

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

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

**Unconsolidated financial statements including independent auditor's limited review report for the interim period ended September 30, 2010**

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

**Kuveyt Türk Katılım Bankası Anonim Şirketi**  
**Independent auditors' limited review report**  
**for the interim period ended September 30, 2010**

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

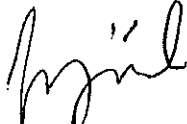
We have reviewed the unconsolidated balance sheet of Kuveyt Türk Katılım Bankası A.Ş. (the Bank) as of September 30, 2010 and the related unconsolidated statements of income, income and expenses accounted under equity, unconsolidated cash flows and changes in shareholders' equity for the period then ended. These unconsolidated financial statements are the responsibility of the Bank's management. As independent auditors, our responsibility is to issue a report based on the review performed on these financial statements.

We conducted our review in accordance with the regulations on account and booking system and the accounting and independent audit principles set out as per the Banking Law No: 5411. Those principles require that we plan and perform the review to obtain limited assurance as to whether the financial statements are free of material misstatement. A review is principally limited to reviewing financial statements by applying analytical procedures, inquiring as to the integrity of the financial statements and making inquiries of management to obtain information; it is substantially less in scope than an audit and thus provides a less assurance than audit. We have not performed an audit and accordingly we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying financial statements do not give a true and fair view of the financial position of Kuveyt Türk Katılım Bankası A.Ş. as of September 30, 2010 and the results of its operations and its cash flows for the period then ended in accordance with the prevailing accounting principles and standards set out by regulations in conformity with Article No: 37 of the Banking Law No: 5411, and other regulations, communiqués, interpretations and circulars published by Banking Regulation and Supervision Agency on Accounting and Financial Reporting Principles.

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

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



Fatma Ebru Yücel, SMMM  
Partner

November 10, 2010  
Istanbul, Turkey



**KUVEYTTÜRK**  
SAĞLAM BANKACILIK

**THE UNCONSOLIDATED FINANCIAL REPORT OF KUVEYT TÜRK KATILIM BANKASI A.Ş.  
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2010**

Address of the head office : Büyükdere Cad. No:129/1 34394 Esentepe / 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](mailto:kuveytturk@kuveytturk.com.tr)

The unconsolidated financial report for the nine months designed by the Banking Regulation and Supervision Agency in line with Communiqué on Financial Statements to be Publicly Announced and the Related Policies and Disclosures consists of the sections listed below:

- GENERAL INFORMATION ABOUT THE BANK
- UNCONSOLIDATED FINANCIAL STATEMENTS OF THE BANK
- EXPLANATIONS ON ACCOUNTING POLICIES
- INFORMATION ON FINANCIAL STRUCTURE OF THE BANK
- FOOTNOTES AND EXPLANATIONS ON UNCONSOLIDATED FINANCIAL STATEMENTS
- LIMITED REVIEW REPORT

The unconsolidated financial statements and the explanatory footnotes and disclosures, unless otherwise indicated, are prepared in thousands of Turkish Lira , in accordance with the Communiqué on Banks' Accounting Practice and Maintaining Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards, related communiqués and the Banks' records, have been independently reviewed and presented as attached.

10 November 2010

Mohammed S.A.I. ALOMAR  
Yönetim Kurulu Başkanı

Azfar Hussain QARNI  
Denetim Komitesi Üyesi

Adnan ERTEM  
Denetim Komitesi  
Üyesi

Ufuk UYAN  
Genel Müdür

Ahmet KARACA  
Finansal Raporlamadan Sorumlu  
Genel Müdür Yardımcısı

Mehmet KELEŞ  
Dış Raporlama  
Müdürü

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

Name-Surname: Mehmet Keleş  
Position: External Reporting Manager  
Telephone: 0212 354 12 69  
Facsimile: 0212 354 12 12

0212 354 12 12

Kuveyt Türk Kuwait Turkish البنك الكويتي التركي  
Katılım Bankası A.Ş. Participation Bank Inc. للمساهمة

☒ Büyükdere Cd. No.129/1,34394Esentepe - Şişli, İstanbul, TÜRKİYE ☎ +90 (212) 354 1111 (pbx) 📠 +90 (212) 354 1212  
444 0 123 www.kuveytturk.com.tr

