	-	-	-	-	-	-
<b>IV. Profit sharing accounts-TL</b>	-	<b>291,221</b>	<b>141,575</b>	<b>15,897</b>	-	<b>10,775</b>	<b>63,817</b>	-	<b>523,285</b>
Public sector	-	8	1,603	-	-	-	-	-	1,611
Commercial sector	-	284,424	136,454	10,835	-	10,720	63,566	-	505,999
Other institutions	-	6,781	3,202	5,062	-	55	251	-	15,351
Commercial and other institutions	-	8	315	-	-	-	-	-	323
Banks and participation banks	-	-	1	-	-	-	-	-	1
<b>V. Real persons current accounts-FC</b>	<b>226,933</b>	-	-	-	-	-	-	-	<b>226,933</b>
<b>VI. Real persons profit sharing accounts-FC</b>	-	<b>803,468</b>	<b>302,682</b>	<b>31,488</b>	-	<b>59,109</b>	<b>126,738</b>	-	<b>1,323,485</b>
<b>VII. Other current accounts-FC</b>	<b>283,624</b>	-	-	-	-	-	-	-	<b>283,624</b>
Commercial residents in Turkey	265,419	-	-	-	-	-	-	-	265,419
Commercial residents in Abroad	15,891	-	-	-	-	-	-	-	15,891
<b>Banks and participation banks</b>	<b>2,314</b>	-	-	-	-	-	-	-	<b>2,314</b>
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	-	-	-	-	-	-	-	-	-
Foreign banks	600	-	-	-	-	-	-	-	600
Participation banks	1,714	-	-	-	-	-	-	-	1,714
Others	-	-	-	-	-	-	-	-	-
<b>VIII. Profit sharing accounts- FC</b>	-	<b>217,385</b>	<b>59,302</b>	<b>91,600</b>	-	<b>79,141</b>	<b>151,763</b>	-	<b>599,191</b>
Public sector	-	-	-	-	-	-	-	-	0
Commercial sector	-	174,906	35,829	1,222	-	1,600	9,680	-	223,237
Other institutions	-	34,501	868	69,932	-	12	-	-	105,313
Commercial and other institutions	-	6,335	47	272	-	-	3,109	-	9,763
Banks and participation banks	-	1,643	22,558	20,174	-	77,529	138,974	-	260,878
<b>IX. Precious metal funds</b>	<b>124,032</b>	-	<b>308,766</b>	<b>10,744</b>	-	<b>8,572</b>	-	-	<b>452,114</b>
<b>X. Profit sharing accounts special funds - TL</b>	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
<b>XI. Profit sharing accounts special funds - FC</b>	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>1,696,605</b>	<b>3,141,741</b>	<b>1,379,467</b>	<b>209,354</b>	-	<b>197,289</b>	<b>757,017</b>	-	<b>7,381,473</b>

There are no 7 day notification and accumulative deposit accounts.

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ii. Prior period:

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

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

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

	Under the guarantee of saving deposit insurance		Exceeding the limit of saving deposit	
	Current period	Prior period	Current period	Prior period
Real persons current and profit sharing accounts that are not subject to commercial activities				
TL accounts	1,604,614	1,199,070	1,727,661	1,100,355
FC accounts	750,407	591,478	1,214,381	1,089,439
Foreign branches' deposits under foreign authorities' insurance		-		-
Off-shore banking regions' under foreign authorities' insurance		-		-

Funds collected by Participation Banks (except for foreign branches) through current and profit share accounts which are opened by real persons and denominated in Turkish Lira or foreign currency with a limit of maximum of TL 50 (including both capital and profit shares) for each person is under the guarantee of Saving Deposit Insurance Fund in accordance with the Banking Law No. 5411 published by the Official Gazette No. 25983, dated November 1, 2005.

