

**KUVEYT TRK KATILIM BANKASI  
ANONİM ŐİRKETİ AND ITS FINANCIAL SUBSIDIARIES**

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

*Translated into English  
from the Original Turkish Report*

## INDEPENDENT AUDITOR’S REPORT

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

### **Report on the Consolidated Financial Statements**

We have audited the accompanying consolidated balance sheet of Kuveyt Türk Katılım Bankası A.Ş. (the “Bank”) and its financial subsidiaries (the “Group”) as of 31 December 2014, and the related consolidated statements of income, cash flows and changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### **Management’s Responsibility for the Financial Statements**

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

### **Auditor’s Responsibility**

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

### **Independent Auditor’s Opinion**

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2014 and the results of its operations and its cash flows for the year then ended in accordance with the prevailing accounting principles and standards set out as per the Article 37 of the Banking Act No: 5411, and other regulations, communiqués and circulars in respect of accounting and financial reporting and pronouncements made by BRSA.

### **Report on Other Legal and Regulatory Requirements**

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

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

### **Additional paragraph for English translation:**

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

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

Müjde Şehsuvaroğlu  
Partner  
İstanbul, 9 March 2015

## Index

### Section One General information

I.	History of the Parent Bank including its incorporation date, initial legal status and amendments to legal status	1
II.	Shareholding Structure, Shareholders jointly or individually Having Direct or Indirect, Control over the Management and Supervision of the Bank And the Disclosures on Any Related Changes in the Current Period, if any and information about the Group that the Bank belongs to	1
III.	Explanations on the Titles of Chairman and Members of the Board of Directors, Members of the Audit Committee, General Managers and Assistant General Managers and Assistant General Managers and Their Shareholding in the Bank	1
IV.	Information on qualified shareholders	2
V.	Summary information of the Bank's services and field of operations	2
VI.	Current or likely actual legal barriers to immediate transfer of equity or repayment of debts between Parent Bank and its subsidiaries	2

### Section Two

#### The consolidated financial statements

I.	Consolidated balance sheet (Statement of financial position)	3
II.	Consolidated statement of off-balance sheet commitments and contingencies	5
III.	Consolidated income statement (Statement of Income/ Loss)	6
IV.	Consolidated statement of profit and loss accounted under equity (Statement of Other Comprehensive Income and Loss)	7
V.	Consolidated statement of changes in shareholders' equity	8
VI.	Consolidated statement of cash flows statement	10
VII.	Consolidated Statement of Profit Distribution	11

### Section Three

#### Accounting principles

I.	Explanations on basis of presentation	12
II.	Explanations on strategy of using financial instruments and foreign currency transactions	13
III.	Information about the Parent Bank and its Consolidated Subsidiaries	13
IV.	Explanations on forward transactions and option contracts and derivative instruments	14
V.	Explanations on profit share income and expense	14
VI.	Explanations on fees and commission income and expenses	15
VII.	Explanations on financial assets	15
VIII.	Explanations on impairment of financial assets	16
IX.	Explanations on offsetting of financial assets and liabilities	17
X.	Explanations on sale and repurchase agreements and lending of securities	17
XI.	Explanations on assets held for sale and discontinued operations and related liabilities	17
XII.	Explanations on goodwill and other intangible assets	18
XIII.	Explanations on tangible assets	18
XIV.	Explanations on leasing transactions	18
XV.	Explanations on provisions and contingent liabilities	19
XVI.	Explanations on liabilities relating to employee benefits	19
XVII.	Explanations on taxation	20
XVIII.	Explanations on additional disclosures on borrowings	21
XIX.	Explanations on share certificates issued	22
XX.	Explanations on acceptances and availed drafts	22
XXI.	Explanations on government grants	22
XXII.	Explanations on segment reporting	22
XXIII.	Explanations on other matters	22
XXIV.	Additional paragraph for convenience translation	22

### Section Four

#### Information on financial structure

I.	Explanations on consolidated the capital adequacy standard ratio	23
II.	Explanations on consolidated credit risk	30
III.	Explanations on consolidated market risk <sup>340</sup>	
IV.	Explanations on consolidated currency risk	43
V.	Explanations on position risk of equity securities in banking book	45
VI.	Explanations on consolidated liquidity risk	46
VII.	Explanations on consolidated securitization positions	49
VIII.	Credit risk mitigation techniques	50
IX.	Explanations on risk management objectives and policies	52
X.	Explanations on the activities carried out on behalf and account of other persons	54
XI.	Explanations on business segments	54

### Section Five

#### Explanations and notes on the consolidated financial statements

I.	Explanations and notes related to assets	56
II.	Explanations and notes related to liabilities	75
III.	Explanations and notes related to off-balance sheet commitments	83
IV.	Explanations and disclosures related to income statement	87
V.	Statement of changes in shareholders' equity	91
VI.	Explanations and notes related to cash flow statement	91
VII.	Explanations and notes related to the risk group of the Bank	93
VIII.	Domestic, foreign and off-shore branches or equity investments, and foreign representative offices	94
IX.	Significant Events and Matters Arising Subsequent to Balance Sheet Date	94

### Section Six

#### Other Explanations and Disclosures

I.	Other matters which must be explained in terms of explicitly, interpretability and understandability of the balance sheet	95
----	---	----

### Section Seven

#### Independent Auditors' Report

I.	Explanations on the independent auditors' report	95
II.	Notes and disclosures prepared by the independent auditors	95

**THE CONSOLIDATED FINANCIAL REPORT OF KUVEYT TÜRK KATILIM BANKASI A.Ş.**

**AS OF DECEMBER 31, 2014**

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

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

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

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

	<b>Subsidiaries</b>	<b>Associates</b>	<b>Jointly Controlled Entities</b>
1.	Kuveyt Türk Participation Bank Dubai LTD.	-	Katılım Emeklilik ve Hayat A.Ş.
2.	KT Sukuk Varlık Kiralama A.Ş.	-	-
3.	KT Kira Sertifikaları Varlık Kiralama A.Ş.	-	-
4.	Körfez Gayrimenkul Yatırım Ortaklığı A.Ş.	-	-

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

Hamad Abdalmohsen AL-MARZOUQ	Adnan ERTEM	M. Shujauddin AHMED	Ahmed S. AL KHARJI	Ufuk UYAN	Ahmet KARACA	İsmail Hakkı YEŞİLYURT
Chairman of the Board of Directors	Head of the Audit Committee	Member of the Audit Committee	Member of the Audit Committee	Chief Executive Officer	Chief Financial Officer	External Reporting Manager

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

Name-Surname: İsmail Hakkı YEŞİLYURT  
Position: External Reporting Manager  
Telephone: 0212 354 12 84  
Facsimile: 0212 354 11 03

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

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

**SECTION ONE**  
**GENERAL INFORMATION**

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

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

The Bank’s subsidiary, which has 100% share, Kuveyt Turkish Participation Bank Dubai Ltd. established at November, 2009. Main field of operations based on law, includes core business is operating in accordance with the principles of interest-free banking as a participation bank by collecting funds through current and profit/loss sharing accounts, and lending such funds to its customers, consulting services, assets management, investment intermediary, investment activities.

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

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

As of 31 December 2014 , 62.32% of the Bank’s shares are owned by Kuwait Finance House located in Kuwait, 18.74% by Vakıflar Genel Müdürlüğü Mazbut Vakıfları, 9.01% by The Public Institution For Social Security in Kuwait and 9.01% by Islamic Development Bank whereas the remaining 0.92% of the shares are owned by other real persons and legal entities.

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

Name	Title	Date of the assignment	Date of assignment to the audit committee	Educational degree	Ownership Percentage
Hamad Abdulmohsen AL MARZOUQ	Chairman of the BOD	25/06/2014		Master	-
Abdullah TIVNİKLİ	Vice Chairman of the BOD	16/05/2001		Master	0.0836%
Dr. Adnan ERTEM	Member of BOD and Chairman of the Audit Committee	22/12/2010	19/10/2010	Doctorate	-
Nadir ALPASLAN	Member of BOD	15/04/2011		Bachelor	-
Khaled Nasser Abdulaziz AL FOUZAN	Member of BOD	02/08/2006		Bachelor	-
Fawaz KH E AL SALEH	Member of BOD	20/10/2006		Bachelor	0.0105%
Mohammad Shujaiddin AHMED	Member of BOD and Member of Audit Committee	17/05/2012	13/11/2013	Bachelor	-
Ufuk UYAN	Member of BOD and General Manager	10/05/1999		Master	0.0556%
Ahmed S. AL Kharji	Member of BOD and Member of Audit Committee	26/03/2014	24/09/2014	Master	-
Ahmet KARACA	Chief Financial Officer	12/07/2006		Master	0.0114%
Ahmet Süleyman KARAKAYA	Executive Vice President, Commercial Banking	14/01/2003		Bachelor	0.0011%
Bilal SAYIN	Executive Vice President, Credits	20/08/2003		Bachelor	0.0035%
İrfan YILMAZ	Chief Operations Officer	27/10/2005		Bachelor	0.0157%
Dr. Ruşen Ahmet ALBAYRAK	Executive Vice President, Corporate & International Banking	05/05/2005		Doctorate	0.0091%
Nurettin KOLAÇ	Executive Vice President, Legal and Risk Follow-up	20/04/2010		Bachelor	0.0007%
Aslan Demir	Executive Vice President, Strategy	08/10/2012		Bachelor	0.0047%
Mehmet ORAL	Executive Vice President, Retail and SME Banking	01/10/2012		Bachelor	0.0029%

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

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

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

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

**IV. Information on qualified shareholders:**

<b>Name / Commercial Name</b>	<b>Share amount (Nominal)</b>	<b>Shareholding percentage</b>	<b>Paid shares (Nominal)</b>	<b>Unpaid shares</b>
Kuwait Finance House	1,425,325	%62.32	1,425,325	-
Vakıflar Genel Müdürlüğü Mazbut Vakıfları	428,671	%18.74	428,671	-
<b>Total</b>	<b>1,853,996</b>	<b>%81.06</b>	<b>1,853,996</b>	<b>-</b>

As of 31 December 2014, the shares of parent shareholder of the Parent Bank, Kuwait Finance House (“KFH”) are 52.14% publicly traded; 24.08% of KFH belongs to Kuwait Investment Authority and 10.48% belongs to Public Authority for Minors Affairs.

**V. Summary information of the Bank’s services and field of operations**

The Parent Bank’s field of operations includes corporate banking, international banking services, and retail banking and credit card services. The Parent Bank’s core business is operating in accordance with the principles of interest-free banking as a participation bank by collecting funds through current and profit/loss sharing accounts, and lending such funds to its customers. As of 31 December 2014, the Group is operating through 308 domestic branches (31 December 2013 – 268) with 5,102 employees (31 December 2013 – 4,651). Summary of some of the Parent Bank’s operations described in the Articles of Association are as follows;

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

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

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

None.

## **SECTION TWO**

### **THE CONSOLIDATED FINANCIAL STATEMENTS**

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



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

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

		Audited Current Period 31.12.2014			Audited Prior Period 31.12.2013			
	Note	TL	FC	Total	TL	FC	Total	
I.	CASH AND BALANCES WITH THE CENTRAL BANK	(I-a)	594,034	5,990,609	6,584,643	398,486	3,915,124	4,313,610
II.	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (Net)	(I-b)	39,666	8,249	47,915	99,320	15,472	114,792
2.1	Held for trading financial assets		39,666	8,249	47,915	99,320	15,472	114,792
2.1.1	Public sector debt securities		-	-	-	-	-	-
2.1.2	Equity securities		-	-	-	-	-	-
2.1.3	Derivative financial assets held for trading		34,867	8,249	43,116	92,304	15,472	107,776
2.1.4	Other marketable securities		4,799	-	4,799	7,016	-	7,016
2.2	Financial assets at fair value through profit and loss		-	-	-	-	-	-
2.2.1	Public sector debt securities		-	-	-	-	-	-
2.2.2	Equity securities		-	-	-	-	-	-
2.2.3	Loans		-	-	-	-	-	-
2.2.4	Other marketable securities		-	-	-	-	-	-
III.	BANKS	(I-c)	42,706	2,633,815	2,676,521	31,267	2,443,070	2,474,337
IV.	MONEY MARKET PLACEMENTS		-	-	-	-	-	-
V.	FINANCIAL ASSETS AVAILABLE FOR SALE (Net)	(I-e)	1,593,418	609,897	2,203,315	1,104,437	219,260	1,323,697
5.1	Equity securities		9,936	44,059	53,995	8,872	42,686	51,558
5.2	Public sector debt securities		1,583,482	289,880	1,873,362	1,092,138	176,574	1,268,712
5.3	Other marketable securities		-	275,958	275,958	3,427	-	3,427
VI.	LOANS AND RECEIVABLES	(I-f)	18,276,411	2,379,883	20,656,294	14,803,658	1,496,568	16,300,226
6.1	Loans and receivables		18,204,434	2,379,883	20,584,317	14,758,165	1,496,568	16,254,733
6.1.1	Loans to risk group of the Bank		38,026	42,222	80,248	30,320	50,572	80,892
6.1.2	Public sector debt securities		-	-	-	-	-	-
6.1.3	Other		18,166,408	2,337,661	20,504,069	14,727,845	1,445,996	16,173,841
6.2	Non-performing loans		481,195	-	481,195	381,676	-	381,676
6.3	Specific provisions (-)		409,218	-	409,218	336,183	-	336,183
VII.	HELD TO MATURITY INVESTMENTS (Net)	(I-g)	-	-	-	-	-	-
VIII.	INVESTMENTS IN ASSOCIATES (Net)	(I-h)	-	-	-	-	-	-
8.1	Accounted for under equity method		-	-	-	-	-	-
8.2	Unconsolidated associates		-	-	-	-	-	-
8.2.1	Financial associates		-	-	-	-	-	-
8.2.2	Non-financial associates		-	-	-	-	-	-
IX.	INVESTMENTS IN SUBSIDIARIES (Net)	(I-i)	22,680	-	22,680	72,853	-	72,853
9.1	Unconsolidated financial subsidiaries		-	-	-	-	-	-
9.2	Unconsolidated non-financial subsidiaries		22,680	-	22,680	72,853	-	72,853
X.	ENTITIES UNDER COMMON CONTROL (JOINT VENT.) (Net)	(I-j)	5,605	-	5,605	5,064	-	5,064
10.1	Accounted for under equity method		5,605	-	5,605	5,064	-	5,064
10.2	Unconsolidated		-	-	-	-	-	-
10.2.1	Financial subsidiaries		-	-	-	-	-	-
10.2.2	Non-financial subsidiaries		-	-	-	-	-	-
XI.	FINANCE LEASE RECEIVABLES	(I-k)	592,059	118,527	710,586	379,139	29,293	408,432
11.1	Finance lease receivables		678,110	125,786	803,896	445,575	29,293	474,868
11.2	Operating lease receivables		-	-	-	-	-	-
11.3	Other		-	-	-	-	-	-
11.4	Unearned income (-)		86,051	7,259	93,310	66,436	-	66,436
XII.	DERIVATIVE FINANCIAL ASSETS FOR HEDGING PURPOSES	(I-l)	-	-	-	-	-	-
12.1	Fair value hedge		-	-	-	-	-	-
12.2	Cash flow hedge		-	-	-	-	-	-
12.3	Hedge of net investment risks in foreign operations		-	-	-	-	-	-
XIII.	TANGIBLE ASSETS (Net)	(I-m)	400,471	1,249	401,720	335,141	627	335,768
XIV.	INTANGIBLE ASSETS (Net)	(I-n)	67,285	2,995	70,280	55,658	40	55,698
14.1	Goodwill		-	-	-	-	-	-
14.2	Other		67,285	2,995	70,280	55,658	40	55,698
XV.	INVESTMENT PROPERTIES (Net)	(I-o)	-	-	-	-	-	-
XVI.	TAX ASSET	(I-p)	50,016	-	50,016	30,953	-	30,953
16.1	Current tax asset		-	-	-	-	-	-
16.2	Deferred tax asset		50,016	-	50,016	30,953	-	30,953
XVII.	ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)	(I-r)	31,316	-	31,316	28,999	-	28,999
17.1	Held for sale		31,316	-	31,316	28,999	-	28,999
17.2	Discontinued operations		-	-	-	-	-	-
XVIII.	OTHER ASSETS	(I-s)	341,864	116,802	458,666	251,905	63,218	315,123
TOTAL ASSETS			22,057,531	11,862,026	33,919,557	17,596,880	8,182,672	25,779,552

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

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

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

			Audited Current period 31.12.2014			Audited Prior Period 31.12.2013		
		Note	TL	FC	Total	TL	FC	Total
I.	FUND COLLECTED	(II-a)	12,140,344	9,971,374	22,111,718	9,326,931	7,699,638	17,026,569
1.1	Funds from risk group of the Bank		130,654	127,789	258,443	128,828	116,361	245,189
1.2	Other		12,009,690	9,843,585	21,853,275	9,198,103	7,583,277	16,781,380
II.	DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	(II-b)	14,088	11,797	25,885	43,664	15,284	58,948
III.	FUNDS BORROWED	(II-c)	8,111	4,396,609	4,404,720	5,793	4,034,732	4,040,525
IV.	MONEY MARKET BALANCES		708,743	-	708,743	221,428	-	221,428
	MARKETABLE SECURITIES ISSUED							
V.	(Net)	(II-d)	208,064	1,979,836	2,187,900	151,562	754,332	905,894
VI.	SUNDRY CREDITORS	(II-e)	121,638	30,953	152,591	110,397	12,109	122,506
VII.	OTHER LIABILITIES	(II-e)	349,924	23,321	373,245	290,282	24,398	314,680
VIII.	FINANCE LEASE PAYABLES	(II-f)	-	331	331	-	1,828	1,828
8.1	Finance lease payables		-	345	345	-	1,878	1,878
8.2	Operating lease payables		-	-	-	-	-	-
8.3	Other		-	-	-	-	-	-
8.4	Deferred finance lease expenses (-)		-	14	14	-	50	50
IX.	DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING PURPOSES	(II-g)	-	-	-	-	-	-
9.1	Fair value hedge		-	-	-	-	-	-
9.2	Cash flow hedge		-	-	-	-	-	-
9.3	Hedge of net investment in foreign operations		-	-	-	-	-	-
X.	PROVISIONS	(II-h)	337,265	63,730	400,995	241,124	69,190	310,314
10.1	General loan loss provisions		200,563	40,213	240,776	142,814	31,437	174,251
10.2	Restructuring provisions		-	-	-	-	-	-
10.3	Reserve for employee benefits		92,807	264	93,071	66,362	703	67,065
10.4	Insurance technical reserves (net)		-	-	-	-	-	-
10.5	Other provisions		43,895	23,253	67,148	31,948	37,050	68,998
XI.	TAX LIABILITY	(II-i)	32,317	-	32,317	20,096	-	20,096
11.1	Current tax liability		32,317	-	32,317	20,096	-	20,096
11.2	Deferred tax liability		-	-	-	-	-	-
XII.	PAYABLES RELATED TO ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)	(II-j)	-	-	-	-	-	-
12.1	Held for sale		-	-	-	-	-	-
12.2	Discontinued operations		-	-	-	-	-	-
XIII.	SUBORDINATED LOANS	(II-k)	-	464,592	464,592	-	433,080	433,080
XIV.	SHAREHOLDERS' EQUITY	(II-l)	3,041,396	15,124	3,056,520	2,320,631	3,053	2,323,684
14.1	Paid-in capital		2,287,005	-	2,287,005	1,700,000	-	1,700,000
14.2	Capital reserves		27,817	340	28,157	17,712	(4,713)	12,999
14.2.1	Share premium		24,525	-	24,525	23,250	-	23,250
14.2.2	Share cancellation profits		-	-	-	-	-	-
14.2.3	Marketable securities revaluation reserve		20,729	340	21,069	6,738	(4,713)	2,025
14.2.4	Tangible assets revaluation reserve		-	-	-	-	-	-
14.2.5	Intangible assets revaluation reserve		-	-	-	-	-	-
14.2.6	Investment property revaluation reserve		-	-	-	-	-	-
	Bonus shares obtained from associates, subsidiaries and jointly controlled entities		-	-	-	-	-	-
14.2.7	Hedging funds (effective portion)		-	-	-	-	-	-
14.2.8	Value increase on assets held for resale		-	-	-	-	-	-
14.2.9	Other capital reserves		(17,437)	-	(17,437)	(12,276)	-	(12,276)
14.3	Profit reserves		360,816	-	360,816	303,422	-	303,422
14.3.1	Legal reserves		77,869	-	77,869	60,800	-	60,800
14.3.2	Status reserves		-	-	-	-	-	-
14.3.3	Extraordinary reserves		208,951	-	208,951	203,396	-	203,396
14.3.4	Other profit reserves		73,996	-	73,996	39,226	-	39,226
14.4	Profit or loss		353,390	14,784	368,174	299,497	7,766	307,263
14.4.1	Prior period income/(losses)		(14,908)	7,766	(7,142)	(2,591)	1,931	(660)
14.4.2	Current period income/(losses)		368,298	7,018	375,316	302,088	5,835	307,923
14.5	Minority shares	(II-m)	12,368	-	12,368	-	-	-
TOTAL LIABILITIES AND EQUITY			16,961,890	16,957,667	33,919,557	12,731,908	13,047,644	25,779,552