## Table of contents

### Section one

#### General information

I.	History of the Bank including its incorporation date, initial legal status and amendments to legal status	1
II.	Shareholding, shareholders jointly or individually having direct or indirect, control over the management and supervision of the bank and the disclosures on any related changes in the current year, if any and information about the Group that the Bank belongs to	1
III.	Explanations on the chairman and members of the board of directors, members of audit committee, general managers and assistant general managers and their shareholdings in the Bank	1
IV.	Information on qualified shareholders	2
V.	Explanations of the Bank's services and field of operations	2

### Section two

#### The unconsolidated financial statements

I.	Balance sheet (Statement of financial position)	3
II.	Statement of off-balance sheet contingencies and commitments (Statement of financial position)	5
III.	Statement of income	6
IV.	Statement of income and expenses accounted under equity (Other comprehensive income statement)	7
V.	Statement of changes in shareholders' equity	8
VI.	Statement of cash flows	10

### Section three

#### Accounting principles

I.	Explanations on basis of presentation	11
II.	Explanations on strategy of using financial instruments and foreign currency transactions	12
III.	Explanations on forward, option contracts and derivative instruments	13
IV.	Explanations on profit share income and expenses	13
V.	Explanations on fees and commission income and expenses	13
VI.	Explanations on financial assets	14
VII.	Explanations on impairment of financial assets	15
VIII.	Explanations on offsetting of financial assets and liabilities	16
IX.	Explanations on sale and repurchase agreements and lending of securities	16
X.	Explanations on assets held for sale and discontinued operations and related liabilities	16
XI.	Explanations on goodwill and other intangible assets	17
XII.	Explanations on tangible assets	18
XIII.	Explanations on leasing transactions	18
XIV.	Explanations on provisions and contingent liabilities	19
XV.	Explanations on liabilities relating to employee benefits	19
XVI.	Explanations on taxation	20
XVII.	Explanations on additional disclosures on borrowings	21
XVIII.	Explanations on share certificates issued	21
XIX.	Explanations on acceptances and availed drafts	21
XX.	Explanations on government grants	21
XXI.	Explanations on segment reporting	21
XXII.	Explanations on other matters	21
XXIII.	Additional paragraph for convenience translation	21

### Section four

#### Information on financial structure

I.	Explanations on the capital adequacy standard ratio	22
II.	Explanations on market risk	24
III.	Explanations on operational risk	25
IV.	Explanations on currency risk	25
V.	Explanations on liquidity risk	27
VI.	Explanations on business segments	29

### Section five

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

I.	Explanations and notes related to assets	32
II.	Explanations and notes related to liabilities	44
III.	Explanations and notes related to off-balance sheet contingencies and commitments	52
IV.	Explanations and notes related to the income statement	53
V.	Explanations and notes related to cash flow statement	58
VI.	Explanations and notes related to the risk group of the Bank	59
VII.	Explanations and notes related to subsequent events	60

### Section six

#### Explanations on the independent limited review report

I.	Explanations on independent limited review report	61
II.	Notes and disclosures prepared by the independent auditors	61

## Section one General information

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

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

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

As of September 30, 2010 and December 31, 2009, 62.23% of the Bank's shares are owned by Kuwait Finance House located in Kuwait, 18.72% by Vakıflar Genel Müdürlüğü Mazbut Vakıfları, 9.00% by The Public Institution For Social Security in Kuwait and 9.00% by Islamic Development Bank whereas the remaining 1.05% of the shares are owned by other real persons and legal entities.