- ii. 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: None (December 31, 2009 – None).
- 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	8,108	806
Profit sharing account and other accounts in scope of the property holdings derived from crime defined in article 282 of Turkish Criminal Law No:5237 dated September 26, 2004	-	-
Profit sharing accounts in participation banks which are established in Turkey in order to engage in off-shore banking activities solely	-	-



**Kuveyt Türk Katılım Bankası Anonim Şirketi**

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**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	1,870	7,491	892	3,767
Swap transactions	3,731	1,208	-	1,572
Futures transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>5,601</b>	<b>8,699</b>	<b>892</b>	<b>5,339</b>

**c. Information on funds borrowed:**

1. Information on banks and other financial institutions:

	Current period		Prior period	
	TL	FC	TL	FC
Loans from The Central Bank of the Republic of Turkey	-	-	-	-
From Domestic Banks and Institutions	-	-	-	-
From Foreign Banks, Institutions and Funds	-	639,405	-	383,681
<b>Total</b>	<b>-</b>	<b>639,405</b>	<b>-</b>	<b>383,681</b>

The Bank has issued 100.000.000 USD Sukuk with a 3 year maturity and 5.25% cost on August 24, 2010.

2. Information on remaining maturity structure of borrowings:

	Current period		Prior period	
	TL	FC	TL	FC
Short-term	-	481,971	-	378,385
Medium and Long-Term	-	157,434	-	5,296
<b>Total</b>	<b>-</b>	<b>639,405</b>	<b>-</b>	<b>383,681</b>

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.

**Kuveyt Türk Katılım Bankası Anonim Şirketi**

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

As of December 31, 2010, other liabilities amount to TL 223,778 (December 31, 2009 - TL 112,513), miscellaneous payables amount to TL 57,029 (December 31, 2009 - TL 118,796), 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 equipments through financial lease and the liabilities originated from the agreements are paid in monthly installments to the leasing firms. These agreements do not raise any further liabilities other than already committed payments by the Bank.

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

ii. Information on Financial Lease Obligations

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

iii. Information on Operational Leases:

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

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

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

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

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

**Kuveyt Türk Katılım Bankası Anonim Şirketi**

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**g. Information on provisions:**

1. Information on general provisions:

	Current period	Prior period
General provisions	<b>73,621</b>	<b>51,166</b>
Provisions for first group loans and receivables	59,836	38,290
Profit sharing accounts' share	28,368	15,896
The Bank's share	31,468	22,394
Other	-	-
Provisions for second group loans and receivables	5,750	5,884
Profit sharing accounts' share	2,208	3,169
The Bank's share	3,542	2,715
Other	-	-
Provisions for non-cash loans	8,035	6,992
Other	-	-

2. Information on provisions related with foreign currency evaluation difference of foreign currency indexed loans: As of December 31, 2010, effect of decrease in exchange rates on foreign currency indexed loans amounting to TL 12,542 (December 31, 2009 – TL 21,734) and financial lease obligations amounting to TL 6,341 (December 31, 2009 – TL 29) is offset against loans and receivables.

3. Information on specific provisions for non-cash loans that are non-funded and non-transformed into cash: No provision for non-cash loans that are unindemnified and non-transformed into cash as of December 31, 2010 have been recorded (December 31, 2009 – TL None).

4. Information on other provisions:

	Current period	Prior period
General provisions for possible risks	5,342	7,779
Provisions from equity/profit sharing accounts	-	-
Total	5,342	7,779

5. Information on provisions for employee benefits:

Provisions for employee benefits consist of reserve for employee termination benefits amounting to TL 7,080 (December 31, 2009 – TL 4,759), vacation pay liability amounting to TL 183 (December 31, 2009 – TL 127), performance premium amounting to TL 24,346 (December 31, 2009 – TL 19,000) and previous year's performance premium TL 1,647 which has not yet been paid.

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

The amount payable consists of one month's salary limited to a maximum of TL 2,517 (December 31, 2009 – TL 2.365) for each year of service. The liability is not funded, as there is no funding requirement.

**Kuveyt Türk Katılım Bankası Anonim Şirketi****Notes related to unconsolidated financial statements  
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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 (%)	10	11
Estimated increase rate of salary ceiling (%)	5.1	4.8

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

	Current period	Prior period
Balance at the beginning of the period	4,759	3,721
Provisions recognized during the period	3,401	1,817
Paid during the period	(1,080)	(779)
<b>Balances at the end of the period</b>	<b>7,080</b>	<b>4,759</b>

**h. Explanations on tax liability:****1. Explanations on current tax liability:**

- Information on tax provisions: Current tax liability amounting to TL 45,159 includes the corporate tax provision for the nine month period ending December 31, 2010.
- Information on taxes payable:

	Current period	Prior period
Corporate taxes payable	-	-
Taxation of marketable securities	4,067	3,261
Property tax	294	244
Banking Insurance Transaction Tax (BITT)	3,831	4,248
Foreign Exchange Transaction Tax	-	-
Value Added Tax Payable	309	445
Income tax deducted from wages	1,845	2,051
Other	509	-
<b>Total</b>	<b>10,855</b>	<b>10,249</b>

**iii. Information on premiums:**

	Current period	Prior period
Social Security Premiums-Employee	1,067	836
Social Security Premiums-Employer	1,090	865
Bank Social Aid Pension Fund Premium-Employee	-	-
Bank Social Aid Pension Fund Premium-Employer	-	-
Pension Fund Membership Fees and Provisions- Employee	-	-
Pension Fund Membership Fees and Provisions-Employer	-	-
Unemployment insurance-Employee	76	60
Unemployment insurance-Employer	178	148
Other	-	-
<b>Total</b>	<b>2,411</b>	<b>1,909</b>

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

**Kuveyt Türk Katılım Bankası Anonim Şirketi**

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i. **Liabilities for assets held for sale and discontinued operations:** None (December 31, 2009 - None).

j. **Detailed explanations on number, maturity, profit share rate, creditor and option to convert to share certificates; if any; of subordinated loans:** None.

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

1. Presentation of paid-in capital:

	Current period	Prior period
Common stock	850,000	500,000
Preferred stock	-	-

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

Registered capital system is not applied in the Bank.

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

Date of Increase	Amount of Increase	Cash	Increase from profit reserves	Increase from capital reserves
14.04.2010	50,000	-	50,000	-
10.08.2010	300,000	300,000	-	-

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

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

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

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

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

**I. Explanations on minority interest:** None (December 31, 2009 – None).

**Kuveyt Türk Katılım Bankası Anonim Şirketi****Notes related to unconsolidated financial statements  
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1. Type and amount of irrevocable commitments: Commitment for credit card limits, as of December 31, 2010 is TL 120,918 (December 31, 2009 – TL 101,974); payment commitments for cheque books are TL 492,993 (December 31, 2009 – TL 368,914).

2. Type and amount of probable losses and obligations arising from off-balance sheet items:

i. Non-cash loans including guarantees, bank acceptances, collaterals and others that are accepted as financial commitments and other letter of credits:

As of December 31, 2010, the Bank has guarantees and suretyships constituting of TL 3,150,355 (December 31, 2009 – TL 2,867,436) letters of guarantee; TL 39,285 (December 31, 2009 – TL 30,567) acceptances and TL 535,890 (December 31, 2009 – TL 426,991) letters of credit.

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

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

	Current period	Prior period
Non-cash loans given against cash loans	-	804
With original maturity of 1 year or less	-	804
With original maturity of more than 1 year	-	-
Other non-cash loans	3,730,208	3,329,827
<b>Total</b>	<b>3,730,208</b>	<b>3,330,631</b>

(ii). Information on sectoral risk concentrations of non-cash loans:

	Current period				Prior period			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
Agricultural	17,308	0.96	4,079	0.21	15,108	1.0	734	0.0
Farming and Raising livestock	9,929	0.55	2,004	0.10	7,701	0.5	481	0.0
Forestry	7,198	0.40	2,075	0.11	7,250	0.5	253	0.0
Fishing	181	0.01	-	-	157	0.0	-	-
Manufacturing	275,112	15.19	533,841	27.81	156,130	10.3	306,827	16.9
Mining and quarry	84,864	4.69	291,193	15.17	61,344	4.1	131,541	7.2
Production	109,468	6.05	197,076	10.27	46,709	3.1	122,389	6.7
Electric, gas and water	80,780	4.46	45,572	2.37	48,077	3.2	52,897	2.9
Construction	935,535	51.66	912,962	47.56	835,745	55.3	966,517	53.1
Services	549,692	30.36	419,331	21.85	411,209	27.2	519,523	28.6
Wholesale and retail trade	167,470	9.25	289,034	15.06	84,090	5.6	291,395	16.0
Hotel, food and beverage services	25,859	1.43	1,729	0.09	15,932	1.1	1,294	0.1
Transportation and telecommunication	81,083	4.48	58,321	3.04	81,933	5.4	26,927	1.5
Financial Institutions	403	0.02	1,286	0.07	12,522	0.8	42,656	2.3
Real estate and renting services	9,088	0.50	110	0.01	4,010	0.3	-	-
Self-employment services	693	0.04	9,702	0.51	65,650	4.3	140,582	7.7
Education services	5,933	0.33	1,033	0.05	12,711	0.8	829	0.0
Health and social services	259,163	14.31	58,116	3.03	134,361	8.9	15,840	0.9
Other	33,132	1.83	49,216	2.56	93,635	6.2	25,203	1.4
<b>Total</b>	<b>1,810,779</b>	<b>100.00</b>	<b>1,919,429</b>	<b>100.00</b>	<b>1,511,827</b>	<b>100</b>	<b>1,818,804</b>	<b>100</b>