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

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

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

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

	Note	Audited Current period 31.12.2014			Audited Prior period 31.12.2013		
		TL	FC	Total	TL	FC	Total
<b>A. OFF BALANCE SHEET CONTINGENCIES AND COMMITMENTS (I+II+III)</b>		<b>38,792,854</b>	<b>10,502,775</b>	<b>49,295,629</b>	<b>31,917,151</b>	<b>10,745,004</b>	<b>42,662,155</b>
<b>I. GUARANTEES (III-a)</b>		<b>4,271,750</b>	<b>3,976,962</b>	<b>8,248,712</b>	<b>4,093,800</b>	<b>4,578,547</b>	<b>8,672,347</b>
1.1 Letters of guarantees		4,253,308	2,640,164	6,893,972	4,075,558	3,051,522	7,127,080
1.1.1 Guarantees subject to state tender law		106,391	2,329	108,720	174,507	2,154	176,661
1.1.2 Guarantees given for foreign trade operations		983,511	364,016	1,347,527	179,860	33,000	212,860
1.1.3 Other letters of guarantee		3,163,906	2,273,819	5,437,725	3,721,191	3,016,368	6,737,559
1.2 Bank loans		4,033	55,757	59,790	1,096	56,491	57,587
1.2.1 Import letter of acceptances		4,033	55,757	59,790	1,096	56,491	57,587
1.2.2 Other bank acceptances		-	-	-	-	-	-
1.3 Letter of credits		1,220	921,310	922,530	627	1,216,650	1,217,277
1.3.1 Documentary letter of credits		227	357,189	357,416	227	526,708	526,935
1.3.2 Other letter of credits		993	564,121	565,114	400	689,942	690,342
1.4 Pre-financing given as guarantee		-	17,183	17,183	-	17,321	17,321
1.5 Endorsements		-	-	-	-	-	-
1.5.1 Endorsements to the Central Bank of Republic of Turkey		-	-	-	-	-	-
1.5.2 Other endorsements		-	-	-	-	-	-
1.6 Other guarantees		12,689	342,548	355,237	16,519	236,563	253,082
1.7 Other collaterals		-	-	-	-	-	-
<b>II. COMMITMENTS (III-a)</b>		<b>31,156,909</b>	<b>752,846</b>	<b>31,909,755</b>	<b>23,674,249</b>	<b>794,002</b>	<b>24,468,251</b>
2.1 Irrevocable commitments		1,846,773	752,846	2,599,619	1,640,636	794,002	2,434,638
2.1.1 Forward asset purchase commitments		272,742	752,846	1,025,588	302,327	794,002	1,096,329
2.1.2 Share capital commitment to associates and subsidiaries		-	-	-	-	-	-
2.1.3 Loan granting commitments		104,813	-	104,813	41,181	-	41,181
2.1.4 Securities underwriting commitments		-	-	-	-	-	-
2.1.5 Commitments for reserve deposit requirements		-	-	-	-	-	-
2.1.6 Payment commitment for checks		876,101	-	876,101	824,093	-	824,093
2.1.7 Tax and fund liabilities from export commitments		99	-	99	106	-	106
2.1.8 Commitments for credit card expenditure limits		575,870	-	575,870	449,872	-	449,872
2.1.9 Commitments for promotions related with credit cards and banking activities		-	-	-	-	-	-
2.1.10 Receivables from short sale commitments		-	-	-	-	-	-
2.1.11 Payables for short sale commitments		-	-	-	-	-	-
2.1.12 Other irrevocable commitments		17,148	-	17,148	23,057	-	23,057
2.2 Revocable commitments		29,310,136	-	29,310,136	22,033,613	-	22,033,613
2.2.1 Revocable loan granting commitments		29,310,136	-	29,310,136	22,033,613	-	22,033,613
2.2.2 Other revocable commitments		-	-	-	-	-	-
<b>III. DERIVATIVE FINANCIAL INSTRUMENTS (III-b)</b>		<b>3,364,195</b>	<b>5,772,967</b>	<b>9,137,162</b>	<b>4,149,102</b>	<b>5,372,455</b>	<b>9,521,557</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		3,364,195	5,772,967	9,137,162	4,149,102	5,372,455	9,521,557
3.2.1 Forward foreign currency buy/sell transactions		3,361,606	4,882,317	8,243,923	4,139,512	5,208,626	9,348,138
3.2.1.1 Forward foreign currency transactions-buy		1,968,763	2,443,992	4,412,755	2,324,327	2,340,715	4,665,042
3.2.1.2 Forward foreign currency transactions-sell		1,392,843	2,438,325	3,831,168	1,815,185	2,867,911	4,683,096
3.2.2 Other forward buy/sell transactions		2,589	890,650	893,239	9,590	163,829	173,419
3.3 Other		-	-	-	-	-	-
<b>B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)</b>		<b>129,010,642</b>	<b>73,881,498</b>	<b>202,892,140</b>	<b>87,086,723</b>	<b>68,887,686</b>	<b>155,974,409</b>
<b>IV. ITEMS HELD IN CUSTODY</b>		<b>4,547,108</b>	<b>1,069,432</b>	<b>5,616,540</b>	<b>3,785,834</b>	<b>673,347</b>	<b>4,459,181</b>
4.1 Assets under management		-	-	-	-	-	-
4.2 Investment securities held in custody		-	-	-	44,848	-	44,848
4.3 Checks received for collection		3,902,750	433,156	4,335,906	3,279,385	400,775	3,680,160
4.4 Commercial notes received for collection		644,358	95,817	740,175	461,601	91,583	553,184
4.5 Other assets received for collection		-	-	-	-	-	-
4.6 Assets received for public offering		-	-	-	-	-	-
4.7 Other items under custody		-	-	-	-	-	-
4.8 Custodians		-	540,459	540,459	-	180,989	180,989
<b>V. PLEDGED ITEMS</b>		<b>124,451,895</b>	<b>72,784,734</b>	<b>197,236,629</b>	<b>83,289,213</b>	<b>68,188,947</b>	<b>151,478,160</b>
5.1 Marketable securities		287,604	22,609	310,213	204,398	30,619	235,017
5.2 Guarantee notes		102,015	938,496	1,040,511	102,015	865,325	967,340
5.3 Commodity		2,784,623	241,539	3,026,162	2,539,780	224,442	2,764,222
5.4 Warranty		-	-	-	-	-	-
5.5 Properties		56,170,230	531,266	56,701,496	38,528,360	644,430	39,172,790
5.6 Other pledged items		65,107,423	71,050,824	136,158,247	41,914,660	66,424,131	108,338,791
5.7 Pledged items-depository		-	-	-	-	-	-
<b>VI. ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES</b>		<b>11,639</b>	<b>27,332</b>	<b>38,971</b>	<b>11,676</b>	<b>25,392</b>	<b>37,068</b>
<b>TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)</b>		<b>167,803,496</b>	<b>84,384,273</b>	<b>252,187,769</b>	<b>119,003,874</b>	<b>79,632,690</b>	<b>198,636,564</b>

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

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

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

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

			Current Period Audited 01.01 – 31.12.2014	Prior Period Audited 01.01- 31.12.2013
		Note		
<b>I.</b>	<b>PROFIT SHARE INCOME</b>	<b>(IV-a)</b>	<b>2,038,140</b>	<b>1,450,218</b>
1.1	Profit share on loans		1,822,819	1,333,523
1.2	Profit share on reserve deposits		275	-
1.3	Profit share on banks		17,147	10,116
1.4	Profit share on money market placements		-	-
1.5	Profit share on marketable securities portfolio		130,875	60,880
1.5.1	Held-for-trading financial assets		361	-
1.5.2	Financial assets at fair value through profit and loss		-	-
1.5.3	Available-for-sale financial assets		130,514	60,880
1.5.4	Investments held-to-maturity		-	-
1.6	Finance lease income		45,668	24,139
1.7	Other profit share income		21,356	21,560
<b>II.</b>	<b>PROFIT SHARE EXPENSE</b>	<b>(IV-b)</b>	<b>882,851</b>	<b>610,736</b>
2.1	Expense on profit sharing accounts	<b>(IV-d)</b>	642,259	447,306
2.2	Profit share expense on funds borrowed		113,634	111,335
2.3	Profit share expense on money market borrowings		33,277	10,356
2.4	Expense on securities issued		92,537	41,739
2.5	Other profit share expense		1,144	-
<b>III.</b>	<b>NET PROFIT SHARE INCOME (I - II)</b>		<b>1,155,289</b>	<b>839,482</b>
<b>IV.</b>	<b>NET FEES AND COMMISSIONS INCOME/EXPENSE</b>		<b>133,218</b>	<b>115,668</b>
4.1	Fees and commissions received		231,825	192,855
4.1.1	Non-cash loans		74,754	70,977
4.1.2	Other	<b>(IV-l)</b>	157,071	121,878
4.2	Fees and commissions paid		98,607	77,187
4.2.1	Non-cash loans		169	197
4.2.2	Other	<b>(IV-l)</b>	98,438	76,990
<b>V.</b>	<b>DIVIDEND INCOME</b>	<b>(IV-c)</b>	-	-
<b>VI.</b>	<b>NET TRADING INCOME</b>	<b>(IV-e)</b>	<b>147,655</b>	<b>172,251</b>
6.1	Capital market transaction gains / (losses)		66	(1,647)
6.2	Gains/ (losses) from derivative financial instruments		27,697	40,847
6.3	Foreign exchange gains / (losses)		119,892	133,051
<b>VII.</b>	<b>OTHER OPERATING INCOME</b>	<b>(IV-f)</b>	<b>112,119</b>	<b>110,508</b>
<b>VIII.</b>	<b>NET OPERATING INCOME (III+IV+V+VI+VII)</b>		<b>1,548,281</b>	<b>1,237,909</b>
	<b>PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES</b>	<b>(IV-g)</b>		
<b>IX.</b>	<b>(-)</b>		<b>273,856</b>	<b>244,853</b>
<b>X.</b>	<b>OTHER OPERATING EXPENSES (-)</b>	<b>(IV-h)</b>	<b>802,785</b>	<b>615,830</b>
<b>XI.</b>	<b>NET OPERATING INCOME/(LOSS) (VIII-IX-X)</b>		<b>471,640</b>	<b>377,226</b>
<b>XII.</b>	<b>AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER</b>		-	-
<b>XIII.</b>	<b>GAIN / (LOSS) ON EQUITY METHOD</b>		<b>(4,459)</b>	<b>(436)</b>
<b>XIV.</b>	<b>GAIN / (LOSS) ON NET MONETARY POSITION</b>		-	-
	<b>PROFIT/(LOSS) FROM CONTINUED OPERATIONS BEFORE</b>	<b>(IV-i)</b>		
<b>XV.</b>	<b>TAXES (XI+...+XIV)</b>		<b>467,181</b>	<b>376,790</b>
<b>XVI.</b>	<b>TAX CHARGE FOR CONTINUED OPERATIONS (±)</b>	<b>(IV-j)</b>	<b>(92,293)</b>	<b>(68,867)</b>
16.1	Current income tax charge		(114,826)	(73,152)
16.2	Deferred tax charge / benefit		22,533	4,285
	<b>NET PROFIT/(LOSS) FROM CONTINUED OPERATIONS</b>	<b>(IV-k)</b>		
<b>XVII.</b>	<b>(XV±XVI)</b>		<b>374,888</b>	<b>307,923</b>
<b>XVIII.</b>	<b>INCOME ON DISCONTINUED OPERATIONS</b>	<b>(IV-i)</b>	-	-
18.1	Income on assets held for sale		-	-
	Income on sale of associates, subsidiaries and jointly controlled entities		-	-
18.2	(joint vent.)		-	-
18.3	Income on other discontinued operations		-	-
<b>XIX.</b>	<b>LOSS FROM DISCONTINUED OPERATIONS (-)</b>		-	-
19.1	Loss from assets held for sale		-	-
	Loss on sale of associates, subsidiaries and jointly controlled entities		-	-
19.2	(joint vent.)		-	-
19.3	Loss from other discontinued operations		-	-
	<b>PROFIT / (LOSS) ON DISCONTINUED OPERATIONS BEFORE</b>	<b>(IV-i)</b>		
<b>XX.</b>	<b>TAXES (XVIII-XIX)</b>		-	-
<b>XXI.</b>	<b>TAX CHARGE FOR DISCONTINUED OPERATIONS (±)</b>	<b>(IV-j)</b>	-	-
21.1	Current income tax charge		-	-
21.2	Deferred tax charge / benefit		-	-
	<b>NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS</b>	<b>(IV-k)</b>		
<b>XXII.</b>	<b>(XX±XXI)</b>		-	-
<b>XXIII.</b>	<b>NET PROFIT/LOSS (XVII+XXII)</b>	<b>(IV-l)</b>	<b>374,888</b>	<b>307,923</b>
23.1	Group's income/loss		375,316	307,923
23.2	Minority interest income/loss (-)		(428)	-
	Earnings per share income/loss (full TL)		-	-

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

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

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

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

	Audited Current Period 01.01-31.12.2014	Audited Prior Period 01.01-31.12.2013
I. Additions to marketable securities revaluation differences from available for sale financial assets	23,805	(13,978)
II. Tangible assets revaluation differences	-	-
III. Intangible assets revaluation differences	-	-
IV. Currency translation differences for foreign currency transactions	7,568	11,329
V. Profit/loss from derivative financial instruments for cash flow hedge purposes (effective portion of fair value differences)	-	-
VI. Profit/loss from derivative financial instruments for hedge of net investment in foreign operations (effective portion of fair value differences)	-	-
VII. The effect of corrections of errors and changes in accounting policies	-	-
VIII. Other profit loss items accounted under equity as per Turkish accounting standards	(6,452)	(15,345)
IX. Deferred tax on valuation differences	(3,470)	5,864
X. Total net profit/loss accounted under equity (I+II+...+IX)	21,451	(12,130)
XI. Profit/loss	-	-
XI.1 Change in fair value of marketable securities (transfer to profit/loss)	-	-
XI.2 Reclassification of derivatives accounted for cash flow hedge purposes to income statement	-	-
XI.3 Reclassification of hedge of net investments in foreign operations to income statement	-	-
XI.4 Other	-	-
XII. Total profit/loss accounted for the period (X±XI)	21,451	(12,130)

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

# KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ

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

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

### V. CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Reviewed	Note	Paid-in capital	Effect of inflation accounting on paid-in capital and other capital reserves	Share Premium	Share certificate cancellation profits	Legal reserves	Statutory Reserves	Extraordinary reserve	Other reserve	Current period net income / (loss)	Prior period net income / (loss)	Marketable securities evaluation reserve	Intangible and intangible assets revaluation fund	Bonus shares from investments	Hedging reserves	Asset held for sale and disc.op. valuation fund	Total excluding minority interest	Minority interest	Total equity
Prior Period – (01.01-31.12.2013)																			
I.	Beginning balance 31.12.2012	1,100,000	-	23,250	-	46,405	-	246,279	8,125	-	249,495	13,208	-	-	-	-	1,686,762	-	1,686,762
II.	Corrections concerning TAS 8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1	Effect of Errors Corrected	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2	Effect of Changes in Accounting Policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	New Balance (I-II)	1,100,000	-	23,250	-	46,405	-	246,279	8,125	-	249,495	13,208	-	-	-	-	1,686,762	-	1,686,762
IV.	Changes in period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V.	Increase/decrease related to merger	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.	Marketable securities revaluation differences	-	-	-	-	-	-	-	-	-	-	(11,183)	-	-	-	-	(11,183)	-	(11,183)
VI.	Hedging funds (effective portion)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6.1	Cash-flow hedge	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6.2	Hedge of net investment in foreign operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Tangible assets revaluation differences	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Intangible assets revaluation differences	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	Bonus shares obtained from associates, subsidiaries and jointly controlled operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Foreign exchange differences	-	-	-	-	-	-	-	11,329	-	-	-	-	-	-	-	11,329	-	11,329
XI.	Changes related to the disposal of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII.	Changes related to the reclassification of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII.	The effect of change in associate's equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV.	Capital increase	(II-k)	600,000	-	-	-	-	(188,491)	(1,509)	-	(50,000)	-	-	-	-	-	360,000	-	360,000
14.1	Cash		360,000	-	-	-	-	-	-	-	-	-	-	-	-	-	360,000	-	360,000
14.2	Internal sources (*)	(II-k)	240,000	-	-	-	-	(188,491)	(1,509)	-	(50,000)	-	-	-	-	-	-	-	-
XV.	Share issue premium		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.	Share cancellation profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII.	Inflation adjustment to paid-in capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVIII.	Other (**)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIX.	Net income/(loss) for the period		-	-	-	-	-	-	(12,276)	-	-	-	-	-	-	-	(12,276)	-	(12,276)
XX.	Profit distribution (*)		-	-	-	-	-	-	-	307,923	-	-	-	-	-	-	307,923	-	307,923
20.1	Dividends distributed	(V-b)	-	-	-	-	14,395	145,608	21,281	-	(200,155)	-	-	-	-	-	(18,871)	-	(18,871)
20.2	Transfers to reserves		-	-	-	-	14,395	145,608	21,281	-	(181,284)	-	-	-	-	-	(18,871)	-	(18,871)
20.3	Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing balance (I+II+III+...+XVI+XVII+XX)		1,700,000	-	23,250	-	60,800	-	203,396	26,950	307,923	(660)	2,025	-	-	-	-	2,323,684	-	2,323,684

(\*)With the decision taken in the Ordinary General Assembly Meeting held on 28 March 2013, after the deduction of financial obligations from the net profit of the year 2012, the remaining net profit for the period amounting to TL 250,156 are classified as; extraordinary reserves amounting to TL 145,608, legal reserves amounting to TL 14,395 including first legal reserves amounting to TL 12,508 and II. legal reserves amounting to TL 1,887; dividends paid to shareholders and members of the Board of Directors amounting to TL 18,872 and other reserves amounting to TL 21,281 and non cash capital increase amounting to TL 50,000.