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

Name	Title	Date of the assignment	Educational degree	Ownership percentage %
Mohammad S.A.I. ALOMAR	Chairman of the Board of Directors and Member of Audit Committee	19/07/2000	Bachelor	-
Abdullah TIVNİKLİ	Vice Chairman of the BOD	16/05/2001	Master	%0.0836
Azfar Hussain QARNI	Member of BOD and Audit Committee	23/05/2003	Master	-
Dr. Adnan ERTEM	Member of BOD	18/10/2002	Doctorate	-
Yusuf Beyazit	Member of BOD	29/04/2010	Bachelor	-
Khaled Nasser Abdulaziz AL FOUZAN	Member of BOD	02/08/2006	Bachelor	-
Fawaz KH E AL SALEH	Member of BOD	20/10/2006	Bachelor	%0.0133
Shaeen H.A. KH: SH. ALGHANEM	Member of BOD	18/12/2006	Bachelor	-
Ufuk UYAN	Member of BOD, General Manager	10/05/1999	Master	%0.0490
Ahmet KARACA	Assistant General Manager	12/07/2006	Master	%0.0192
Ahmet Süleyman KARAKAYA	Assistant General Manager	14/01/2003	Bachelor	-
Bilal SAYIN	Assistant General Manager	20/08/2003	Bachelor	%0.0043
İrfan YILMAZ	Assistant General Manager	27/10/2005	Bachelor	%0.0069
Dr. Ruşen Ahmet ALBAYRAK	Assistant General Manager	05/05/2005	Doctorate	%0.0061
Murat ÇETİNKAYA	Assistant General Manager	02/01/2008	Bachelor	-
Nurettin KOLAÇ	Assistant General Manager	20/04/2010	Bachelor	-
Asım ÖZGÖZÜKARA	Auditor	22/11/1988	Bachelor	-
Güven OBALI	Auditor	11/12/2007	Bachelor	-
Miktad YETİM	Auditor	15/04/2010	Associate Degree	-

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

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

#### IV. Information on qualified shareholders:

Name / Commercial Name	Share amount (Nominal)	Shareholding percentage	Paid shares (Nominal)	Unpaid shares
Kuwait Finance House	528,994	%62.23	528,994	-
Vakıflar Genel Müdürlüğü Mazbut Vakıfları	159,114	%18.72	159,114	-
P. Institution F.Social Security	76,500	%9.00	76,500	-
Islamic Development Bank	76,500	%9.00	76,500	-
<b>Total</b>	<b>841,108</b>	<b>%98.95</b>	<b>841,108</b>	<b>-</b>

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

The Bank's field of operations includes corporate banking, international banking services, and retail banking and credit card services. The Bank's core business is operating in accordance with the principles of interest-free banking as a participation bank by collecting funds through current and profit/loss sharing accounts, and lending such funds to its customers. As of September 30, 2010, the Bank is operating with 2,725 employees (December 31, 2009 - 2,447). Summary of some of the Bank's operations described in the Articles of Association are as follows:

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

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

## **Section two**

### **The unconsolidated financial statements**

- I. Balance sheet (Statement of financial position)
- II. Statement of off-balance sheet (Statement of financial position)
- III. Statement of income
- IV. Statement of income and expenses accounted under equity  
(Other comprehensive income statement)
- V. Statement of changes in shareholders' equity
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**Kuveyt Türk Katılım Bankası Anonim Şirketi****Unconsolidated balance sheet (Statement of financial position)  
as of September 30, 2010 and December 31, 2009  
(Currency – Thousands of Turkish Lira)****Assets**