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

	Group I		Group II	
	TL	FC	TL	FC
<b>Non-cash loans</b>	<b>1,759,894</b>	<b>1,893,500</b>	<b>50,885</b>	<b>25,929</b>
Letters of guarantee	1,759,894	1,322,744	50,885	16,832
Bank acceptances	-	39,285	-	-
Letters of credit	-	526,793	-	9,097
Endorsements	-	-	-	-
Underwriting commitments	-	-	-	-
Factoring guarantees	-	-	-	-
Other commitment and contingencies	-	4,678	-	-

**b. Information on derivative transactions:**

	Derivative transactions according to purpose	
	Current period	Prior period
<b>Type of trading transactions</b>		
<b>Foreign currency related derivative transactions (I):</b>	<b>2,528,660</b>	<b>1,657,401</b>
FC trading forward transactions	2,528,660	1,657,401
Trading swap transactions	-	-
Futures transactions	-	-
Trading option transactions	-	-
<b>Interest related derivative transactions (II):</b>	<b>-</b>	<b>-</b>
Forward interest rate agreements	-	-
Interest rate swaps	-	-
Interest rate options	-	-
Interest rate futures	-	-
<b>Other trading derivative transactions (III) (*)</b>	<b>331,448</b>	<b>90,937</b>
<b>A. Total trading derivative transactions (I+II+III)</b>	<b>2,860,108</b>	<b>1,748,338</b>
<b>Types of hedging transactions</b>		
Fair value hedges	-	-
Cash flow hedges	-	-
Foreign currency investment hedges	-	-
<b>B. Total hedging related derivatives</b>	<b>-</b>	<b>-</b>
<b>Total derivative transactions (A+B)</b>	<b>2,860,108</b>	<b>1,748,338</b>

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 December 31, 2010, the Bank has commitments to buy TL 580,455, USD 242,277,000, EUR 153,115,000 and GBP 3,131,000 in return selling commitments of TL 145,776, USD 572,900,000, GBP 8,507,000 and EUR 81,327,000 (As of December 31, 2009, the Bank has commitments to buy TL 679,253, USD 51,326,000, EUR 43,888,000 and in return selling commitments of TL 6,994, USD 450,136,000, GBP 325,000, and EUR 55,788,000).

(\*) Includes precious metal transactions.

**Kuveyt Türk Katılım Bankası Anonim Şirketi**

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

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

**d. 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 institutions.

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

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

1. Information on profit share received from loans:

	Current period		Prior period	
	TL	FC	TL	FC
Profit share on loans (*)	<b>640,062</b>	<b>19,838</b>	<b>592,892</b>	<b>17,659</b>
Short term loans	167,470	4,728	175,191	5,048
Medium and long term loans	453,117	15,110	398,904	12,611
Profit share on non-performing loans	19,475	-	18,797	-
Premiums received from resource utilization support fund	-	-	-	-

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

2. Information on profit share received from banks:

	Current period		Prior period	
	TL	FC	TL	FC
Central Bank of the Republic of Turkey	6,757	-	10,763	-
Domestic Banks	-	-	-	-
Foreign Banks	14,253	1,041	23,699	2,603
Branches and head office abroad	-	-	-	-
<b>Total</b>	<b>21,010</b>	<b>1,041</b>	<b>34,462</b>	<b>2,603</b>



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ii. Information on profit share income received from marketable securities:

	Current period		Prior period	
	TL	FC	TL	FC
From financial assets held for trading	-	-	-	-
From financial assets at fair value through profit or loss	-	-	-	-
From financial assets available-for-sale	-	-	-	-
From held-to-maturity investments	-	33	-	225
<b>Total</b>	<b>-</b>	<b>33</b>	<b>-</b>	<b>225</b>