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

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

# KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ

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

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

### V. CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Audited	Note	Paid-in capital	Effect of inflation accounting on paid-in capital and other capital reserves	Share Premium	Share certificate cancellation profits	Legal reserves	Statutory Reserves	Extraordinary reserve	Other reserve	Current period net income / (loss)	Prior period net income / (loss)	Marketable securities revaluation reserve	Tangible and intangible asset revaluation fund	Bonus shares from investments	Hedging reserves	Asset held for sale and disc.op. valuation fund	Total excluding minority interest	Minority interest	Total equity
Current Period (01.01-31.12.2014)																			
I.	Beginning balance	1,700,000	-	23,250	-	60,800	-	203,396	26,950	-	307,263	2,025	-	-	-	-	2,323,684	-	2,323,684
	Changes in period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
II.	Increase/decrease related to merger	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	Marketable securities revaluation differences	-	-	-	-	-	-	-	-	-	-	19,044	-	-	-	-	19,044	-	19,044
IV.	Hedging funds (effective portion)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.1	Cash-flow hedge	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.2	Hedge of net investment in foreign operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V.	Tangible assets revaluation differences	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.	Intangible assets revaluation differences	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Bonus shares obtained from associates, subsidiaries and jointly controlled operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Foreign exchange differences	-	-	-	-	-	-	-	7,568	-	-	-	-	-	-	-	7,568	-	7,568
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	-	-	1,275	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII.	Capital increase	(II-k)	590,000	-	-	-	-	-	-	-	(14,062)	-	-	-	-	-	(12,787)	12,796	9
12.1	Cash	-	360,000	-	-	-	-	-	-	-	(230,000)	-	-	-	-	-	360,000	-	360,000
12.2	Internal sources	(II-k)	230,000	-	-	-	-	-	-	-	-	(230,000)	-	-	-	-	360,000	-	360,000
XIII.	Share issue premium	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV.	Share cancellation profits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV.	Inflation adjustment to paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.	Other (**)	-	(2,995)	-	-	-	-	-	(5,161)	-	-	-	-	-	-	-	(8,156)	-	(8,156)
XVII.	Net income/(loss) for the period	-	-	-	-	-	-	-	-	375,316	-	-	-	-	-	-	375,316	(428)	374,888
XVIII.	Profit distribution (*)	-	-	-	-	17,069	-	5,555	27,202	-	(70,343)	-	-	-	-	-	(20,517)	-	(20,517)
18.1	Dividends distributed	(V-b)	-	-	-	-	-	-	-	-	(20,517)	-	-	-	-	-	(20,517)	-	(20,517)
18.2	Transfers to reserves	-	-	-	-	17,069	-	5,555	27,202	-	(49,826)	-	-	-	-	-	-	-	-
18.3	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing balance																			
	(I+II+III+...+XVI+XVII+XVIII)	(II-k)	2,287,005	-	24,525	-	77,869	-	208,951	56,559	375,316	(7,142)	21,069	-	-	-	3,044,152	12,368	3,056,520

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

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

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

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**CONSOLIDATED CASH FLOWS STATEMENT**  
**FOR THE PERIOD ENDED 31 DECEMBER 2014**

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

**VI. CONSOLIDATED CASH FLOWS STATEMENT**

		Audited	Audited
		Current period	Prior Period
	Note	01.01-31.12.2014	01.01-31.12.2013
<b>A.</b>	<b>CASH FLOWS FROM BANKING OPERATIONS</b>		
<b>1.1</b>	<b>Operating profit before changes in operating assets and liabilities</b>	<b>548,500</b>	<b>465,180</b>
1.1.1	Profit share income received	1,927,300	1,405,256
1.1.2	Profit share expense paid	(888,411)	(598,803)
1.1.3	Dividend received	-	-
1.1.4	Fees and commissions received	233,063	165,217
1.1.5	Other income	216,043	68,204
1.1.6	Collections from previously written off loans	27,600	44,077
1.1.7	Payments to personnel and service suppliers	(621,103)	(461,408)
1.1.8	Taxes paid	(131,118)	(96,443)
1.1.9	Others	(214,874)	(60,920)
<b>1.2</b>	<b>Changes in operating assets and liabilities</b>	<b>(2,223,717)</b>	<b>1,026,354</b>
1.2.1	Net (increase) decrease held for trading financial assets	2,218	2,711
1.2.2	Net (increase) decrease in financial assets at fair value through profit or loss	-	-
1.2.3	Net (increase) decrease in due from banks and other financial institutions	(3,432,495)	(747,427)
1.2.4	Net (increase) decrease in loans	(4,775,797)	(4,260,200)
1.2.5	Net (increase) decrease in other assets	(56,726)	748
1.2.6	Net increase (decrease) in bank deposits	(94,939)	429,953
1.2.7	Net increase (decrease) in other deposits	5,187,081	3,818,558
1.2.8	Net increase (decrease) in funds borrowed	363,135	1,636,839
1.2.9	Net increase (decrease) in due payables	-	-
1.2.10	Net increase (decrease) in other liabilities	583,806	145,172
<b>I.</b>	<b>Net cash provided from / (used in) banking operations</b>	<b>(1,675,217)</b>	<b>1,491,534</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>(941,228)</b>	<b>(895,680)</b>
2.1	Cash paid for purchase jointly controlled operations, associates and subsidiaries	(5,000)	(5,500)
2.2	Cash obtained from sale of jointly controlled operations, associates and subsidiaries	-	-
2.3	Fixed assets purchases	(I-m) (244,278)	(167,683)
2.4	Fixed assets sales	159,904	20,830
2.5	Cash paid for purchase of financial assets available for sale	(1,219,862)	(767,822)
2.6	Cash obtained from sale of financial assets available for sale	382,820	-
2.7	Cash paid for purchase of investment securities	-	-
2.8	Cash obtained from sale of investment securities	-	-
2.9	Other	(14,812)	24,495
<b>C.</b>	<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
<b>III.</b>	<b>Net cash provided from / (used in) financing activities</b>	<b>1,617,126</b>	<b>491,129</b>
3.1	Cash obtained from funds borrowed and securities issued	1,481,624	150,000
3.2	Cash used for repayment of funds borrowed and securities issued	(200,000)	-
3.3	Capital increase	357,005	360,000
3.4	Dividends paid	(20,517)	(18,871)
3.5	Payments for finance leases	(986)	-
3.6	Other	-	-
<b>IV.</b>	<b>Effect of change in foreign exchange rate on cash and cash equivalents</b>	<b>(V-c) 17,076</b>	<b>69,005</b>
<b>V.</b>	<b>Net increase (decrease) in cash and cash equivalents (I + II + III + IV)</b>	<b>(982,243)</b>	<b>1,155,988</b>
<b>VI.</b>	<b>Cash and cash equivalents at the beginning of the period</b>	<b>(V-a) 2,987,060</b>	<b>1,831,072</b>
<b>VII.</b>	<b>Cash and cash equivalents at the end of the period</b>	<b>(V-a) 2,004,817</b>	<b>2,987,060</b>

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



**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**CONSOLIDATED STATEMENT OF PROFIT DISTRIBUTION**  
**FOR THE PERIOD ENDED 31 DECEMBER 2014**

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

**VII. CONSOLIDATED STATEMENT OF PROFIT DISTRIBUTION**

	Current period 01.01- 31.12.2014 (*)	Prior period 01.01-31.12.2013
<b>I. Distribution of current year profit (****)</b>		
1.1. Current period profit	462,739	369,210
1.2. Taxes and legal duties payable (-)	92,289	68,867
1.2.1. Corporate tax (income tax)	114,822	73,152
1.2.2. Withholding tax	-	-
1.2.3 Other taxes and duties (**)	(22,533)	(4,285)
<b>A. Net profit for the period (1.1-1.2) (Not V-I-17-c)</b>	<b>370,450</b>	<b>300,343</b>
1.3. Accumulated losses (-)	-	-
1.4. First legal reserves (-)	-	15,017
1.5. Other statutory reserves (-)	-	-
<b>B.Net profit available for distribution [(A-(1.3+1.4+1.5)]</b>	<b>-</b>	<b>285,326</b>
1.6. First dividend to shareholders (-)	-	18,000
1.6.1. To owners of ordinary shares	-	18,000
1.6.2. To owners of privileged shares	-	-
1.6.3. To owners of redeemed shares	-	-
1.6.4. To profit sharing bonds	-	-
1.6.5. To holders of profit and loss sharing certificates	-	-
1.7. Dividends to personnel(-)	-	-
1.8. Dividends to board of directors (-)	-	2,517
1.9. Second dividend to shareholders (-)	-	-
1.9.1. To owners of ordinary shares	-	-
1.9.2. To owners of privileged shares	-	-
1.9.3. To owners of redeemed shares	-	-
1.9.4. To profit sharing bonds	-	-
1.9.5. To holders of profit and loss sharing certificates	-	-
1.10. Second legal reserves (-)	-	2,052
1.11. Status reserves (-)	-	-
1.12. Extra ordinary reserves	-	234,648
1.13. Other reserves	-	28,109
1.14. Special funds	-	-
<b>II. Distribution of reserves</b>		
2.1. Appropriated reserves	-	-
2.2. Second legal reserves (-)	-	-
2.3. Dividends to shareholders (-)	-	-
2.3.1. To owners of ordinary shares	-	-
2.3.2. To owners of privileged shares	-	-
2.3.3. To owners of redeemed shares	-	-
2.3.4. To profit sharing bonds	-	-
2.3.5. To holders of profit and loss sharing certificates	-	-
2.4. Dividends to personnel (-)	-	-
2.5. Dividends to board of directors (-)	-	-
<b>III. Earnings per share</b>		
3.1. To owners of ordinary shares	-	-
3.2 To owners of ordinary shares (%)	-	-
3.3. To owners of privileged shares	-	-
3.4. To owners of privileged shares (%)	-	-
<b>IV. Dividend per share</b>		
4.1. To owners of ordinary shares	-	0.013
4.2. To owners of ordinary shares (%)	-	1.274
4.3. To owners of privileged shares	-	-
4.4. To owners of privileged shares (%)	-	-

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

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

(\*\*\*) Capital increase amounting TL 230,000 is realized from internal sources in 2014 with the General Assembly Meeting decision on 27 March 2014. TL 229,093 of this amount is provided from net profit of 2013.

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

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

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

**SECTION THREE**  
**ACCOUNTING PRINCIPLES**

**I. Explanations on basis of presentation**

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

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

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

**b. Classifications**

The Bank has classified TL 29,960 amount of loans granted to banks, presented under Bank, to “Loans and receivables” as of 31 December 2014 in order to be in consistent with the current period presentation.

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

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

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

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

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

**I. Explanations on basis of presentation (continue)**

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

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

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

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

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

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

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

**III. Information about the Parent Bank and its Consolidated Subsidiaries**

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

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

Description	Address (City/Country)	Principal Activity	31 December 2014	31 December 2013	Consolidation Method
Kuwait Turkish Participation Bank Dubai Ltd.	Dubai/United Arab Emirates	Bank	100%	99.99%	Full consolidation
KT Sukuk Varlık Kiralama A.Ş.	İstanbul/Turkey	Financial Institution	100%	100%	Full consolidation
KT Kira Sertifikaları Varlık Kiralama A.Ş.	İstanbul/ Turkey	Financial Institution	100%	100%	Full consolidation
Körfez Gayrimenkul Yatırım Ortaklığı A.Ş. (*)	İstanbul/ Turkey	Financial Institution	75%	100%	Full consolidation
Katılım Emeklilik ve Hayat A.Ş.	İstanbul/ Turkey	Financial Institution	50%	50%	Accounted for under equity method

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

Consolidation principles of subsidiaries:

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

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

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

**III. Information about the consolidated subsidiaries (continued)**

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

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

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

The special purpose entity, Kuveyt Turk Sukuk Limited was established at 24 August 2010 which is not a subsidiary of the Bank. Since the Bank has 100% control power on the subsidiary and it was be liquidation process as of 27 March 2014.

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

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

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

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

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

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

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

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

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

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

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

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

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

**VII. Explanations on financial assets**

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

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

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

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

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

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

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

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

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

**c. Loans and receivables:**

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

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

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

**VII. Explanations on financial assets (continued)**

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

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

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

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

**i) Loans and receivables:**

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

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

**ii) Financial assets held to maturity:**

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

**iii) Financial assets available for sale:**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

There is no goodwill related to associates and subsidiaries.

**XIII. Explanations on tangible assets**

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

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

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

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

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

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

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

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

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

**XIV. Explanations on leasing transactions**

*Bank as a lessee*

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

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

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

*Bank as a lessor*

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



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

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

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

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

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

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

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

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

**a) Defined benefit plans:**

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

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

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

**b) Defined contribution plans:**

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

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

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

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

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

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

**XVII. Explanations on taxation**

***Current tax***

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

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

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

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

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

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

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

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

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

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

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

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

**XVII. Explanations on taxation (continued)**

***Deferred tax***

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

**XVIII. Explanations on additional disclosures on borrowings**

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

There are no debt securities issued by the Group.

The Group has not issued convertible bonds.

***Borrowing through the rent certificates (Sukuk)***

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

In accordance with the letter received from BRSA, numbered B.02.1.BDK.0.06.00.00-045.01(3/8)-5397 and dated 13 March 2012 this transaction is accounted for as “sale and lease back” transaction in accordance with “TAS 17”. As a consequence of this accounting treatment, the net book value of the real estate property transferred and leased back increased from TL 61,195 to TL 248,734. The difference of TL 187,539 between the net book value of TL 61,195 before the aforementioned transaction and the net book value of TL 248,734 after the aforementioned transaction will be recognized as income in 5 years using the effective interest method and accounted for as deferred income under other liabilities. Current period TL 36,507 of the aforementioned deferred income is recognized as income in the income statement (31 December 2013 - TL27,587). The difference accounted as tangible assets mentioned above, will be recognized as expense by accounting under “other expenses” in the income statement during the period of lease.

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

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

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

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

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

**XIX. Explanations on share certificates issued**

The difference between the sales price and the net carrying value before the sale amounting to TL 97,554 (31 December 2013: TL 136,245) of the real estate property concerning rent certificate is eliminated from “Tangible Assets”, deferred income amounting to TL 99,319 (31 December 2013: TL 135,826) is eliminated from “Other Liabilities”, current period PL effect of deferred income from real estate property amounting to TL 36,507 (31 December 2013: 27,587) and amortization expense based on the revaluation of property amounting to TL 2,185 (31 December 2013: 2,185) and fixed asset impairment amounting to TL 34,323 (31 December 2013: TL 25,402) is eliminated from other operating expenses.

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

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

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

**XXI. Explanations on government grants**

There are no government grants received by the Group.

**XXII. Explanations on segment reporting**

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

Segment reporting is disclosed in Section Four, Note X.

**XXIII. Explanations on other matters**

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

**XXIV. Additional paragraph for convenience translation**

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

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

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

**SECTION FOUR**

**INFORMATION ON FINANCIAL STRUCTURE**

**I. Explanations on consolidated capital adequacy standard ratio**

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

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

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

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

Based on the Communiqué concerning “Measurement and Assessment of Capital Adequacy of Banks”, the capital adequacy ratio of the Bank is 15.21% (31 December 2013: 14.43%).

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

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

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

**Information for capital adequacy standard ratio:**

Current Period	Risk Weights (*)								
Consolidated	0%	10%	20%	50%	75%	100%	150%	200%	250%
<b>Value at Credit Risk</b>	-	-	309,918	4,734,088	2,765,218	11,710,610	129,443	210,198	10,065
<b>Exposure Categories</b>	7,129,751	-	1,549,592	9,468,175	3,686,958	11,710,610	86,295	105,099	4,026
Conditional and unconditional receivables from central governments or central banks	4,582,025	-	-	7	-	-	-	-	-
Conditional and unconditional receivables from regional or local governments	-	-	-	-	-	-	-	-	-
Conditional and unconditional receivables from administrative units and non-commercial enterprises	-	-	-	-	-	-	-	-	-
Conditional and unconditional receivables from multilateral development banks	-	-	-	-	-	-	-	-	-
Conditional and unconditional receivables from international organizations	-	-	-	-	-	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	42,160	-	1,466,510	1,676,210	-	449,366	-	-	-
Conditional and unconditional receivables from corporates	301,845	-	-	-	-	8,884,040	-	-	-
Conditional and unconditional retail receivables	123,163	-	-	-	3,686,958	4,743	-	-	-
Conditional and unconditional receivables secured by mortgages	32,250	-	-	7,781,138	-	1,410,080	-	-	-
Past due receivables	8	-	-	10,820	-	20,849	-	-	-
Receivables defined in high risk category by BRSA	154	-	-	-	-	-	86,295	105,099	4,026
Securities collateralized by mortgages	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-
Short-term receivables from banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-
Investments similar to collective investment funds	-	-	-	-	-	-	-	-	-
Other receivables	2,048,146	-	83,082	-	-	941,532	-	-	-

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

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

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

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

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

**Information for capital adequacy standard ratio: (continued)**

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

  

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

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

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

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

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

	Parent Bank	Consolidated	Parent Bank	Consolidated
	Current period	Current period	Prior period	Prior period
Capital Requirement for Credit Risk (Amount Subject to Credit Risk *0.08) (CRCR)	1,596,410	1,589,563	1,354,350	1,345,231
Capital Requirement for Market Risk (MRCR)	61,290	66,749	33,767	35,557
Capital Requirement for Operational Risk (ORCR)	147,418	145,729	116,665	115,876
Shareholders' Equity	3,404,564	3,425,830	2,678,763	2,700,398
<b>Owners' Equity /((CRCR+MRCR+ORCR )*12.5*100)</b>	<b>15.09</b>	<b>15.21</b>	<b>14.24</b>	<b>14.43</b>
<b>Principal Capital/(( CRCR+MRCR+ORCR)*12.5*100)</b>	<b>12.68</b>	<b>12.79</b>	-	-
<b>Core Capital /(( CRCR+MRCR+ORCR)*12.5*100)</b>	<b>13.10</b>	<b>13.22</b>	-	-



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

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

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

**Components of shareholders' equity:**

	<b>Current Period</b>
<b>TIER 1 CAPITAL</b>	<b>2,977,619</b>
Paid-in Capital to be Entitled for Compensation after All Creditors	2,287,005
Share Premium	24,525
Share Cancellation Profits	-
Reserves	309,103
Other Comprehensive Income According to TAS	72,782
Profit	368,174
Current Period Profit	375,316
Prior Period Profit	(7,142)
General Reserves for Possible Losses	-
Bonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Current Period's Profit	-
<b>Tier 1 Capital Before Deductions</b>	<b>3,061,589</b>
<b>Deductions from Tier 1 Capital</b>	
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-)	17,437
Leasehold Improvements on Operational Leases (-)	42,477
Goodwill and Other Intangible Assets and Related Deferred Taxes (-)	14,056
Net Deferred Tax Asset/Liability (-)	10,003
Shares Obtained against Article 56, Paragraph 4 of the Banking Law (-)	-
Direct and Indirect Investments of the Bank on its own Tier I Capital (-)	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-
Mortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital (-)	-
Net Deferred Tax Assets arising from Temporary Differences Exceeding the 10% Threshold of Tier I Capital (-)	-
Amount Exceeding the 15% Threshold of Tier I Capital as per the Article 2, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital not deducted from Tier I Capital (-)	-
Mortgage Servicing Rights not deducted (-)	-
Excess Amount arising from Deferred Tax Assets from Temporary Differences (-)	-
Other items to be Defined by the BRSA (-)	-
Deductions from Tier I Capital in cases where there are no adequate Additional Tier I or Tier II Capitals (-)	-
<b>Total Deductions from Tier I Capital</b>	<b>83,973</b>
<b>Total Tier 1 Capital</b>	<b>2,977,616</b>
<b>ADDITIONAL CORE CAPITAL</b>	
Preferred Stock not included in Tier 1 Capital in cases where there are no adequate Additional Tier I or Tier II Capitals (-)	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained after 1.1.2014)	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained before 1.1.2014)	-
<b>Additional Core Capital before Deductions</b>	<b>-</b>
<b>Deductions from Additional Core Capital</b>	
Direct and Indirect Investments of the Bank on its own Additional Core Capital (-)	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital (-)	-
Other items to be Defined by the BRSA (-)	-
Deductions from Additional Core Capital in cases where there are no adequate Tier II Capital (-)	-
<b>Total Deductions from Additional Core Capital</b>	<b>-</b>
<b>Total Additional Core Capital</b>	<b>-</b>
<b>Deductions from Core Capital</b>	<b>96,236</b>
Goodwill and Other Intangible Assets and Related Deferred Taxes not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	56,223
Net Deferred Tax Asset/Liability not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	40,013
<b>Total Core Capital</b>	<b>2,881,380</b>

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

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

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

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

**Components of shareholders' equity: (continued)**

	<b>Current Period</b>
<b>TIER II CAPITAL</b>	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained after 1.1.2014)	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained before 1.1.2014)	384,909
Pledged Assets of the Shareholders to be used for the Bank's Capital Increases	-
General Provisions	178,926
<b>Tier II Capital Before Deductions</b>	<b>563,835</b>
<b>Deductions from Tier II Capital</b>	
Direct and Indirect Investments of the Bank on its own Tier II Capital (-)	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Core Capital and Tier II Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of Tier I Capital (-)	-
Other items to be Defined by the BRSA (-)	-
<b>Total Deductions from Tier II Capital</b>	<b>-</b>
<b>Total Tier II Capital</b>	<b>563,835</b>
<b>CAPITAL</b>	<b>3,445,215</b>
Loans Granted against the Articles 50 and 51 of the Banking Law (-)	-
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years (-)	3,495
Loans to Banks, Financial Institutions (domestic/foreign) or Qualified Shareholders in the form of Subordinated Debts or Debt Instruments Purchased from Such Parties and Qualified as Subordinated Debts (-)	-
Deductions as per the Article 20, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-
Other items to be Defined by the BRSA (-)	15,890
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Tier I Capital, Additional Core Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where The Bank Owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Additional Core Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital, of the Net Deferred Tax Assets arising from Temporary Differences and of the Mortgage Servicing Rights not deducted from Tier I Capital as per the Temporary Article 2, Clause 2, Paragraph (1) and (2) and Temporary Article 2, Clause 1 of the Regulation (-)	-
<b>EQUITY</b>	<b>3,425,830</b>
<b>Amounts lower than Excesses as per Deduction Rules</b>	
Remaining Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital	-
Remaining Total of Net Long Positions of the Investments in Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% or less of the Tier I Capital	-
Remaining Mortgage Servicing Rights	-
Net Deferred Tax Assets arising from Temporary Differences	-