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

	Current period	Prior period
Profit share income received from associates and subsidiaries	1	8

**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	-	14,543	-	20,496
Domestic banks	-	-	-	-
Foreign banks	-	11,490	-	13,966
Branches and head office abroad	-	-	-	-
Other Institutions	-	3,053	-	6,530
<b>Total</b>	<b>-</b>	<b>14,543</b>	<b>-</b>	<b>20,496</b>

ii. Profit share expense given to associates and subsidiaries:

	Current period	Prior period
Profit share expenses given to associates and subsidiaries	56	953

i. Information on profit share expense given to marketable securities issued: None (December 31, 2009 – None).

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## ii. Distribution of profit share expense on funds based on maturity of funds:

Account name	Profit sharing accounts							Total
	Up to 1 month	Up to 3 month	Up to 6 month	Up to 9 month	Up to 1 year	More than 1 year	Accumulated profit share account	
<b>TL</b>								
Collected funds from banks through current and profit share accounts	-	-	-	-	-	-	-	-
Real person's non-trading profit sharing account	124,057	39,101	3,974	-	2,604	35,243	-	204,979
Public sector profit sharing account	80	170	-	-	-	13	-	263
Commercial sector profit sharing account	15,241	8,098	1,778	-	239	3,804	-	29,160
Other institutions profit sharing account	455	318	196	-	4	27	-	1,000
<b>Total</b>	<b>139,833</b>	<b>47,687</b>	<b>5,948</b>	<b>-</b>	<b>2,847</b>	<b>39,087</b>	<b>-</b>	<b>235,402</b>
<b>FC</b>								
Banks	64	62	1,934	-	228	2,679	-	4,967
Real person's non-trading profit sharing account	22,360	7,437	794	-	1,567	3,974	-	36,132
Public sector profit sharing account	-	352	156	-	-	2	-	510
Commercial sector profit sharing account	4,591	1,254	102	-	58	343	-	6,348
Other institutions profit sharing account	530	64	1,056	-	-	67	-	1,717
Precious metal accounts	-	3,003	113	-	78	-	-	3,194
<b>Total</b>	<b>27,545</b>	<b>12,172</b>	<b>4,155</b>	<b>-</b>	<b>1,931</b>	<b>7,065</b>	<b>-</b>	<b>52,868</b>
<b>Grand total</b>	<b>167,378</b>	<b>59,859</b>	<b>10,103</b>	<b>-</b>	<b>4,778</b>	<b>46,152</b>	<b>-</b>	<b>288,270</b>

c. **Explanations on dividend income:** None (December 31, 2009 – None).d. **Information on trading income/loss (Net):**

	Current period	Prior period
<b>Income</b>	<b>1,846,419</b>	<b>1,351,539</b>
Gain on capital market transactions	813	83
Gain on derivative financial instruments	62,359	55,277
Foreign exchange gains	1,783,247	1,296,179
<b>Losses (-)</b>	<b>1,782,452</b>	<b>1,271,060</b>
Losses on capital market transactions	5	26
Losses on derivative financial instruments	39,315	7,572
Foreign exchange losses	1,743,132	1,263,462

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

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

	Current period	Prior period
Reversal of prior period provisions	49,031	26,982
Gain on sales of assets	10,795	2,000
Income from bounced check provisions	3,524	6,065
Expertise fees	6,729	5,681
Income from checkbooks	3,205	3,210
Income from EFT and money transfers	3,460	3,149
Income from check provisions	2,061	2,297
Lease income	1,387	1,685
Other Income	4,300	6,282
<b>Total</b>	<b>84,492</b>	<b>57,351</b>

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

	Current period	Prior period
Specific provisions for loans and other receivables	80,963	127,328
III. Group	15,860	19,990
IV. Group	8,729	33,989
V. Group	56,374	73,346
Doubtful commissions, fees and other receivables	-	-
General provision expenses	24,140	12,218
Provision expenses for possible losses	-	2,000
Impairment provision of marketable securities	-	8
Financial Assets at fair value through profit and loss	-	8
Investment securities available for sale	-	-
Impairment provision of associates, subsidiaries, joint ventures and held to maturity investments	9,978	1,021
Associates	-	-
Subsidiaries	9,978	1,021
Joint ventures	-	-
Held to maturity investments	-	-
Other	1,634	331
<b>Total</b>	<b>116,715</b>	<b>142,903</b>

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

	Current period	Prior period
Personnel expenses	160,272	133,941
Provision for retirement pay liability	2,316	886
Depreciation expenses of fixed assets	18,209	15,693
Amortization expenses of intangible assets	2,869	1,649
Impairment expense of assets held for sale	-	-
Depreciation expenses of assets held for sale	740	498
Other operating expenses	<b>63,452</b>	<b>55,808</b>
Rent expenses	23,776	19,880
Maintenance expenses	8,345	7,002
Communication expenses	7,734	7,169
Advertisement expenses	6,569	6,230
Cleaning expenses	4,784	3,757
Heating, electricity and water expenses	4,372	3,492
Disallowable expenses	2,728	4,049
Vehicle expenses	1,913	1,478
Stationery expenses	1,470	1,361
Other expenses	1,761	1,390
Losses on sales of assets	313	3,707
Deposit insurance fund expenses	12,646	9,769
Other	26,211	15,074
<b>Total</b>	<b>287,028</b>	<b>237,025</b>

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

Income before tax amounts to TL 201,123, increasing by 23% as compared to the prior period. Income before tax includes TL 396,057 net profit share income and TL 60,350 net fees and commission income. Total operating expense amount is TL 287,028.

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

As of December 31, 2010 deferred tax income is TL 752 and current tax expense is TL 42,227.

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

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

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**k. Information on net income/loss:**

- i. The nature and amount of certain income and expense items from ordinary operations is disclosed if the disclosure for nature, amount and repetition rate of such items is required for a complete understanding of the Bank's performance for the period: As of December 31, 2010, net profit share income is TL 396,057 (December 31, 2009 – TL 347,659), net fees and commission income is TL 60,350 (December 31, 2009 – TL 58,116).
- ii. Effect of changes in accounting estimates on income statement for the current and, if any for subsequent periods: None (December 31, 2009 – None).
- iii. Profit/loss relating to minority interests: None (December 31, 2009 – None).

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

As of December 31, 2010 other fees and commissions received is TL 40,045 (December 31, 2009 – TL 41,548), TL 7,506 of this amount is related with Credit Card fees and commissions (December 31, 2009 – TL 12,658) and TL 10,631 of this amount is related with commissions related with POS machines (December 31, 2009 – TL 13,399).

As of December 31, 2010 other fees and commissions given is TL 24,808 (December 31, 2009 – TL 28,300) TL 11,133 of this amount is related with POS clearing commissions and installation expenses (December 31, 2009 – TL 15,848), TL 2,876 of this amount is related with appraisal fees to experts (December 31, 2009 – TL 2,789).

**V. Explanations and notes related to statement of changes in shareholders' equity movement:**

- 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 9,623 to its shareholders and TL 652 to members of Board of Directors.

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

**a. Information on cash and cash equivalents:**

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

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

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

	Current period	Prior period
<b>Cash</b>	1,124,410	1,132,303
Cash in TL/foreign currency, others	58,000	63,960
Demand deposits at banks	1,066,410	1,068,343
<b>Cash equivalents</b>	-	-
Interbank money markets	-	-
Time deposits at banks	-	-
Marketable securities	-	-
<b>Total cash and cash equivalents</b>	<b>1,124,410</b>	<b>1,132,303</b>

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

	Current period	Prior period
<b>Cash</b>	<b>1,332,074</b>	1,124,410
Cash in TL/foreign currency, others	121,570	58,000
Demand deposits at banks (less than 3 months)	1,210,504	1,066,410
<b>Cash equivalents</b>	-	-
Interbank money market	-	-
Time deposits at banks	-	-
Marketable securities	-	-
<b>Total cash and cash equivalents</b>	<b>1,332,074</b>	<b>1,124,410</b>

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

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**c. Explanation about other cash flow items and the effect of the changes in foreign exchange rates on cash and cash equivalents:**

The "Other" item under "Operating profits before changes in operating assets and liabilities" amounting to TL 145,669 (December 31, 2009- TL 30,603) consists mainly foreign currency evaluation difference of foreign currency indexed loans and other operating expenses and losses.