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

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

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

**Components of shareholders' equity: (continued)**

	<b>Prior Period</b>
<b>CORE CAPITAL</b>	
Paid-in Capital	<b>1,700,000</b>
Nominal capital	2,060,000
Capital commitments (-)	360,000
Inflation indexation difference on paid-in capital	-
Share premium	23,250
Share cancellation profits	-
Legal Reserves	291,146
Inflation Adjustments to Legal Reserves	-
Profit	307,923
Current Period's Profit	307,923
Prior Period's Profit	-
Provision for Possible Losses (up to 25% of Core Capital)	-
Income on Sale of Equity Shares and Real Estates	-
Primary subordinated loans up to 15% of the core capital	-
Loss (in excess of Reserves) (-)	(660)
Current Period's Losses (-)	-
Prior Period's Losses (-)	(660)
Leasehold Improvements on Operational Leases (-)	38,046
Intangible Assets (-)	55,698
Deferred Tax Asset in excess of 10% of Core Capital (-)	-
Excess amount in the Article 56, Clause 3 of the Banking Law (-)	-
<b>Total core capital</b>	<b>2,227,915</b>
<b>SUPPLEMENTARY CAPITAL</b>	
General provisions	126,414
45% of the revaluation reserve for movable fixed assets	-
45% of the of revaluation reserve for properties	-
Bonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Current Period's Profit	-
Primary subordinated loans excluded in the calculation of the core capital	-
Secondary subordinated loans	350,741
45% of Securities Value Increase Fund	911
Inflation Adjustments to Other Capital and Profit Reserves and Prior Periods' Profit / Loss	-
<b>Total supplementary capital</b>	<b>478,066</b>
<b>CAPITAL</b>	<b>2,705,981</b>
<b>DEDUCTIONS FROM CAPITAL</b>	<b>5,583</b>
Shareholdings of banks and financial institutions (Domestic, Foreign) in which the Bank has investments of ten percent or more	-
Shareholdings of banks and financial institutions (Domestic, Foreign) in which the Bank has investments less than ten percent total of which exceed ten percent of Bank's Core and Supplementary Capital	-
Loans to Banks, Financial Institutions (domestic/foreign) or Qualified Shareholders in the form of Secondary Subordinated Debts and Debt Instruments purchased from such parties qualified as Primary or Secondary Subordinated Debts	-
Loan granted to Customer against the Articles 50 and 51 of the Banking Law	-
The net book value of properties exceeding fifty percent of equity and properties held for sale and properties and commodity to be disposed, acquired in exchange of loans and receivables according to the Article 57 of the Banking Law and have not been disposed yet after 5 years from foreclosure	2,431
Securitization Positions to be Deducted from Equity	-
Other	3,152
<b>TOTAL SHAREHOLDER'S EQUITY</b>	<b>2,700,398</b>

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

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

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

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

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

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

**II. Explanations on Consolidated Credit Risk**

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

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

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

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

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

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

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

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

**II. Explanations on Consolidated Credit risk (continued)**

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

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

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

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

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

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

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

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

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

<b>Exposure Categories (Current Period)</b>	<b>Period end Risk Amount(*)</b>	<b>Average Risk Amount(**)</b>
Conditional and unconditional exposures to central governments or central banks	4,582,032	3,926,431
Conditional and unconditional exposures to regional governments or local authorities	-	-
Conditional and unconditional exposures to administrative bodies and noncommercial undertakings	-	-
Conditional and unconditional exposures to multilateral development banks	-	-
Conditional and unconditional exposures to international organizations	-	-
Conditional and unconditional exposures to banks and brokerage houses	3,634,246	3,370,207
Conditional and unconditional exposures to corporates	9,185,885	8,773,894
Conditional and unconditional retail exposures	3,814,864	3,569,352
Conditional and unconditional exposures secured by real estate property	9,223,468	7,763,296
Past due items	31,677	44,707
Items in regulatory high-risk categories	195,574	142,908
Exposures in the form of bonds secured by mortgages	-	-
Securitization positions	-	-
Short term exposures to banks, brokerage houses and corporates	-	-
Exposures in the form of collective investment undertakings	-	-
Other items	3,072,759	2,464,981
<b>Total</b>	<b>33,740,505</b>	<b>30,055,776</b>

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

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

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

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

**II. Explanations on Credit Risk (Continued)**

**Profile of significant exposures in major regions:**

<b>Current Period (*)</b>	<b>Conditional and unconditional exposures to central governments or central banks</b>	<b>Conditional and unconditional exposures to banks and brokerage houses</b>	<b>Conditional and unconditional exposures to corporates</b>	<b>Conditional and unconditional exposures to retail exposures</b>	<b>Conditional and unconditional exposures secured by real estate property</b>	<b>Past due items</b>	<b>Items in regulatory high-risk categories</b>	<b>Other</b>	<b>Total</b>
Domestic	4,582,032	1,932,260	8,988,958	3,800,118	9,127,168	31,675	195,574	-	28,657,785
European Union (EU)	-	460,649	26,747	1,638	9,274	1	-	-	498,309
OECD Countries(**)	-	122,461	9,598	345	2,585	-	-	-	134,989
Off-Shore Banking Regions	-	143,017	55,167	2,907	6,701	-	-	-	207,792
USA, Canada	-	382,573	-	100	418	-	-	-	383,091
Other Countries	-	593,286	105,415	9,756	77,322	1	-	-	785,780
Associates, Subsidiaries and Joint –Ventures	-	-	-	-	-	-	-	28,285	28,285
Unallocated	-	-	-	-	-	-	-	-	-
Assets/Liabilities(***)	-	-	-	-	-	-	-	3,044,474	3,044,474
<b>Total</b>	<b>4,582,032</b>	<b>3,634,246</b>	<b>9,185,885</b>	<b>3,814,864</b>	<b>9,223,468</b>	<b>31,677</b>	<b>195,574</b>	<b>3,072,759</b>	<b>33,740,505</b>

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

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

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

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

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

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

**II. Explanations on Consolidated Credit Risk (continued)**

**Risk profile by sectors or counterparties**

	Conditional and unconditional receivables from central governments or central banks	Conditional and unconditional receivables from regional or local governments	Conditional and unconditional receivables from administrative units and non-commercial enterprises	Conditional and unconditional receivables from multilateral development banks	Conditional and unconditional receivables from international organizations	Conditional and unconditional receivables from banks and brokerage houses	Conditional and unconditional receivables from Corporates	Conditional and unconditional retail receivables	Conditional and unconditional receivables secured by Mortgages	Past due receivables	Receivables defined in high risk category by BRSA	Securities collateralized by mortgages	Securitization positions	Short-term receivables from banks, brokerage houses and corporates	Investments similar to collective investment funds	Other receivables	TL	FC	Total	
<b>Current Period(*)</b>																				
<b>Agriculture</b>	-	-	-	-	-	-	150,263	75,434	75,572	523	210	-	-	-	-	-	245,113	56,889	302,002	
Farming and																				
Stockbreeding	-	-	-	-	-	-	115,285	38,877	37,247	283	95	-	-	-	-	-	159,213	32,574	191,787	
Forestry	-	-	-	-	-	-	28,367	34,893	30,881	211	85	-	-	-	-	-	75,429	19,008	94,437	
Fishery	-	-	-	-	-	-	6,611	1,664	7,444	29	30	-	-	-	-	-	10,471	5,307	15,778	
<b>Manufacturing</b>	-	-	-	-	-	-	3,379,355	775,414	1,549,900	6,292	3,439	-	-	-	-	-	2,603,093	3,111,307	5,714,400	
Mining and Quarrying	-	-	-	-	-	-	541,795	134,156	246,538	1,752	502	-	-	-	-	-	453,393	471,350	924,743	
Production	-	-	-	-	-	-	2,066,479	606,602	1,274,065	4,330	2,540	-	-	-	-	-	1,926,521	2,027,495	3,954,016	
Electricity, Gas and																				
Water	-	-	-	-	-	-	771,081	34,656	29,297	210	397	-	-	-	-	-	223,179	612,462	835,641	
<b>Construction</b>	-	-	-	-	-	-	2,035,441	526,946	1,737,137	4,955	2,094	-	-	-	-	-	2,588,526	1,718,047	4,306,573	
<b>Services</b>	4,582,032	-	-	-	-	-	3,634,246	2,945,873	1,346,444	2,354,536	15,110	10,041	-	-	-	-	4,092,855	10,795,427	14,888,282	
Wholesale and Retail																				
Trade	-	-	-	-	-	-	1,645,110	866,143	1,562,134	12,684	6,260	-	-	-	-	-	2,315,706	1,776,625	4,092,331	
Accommodation and																				
Dining	-	-	-	-	-	-	53,063	38,208	131,339	51	401	-	-	-	-	-	121,421	101,641	223,062	
Transportation and																				
Telecom.	-	-	-	-	-	-	679,831	252,451	264,335	1,372	2,513	-	-	-	-	-	571,987	628,515	1,200,502	
Financial Institutions	4,582,032	-	-	-	-	-	3,634,246	31,004	20,782	-	-	-	-	-	-	-	531,293	7,740,110	8,271,403	
Real Estate and Rental																				
Services	-	-	-	-	-	-	259,308	31,180	162,289	96	84	-	-	-	-	-	85,836	367,121	452,957	
Professional Services	-	-	-	-	-	-	66	353	638	-	2	-	-	-	-	-	937	122	1,059	
Educational Services	-	-	-	-	-	-	48,390	13,050	34,384	225	46	-	-	-	-	-	67,919	28,176	96,095	
Health and Social																				
Services	-	-	-	-	-	-	229,101	141,720	178,635	682	735	-	-	-	-	-	397,756	153,117	550,873	
<b>Others</b>	-	-	-	-	-	-	674,953	1,090,626	3,506,323	4,797	179,790	-	-	-	-	-	3,072,759	6,034,493	2,494,755	8,529,248
<b>Total</b>	4,582,032	-	-	-	-	-	3,634,246	9,185,885	3,814,864	9,223,468	31,677	195,574	-	-	-	-	3,072,759	15,564,080	18,176,425	33,740,505

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

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

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

**II. Explanations on Consolidated Credit Risk (continued)**

**Risk profile by sectors or counterparties (continued)**

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



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

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

**II. Explanations on Consolidated Credit Risk (continued)**

**Analysis of maturity-bearing exposures according to remaining maturities:**

Exposure Categories (*) – Current Period	Term to Maturity				
	1 month	1–3 months	3–6 months	6–12 months	Over 1 year
Conditional and unconditional exposures to central governments or central banks	-	-	-	-	-
Conditional and unconditional exposures to regional governments or local authorities	-	-	-	-	-
Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	-	-	-	-	-
Conditional and unconditional exposures to multilateral development banks	-	-	-	-	-
Conditional and unconditional exposures to international organizations	-	-	-	-	-
Conditional and unconditional exposures to banks and brokerage houses	640,466	229,701	-	156	95,426
Conditional and unconditional exposures to corporates	2,073,548	937,731	1,023,135	1,640,102	3,430,326
Conditional and unconditional retail exposures	342,292	354,146	467,336	723,749	1,685,665
Conditional and unconditional exposures secured by real estate property	276,196	360,747	660,652	1,211,441	6,714,432
Past due items	-	-	-	-	-
Items in regulatory high-risk categories	10,231	1,547	1,816	2,195	179,785
Items in regulatory high-risk categories	-	-	-	-	-
Securitization positions	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-
Exposures in the form of collective investment undertakings	-	-	-	-	-
Other items	-	-	-	-	-
<b>Total</b>	<b>3,342,733</b>	<b>1,883,872</b>	<b>2,152,939</b>	<b>3,577,643</b>	<b>12,105,634</b>

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

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

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

**II. Explanations on Consolidated Credit Risk (continued)**

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

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

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

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

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

**II. Explanations on Consolidated Credit Risk (continued)**

**Exposure Categories**

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

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

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

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

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

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

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

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

**II. Explanations on Consolidated Credit Risk (continued)**

**Exposures by risk weights:**

Current Period										Deductions from
Risk Weights	%0	% 10	%20	%50	%75	%100	%150	%200	%250	Equity
Exposures before Credit Risk Mitigation										
Risk Mitigation	6,672,331	-	1,549,592	9,468,178	3,810,121	12,044,709	86,449	105,099	4,026	-
Exposures after Credit Risk Mitigation										
Mitigation	7,129,750	-	1,549,592	9,468,175	3,686,958	11,710,610	86,295	105,099	4,026	-
<hr/>										
Prior Period										Deductions from
Risk Weights	%0	% 10	%20	%50	%75	%100	%150	%200	%250	Equity
Exposures before Credit Risk Mitigation										
Mitigation	4,490,908	-	1,442,483	6,510,058	3,515,856	10,776,478	121,535	52,821	14,947	5,583
Exposures after Credit Risk Mitigation										
Mitigation	4,993,807	-	1,442,483	6,510,048	3,371,148	10,418,508	121,324	52,821	14,947	5,583

**Information by major sectors and type of counterparties**

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

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

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

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

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

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

**II. Explanations on Consolidated Credit Risk (continued)**

**Information by major sectors and type of counterparties (continued)**

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

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

**Movements in value adjustments and provisions**

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

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

(\*) Represents written-off loans.

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

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

**II. Explanations on Consolidated Credit Risk (continued)**

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

The bank calculates the probability of delinquency and internal rating notes for the portfolio of business loans based on statistical methods up to TL 850,000 (full amount) for all types of limits and up to TL 3,000,000 (full amount) for real estate transactions of Turkish Commercial Code. Ratings which are calculated since 1 February 2013 are shown the table below as of 31 December 2014.

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

**III. Explanations on consolidated market risk**

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

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

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

The capital which should be kept against general market risk and 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”. The following table indicates the details of the market risk calculation as of 31 December 2013, in accordance with the Market Risk Calculation principles pursuant to the Part 2 of the Second Section of the “Regulation on Measurement and Assessment of Capital Adequacy of Banks” published in the Official Gazette No. 28337 on 28 June 2012.

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

	Current Period	Prior Period
(I) Capital Obligation against General Market Risk - Standard Method	17,511	14,451
(II) Capital Obligation against Specific Risk - Standard Method	31,583	3,392
Capital Requirement against Specific Risks of Securitization Positions– Standard Method	-	-
(III) Capital Obligation against Currency Risk - Standard Method	10,311	10,198
(IV) Capital Obligation against Commodity Risk - Standard Method	5,012	5,493
(V) Capital Obligation against Settlement Risk - Standard Method	-	-
(VI) Total Capital Obligation against Market Risks of Options – Standard	-	-
(VII) Capital Requirement against Counterparty Credit Risks - Standard Method	2,332	2,023
(VIII) Total Capital Obligation against Market Risks of Banks applying Risk Measurement Models	-	-
(IX) Total Capital Obligation against Market Risk (I+II+III+IV+V+VI+VII)	66,749	35,557
<b>(X) Value-At-Market Risk (12.5 x VIII) or (12.5 x IX)</b>	<b>834,363</b>	<b>444,461</b>

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

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

**III. Explanations on consolidated market risk (continued)**

**b. Monthly average values at market risk**

	<b>Current Period</b>		
	<b>Average</b>	<b>Highest</b>	<b>Lowest</b>
Interest Rate Risk	28,332	48,327	14,097
Equity-Shares Position Risk	768	1,596	540
Currency Position Risk	10,435	13,495	7,144
Commodity Risk	4,649	5,452	4,063
Clearing Risk	-	-	-
Option Market Risk	-	-	-
Counterparty Credit Risk	1,701	2,332	1,462
<b>Total Value at Risk</b>	<b>45,885</b>	<b>71,202</b>	<b>27,306</b>

  

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

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

**Consolidated Quantitative information on counterparty risk**

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

	<b>Current Period</b>	<b>Prior Period</b>
Interest-Rate Contracts	-	-
Foreign-Exchange-Rate Contracts	44,127	46,803
Commodity Contracts	5,103	4,435
Equity-Shares Related Contracts	-	-
Other	-	-
Gross Positive Fair Values	862	1,098
Netting Benefits	-	-
Net Current Exposure Amount	-	-
Collaterals Received	-	-
<b>Net Derivative Position</b>	<b>50,092</b>	<b>52,336</b>

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

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

**Information on Consolidated Operational Risk**

"Basic Indicator Method" is used in operational risk calculation of the Group. The sum that is the basis for the operational risk is calculated by the use of the gross revenues of the Group for the last 3 years, 2013, 2012 and 2011 in compliance with "Third Section "Calculation of the Operational Risk" of The Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks published in the Official Gazette numbered 28337 and dated 28 June 2012. The annual gross revenue is calculated by addition of the net fees and commission revenues, dividend income obtained other than subsidiaries and affiliates, the trading gain/loss(net) and other operating income to the net profit share income and by deduction of the gain/loss from the sale of the assets accounted other than the trading book, extraordinary income, the operational expenses for the support services taken from the main shareholder of the bank, subsidiary of the bank or subsidiary of the shareholder of the bank performing the calculation or the institutions which are subject to the relevant Regulation or the equivalent arrangements and the operational expenses for the support service taken from a bank and the amounts compensated from insurance. TL 145,729 corresponding to the 8% of TL 1,821,606 used in the calculation of the operational risk within the scope of "Capital adequacy standard rate" indicated in the disclosure I of this section, represents the operational risk which might be exposed to. TL 145,729 also defines the minimum capital sum which is required in order to eliminate the mentioned risk.

<b>Current Period</b>	<b>31/12/2011 Amount</b>	<b>31/12/2012 Amount</b>	<b>31/12/2013 Amount</b>	<b>Total/ No. of Years of Positive Gross</b>	<b>Rate (%)</b>	<b>Total</b>
Gross Income	769,979	951,730	1,192,861	971,523	15	145,729
Value at Operational Risk (Total*12.5)						1,821,606

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



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

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

**IV. Explanations on consolidated currency risk**

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

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

As of 31 December 2014, the Group carries a net foreign currency long position of TL 707,558 (31 December 2013 – TL 627,668 long position) comprising TL 621,615 balance sheet short position (31 December 2013 - TL 558,509 short position) and TL 85,943 off balance sheet long position (31 December 2013 - TL 69,159 long position).

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

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

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

	Monthly average FC purchase rate
<b>USD</b>	<b>2.2868</b>
<b>EURO</b>	<b>2.8202</b>
<b>GBP</b>	<b>3.5695</b>
<b>CHF</b>	<b>2.3402</b>
<b>JPY</b>	<b>0.0191</b>

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

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

**IV. Explanations on consolidated currency risk (continued)**

**Currency risk of the Group:**

	EURO	USD	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 (****)	430,947	3,305,115	2,254,547	5,990,609
Banks	195,802	2,111,713	326,300	2,633,815
Financial assets at fair value through profit and loss	-	-	-	-
Money market placements	-	-	-	-
Available-for-sale financial assets (**)	-	610,611	-	610,611
Loans and finance lease receivables (*)	2,048,942	6,042,395	175,052	8,266,389
Subsidiaries, associates and joint ventures (**)	-	-	-	-
Held-to-maturity investments	-	-	-	-
Derivative financial assets for hedging purposes	-	-	-	-
Tangible assets	784	465	-	1,249
Intangible assets	2,949	46	-	2,995
Other assets	69,421	46,923	190	116,534
<b>Total assets</b>	<b>2,748,845</b>	<b>12,117,268</b>	<b>2,756,089</b>	<b>17,622,202</b>
<b>Liabilities</b>				
Current account and funds collected from Banks via participation accounts	402	29,670	171,233	201,305
Current and profit sharing accounts FC (****)	2,335,937	5,574,282	1,859,850	9,770,069
Money market borrowings	-	-	-	-
Funds provided from other financial institutions	228,166	4,633,366	-	4,861,532
Marketable securities issued	-	1,979,836	-	1,979,836
Miscellaneous payables	1,739	28,395	819	30,953
Derivative financial liabilities for hedging purposes	-	-	-	-
Other liabilities	16,190	54,337	422	70,949
<b>Total liabilities</b>	<b>2,582,434</b>	<b>12,299,886</b>	<b>2,032,324</b>	<b>16,914,644</b>
Net balance sheet position	166,411	(182,618)	723,765	707,558
Net off-balance sheet position	(150,334)	257,303	(728,584)	(621,615)
Financial derivative assets	384,078	2,376,794	191,227	2,952,099
Financial derivative liabilities	534,412	2,119,491	919,811	3,573,714
Non-cash loans (***)	1,157,680	2,409,009	410,273	3,976,962
<b>Prior period</b>				
Total assets	2,421,172	8,998,442	2,221,665	13,641,279
Total liabilities	2,096,525	8,605,472	2,311,614	13,013,611
Net balance sheet position	324,647	392,970	(89,949)	627,668
Net off-balance sheet position	(306,654)	(336,898)	85,043	(558,509)
Financial derivative assets	560,227	1,997,013	246,734	2,803,974
Financial derivative liabilities	866,881	2,333,911	161,691	3,362,483
Non-cash loans (***)	1,484,520	2,613,401	480,626	4,578,547

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

(\*\*) Includes TL 714 (31 December 2013 – TL 714) foreign currency denominated available for sale financial assets followed as Turkish Lira within TL 2,204,189 Turkish Lira denominated available for sale financial assets on the balance sheet.

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

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

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

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

- Derivative financial assets held for trading : 8,249 TL (31 December 2013 - 15,472 TL)
- Prepaid expenses: 268 TL (31 December 2013 - 1,282 TL)
- Derivative financial liabilities held for trading: 11,797 TL (31 December 2013 - 15,284 TL)
- The general provision for the bank's share: 340 TL (31 December 2013 - (4,713) TL)

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

- Forward foreign currency purchase transactions: 344,189 TL (31 December 2013 – TL 346,835 )
- Forward foreign currency sale transactions: 408,657 TL (31 December 2013 – TL 447,167 )
- Future precious metal purchase transactions: 163,918 TL (31 December 2013 – TL 116,424)
- Future precious metal sale transactions 726,732 TL (31 December 2013 –TL 47,405)

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

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

**IV. Explanation on consolidated currency risk (continued)**

**Currency risk sensitivity:**

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

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

	% changes on foreign currency	Effects on profit/loss		Effects on equity	
		Current period	Prior period	Current period	Prior period
USD	10%	7,469	3,479	34	(471)
EURO	10%	1,608	1,680	-	-
XAU	10%	(340)	(48)	-	-

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

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

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

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

Current Period Equity Securities (shares)	Carrying Value	Comparison	
		Fair Value	Market Value
1 Securities Available-for-Sale (*)	53,995	-	-
Quoted Securities	-	-	-
2 Investments in Associates	-	-	-
Quoted Securities	-	-	-
3 Investment in Subsidiaries(*)	22,680	-	-
Quoted Securities	-	-	-
4 Other	5,605	-	-
Quoted Securities	-	-	-

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

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

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

None (31December 2013: None).

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

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

**VI. Explanations on consolidated liquidity risk**

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

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

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

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

<b>First Maturity Bracket (Weekly)</b>			
<b>Current Period</b>	<b>Average (%)</b>	<b>Highest (%)</b>	<b>Lowest (%)</b>
FC	266.41	342.01	173.07
TL+FC	204.12	244.92	155.10
<b>Second Maturity Bracket (Monthly)</b>			
	<b>Average (%)</b>	<b>Highest (%)</b>	<b>Lowest (%)</b>
FC	172.37	201.73	136.55
TL+FC	141.64	154.41	121.83
<b>First Maturity Bracket (Weekly)</b>			
<b>Prior Period</b>	<b>Average (%)</b>	<b>Highest (%)</b>	<b>Lowest (%)</b>
FC	207.47	245.47	133.19
TL+FC	164.24	181.02	124.77
<b>Second Maturity Bracket (Monthly)</b>			
	<b>Average (%)</b>	<b>Highest (%)</b>	<b>Lowest (%)</b>
FC	345.95	452.19	210.34
TL+FC	245.35	301.76	190.15

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

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

**VI. Explanations on consolidated liquidity risk (consolidated)**

**Presentation of assets and liabilities according to their remaining maturities:**

	Demand	Up to 1 month	1-3 Months	3-12 months	1-5 years	Over 5 years	Unallocated (**)	Total
<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	2,429,174	4,155,469	-	-	-	-	-	6,584,643
Banks	2,668,497	8,024	-	-	-	-	-	2,676,521
Financial assets at fair value through profit and loss	4,799	32,966	4,943	5,207	-	-	-	47,915
Money market placements	-	-	-	-	-	-	-	-
Available-for-sale financial assets	-	832,103	175,590	303,917	795,489	42,223	53,993	2,203,315
Loans (*)	-	2,748,257	3,148,466	7,363,433	7,115,856	918,891	71,977	21,366,880
Held-to-maturity investments	-	-	-	-	-	-	-	-
Other assets (**)	10,783	375,944	89,870	-	50,016	-	513,670	1,040,283
<b>Total assets</b>	<b>5,113,253</b>	<b>8,152,763</b>	<b>3,418,869</b>	<b>7,672,557</b>	<b>7,961,361</b>	<b>961,114</b>	<b>639,640</b>	<b>33,919,557</b>
<b>Liabilities</b>								
Current account and funds collected from banks via participation accounts	196,348	2,321	7,403	2,804	-	-	-	208,876
Current and profit sharing accounts	6,450,657	9,667,469	4,535,018	1,142,061	107,637	-	-	21,902,842
Funds provided from other financial institutions	-	849,019	687,417	1,709,522	1,153,360	470,325	-	4,869,643
Money market borrowings	-	708,743	-	-	-	-	-	708,743
Marketable securities issued	-	-	-	240,528	1,947,372	-	-	2,187,900
Miscellaneous payables	118,237	34,336	18	-	-	-	-	152,591
Other liabilities (**)	-	351,914	36,571	2,333	7,131	-	3,491,013	3,888,962
<b>Total liabilities</b>	<b>6,765,242</b>	<b>11,613,802</b>	<b>5,266,427</b>	<b>3,097,248</b>	<b>3,215,500</b>	<b>470,325</b>	<b>3,491,013</b>	<b>33,919,557</b>
Net liquidity gap	(1,651,989)	(3,461,039)	(1,847,558)	4,575,309	4,745,861	490,789	(2,851,373)	-
<b>Prior period</b>								
Total assets	3,590,358	6,007,736	2,912,344	5,714,722	6,286,481	718,594	549,317	25,779,552
Total liabilities	5,097,109	5,977,918	6,687,114	2,904,162	2,046,223	433,028	2,633,998	25,779,552
Net liquidity gap	(1,506,751)	29,818	(3,774,770)	2,810,560	4,240,258	285,566	(2,084,681)	-

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

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

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

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

**VI. Explanations on consolidated liquidity risk (continued)**

**Analysis of financial liabilities by remaining contractual maturities:**

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

	Up to 1 month	1-3 month	3-12 month	1-5 years	Above 5 years	Total	Adjustments	Balance Sheet Value
<b>31 December 2014</b>								
Collective Fundings	16,316,795	4,542,421	1,144,865	107,637	-	22,111,718	-	22,111,718
Marketable Securities Issued	-	-	107,532	2,228,222	-	2,335,754	(147,854)	2,187,900
Other								
Fundings	849,840	705,025	2,017,811	1,286,718	515,717	5,375,111	(505,799)	4,869,312
Borrowings from								
Leasings	-	-	-	885	-	885	(554)	331
Money market balances	709,392	-	-	-	-	709,392	(649)	708,743
<b>Total</b>	<b>17,876,027</b>	<b>5,247,446</b>	<b>3,270,208</b>	<b>3,623,462</b>	<b>515,717</b>	<b>30,532,860</b>	<b>- 654,856</b>	<b>29,878,004</b>

**31 December 2013**

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

**Maturity analysis for guarantees and contingencies:**

	Demand	Up to 1 month	1-3 month	3-12 month	1-5 years	Above 5 years	Unallocated	Total
<b>31 December 2014</b>								
Letters of Guarantee	2,734,885	129,826	598,342	1,779,622	1,484,363	166,934	-	6,893,972
Bills of Exchange and Bank								
Acceptances	59,308	-	-	482	-	-	-	59,790
Letters of Credit	778,955	16,702	28,656	50,881	17,147	30,189	-	922,530
Other guarantees	196,398	529	3,452	-	140,945	13,913	-	355,237
Pre-financings given as guarantee	10,006	97	1,159	-	-	5,921	-	17,183
<b>Total</b>	<b>3,779,552</b>	<b>147,154</b>	<b>631,609</b>	<b>1,830,985</b>	<b>1,642,455</b>	<b>216,957</b>	<b>-</b>	<b>8,248,712</b>

**31 December 2013**

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

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

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

**VI. Explanations on consolidated liquidity risk (continued)**

**Contractual maturity analysis of derivative instruments:**

<b>31 December 2014</b>	<b>Up to 1 month</b>	<b>1-3 month</b>	<b>3-12 month</b>	<b>1-5 years</b>	<b>5 years and over</b>	<b>Total</b>
<b>Derivatives financial assets held for trading</b>	-	-	-	-	-	-
Foreign exchange derivatives:						
Cash inflows	4,033,436	280,216	176,782	86,239	-	4,576,673
Cash outflows	4,013,904	279,003	173,459	94,123	-	4,560,489
<b>Hedging purposes financial assets</b>	-	-	-	-	-	-
Foreign exchange derivatives						
Cash inflows	-	-	-	-	-	-
Cash outflows	-	-	-	-	-	-
<b>Total Cash Inflow</b>	<b>4,033,436</b>	<b>280,216</b>	<b>176,782</b>	<b>86,239</b>		<b>4,576,673</b>
<b>Total Cash Outflow</b>	<b>4,013,904</b>	<b>279,003</b>	<b>173,459</b>	<b>94,123</b>		<b>4,560,489</b>

  

<b>31 December 2013</b>	<b>Up to 1 month</b>	<b>1-3 month</b>	<b>3-12 month</b>	<b>1-5 years</b>	<b>5 years and over</b>	<b>Total</b>
<b>Derivatives financial assets held for trading</b>						
Foreign exchange derivatives:						
Cash inflows	3,607,829	858,832	237,291	80,282	-	4,784,234
Cash outflows	3,602,697	816,969	230,128	87,529	-	4,737,323
<b>Hedging purposes financial assets</b>						
Foreign exchange derivatives						
Cash inflows	-	-	-	-	-	-
Cash outflows	-	-	-	-	-	-
<b>Total Cash Inflow</b>	<b>3,607,829</b>	<b>858,832</b>	<b>237,291</b>	<b>80,283</b>	<b>-</b>	<b>4,784,234</b>
<b>Total Cash Outflow</b>	<b>3,602,697</b>	<b>816,969</b>	<b>230,128</b>	<b>87,529</b>	<b>-</b>	<b>4,737,323</b>

**VII. Explanations on consolidated securitization positions**

None (31 December 2013 – None).

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

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

**VIII. Credit risk mitigation techniques**

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

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

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

Financial collaterals are evaluated on a daily basis.

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

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

Exposure Categories	Amount(*)	Financial Collaterals	Other/Physical Collaterals	Guaranties and Credit Derivatives
Conditional and unconditional receivables from central governments or central banks	4,582,032	-	-	-
Conditional and unconditional receivables from regional or local governments	-	-	-	-
Conditional and unconditional receivables from administrative units and non-commercial enterprises	-	-	-	-
Conditional and unconditional receivables from multilateral development banks	-	-	-	-
Conditional and unconditional receivables from international organizations	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	4,408,157	-	-	-
Conditional and unconditional receivables from Corporates	38,401,224	301,845	-	-
Conditional and unconditional retail receivables	8,805,862	123,163	-	-
Conditional and unconditional receivables secured by Mortgages	9,565,417	32,250	-	-
Past due receivables	31,677	8	-	-
Receivables defined in high risk category by BRSA	195,574	154	-	-
Securities collateralized by mortgages	-	-	-	-
Securitization positions	-	-	-	-
Short-term receivables from banks, brokerage houses and corporates	-	-	-	-
Investments similar to collective investment funds	-	-	-	-
Other receivables	3,072,759	-	-	-
<b>Total</b>	<b>69,062,702</b>	<b>457,420</b>	<b>-</b>	<b>-</b>

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



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

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

**VIII. Credit risk mitigation techniques (continued)**

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

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

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

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

**IX. Explanations on risk management objectives and policies**

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

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

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

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

**Fair values of financial assets and liabilities**

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

	<b>Book Value</b>		<b>Fair Value</b>	
	<b>Current period</b>	<b>Prior period</b>	<b>Current period</b>	<b>Prior period</b>
<b>Financial Assets</b>				
Banks	2,676,521	2,474,337	2,676,521	2,474,337
Financial assets available for sale	2,203,315	1,323,697	2,203,315	1,323,697
Loans and lease receivables	21,294,903	16,663,165	21,246,149	16,642,011
<b>Financial Liabilities</b>				
Current account and funds collected from banks via participation accounts.	208,876	303,825	208,876	303,825
Other current and profit sharing accounts	21,902,842	16,722,744	21,902,842	16,722,744
Funds provided from other financial institutions	4,869,643	4,475,433	4,999,650	4,477,097
Money market balances	708,743	221,428	708,743	221,428
Marketable Securities issued	2,187,900	905,894	2,184,850	898,353
Miscellaneous payables	152,591	122,506	152,591	122,506
Rent payables	331	1,828	331	1,828

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

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

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

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

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

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

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

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

Fair value hierarchy of the financial assets and liabilities carried at fair value according to the foregoing principles as of 31 December 2014 and 31 December 2013 are given in the table below:

<b>Current Period</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial assets</b>				
Financial assets held for trading	4,799	43,116	-	47,915
Forward transactions	-	21,584	-	21,584
Swap transactions	-	21,532	-	21,532
Other marketable securities	4,799	-	-	4,799
Available-for-sale financial assets	2,203,315	-	-	2,203,315
Government debt securities	1,873,362	-	-	1,873,362
Other marketable securities	275,958	-	-	275,958
<b>Financial liabilities</b>				
Financial liabilities held for trading	-	25,885	-	25,885
Forward transactions	-	14,614	-	14,614
Swap transactions	-	11,271	-	11,271
<b>Prior Period</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial assets</b>				
Financial assets held for trading	7,016	107,776	-	114,792
Forward transactions	-	102,418	-	102,418
Swap transactions	-	5,358	-	5,358
Other marketable securities	7,016	-	-	7,016
Available-for-sale financial assets	1,323,697	-	-	1,323,697
Government debt securities	1,268,712	-	-	1,268,712
Other marketable securities	3,427	-	-	3,427
<b>Financial liabilities</b>				
Financial liabilities held for trading	-	58,948	-	58,948
Forward transactions	-	32,480	-	32,480
Swap transactions	-	26,468	-	26,468

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

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

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

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

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

**XI. Explanations on business segments**

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

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

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

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

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

<b>Current Period</b> <b>1 January – 31 December 2014</b>	<b>Retail and</b> <b>enterprise</b> <b>banking</b>	<b>Commercial</b> <b>banking</b>	<b>Corporate and</b> <b>international</b> <b>banking</b>	<b>Unallocated</b>	<b>Group's total</b> <b>operation</b>
Operating income	1,032,880	1,406,446	90,413	-	2,529,739
Operating expenses	749,790	227,692	278,057	802,560	2,058,099
Transfers between segments	333,842	(313,430)	(20,412)	-	-
<b>Net operating income(loss)</b>	<b>616,932</b>	<b>865,324</b>	<b>(208,056)</b>	<b>(802,560)</b>	<b>471,640</b>
Income from associates	-	-	-	(4,459)	(4,459)
<b>Income before tax</b>	<b>616,932</b>	<b>865,324</b>	<b>(208,056)</b>	<b>(807,019)</b>	<b>467,181</b>
Tax charge	-	-	-	92,293	92,293
<b>Net income for the period</b>	<b>616,932</b>	<b>865,324</b>	<b>(208,056)</b>	<b>(899,312)</b>	<b>374,888</b>
<b>Current Period</b> <b>31 December 2014</b>					
Segment assets	7,593,054	13,580,282	11,705,938	-	32,879,274
Associates, subsidiaries and joint ventures	-	-	-	28,285	28,285
Undistributed assets	-	-	-	1,011,998	1,011,998
<b>Total assets</b>	<b>7,593,054</b>	<b>13,580,282</b>	<b>11,705,938</b>	<b>1,040,283</b>	<b>33,919,557</b>
Segment liabilities	16,549,369	5,554,255	7,800,265	-	29,903,889
Undistributed liabilities	-	-	-	959,148	959,148
Shareholders' equity	-	-	-	3,056,520	3,056,520
<b>Total liabilities</b>	<b>16,549,369</b>	<b>5,554,255</b>	<b>7,800,265</b>	<b>4,015,668</b>	<b>33,919,557</b>

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

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

**XI. Explanations on business segments**

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

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

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

**SECTION FIVE**

**EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS**

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

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

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash/foreign currency	302,472	454,266	243,463	460,198
The Central Bank of Republic of Turkey	287,882	4,155,476	155,023	2,988,091
Other (*)	3,680	1,380,867	-	466,835
<b>Total</b>	<b>594,034</b>	<b>5,990,609</b>	<b>398,486</b>	<b>3,915,124</b>

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

**2. Balances with the Central Bank of Turkey:**

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

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

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

1. As of 31 December 2014, there are no financial assets at fair value through profit and loss subject to repurchase transactions, given as a collateral or blocked (31 December 2013 – None).

2. Positive Differences Related to Derivative Financial Assets Held-for-Trading:

Derivative financial assets held-for-trading	Current period		Prior period	
	TL	FC	TL	FC
Forward transactions	15,292	6,292	87,054	15,364
Swap transactions	19,575	1,957	5,250	108
Futures transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>34,867</b>	<b>8,249</b>	<b>92,304</b>	<b>15,472</b>

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

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

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

**c. Information on Banks:**

	Current period		Prior period	
	TL	FC	TL	FC
Banks	42,706	2,633,815	31,267	2,443,070
Domestic	42,435	1,814,572	30,558	1,183,614
Foreign	271	819,243	709	1,259,456
Branches and head office abroad	-	-	-	-
<b>Total</b>	<b>42,706</b>	<b>2,633,815</b>	<b>31,267</b>	<b>2,443,070</b>

**d. Information on foreign bank accounts::**

	Current period		Prior period	
	Unrestricted Amount	Restricted Amount	Unrestricted Amount	Restricted Amount
EU Countries	269,602	-	504,629	-
USA and Canada	382,563	-	246,196	-
OECD Countries(*)	38,404	-	372,325	-
Off-shore Banking Regions	404	-	386	-
Other	128,541	-	136,629	-
<b>Total</b>	<b>819,514</b>	<b>-</b>	<b>1,260,165</b>	<b>-</b>

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

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

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

On 14 September 2013, an open market transaction is performed for the first time with CBRT which is subject to sales of repurchasing agreement of Treasury Rent Certificates. Beginning from this date, offers are made to purchasing tenders, which is monitored by CBRT and has one week maturity, in order to obtain fund by performing repurchasing agreements of Treasury Rent Certificates. As of 31 December 2014, rent certificates recorded as financial assets available-for -sale, amounting to TL 684,991 subject to sales transactions of repurchase agreements and based upon this transaction, rent certificate amounting to TL 687,018 given as collateral. The amount of fund provided from CBRT is TL 708,165 based upon repurchasing agreements.

	Current Period	Prior Period
Debt Securities	2,151,578	1,282,841
Quoted on stock exchange	2,151,578	1,282,841
Not quoted on stock exchange	-	-
Share certificates	53,995	51,558
Quoted on stock exchange	-	-
Not quoted on stock exchange	53,995	51,558
Impairment provision (-)	(2,258)	(10,702)
<b>Total</b>	<b>2,203,315</b>	<b>1,323,697</b>

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

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

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

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

The details of the Rent Certificates which are in Bank's Portfolio "Financial Assets Available for-Sale" are presented below as of 31 December 2014.

- a) In addition; the Bank included rent certificates which are presented below and these amounts are classified under "Government debt securities" at the accompanying financial statements.