The "Net increase/decrease in other liabilities" item under "Changes in operating assets and liabilities" amounting to TL 2,743 (December 31, 2009 - TL 130,886) consists mainly of changes in miscellaneous payables, other liabilities and taxes and other duties payable.

**d. Effects of the changes 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 2,393 as of December 31, 2010 (December 31, 2009 – TL 7,625).

**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	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Balance at beginning of period	-	76	289	111	19,657	10,362
Balance at end of period	72,720	61	186	314	110,359	5,097
Profit share and commission income	1	-	21	-	2,552	-

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

**2. Prior period:**

Risk group of the bank	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the bank		Other real or legal persons included in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Balance at beginning of period	-	55	-	740	15,146	-
Balance at end of period	-	76	289	111	19,657	10,362
Profit share and commission income	8	-	5	-	2,326	-

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

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

Risk group of the bank (*)	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the bank		Other real or legal persons included in the risk group	
	Current period	Prior period	Current period	Prior period	Current period	Prior period
Current and profit sharing accounts						
Balance at the beginning of period	15,021	14,929	77,973	2,052	11,732	76,613
Balance at the end of period	5,160	-	159,873	-	33,436	-
Profit share expense	56	953	326	120	944	560

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

(ii) Forward and option agreements and other similar agreements with related parties: None (December 31 2009 – None).

4. Information on loans used from 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
Funds Borrowed						
Balance at the beginning of period	-	-	193,537	-	-	-
Balance at the end of period	-	-	282,345	193,537	-	-
Profit share expense	-	-	3,954	1,598	-	-

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

As of December 31, 2010, the Bank has paid TL 6,058 to top management (December 31, 2009 - TL 5,678).



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**VIII. Explanations and notes related to domestic branches, agencies & abroad branches and off-shore branches of the bank:**

	Number	Number of Personnel			
Domestic Branch	139	1893			
			Country		
Foreign Representative Office	1	1	Kazakhstan		
Foreign Representative Office	1	1	Germany	Total Assets (TL)	Statutory Share Capital (USD)
Foreign Banks	1	3	Dubai	90,923	12,000,000
Off-shore Branches*	1	3	Bahrain	736,737	
Foreign Branches	1	3	Germany	119	

(\*) Capital that represents either a minimum capital requirement of related country's rule or allocated by the head quarter.

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

- a. In accordance with the "Communiqué in respect to the changes in the Communiqué Regarding the Reserve Requirements" published on January 24, 2011 the reserve requirement rates for TL liabilities have been changed as it is stated below. No changes have been made on the obligatory reserve rate of %11 for foreign currency liabilities.

TL Liabilities	Required reserve ratios (%)
Demand deposits, notice deposits and private current accounts	12
Deposits/participation accounts up to 1-month maturity (including 1-month)	10
Deposits/participation accounts up to 3-month maturity (including 3-month)	9
Deposits/participation accounts up to 6-month maturity (including 6-month)	7
Deposits/participation accounts up to 1-year maturity	6
Deposits/participation accounts with 1-year and longer maturity and cumulative deposits/participation accounts	5
Liabilities other than deposits/participation funds	9
Special fund pools	Ratios for corresponding maturities

- b. In the Board of Directors` meeting numbered 1064 held on January 4, 2011 it has been decided to establish a subsidiary bank in Qatar.
- c. In the Board of Directors` meeting numbered 1073 held on February 22, 2011 it has been decided to increase the share capital to TL 950,000 from TL 850,000. The increase will be funded from the net profit of the year 2010.
- d. In the Board of Directors` meeting numbered 1076 held on February 22, 2011 it has been decided to establish a subsidiary bank in Germany.

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

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**Section six**

**Other Explanations**

- I- **Other explanations, matters required to be disclosed due to having a significant effect on the financial statements or for the purpose of clarification of the balance sheet: None.**

**Kuveyt Türk Katılım Bankası Anonim Şirketi**

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**Section seven**

**Independent auditors' report**

**I- Explanations on the independent auditors' report:**

The unconsolidated financial statements as of and for the year ended December 31, 2010 were audited by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (A Member Firm of Ernst & Young Global Limited) and the auditor's report dated March 9, 2011 is presented prior to the financial statements.

**II- Notes and disclosures related to independent auditors' report: None.**