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

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

REFERENCE	CURRENCY	COUPON FREQUENCY	ISSUER	PURCHASE DATE	MATURITY DATE	COST VALUE	RATE
XS1145516198	USD	6	IILMH	28/11/2014	27/02/2015	108,988	2.80
XS1126908596	USD	6	IILMH	23/10/2014	22/01/2015	120,583	2.80
XS1082151868	USD	6	ALBARAKA TURK	30/06/2014	30/06/2019	92,756	6.25

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

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

	Current period		Prior period	
	Cash	Non-Cash	Cash	Non-Cash
Direct Loans Granted to Shareholders	580	13,638	621	676
Corporate Shareholders	-	13,638	-	676
Real Person Shareholders	580	-	621	-
Indirect Loans Granted to Shareholders	79,663	283	80,270	55
Loans Granted to Employees	8,553	6	6,031	7
<b>Total</b>	<b>88,796</b>	<b>13,927</b>	<b>86,922</b>	<b>738</b>



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

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

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

**f. Information on loans and receivables (continued)**

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

Current Period	Performing Loans and Other Receivables			Loans and Other Receivables under Follow-Up		
	Loans and Other Receivables (Total)	Loans and Receivables with Revised Contract Terms		Loans and Other Receivables (Total)	Loans and Receivables with Revised Contract Terms	
		Extension of Repayment Plan	Other		Extension of Repayment Plan	Other
<b>Cash Loans</b>						
<b>Loans</b>	<b>19,745,819</b>	<b>234,553</b>	<b>-</b>	<b>309,452</b>	<b>287,721</b>	<b>-</b>
Financing commodity against document	16,944	-	-	-	-	-
Exports Loan	5,980	-	-	-	-	-
Imports Loans	1,206,270	-	-	2,452	-	-
Enterprise Loans	11,740,513	225,201	-	197,433	280,206	-
Consumer Loans	3,947,201	6,423	-	100,741	6,332	-
Credit Cards	195,307	-	-	4,738	54	-
Precious Metal Loans	171,743	-	-	-	-	-
Loans Given to Financial Sector	543,070	-	-	-	-	-
Loans Extended Abroad	310,205	2,610	-	-	1,129	-
Other	1,608,586	319	-	4,088	-	-
<b>Other Receivables</b>	<b>4,027</b>	<b>-</b>	<b>-</b>	<b>2,745</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>19,749,846</b>	<b>234,553</b>	<b>-</b>	<b>312,197</b>	<b>287,721</b>	<b>-</b>

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

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

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

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

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

**f. Information on loans and receivables (continued)**

Number of Extensions for Repayment Plan		
Current Period	Performing Loans and Other Receivables	Performing Loans and Other Receivables
1 or 2 times	234,553	287,721
3,4 or 5 times	-	-
Over 5 times	-	-
<b>Total</b>	<b>234,553</b>	<b>287,721</b>
Extension Periods for Repayment Plan Changes	Performing Loans and Other Receivables	Loans and Other Receivables under Follow-Up
0 - 6 months	1,360	976
6 - 12 months	5,294	39,818
1 - 2 years	45,628	108,503
2 - 5 years	98,897	131,896
5 years and over	83,374	6,528
<b>Total</b>	<b>234,553</b>	<b>287,721</b>
Prior Period		
Number of Extensions for Repayment Plan		
	Performing Loans and Other Receivables	Loans and Other Receivables under Follow-Up
1 or 2 times	210,740	161,224
3,4 or 5 times	-	-
Over 5 times	-	-
<b>Total</b>	<b>210,740</b>	<b>161,224</b>
Extension Periods for Repayment Plan Changes	Performing Loans and Other Receivables	Loans and Other Receivables under Follow-Up
0 - 6 months	5,621	3,249
6 - 12 months	17,753	18,652
1 - 2 years	44,252	57,256
2 - 5 years	82,244	81,585
5 years and over	60,870	482
<b>Total</b>	<b>210,740</b>	<b>161,224</b>

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

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

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

**f. Information on loans and receivables: (continued)**

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

<b>Current Period</b>	<b>Performing Loans and Other Receivables</b>		<b>Loans and other receivables under Follow-Up</b>	
	<b>Loans and other receivables</b>	<b>Loans and Receivables with Revised Contract Terms</b>	<b>Loans and other receivables</b>	<b>Loans and Receivables with Revised Contract Terms</b>
<b>Cash Loans</b>				
<b>Short-term loans and other receivables</b>	<b>5,727,187</b>	<b>10,205</b>	<b>35,628</b>	<b>2,375</b>
Loans	5,723,160	10,205	32,883	2,375
Other receivables	4,027	-	2,745	-
<b>Medium and long-term loans and other receivables (*)</b>	<b>14,022,659</b>	<b>224,348</b>	<b>276,569</b>	<b>285,346</b>
Loans	14,022,659	224,348	276,569	285,346
Other receivables	-	-	-	-
<b>Total</b>	<b>19,749,846</b>	<b>234,553</b>	<b>312,197</b>	<b>287,721</b>
<b>Prior Period</b>	<b>Performing Loans and Other Receivables</b>		<b>Loans and other receivables under Follow-Up</b>	
	<b>Loans and other receivables</b>	<b>Loans and Receivables with Revised Contract Terms</b>	<b>Loans and other receivables</b>	<b>Loans and Receivables with Revised Contract Terms</b>
<b>Cash Loans</b>				
<b>Short-term loans and other receivables</b>	<b>5,240,875</b>	<b>6,395</b>	<b>48,683</b>	<b>1,568</b>
Loans	5,238,239	6,395	46,529	1,568
Other receivables	2,636	-	2,154	-
<b>Medium and long-term loans and other receivables (*)</b>	<b>10,352,943</b>	<b>204,345</b>	<b>240,268</b>	<b>159,656</b>
Loans	10,352,943	204,345	240,268	159,656
Other receivables	-	-	-	-
<b>Total</b>	<b>15,593,818</b>	<b>210,740</b>	<b>288,951</b>	<b>161,224</b>

(\*) Loans with original maturities more than one year are classified as "Medium and Long Term Loans".

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

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

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

**f. Information on loans and receivables: (continued)**

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

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

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

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

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

**f. Information on loans and receivables: (continued)**

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

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

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

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

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

**f. Information on loans and receivables: (continued)**

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

<b>Current Period</b>	<b>Short term</b>	<b>Medium and long term</b>	<b>Total</b>
<b>Commercial Installment Loans-TL</b>	<b>96,723</b>	<b>2,653,296</b>	<b>2,750,019</b>
Business Premises Loans	3,006	616,276	619,282
Vehicle Loans	41,998	706,132	748,130
Consumer Loans	-	121,436	121,436
Other	51,719	1,209,452	1,261,171
<b>Commercial Installment Loans-FC Indexed</b>	<b>25,651</b>	<b>1,342,007</b>	<b>1,367,658</b>
Business Premises Loans	1,480	370,873	372,353
Vehicle Loans	2,882	278,942	281,824
Consumer Loans	-	-	-
Other	21,289	692,192	713,481
<b>Commercial Installment Loans-FC</b>	<b>102</b>	<b>478,865</b>	<b>478,967</b>
Business Premises Loans	-	69,799	69,799
Vehicle Loans	-	2,166	2,166
Consumer Loans	-	-	-
Other	102	406,900	407,002
<b>Corporate Credit Cards-TL</b>	<b>80,382</b>	<b>54</b>	<b>80,436</b>
With Installment	11,289	-	11,289
Without Installment	69,093	54	69,147
<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>202,858</b>	<b>4,474,222</b>	<b>4,677,080</b>
<b>Prior Period</b>	<b>Short term</b>	<b>Medium and long term</b>	<b>Total</b>
<b>Commercial Installment Loans-TL</b>	<b>79,056</b>	<b>1,905,718</b>	<b>1,984,774</b>
Business Premises Loans	4,105	424,021	428,126
Vehicle Loans	35,493	625,331	660,824
Consumer Loans	-	69,683	69,683
Other	39,458	786,683	826,141
<b>Commercial Installment Loans-FC Indexed</b>	<b>16,047</b>	<b>1,099,590</b>	<b>1,115,637</b>
Business Premises Loans	460	270,187	270,647
Vehicle Loans	7,713	283,186	290,899
Consumer Loans	-	-	-
Other	7,874	546,217	554,091
<b>Commercial Installment Loans-FC</b>	<b>-</b>	<b>286,114</b>	<b>286,114</b>
Business Premises Loans	-	71,951	71,951
Vehicle Loans	-	973	973
Consumer Loans	-	-	-
Other	-	213,190	213,190
<b>Corporate Credit Cards-TL</b>	<b>69,350</b>	<b>-</b>	<b>69,350</b>
With Installment	10,159	-	10,159
Without Installment	59,191	-	59,191
<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>164,453</b>	<b>3,291,422</b>	<b>3,455,875</b>

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

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

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

**f. Information on loans and receivables: (continued)**

6. Allocation of loans by customers:

	Current period	Prior period
Public	65,835	16,253
Private	20,518,482	16,238,480
<b>Total</b>	<b>20,584,317</b>	<b>16,254,733</b>

7. Breakdown of domestic and foreign loans:

	Current period	Prior period
Domestic loans	20,270,373	15,738,793
Foreign loans	313,944	515,940
<b>Total</b>	<b>20,584,317</b>	<b>16,254,733</b>

8. Loans granted to subsidiaries and associates:

	Current period	Prior period
Loans granted directly to subsidiaries and associates	5	1
Loans granted indirectly to subsidiaries and associates	-	-
<b>Total</b>	<b>5</b>	<b>1</b>

9. Specific provisions for loans:

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

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

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

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

**Current period**

(Gross amounts before specific provision)

Restructured loans and other receivables	-	-	-
Rescheduled loans and other receivables	-	-	-

**Prior period**

(Gross amounts before specific provision)

Restructured loans and other receivables	4,156	245	11,903
Rescheduled loans and other receivables	-	-	-

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

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

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

**f. Information on loans and receivables: (continued)**

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

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

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

	<b>Group III</b>	<b>Group IV</b>	<b>Group V</b>
	<b>Loans and receivables with limited collectability</b>	<b>Loans and receivables with doubtful collectability</b>	<b>Uncollectible loans and receivables</b>
<b>Ending balance of prior period</b>	<b>53,190</b>	<b>68,127</b>	<b>164,022</b>
Additions in the current period (+)	40,707	94,369	55,692
Transfers from other categories of non-performing loans(+)	-	8,208	91,478
Transfers to other categories of non-performing loans (-)	44,261	55,425	-
Collections in the current period (-)	3,873	9,242	30,962
Disposals in the current period (-)	1,937	987	6,963
<b>Write offs (-)</b>	<b>2,433</b>	<b>5,755</b>	<b>32,279</b>
Corporate and commercial loans	1,432	1,778	22,240
Retail loans	863	3,112	7,503
Credit Cards	138	865	2,536
Other	-	-	-
<b>Ending balance of the current period</b>	<b>41,393</b>	<b>99,295</b>	<b>240,988</b>
Specific provisions (-)	27,935	72,971	235,277
<b>Net balance at the balance sheet</b>	<b>13,458</b>	<b>26,324</b>	<b>5,711</b>

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



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

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

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

**f. Information on loans and receivables: (continued)**

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

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

	Group III: Loans and receivables with limited collectability	Group IV: Loans and receivables with doubtful collectability	Group V: Uncollectible loans and receivables
<b>Current period (Net)</b>			
Loans granted to real persons and legal entities (Gross)	24,925	32,206	14,846
Specific provision (-)	49,969	116,325	314,901
<b>Loans to real persons and legal entities (Net)</b>	25,044	84,119	300,055
Banks (Gross)	24,925	32,206	14,846
Specific provision (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	-	-	-
Specific provision (-)	-	-	-
Other loans and receivables (Net)	-	-	-
<b>Prior period (Net)</b>	13,458	26,324	5,711
Loans to real persons and legal entities (Gross)	41,393	99,295	240,988
Specific provision (-)	27,935	72,971	235,277
<b>Loans to real persons and legal entities (Net)</b>	13,458	26,324	5,711
Banks (Gross)	-	-	-
Specific provision (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	-	-	-
Specific provision (-)	-	-	-
Other loans and receivables (Net)	-	-	-

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

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

<b>Current period – 31 December 2014</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 and receivables					
Corporate loans	266,004	117,078	104,971	-	488,053
Retail loans	32,398	44,882	29,793	-	107,073
Credit cards	3,587	836	369	-	4,792
<b>Total</b>	<b>301,989</b>	<b>162,796</b>	<b>135,133</b>	<b>-</b>	<b>599,918</b>

  

<b>Prior Period – 31 December 2013</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 and receivables					
Corporate loans	147,027	72,062	61,805	-	280,894
Retail loans	25,224	86,798	54,233	-	166,255
Credit cards	2,376	445	205	-	3,026
<b>Total</b>	<b>174,627</b>	<b>159,305</b>	<b>116,243</b>	<b>-</b>	<b>450,175</b>

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

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

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

**f. Information on loans and receivables: (continued)**

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

Loans and other receivables, which were deemed uncollectible according to the “Principles and Procedures for the Determination of the Quality of Loans and Other Receivables and Reserves to be provided for these Loans” published in the Official Gazette No. 26333 dated 1 November 2006 and for which a full impairment provision has been made, are written-off per the decision of the Bank top management. Within 2014, non-performing loans amounting to TL 48,363 have been written-off (31 December 2013 – TL 40,467).

**12. Information on the write-off policy:**

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

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

None (31 December 2013 – None).

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

1. 1.75% ownership of Kredi Garanti Fonu A.Ş. of TL 4,210 (31 December 2013 – TL 4,210), 8.36% ownership of Islamic International Rating Agency of TL 714 (31 December 2013– TL 714), and 6.99% ownership of Neova Sigorta A.Ş. of TL 3,752 (31 December 2013 – TL 3,752) and Swift shares amounting to TL 181 (31 December 2013 – TL 181) and 0,0035% ownership of Borsa İstanbul A.Ş. of TL 15 (31 December 2013 – TL 15) are classified as financial assets available for sale since the Bank’s ownership in these institutions is less than 10% and the Bank does not have a significant influence on these institutions.
2. Information about investments in unconsolidated associates: None (31 December 2013 – None).
2. Information related to consolidated associates: None (31 December 2013 – None).

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

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

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

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

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

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

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

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

(\*) Financial statements as at December 31, 2014 are in line with the Turkish legal legislations.

(\*\*) These figures are shown per financial statements prepared in accordance with Turkish Commercial Code as at December 31, 2014.

(\*\*\*) The previous name of the Company is Körfez Gayrimenkul İnşaat Taahhüt Turizm Sanayi ve Anonim Şirketi. On 29 December 2011 the Company completed its conversion to real estate investment trust company and registered as ' Körfez Gayrimenkul Yatırım Ortaklığı Anonim Şirketi. The Company has been publicly traded since 25 April 2014 and consolidated since 30 June 2014. Above figures are shown per financial statements prepared in accordance with Capital Markets Board Law.

**Movement for subsidiaries**

	Current period	Prior period
<b>Balance at the beginning of the year</b>	<b>72,853</b>	<b>57,863</b>
Movements during the year	-	-
Purchases (*)	-	-
Transfers from subsidiaries	(50,173)	-
Bonus shares	-	-
Dividends from current year income	-	-
Sales	-	-
Revaluation increase	-	31,312
(Impairment)/reversal of impairment	-	-
Capital commitment payments (**)	-	(16,322)
<b>Balance at the end of the year</b>	<b>22,680</b>	<b>72,853</b>
Capital commitments	-	-
Share percentage at the end of the year (%)	-	-

(\*) USD 30,000,000 (full amount) capital of the bank's subsidiary Kuwait Turkish Participation Bank Dubai Ltd. was increased to USD 40,000,000 (full amount) with Board of Director's decision numbered 158 and dated 20 March 2014 and increased to USD 50,000,000 (full amount) as of December 31, 2014 (31 December 2013 – USD 30,000,000).

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

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

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

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

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

3. Information on consolidated subsidiaries:

Description	Address (City/ Country)	Bank's share percentage- If different voting percentage (%)	Bank's risk group share percentage (%)
1. Kuwait Turkish Participation Bank Dubai Ltd (*)	Dubai/BAE	100%	100%
2. KT Sukuk Varlık Kiralama A.Ş. (**)	İstanbul/Turkey	100%	100%
3. KT Kira Sertifikaları Varlık Kiralama A.Ş.(***)	İstanbul/Turkey	100%	100%
4. Körfez Gayrimenkul Yatırım Ortaklığı A.Ş.	İstanbul/Turkey	75%	97.61%

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

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

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

	Total Assets	Shareholders' Equity	Total Fixed Assets	Profit Share Income	Income from marketable securities	Current Period Profit/Loss	Prior Period Profit/Loss	Fair Value
1.	141,437	115,945	250	20,477	-	7,018	5,757	-
2.	815,458	100	-	-	-	27	17	-
3.	1,400,730	65,736	-	-	-	35	14	-
4.	101,995	68,317	-	2,324	-	(262)	(693)	-

Sectoral information on consolidated subsidiaries and the related carrying amounts:

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

Subsidiaries that are quoted on the stock exchange: None (31 December 2013 – None).

4. Information on capital adequacies of major subsidiaries:

The Bank does not have any major subsidiary.

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

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

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

	Bank's share percentage	Total assets	Equity	Total fixed assets	Current period profit/loss	Prior period profit /loss
Katılım Emeklilik ve Hayat A.Ş. (*) (**)	50%	67,025	8,762	2,501	(11,147)	(6,618)

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

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

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

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

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

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

1. Presentation of remaining maturities of net finance leases:

	Current period		Prior period	
	Gross	Net	Gross	Net
Less than 1 year	402,826	361,685	243,846	208,397
1 to 4 years	357,656	309,384	207,259	178,361
More than 4 years	43,414	39,517	23,763	21,674
<b>Total</b>	<b>803,896</b>	<b>710,586</b>	<b>474,868</b>	<b>408,432</b>

2. Net investments in finance leases:

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

**b. Information on finance lease contracts:**

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

Impairment provision amounting to TL 8,163 (31 December 2013– TL 3,043) for financial lease receivables are included under the specific provision account under loans in the balance sheet.

**l. Information on derivative financial assets for hedging purposes:**

None (31 December 2013 – None).

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

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

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

**m. Explanations on Tangible Assets (Net):**

	Real Estates	Leased Tangible Assets	Vehicles	Other Tangible Assets(*)	Total
<b>End of Prior Period: 31 December 2013</b>					
Cost	123,758	76,676	1,027	264,364	465,825
Accumulated Depreciation (-)	2,580	10,828	806	115,843	130,057
Net Book Value	121,178	65,848	221	148,521	335,768
<b>End of Current Period: 31 December 2014</b>					
Net book value at beginning of period	121,178	65,848	221	148,521	335,768
Additions	198,653	1,776	48	43,801	244,278
Disposals (-)	157,354	5	-	2,545	159,904
Transfers to assets held for sale (-)	-	-	-	-	-
Transfer from assets held for sale	-	-	-	17,303	17,303
Impairment/Reversal of Impairment Losses (**)	-	-	-	230	230
Depreciation Expense (-)	4,451	3,305	64	27,675	35,495
Cost at period end	165,057	78,447	1,075	322,693	567,272
Accumulated depreciation end of period (-)	7,031	14,133	870	143,518	165,552
<b>Closing net book value</b>	<b>158,026</b>	<b>64,314</b>	<b>205</b>	<b>179,175</b>	<b>401,720</b>
<b>End of Prior Period: 31 December 2012</b>					
Cost	61,216	71,640	1,061	207,847	341,764
Accumulated Depreciation (-)	1,948	10,114	775	90,197	103,034
Net Book Value	59,268	61,526	286	117,650	238,730
<b>End of Current Period: 31 December 2013</b>					
Net book value at beginning of period	59,268	61,526	286	117,650	238,730
Additions	81,817	5,651	-	52,628	140,096
Disposals (-)	19,276	615	34	905	20,830
Transfers to assets held for sale (-)	-	-	-	323	323
Transfer from assets held for sale	-	-	-	5,036	5,036
Impairment/Reversal of Impairment Losses (**)	-	-	-	(82)	(82)
Depreciation Expense (-)	631	714	31	25,647	27,023
Cost at period end	123,758	76,676	1,027	264,364	465,825
Accumulated depreciation end of period (-)	2,580	10,828	806	115,843	130,057
<b>Closing net book value</b>	<b>121,178</b>	<b>65,848</b>	<b>221</b>	<b>148,521</b>	<b>335,768</b>

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

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

**n. Explanations on Intangible Assets:**

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

	End of Period	Beginning of Period
Cost	114,727	82,916
Accumulated Amortization	(44,447)	(27,218)
<b>Total (net)</b>	<b>70,280</b>	<b>55,698</b>

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

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

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

**n. Explanations on Intangible Assets: (Continued)**

**2. Movements of intangible assets**

	<b>Current Period</b>	<b>Prior Period</b>
Opening balance	55,698	43,652
Additions	32,018	29,074
Disposals (-), net	208	(4,579)
Depreciation amount (-)	17,228	(12,449)
<b>Closing net book value</b>	<b>70,280</b>	<b>55,698</b>

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

**o. Investment property:**

None.

**p. Information on deferred tax asset:**

In accordance with the related regulations deferred tax asset as of 31 December 2014 is TL 65,177 (31 December 2013 – TL 47,829) and deferred tax liability is TL 15,161 (31 December 2013 – TL 16,876).

	<b>Current Period</b>	<b>Prior Period</b>
Reserve for employee benefits	10,172	7,621
Retirement pay liability	8,383	5,755
Deferred income	24,356	21,195
Impairment provision for subsidiaries, fixed assets and assets held for sale	16,562	9,260
Precious metals valuation difference	5,148	2,525
Other	556	1,473
<b>Deferred tax asset</b>	<b>65,177</b>	<b>47,829</b>
Difference between carrying value and tax base of tangible assets	(5,896)	(4,552)
Accruals of derivative financial instruments held for trading(net)	(3,313)	(9,620)
Valuation differences from available for sale financial assets	(5,182)	(506)
Other	(770)	(2,704)
<b>Deferred tax liability</b>	<b>(15,161)</b>	<b>(16,876)</b>
<b>Deferred tax asset, (net)</b>	<b>50,016</b>	<b>30,953</b>

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

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

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

**p. Information on deferred tax asset: (continued)**

Table of deferred tax asset movement:

	<b>Current period</b>	<b>Prior period</b>
As of January 1	30,953	20,804
Deferred tax income	22,533	4,285
Deferred tax accounted under shareholders' equity	(3,470)	5,864
<b>Deferred tax asset</b>	<b>50,016</b>	<b>30,953</b>

**q. Assets held for sale and assets of discontinued operations**

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

	<b>Current Period</b>	<b>Prior Period</b>
Opening balance	28,999	30,004
Additions	35,741	17,892
Transfer from tangible assets	-	322
Disposals (-), net	16,121	(13,123)
Transfer to tangible assets	17,303	(6,096)
Depreciation amount (-)	-	-
Impairment losses provision (-)	-	-
<b>Closing net book value</b>	<b>31,316</b>	<b>28,999</b>

**r. Information on other assets:**

As of balance sheet date, the Group's other assets amount to TL 458,666 (31 December 2013 - TL 315,123). Other assets balance does not exceed 10% of the total assets on the balance sheet excluding off balance sheet commitments.

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



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

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

**SECTION FIVE**

**II. Explanations and notes related to liabilities**

**a. Information on funds collected:**

**1. Information on maturity structure of funds collected:**

**i. Current period:**

	Demand	Up to 1 Month	Up to 3 Months	Up to 6 months	Up to 9 months	Up to 1 year 1 year	1 year and over	Accumulated profit sharing accounts	Total
<b>I. Real persons current accounts-TL</b>	<b>1,909,330</b>	-	-	-	-	-	-	-	<b>1,909,330</b>
<b>II. Real persons profit sharing accounts TL</b>	-	<b>2,343,300</b>	<b>3,926,130</b>	<b>583,822</b>	-	<b>194,654</b>	<b>275,644</b>	-	<b>7,323,550</b>
<b>III. Other current accounts-TL</b>	<b>1,580,643</b>	-	-	-	-	-	-	-	<b>1,580,643</b>
Public sector	67,748	-	-	-	-	-	-	-	67,748
Commercial sector	1,486,386	-	-	-	-	-	-	-	1,486,386
Other institutions	18,950	-	-	-	-	-	-	-	18,950
Commercial and other institutions	-	-	-	-	-	-	-	-	-
Banks and participation banks	7,559	-	-	-	-	-	-	-	7,559
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	1,199	-	-	-	-	-	-	-	1,199
Foreign banks	3,201	-	-	-	-	-	-	-	3,201
Participation banks	159	-	-	-	-	-	-	-	159
Others	3,000	-	-	-	-	-	-	-	3,000
<b>IV. Profit sharing accounts-TL</b>	-	<b>331,993</b>	<b>690,747</b>	<b>114,080</b>	-	<b>103,014</b>	<b>79,049</b>	-	<b>1,318,883</b>
<b>Public sector</b>	-	134	648	41	-	15,858	6,596	-	23,277
Commercial sector	-	287,626	646,097	104,051	-	85,775	70,465	-	1,194,014
Other institutions	-	22,099	43,563	9,988	-	1,381	380	-	77,411
Commercial and other institutions	-	22,134	427	-	-	-	1,608	-	24,169
Banks and participation banks	-	-	12	-	-	-	-	-	12
<b>V. Real persons current accounts-FC</b>	<b>1,438,232</b>	-	-	-	-	-	-	-	<b>1,438,232</b>
<b>VI. Real persons profit sharing accounts-FC</b>	-	<b>1,185,998</b>	<b>2,043,002</b>	<b>519,895</b>	-	<b>263,869</b>	<b>206,998</b>	-	<b>4,219,762</b>
<b>VII. Other current accounts-FC</b>	<b>1,111,935</b>	-	-	-	-	-	-	-	<b>1,111,935</b>
Commercial residents in Turkey	884,542	-	-	-	-	-	-	-	884,542
Commercial residents in Abroad	38,604	-	-	-	-	-	-	-	38,604
Banks and participation banks	188,789	-	-	-	-	-	-	-	188,789
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	46,308	-	-	-	-	-	-	-	46,308
Foreign banks	142,265	-	-	-	-	-	-	-	142,265
Participation banks	216	-	-	-	-	-	-	-	216
Others	-	-	-	-	-	-	-	-	-
<b>VIII. Profit sharing accounts- FC</b>	-	<b>307,840</b>	<b>708,582</b>	<b>77,939</b>	-	<b>117,813</b>	<b>224,396</b>	-	<b>1,436,570</b>
<b>Public sector</b>	-	-	-	-	-	-	-	-	-
Commercial sector	-	187,119	610,552	47,623	-	89,629	162,261	-	1,097,184
Other institutions	-	74,757	17,089	2,391	-	348	3,079	-	97,664
Commercial and other institutions	-	43,006	78,232	27,925	-	27,836	52,207	-	229,206
Banks and participation banks	-	2,958	2,709	-	-	-	6,849	-	12,516
<b>IX. Precious metal funds</b>	<b>606,865</b>	-	<b>1,056,799</b>	<b>61,744</b>	-	<b>39,467</b>	-	-	<b>1,764,875</b>
<b>X. Profit sharing accounts special funds - TL</b>	-	-	-	-	-	<b>3,209</b>	<b>4,729</b>	-	<b>7,938</b>
Residents in Turkey	-	-	-	-	-	3,209	4,729	-	7,938
Residents Abroad	-	-	-	-	-	-	-	-	-
<b>XI. Profit sharing accounts special funds - FC</b>	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>6,647,005</b>	<b>4,169,131</b>	<b>8,425,260</b>	<b>1,357,480</b>	-	<b>722,026</b>	<b>790,816</b>	-	<b>22,111,718</b>

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

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

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

**II. Explanations and notes related to liabilities (continued)**

**a. Information on funds collected: (continued)**

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

ii. Prior period:

	Demand	Up to 1 month	Up to 3 Months	Up to 6 months	Up to 9 months	Up to 1 year	1 year and over	Accumulated profit sharing accounts	Total
<b>I. Real persons current accounts-TL</b>	<b>1,258,677</b>	-	-	-	-	-	-	-	<b>1,258,677</b>
<b>II. Real persons profit sharing accounts-TL</b>	-	<b>1,787,885</b>	<b>2,767,949</b>	<b>432,619</b>	-	<b>186,385</b>	<b>333,875</b>	-	<b>5,508,713</b>
<b>III. Other current accounts-TL</b>	<b>1,381,786</b>	-	-	-	-	-	-	-	<b>1,381,786</b>
Public sector	55,130	-	-	-	-	-	-	-	55,130
Commercial sector	1,298,067	-	-	-	-	-	-	-	1,298,067
Other institutions	20,476	-	-	-	-	-	-	-	20,476
Commercial and other institutions	-	-	-	-	-	-	-	-	-
Banks and participation banks	8,113	-	-	-	-	-	-	-	8,113
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	288	-	-	-	-	-	-	-	288
Foreign banks	1,799	-	-	-	-	-	-	-	1,799
Participation banks	3,026	-	-	-	-	-	-	-	3,026
Others	3,000	-	-	-	-	-	-	-	3,000
<b>IV. Profit sharing accounts-TL</b>	-	<b>269,876</b>	<b>562,021</b>	<b>128,288</b>	-	<b>127,289</b>	<b>90,281</b>	-	<b>1,177,755</b>
Public sector	-	1,928	74	38	-	4,294	-	-	6,334
Commercial sector	-	246,942	525,071	125,066	-	109,720	89,846	-	1,096,645
Other institutions	-	21,006	36,627	3,184	-	13,275	435	-	74,527
Commercial and other institutions	-	-	238	-	-	-	-	-	238
Banks and participation banks	-	-	11	-	-	-	-	-	11
<b>V. Real persons current accounts-FC</b>	<b>730,758</b>	-	-	-	-	-	-	-	<b>730,758</b>
<b>VI. Real persons profit sharing accounts-FC</b>	-	<b>747,849</b>	<b>1,129,443</b>	<b>352,656</b>	-	<b>183,833</b>	<b>170,752</b>	-	<b>2,584,533</b>
<b>VII. Other current accounts-FC</b>	<b>887,065</b>	-	-	-	-	-	-	-	<b>887,065</b>
Commercial residents in Turkey	705,942	-	-	-	-	-	-	-	705,942
Commercial residents in Abroad	68,892	-	-	-	-	-	-	-	68,892
Banks and participation banks	112,231	-	-	-	-	-	-	-	112,231
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	609	-	-	-	-	-	-	-	609
Foreign banks	105,253	-	-	-	-	-	-	-	105,253
Participation banks	6,369	-	-	-	-	-	-	-	6,369
Others	-	-	-	-	-	-	-	-	-
<b>VIII. Profit sharing accounts- FC</b>	-	<b>238,257</b>	<b>856,522</b>	<b>39,595</b>	-	<b>67,423</b>	<b>125,513</b>	-	<b>1,327,310</b>
Public sector	-	-	35	-	-	-	-	-	35
Commercial sector	-	126,944	653,020	26,457	-	67,396	64,919	-	938,736
Other institutions	-	51,138	4,687	12,236	-	27	3,345	-	71,433
Commercial and other institutions	-	60,171	17,598	902	-	-	54,965	-	133,636
Banks and participation banks	-	4	181,182	-	-	-	2,284	-	183,470
<b>IX. Precious metal funds</b>	<b>745,899</b>	-	<b>1,306,651</b>	<b>72,840</b>	-	<b>44,582</b>	-	-	<b>2,169,972</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>5,004,185</b>	<b>3,043,867</b>	<b>6,622,586</b>	<b>1,025,998</b>	-	<b>609,512</b>	<b>720,421</b>	-	<b>17,026,569</b>

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

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

**II. Explanations and notes related to liabilities (continued)**

**a. Information on funds collected: (continued)**

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

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

	Under the guarantee of saving deposit insurance		Exceeding the limit of saving Deposit	
	Current period	Prior period	Current period	Prior period
Real persons current and profit sharing accounts that are not subject to commercial activities				
TL accounts	5,738,367	4,075,680	3,463,278	2,663,583
FC accounts	3,321,617	2,774,746	3,973,599	2,559,062
Foreign branches' deposits under foreign authorities' insurance	-	-	-	-
Off-shore banking regions' under foreign authorities' insurance	-	-	-	-

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

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

The headquarters of the Parent Bank is in Turkey.

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

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

	Current period	Prior period
Foreign branches' profit sharing accounts and other accounts	-	-
Profit sharing accounts and other accounts of controlling shareholders and profit sharing accounts of their mother, father, spouse, children in care	-	-
Profit sharing account and other accounts of President and Members of Board of Directors, CEO and Vice Presidents and profit sharing accounts of their mother, father, spouse and children in care	4,174	2,484
Profit sharing account and other accounts in scope of the property holdings derived from crime defined in article 282 of Turkish Criminal Law No:5237 dated 26 September 2004	-	-
Profit sharing accounts in participation banks which are established in Turkey in order to engage in off-shore banking activities solely	226	208

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

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

**II. Explanations and notes related to liabilities (continued)**

**b. Information on derivative financial liabilities held for trading:**

Derivative financial liabilities held for trading:

	Current period		Prior period	
	TL	FC	TL	FC
Forward transactions	12,537	2,077	24,364	8,116
Swap transactions	1,551	9,720	19,300	7,168
Futures transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>14,088</b>	<b>11,797</b>	<b>43,664</b>	<b>15,284</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	-	16,507	-	-
From Foreign Banks, Institutions and Funds	8,111	4,380,102	5,793	4,034,732
<b>Total</b>	<b>8,111</b>	<b>4,396,609</b>	<b>5,793</b>	<b>4,034,732</b>

**2. Information on maturity structure of borrowings:**

	Current period		Prior period	
	TL	FC	TL	FC
Short-term	8,111	3,571,161	5,793	3,519,813
Medium and Long-Term	-	825,448	-	514,894
<b>Total</b>	<b>8,111</b>	<b>4,396,609</b>	<b>5,793</b>	<b>4,034,707</b>

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

**Current Period:**

Type	Customer	Opening Date	Maturity	Currency	Rate (Yearly)	Principal	Profit Share
Syndicated	STANDARD CHARTERED BANK	27/12/2013	28/12/2015	EUR	1.544%	20,000,000	627,036
Syndicated	STANDARD CHARTERED BANK	27/12/2013	28/12/2015	USD	1.496%	105,000,000	3,189,277
Syndicated	EMIRATES NBD BANK PJSC	29/12/2014	29/12/2016	USD	1.259%	300,000,000	7,666,704
Syndicated	EMIRATES NBD BANK PJSC	29/12/2014	29/12/2015	EUR	0.883%	10,000,000	89,522
Syndicated	EMIRATES NBD BANK PJSC	29/12/2014	29/12/2016	EUR	1.083%	30,000,000	659,701

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

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

**II. Explanations and notes related to liabilities (continued)**

**c. Information on funds borrowed: (continued)**

**Prior Period:**

Type	Customer	Opening Date	Maturity	Currency	Rate (Yearly)	Principal	Profit Share
Syndicated	STANDARD CHARTERED BANK	27/12/2013	29/12/2014	EUR	1.194%	63,000,000	766,847
Syndicated	STANDARD CHARTERED BANK	27/12/2013	28/12/2015	EUR	1.544%	20,000,000	627,036
Syndicated	STANDARD CHARTERED BANK	27/12/2013	29/12/2014	USD	1.146%	120,000,000	1,401,757
Syndicated	STANDARD CHARTERED BANK	27/12/2013	28/12/2015	USD	1.496%	105,000,000	3,189,277
Syndicated	STANDARD CHARTERED BANK	27/12/2013	29/12/2014	USD	1.146%	50,000,000	584,065

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

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

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

**d. Information on securities issued:**

The Group has issued "sukuk" (rent certificates) as given in detail below. Securities issued has average profit share rate of 9% for TL and 5% for USD. TL denominated sukuks have maturity between March 2015 – November 2015 and USD denominated sukuks have maturity between October 2016 – June 2019.

Current Period	TL		FC	
	Short term	Medium and long term	Short term	Medium and long term
Nominal	237,000	-	-	1,971,065
Remaining profit distribution	5,137	-	-	424,544
Carrying amount	208,064	-	-	1,979,836

Prior Period	TL		FC	
	Short term	Medium and long term	Short term	Medium and long term
Nominal	150,000	-	-	747,005
Remaining profit distribution	13,620	-	-	131,660
Carrying amount	151,562	-	-	754,332

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

As of 31 December 2014, other liabilities amounting to TL 373,245 (31 December 2013 - TL 314,680), sundry creditors amounting to TL 152,591 (31 December 2013- TL 122,506), both of them do not exceed 10% of the balance sheet total.

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

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

**i. Information on the changes in agreements and new obligations originating from these changes: None (31 December 2013 – None).**

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

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

**II. Explanations and notes related to liabilities (continued)**

**f. Information on finance lease payables (net): (continued)**

**ii. Information on Financial Lease Obligations**

	Current period		Prior period	
	Gross	Net	Gross	Net
Less than 1 year	-	-	-	-
Between 1-4 years	345	331	1,878	1,828
More than 4 years	-	-	-	-
<b>Total</b>	<b>345</b>	<b>331</b>	<b>1,878</b>	<b>1,828</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.

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

**h. Information on provisions:**

**1. Information on general provisions:**

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

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

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

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

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

**II. Explanations and notes related to liabilities (continued)**

3. Information on other provisions:

	<b>Current Period</b>	<b>Prior Period</b>
Provisions for non- liquidated non cash loans (*)	42,544	27,593
Provisions for cheque books (*)	9,181	9,605
Provisions from equity/profit sharing accounts	14,186	30,430
Kredi Kartlarına İlişkin Promosyon Uygulamaları	347	144
Other	890	1,370
<b>Total</b>	<b>67,148</b>	<b>68,998</b>

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

4. Information on provisions for employee benefits:

Provisions for employee benefits consist of reserve for employee termination benefits amounting to TL 42,212 (31 December 2013 – TL 28,959), vacation pay liability amounting to TL 430 (31 December 2013 – TL 608), performance premium amounting to TL 48,600 (31 December 2013 – TL 36,700), retirement bonus payment provision of TL 1,829 (31 December 2013 – TL 15) and overtime payment amounting to TL 0 (31 December 2013 – TL 783).

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

The amount payable consists of one month’s salary limited to a maximum of TL 3,438 (31 December 2013 – TL 3,129) for each year of service. The liability is not funded, as there is no funding requirement.

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

	<b>Current period</b>	<b>Prior period</b>
Discount Rate (%)	3.29	3.29
Inflation rate (%)	6.5	6.5
Interest rate (%)	10.0	10.0

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

	<b>Current period</b>	<b>Prior period</b>
Balance at the beginning of the period	28,959	11,806
Provisions recognized during the period	9,619	4,179
Actuarial loss (*)	6,452	15,345
Paid during the period	(2,818)	(2,371)
<b>Balances at the end of the period</b>	<b>42,212</b>	<b>28,959</b>

(\*)Retirement pay liability arising from current period and amounting TL 21,796 is an actuarial loss amount and deferred tax amounting to TL 4,359 related with the retirement pay liability is accounted under Statement of other Comprehensive Income.

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

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

**II.Explanations and notes related to liabilities (continued)**

**i. Explanations on tax liability:**

1. Explanations on current tax liability:

i. Information on tax provisions: As of 31 December 2014, the Bank has current tax liability after deducting temporary taxes paid during the period from the provision for corporate income tax amounting to TL 32,317.

	<b>Current period</b>	<b>Prior period</b>
Provision for corporate income tax	122,184	73,152
Prepaid taxes	(89,867)	(53,056)
<b>Total (*)</b>	<b>32,317</b>	<b>20,096</b>

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

**ii. Information on taxes payable (\*):**

	<b>Current period</b>	<b>Prior period</b>
Taxation of marketable securities	8,427	6,284
Taxation of immovable property	783	662
Banking Insurance Transaction Tax (BITT)	10,871	9,104
Foreign Exchange Transaction Tax	-	-
Value Added Tax Payable	1,049	1,820
Income tax deducted from wages	5,360	4,340
Other	833	1,630
<b>Total</b>	<b>27,323</b>	<b>23,840</b>

**iii. Information on premiums (\*):**

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

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

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

j. **Information on payables related to assets held for sale:** None (31 December 2013 – None).



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

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

**II.Explanations and notes related to liabilities (continued)**

**k. Information on subordinated loans:**

	Current Period		Prior Period	
	TL	FC	TL	FC
From Domestic Banks	-	-	-	-
From Other Domestic Institutions	-	-	-	-
From Foreign Banks	-	464,592	-	433,080
From Other Foreign Institutions	-	-	-	-
<b>Total</b>	<b>-</b>	<b>464,592</b>	<b>-</b>	<b>433,080</b>

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

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

1. Presentation of paid-in capital:

	Current period	Prior period
Common stock	2,287,005	1,700,000
Preferred stock	-	-

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

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

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

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

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

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

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

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

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

**II.Explanations and notes related to liabilities (continued)**

7. Information on marketable securities value increase fund:

	Current period		Prior period	
	TL	FC	TL	FC
From Associates, Subsidiaries and Entities Under Common Control (Joint Vent.)	-	-	-	-
Valuation Difference (*)	20,729	340	6,738	(4,713)
Foreign Exchange Difference	-	-	-	-
<b>Total</b>	<b>20,729</b>	<b>340</b>	<b>6,738</b>	<b>(4,713)</b>

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

**m. Information on minority shares:**

	Current Period	Prior Period
Beginning Balance	-	-
Minority Share in Net Income of Subsidiaries	(428)	-
Prior Period Dividend Payment	-	-
Increase / (Decrease) in Minority Shares due to Sales	12,796	-
Other	-	-
Ending Balance	12,368	-

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

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

1. Type and amount of irrevocable commitments: Commitment for credit card limits, as of 31 December 2014 is TL 575,870 (31 December 2013 – TL 449,872); payment commitments for cheque books are TL 876,101 (31 December 2013 – TL 824,093)
2. Type and amount of probable losses and obligations arising from off-balance sheet items:
  - i. Non-cash loans including guarantees, bank acceptances, collaterals and others that are accepted as financial commitments and other letter of credits:

As of 31 December 2014, the Bank has guarantees and surety ships constituting of TL 6,893,972 (31 December 2013 – TL 7,127,080) letters of guarantee; TL ; 59,790 (31 December 2013 – TL 57,587) acceptances and TL 922,530 (31 December 2013 – TL 1,217,277) letters of credit. In addition, the Bank has also Other Guarantees and Securities amounting to TL 355,237 (31 December 2013: 253,082).
  - ii. Revocable, irrevocable guarantees and other similar commitments and contingencies: There are no other than those explained in 2.i).
3. (i). Total amount of non-cash loans:

	Current period	Prior period
Non-cash loans given against cash loans	-	-
With original maturity of 1 year or less	-	-
With original maturity of more than 1 year	-	-
Other non-cash loans	8,248,712	8,672,347
<b>Total</b>	<b>8,248,712</b>	<b>8,672,347</b>

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

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

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

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

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

	Current period				Prior period			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
<b>Agriculture</b>	<b>37,382</b>	<b>0.88</b>	<b>19,728</b>	<b>0.50</b>	<b>49,384</b>	<b>1.21</b>	<b>8,857</b>	<b>0.19</b>
Farming and Stockbreeding	19,746	0.46	5,351	0.13	29,277	0.72	6,512	0.14
Forestry	17,548	0.41	13,598	0.34	19,999	0.49	2,051	0.04
Fishery	88	-	779	0.02	108	0.00	294	0.01
<b>Manufacturing</b>	<b>684,028</b>	<b>16.01</b>	<b>882,729</b>	<b>22.20</b>	<b>675,374</b>	<b>16.50</b>	<b>1,020,681</b>	<b>22.29</b>
Mining and quarrying	155,495	3.64	269,000	6.76	181,676	4.44	258,192	5.64
Production	338,656	7.93	355,342	8.94	332,373	8.12	412,445	9.01
Electricity, Gas, Water	189,877	4.44	258,387	6.50	161,325	3.94	350,044	7.65
<b>Construction</b>	<b>1,848,355</b>	<b>43.27</b>	<b>1,316,787</b>	<b>33.11</b>	<b>1,805,231</b>	<b>44.10</b>	<b>1,664,001</b>	<b>36.34</b>
<b>Services</b>	<b>1,170,082</b>	<b>27.39</b>	<b>1,300,135</b>	<b>32.69</b>	<b>1,081,576</b>	<b>26.42</b>	<b>1,494,332</b>	<b>32.64</b>
Wholesale and Retail Trade	532,883	12.47	363,809	9.15	515,266	12.59	432,119	9.44
Hotel, Food and Beverage					53,700	1.31	30,804	0.67
Services	45,054	1.05	27,405	0.69				
Transportation and Telecom.	305,131	7.14	453,271	11.40	255,737	6.25	445,850	9.74
Financial Institutions	20,946	0.49	397,783	10.00	30,279	0.74	536,107	11.71
Real Estate and Renting Services	9,963	0.23	1,307	0.03	7,804	0.19	816	0.02
“Self-Employment” Type Services	112	-	-	-	195	0.00	-	-
Educational Services	27,764	0.65	3,006	0.08	16,020	0.39	9,675	0.21
Health and Social Services	228,229	5.34	53,554	1.35	202,575	4.95	38,961	0.85
<b>Other</b>	<b>531,903</b>	<b>12.45</b>	<b>457,583</b>	<b>11.51</b>	<b>482,235</b>	<b>11.77</b>	<b>390,676</b>	<b>8.54</b>
<b>Total</b>	<b>4,271,750</b>	<b>100.00</b>	<b>3,976,962</b>	<b>100.00</b>	<b>4,093,800</b>	<b>100.00</b>	<b>4,578,547</b>	<b>100.00</b>

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

Current Period	Group I		Group II	
	TL	FC	TL	FC
<b>Non-Cash Loans</b>	<b>4,226,915</b>	<b>3,967,417</b>	<b>44,835</b>	<b>9,545</b>
Letters of Guarantee	4,208,973	2,634,791	44,835	5,373
Bills of Exchange and Bank Acceptances	4,033	51,804	-	3,953
Letters of Credit	1,220	921,091	-	219
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Related Guarantees	-	-	-	-
Other Guarantees and Sureties	12,689	359,731	-	-
Prior Period	Group I		Group II	
	TL	FC	TL	FC
<b>Non-Cash Loans</b>	<b>4,035,160</b>	<b>4,568,049</b>	<b>58,640</b>	<b>10,498</b>
Letters of Guarantee	4,016,918	3,043,277	58,640	8,247
Bills of Exchange and Bank Acceptances	1,096	54,818	-	1,673
Letters of Credit	627	1,216,072	-	578
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Related Guarantees	-	-	-	-
Other Guarantees and Sureties	16,519	253,882	-	-

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

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

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

**b. Financial derivative instruments**

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

The Parent Bank enters short term swap transactions based on its market expectations and cash flow. These transactions are generally short term and consist of foreign currency to foreign currency and foreign currency to Turkish Lira agreements. As of 31 December 2014, the Bank has commitments to buy TL 677,103, USD 323,169,000, EURO 97,261,000 and GBP 167,000 in return of selling commitments of TL 785,183, USD 265,505,000, EURO 95,098,000 and USD 97,000 (As of 31 December 2013, the Parent Bank has commitments to buy TL 802,691, USD 527,197,000, EURO 171,524,000 ve GBP 1,792,000 in return of selling commitments of TL 1,332,609, USD 299,591,000, EURO 120,782,000 ve GBP 1,494,000).

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

**d. Contingent liabilities and assets:**

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

**e. Explanations on custodian and intermediary services**

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

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

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

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

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

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

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

**1. Information on profit share received from loans:**

	Current period		Prior period	
	TL	FC	TL	FC
<b>Profit share on loans</b>	<b>1,736,342</b>	<b>86,477</b>	<b>1,260,333</b>	<b>73,190</b>
Short term loans	536,729	15,611	382,334	12,829
Medium and long term loans	1,193,354	70,866	872,772	60,361
Profit share on non-performing loans	6,259	-	5,227	-
Premiums received from resource utilization support fund	-	-	-	-

**2. Information on profit share received from banks:**

	Current period		Prior period	
	TL	FC	TL	FC
The Central Bank of the Republic of Turkey	-	-	-	-
Domestic Banks	-	-	-	-
Foreign Banks	318	16,829	2,047	8,069
Branches and head office abroad	-	-	-	-
<b>Total</b>	<b>318</b>	<b>16,829</b>	<b>2,047</b>	<b>8,069</b>

**3. Information on profit share income from securities portfolio:**

The Parent Bank has received TL 130,875 profit share income from rent certificates (sukuk) which is given the details in available for sale financial assets information. (1 January-31 December 2013: TL 60,880).

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

	Current period	Prior period
Profit share income received from associates and subsidiaries	-	-

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

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

	Current period		Prior period	
	TL	FC	TL	FC
<b>Banks</b>			<b>1,929</b>	<b>108,444</b>
The Central Bank of the Republic of Turkey	-	-	-	-
Domestic banks	-	8	367	71,665
Foreign banks	1,709	67,698	-	-
Branches and head office abroad	-	-	1,562	37,741
<b>Other Institutions</b>	<b>16,568</b>	<b>27,651</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>18,277</b>	<b>95,357</b>	<b>1,929</b>	<b>109,406</b>

**ii. Profit share expense given to associates and subsidiaries:**

	Current Period	Prior Period
Profit share expenses given to associates and subsidiaries	1,631	1,829

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

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

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

**iii. Profit share expense paid to securities issued:** The Group has paid TL 92,537 for securities issued (1 January-31 December 2013 - 41,739).

**c. Information on dividend income:** None (1 January-31 December 2013: None).

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

Current period		Profit Sharing Accounts						Accumulate d profit sharing accounts	Total
Account Name	Up to 1 month	Up to 3 month	Up to 6 month	Up to 9 month	Up to 1 year	Above 1 year			
<b>TL</b>									
Collected funds from banks through current and profit share accounts	-	1	-	-	-	-	-	-	1
Real person’s non-trading profit sharing account	136,105	225,439	40,423	-	12,336	22,159	-	-	436,462
Public sector profit sharing account	46	55	3	-	1,445	3	-	-	1,552
Commercial sector profit sharing account	14,256	36,293	8,297	-	1,977	1,629	-	-	62,452
Other institutions profit sharing account	1,691	2,636	463	-	351	35	-	-	5,176
<b>Total</b>	<b>152,098</b>	<b>264,424</b>	<b>49,186</b>	<b>-</b>	<b>16,109</b>	<b>23,826</b>	<b>-</b>	<b>-</b>	<b>505,643</b>
<b>FC</b>									
Banks	2,447	5,715	130	-	213	1,417	-	-	9,922
Real person’s non-trading profit sharing account	19,818	37,860	11,025	-	4,969	4,729	-	-	78,401
Public sector profit sharing account	-	-	-	-	-	-	-	-	-
Commercial sector profit sharing account	4,026	27,788	870	-	1,986	373	-	-	35,043
Other institutions profit sharing account	1,739	1,178	95	-	23	217	-	-	3,252
Precious metal accounts	-	9,147	516	-	335	-	-	-	9,998
<b>Total</b>	<b>28,030</b>	<b>81,688</b>	<b>12,636</b>	<b>-</b>	<b>7,526</b>	<b>6,736</b>	<b>-</b>	<b>-</b>	<b>136,616</b>
<b>Grand total</b>	<b>180,128</b>	<b>346,112</b>	<b>61,822</b>	<b>-</b>	<b>23,635</b>	<b>30,562</b>	<b>-</b>	<b>-</b>	<b>642,259</b>
Prior Period		Profit Sharing Accounts						Accumulat ed profit sharing accounts	Total
Account Name	Up to 1 month	Up to 3 month	Up to 6 month	Up to 9 month	Up to 1 year	Above 1 year			
<b>TL</b>									
Collected funds from banks through current and profit share accounts	-	585	1,692	-	2,929	-	-	-	5,206
Real person’s non-trading profit sharing account	79,691	153,569	22,361	-	9,832	24,381	-	-	289,834
Public sector profit sharing account	76	112	40	-	794	7	-	-	1,029
Commercial sector profit sharing account	9,832	29,869	7,140	-	2,963	2,056	-	-	51,860
Other institutions profit sharing account	1,039	4,398	904	-	17	49	-	-	6,407
<b>Total</b>	<b>90,638</b>	<b>188,533</b>	<b>32,137</b>	<b>-</b>	<b>16,535</b>	<b>26,493</b>	<b>-</b>	<b>-</b>	<b>354,336</b>
<b>FC</b>									
Banks	-	382	4	-	-	-	-	-	386
Real person’s non-trading profit sharing account	13,912	24,971	6,329	-	3,811	4,948	-	-	53,971
Public sector profit sharing account	-	1	-	-	-	-	-	-	1
Commercial sector profit sharing account	3,042	13,579	755	-	2,712	751	-	-	20,839
Other institutions profit sharing account	1,143	3,267	409	-	1	98	-	-	4,819
Precious metal accounts	-	11,978	498	-	379	-	-	-	12,855
<b>Total</b>	<b>18,097</b>	<b>54,178</b>	<b>7,995</b>	<b>-</b>	<b>6,903</b>	<b>5,797</b>	<b>-</b>	<b>-</b>	<b>92,970</b>
<b>Grand total</b>	<b>108,735</b>	<b>242,711</b>	<b>40,132</b>	<b>-</b>	<b>23,438</b>	<b>32,290</b>	<b>-</b>	<b>-</b>	<b>447,306</b>

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

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

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

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

	<b>Current period</b>	<b>Prior period</b>
	<b>147,655</b>	<b>172,251</b>
<b>Trading income/loss (net)</b>	<b>7,063,732</b>	<b>16,223,297</b>
<b>Income</b>	<b>829</b>	<b>848</b>
Gain on capital market transactions	430,601	274,427
Gain on derivative financial instruments	6,632,302	15,948,022
Foreign exchange gains	<b>6,916,077</b>	<b>16,051,046</b>
<b>Losses (-)</b>	<b>763</b>	<b>2,495</b>
Losses on capital market transactions	402,904	233,580
Losses on derivative financial instruments	6,512,410	15,814,971

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

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

	<b>Current period</b>	<b>Prior period</b>
Reversal of prior period provisions	84,855	79,778
Income from sale of assets	19,454	17,333
Income from checkbooks	72	-
Income from the real estate sales' gains by rent certificates	-	38
Lease income	1,922	-
Other Income	5,816	1,686
<b>Total</b>	<b>112,119</b>	<b>110,508</b>

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

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

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

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

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

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

	Current period	Prior period
Personnel expenses	433,252	338,496
Provision for retirement pay liability	7,193	1,641
Depreciation expenses of fixed assets	34,307	26,890
Impairment expenses of tangible assets	230	-
Depreciation expenses of intangible assets	17,317	12,531
Depreciation expenses of assets held for sale	1,188	530
Other operating expenses	200,604	149,082
Rent expenses	73,427	59,991
Maintenance expenses	14,183	10,482
Advertisement expenses	13,797	14,099
Communication expenses	20,946	13,928
Heating, electricity and water expenses	9,467	7,011
Cleaning expenses	4,068	2,019
Vehicle expenses	4,654	4,001
Stationery expenses	4,212	3,050
Other expenses	55,850	34,501
Losses on sales of assets	225	241
Deposit insurance fund expenses	43,442	32,673
Other	65,027	53,746
<b>Total</b>	<b>802,785</b>	<b>615,830</b>

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

Income before tax amounts to TL 467,181 increased by 23.99% as compared to the prior period (2013 – TL 376,790). Income before tax includes TL 1,155,289 (2013 – TL 839,482) net profit share income and TL 133,218 (2013 – TL 115,668) net fees and commission income. Other operating expense amount is TL 802,785 (2013 – TL 615,830).

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

At current period, deferred tax income of the Group is TL 22,533 (31 December 2013 – TL 4,285 deferred tax expense) and current tax charge is TL 114,826 (2013 – TL 73,152).

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

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

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

- The nature and amount of certain income and expense items from ordinary operations is disclosed if the disclosure for nature, amount and repetition rate of such items is required for a complete understanding of the Group's performance for the period: As of 31 December 2014, net profit share income is TL 1,155,289 (1 January-31 December 2013 – TL 839,482), net fees and commission income is TL 133,218 (1 January-31 December 2013 – TL 115,668).
- Effect of changes in accounting estimates on income statement for the current and, if any for subsequent periods: None (1 January-31 December 2013 – None).



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

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

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

- iii. Profit/Loss attributable to minority interest:

	Current Period	Prior Period
Profit/Loss attributable to minority interest	(428)	-

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

As of 31 December 2014, other fees and commissions received amounting to TL 157,071 (1 January-31 December 2013 – TL 121,878) consists of TL 24,214 credit card fees and commissions (1 January-31 December 2013 – TL 12,763) and TL 30,582 POS machine commissions (1 January-31 December 2013 – TL 23,098).

As of 31 December 2014, other fees and commissions amounting to TL 98,438 (1 January-31 December 2013 – TL 76,990) consists of TL 37,866 (1 January-31 December 2013 – TL 27,582) POS clearing commissions and installation expenses, TL 4,241 (1 January-31 December 2013 – TL 5,476) fees and commissions paid for credit cards.

**V. Statement of Changes in Shareholders' Equity**

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

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

- b) In current year, the Bank has realized dividend payments amounting to TL 18,000 to its shareholders and TL 2,517 TL to members of Board of Directors. In the General Assembly meeting held in 27 March 2014 it has been decided to TL 17,069 transfer to legal reserves, TL 5,555 transfer to extraordinary reserves, TL 27,202 transfer to other reserves and TL 230,000 transfer to paid up capital.

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

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

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

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

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

	Current period	Prior period
<b>Cash</b>	<b>2,987,060</b>	<b>1,831,072</b>
Cash in TL/foreign currency, others	703,661	304,085
Demand deposits at banks	2,283,399	1,526,987
<b>Cash equivalents</b>	<b>-</b>	<b>-</b>
Interbank money markets	-	-
Time deposits at banks	-	-
Marketable securities	-	-
<b>Total cash and cash equivalents</b>	<b>2,987,060</b>	<b>1,831,072</b>

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

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

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

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

	Current period	Prior period
<b>Cash</b>	<b>2,004,817</b>	<b>2,987,060</b>
Cash in TL/foreign currency, others	756,738	703,661
Demand deposits at banks (up to 3 months)	1,248,079	2,283,399
<b>Cash equivalents</b>	<b>-</b>	<b>-</b>
Interbank money markets	-	-
Time deposits at banks	-	-
Marketable securities	-	-
<b>Total cash and cash equivalents</b>	<b>2,004,817</b>	<b>2,987,060</b>

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

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

“Other items” amounting to TL 214,874 (1 January – 31 December 2013 – TL 60,920) in “Operating profit before changes in operating assets and liabilities” consists of fees and commissions paid and other operating expenses except for collection from non-performing loans and personnel expenses.

“Net increase/decrease in other liabilities” amounting to TL 583,806 (1 January – 31 December 2013 – TL 145,172) in “Changes in operating assets and liabilities” consists of changes in sundry creditors, other liabilities and taxes and other duties payables.

“Net increase/decrease in other assets” amounting to TL (56,726) (2013 – TL 748) in “Changes in operating assets and liabilities” consist of changes in tax assets and other asset.

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

Effect of the changes in foreign currency rates on cash and cash equivalents has been calculated approximately TL 17,076 as of December 31, 2014 (January1 -December31, 2013 – TL 69,005).

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

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

**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:**

<b>Risk group of the Bank (*)</b>	<b>Investment in associates, subsidiaries and joint ventures (business partnerships)</b>		<b>Direct and indirect shareholders of the Bank</b>		<b>Other real or legal persons included in the risk group</b>	
	<b>Cash</b>	<b>Non-Cash</b>	<b>Cash</b>		<b>Cash</b>	<b>Non-Cash</b>
Loans and other receivables						
Balance at beginning of period	1	78	621	676	80,270	55
Balance at end of period	5	25,640	580	13,638	79,663	283
Profit share and commission income	-	-	50	-	4,461	-

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

**2. Prior period:**

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

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

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

<b>Risk group of the Bank (*)</b>	<b>Investment in associates, subsidiaries and joint ventures (business partnerships)</b>		<b>Direct and indirect shareholders of the bank</b>		<b>Other real or legal persons included in the risk group</b>	
	<b>Current period</b>	<b>Prior period</b>	<b>Current period</b>	<b>Prior period</b>	<b>Current period</b>	<b>Prior period</b>
Current and profit sharing accounts						
Balance at the beginning of period	45,170	75,445	28,882	21,047	171,137	107,600
Balance at the end of period	8,382	45,170	42,633	28,882	207,428	171,137
Profit share expense	1,631	1,829	1,939	1,298	5,028	3,210

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

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

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

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

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

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

Risk group of the Bank	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the bank		Other real or legal persons included in the risk group	
	Current period	Prior period	Current period	Prior period	Current period	Prior period
<b>Loans Received</b>						
Balance at beginning of period	-	-	2,300,361	1,919,506	70,022	89,620
Balance at end of period	-	-	2,618,833	2,300,361	26,640	70,022
Profit share expense	-	-	77,854	74,197	270	2,080

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

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

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

**1. Domestic and foreign branches and representative offices:**

	Number of Branches	Number of Employees			
Domestic branches (*)	306	3,335			
			<b>Country</b>		
Foreign representative offices	1	1	Germany	<b>Total Assets (TL)</b>	<b>Legal Capital (USD)</b>
Foreign banks	1	4	Bahrain	2,908,231	
Off-shore branches	1	47	Germany	596	

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

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

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

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

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

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

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

**SECTION SIX**

**OTHER EXPLANATIONS AND DISCLOSURES**

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

**SECTION SEVEN**

**INDEPENDENT AUDITORS' REPORT**

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

The consolidated financial statements of the Bank have been audited by DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member of Deloitte Touche Tohmatsu Limited) and the independent auditors' report dated 9 March 2015 is presented before the accompanying consolidated financial statements.

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