	Note (5th section)	Current period (30.09.2010)			Prior period (31.12.2009)		
		TL	FC	Total	TL	FC	Total
I. Cash and balances with the central bank	(I-a)	237,605	582,907	820,512	216,071	651,130	867,201
II. Financial assets at fair value through profit and loss, net	(I-b)	26,931	12,423	39,354	8,515	1,410	9,925
2.1 Trading financial assets		26,931	12,423	39,354	8,515	1,410	9,925
2.1.1 Public sector debt securities		-	-	-	-	-	-
2.1.2 Share certificates		-	-	-	-	-	-
2.1.3 Derivative financial assets held for trading		23,321	12,423	35,744	8,515	1,410	9,925
2.1.4 Other marketable securities		3,610	-	3,610	-	-	-
2.2 Financial assets at fair value through profit and loss		-	-	-	-	-	-
2.2.1 Public sector debt securities		-	-	-	-	-	-
2.2.2 Share certificates		-	-	-	-	-	-
2.2.3 Loans		-	-	-	-	-	-
2.2.4 Other marketable securities		-	-	-	-	-	-
III. Banks	(I-c)	352,928	842,835	1,195,763	125,154	760,328	885,482
IV. Money market placements		-	-	-	-	-	-
V. Financial assets-available for sale (net)	(I-d)	4,547	-	4,547	27	-	27
5.1 Share certificates		4,547	-	4,547	27	-	27
5.2 Public sector debt securities		-	-	-	-	-	-
5.3 Other marketable securities		-	-	-	-	-	-
VI. Loans and receivables	(I-e)	5,722,507	317,405	6,039,912	4,424,005	227,443	4,651,448
6.1 Loans and receivables		5,611,266	317,405	5,928,671	4,273,407	227,443	4,500,850
6.1.1 Loans to risk group of the bank		27,802	-	27,802	19,719	-	19,719
6.1.2 Public sector debt securities		-	-	-	-	-	-
6.1.3 Other		5,583,464	317,405	5,900,869	4,253,688	227,443	4,481,131
6.2 Non-performing loans		266,245	-	266,245	298,209	-	298,209
6.3 Specific provisions (-)		(155,004)	-	(155,004)	(147,611)	-	(147,611)
VII. Investments held to maturity (net)	(I-f)	-	-	-	-	7,529	7,529
VIII. Investments in associates (net)	(I-g)	-	-	-	16,365	-	16,365
8.1 Accounted for under equity method		-	-	-	-	-	-
8.2 Unconsolidated associates		-	-	-	16,365	-	16,365
8.2.1 Financial associates		-	-	-	3,806	-	3,806
8.2.2 Non-financial associates		-	-	-	12,559	-	12,559
IX. Subsidiaries (net)	(I-h)	57,170	-	57,170	32,997	-	32,997
9.1 Unconsolidated financial subsidiaries		17,917	-	17,917	17,917	-	17,917
9.2 Unconsolidated non-financial subsidiaries		39,253	-	39,253	15,080	-	15,080
X. Joint ventures (net)	(I-i)	-	-	-	-	-	-
10.1 Accounted for under equity method		-	-	-	-	-	-
10.2 Unconsolidated		-	-	-	-	-	-
10.2.1 Financial subsidiaries		-	-	-	-	-	-
10.2.2 Non-financial subsidiaries		-	-	-	-	-	-
XI. Finance lease receivables (net)	(I-j)	72,825	-	72,825	49,995	-	49,995
11.1 Finance lease receivables		81,875	-	81,875	55,412	-	55,412
11.2 Operating lease receivables		-	-	-	-	-	-
11.3 Other		-	-	-	-	-	-
11.4 Unearned income (-)		(9,050)	-	(9,050)	(5,417)	-	(5,417)
XII. Derivative financial assets for hedging purposes	(I-k)	-	-	-	-	-	-
12.1 Fair value hedge		-	-	-	-	-	-
12.2 Cash flow hedge		-	-	-	-	-	-
12.3 Hedge of net investment risks in foreign operations		-	-	-	-	-	-
XIII. Tangible assets (net)		157,898	92	157,990	133,240	4	133,244
XIV. Intangible assets (net)		9,077	-	9,077	8,187	-	8,187
14.1 Goodwill		-	-	-	-	-	-
14.2 Other		9,077	-	9,077	8,187	-	8,187
XV. Investment property (net)		16,595	-	16,595	16,770	-	16,770
XVI. Tax asset	(I-l)	8,740	-	8,740	7,719	-	7,719
16.1 Current tax asset		-	-	-	-	-	-
16.2 Deferred tax asset		8,740	-	8,740	7,719	-	7,719
XVII. Assets held for sale and discontinued operations (net)		15,485	-	15,485	10,600	-	10,600
17.1 Held for sale		15,485	-	15,485	10,600	-	10,600
17.2 Discontinued operations		-	-	-	-	-	-
XVIII. Other assets	(I-m)	169,450	37,731	207,181	97,052	109,985	207,037
<b>Total assets</b>		<b>6,851,758</b>	<b>1,793,393</b>	<b>8,645,151</b>	<b>5,146,697</b>	<b>1,757,829</b>	<b>6,904,526</b>

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



**Kuveyt Türk Katılım Bankası Anonim Şirketi****Unconsolidated balance sheet (Statement of financial position)  
as of September 30, 2010 and December 31, 2009  
(Currency – Thousands of Turkish Lira)****Liabilities and equity**

	Note (5th Section)	Current period (30.09.2010)			Prior period (31.12.2009)		
		TL	FC	Total	TL	FC	Total
<b>I. Funds collected</b>							
1.1 Funds from risk group of the bank	(II-a)	3,775,703	2,710,038	6,485,741	2,987,415	2,370,842	5,358,257
1.2 Other		7,538	145,660	153,198	16,798	87,928	104,726
<b>II. Derivative financial liabilities held for trading</b>	(II-b)	3,768,165	2,564,378	6,332,543	2,970,617	2,282,914	5,253,531
<b>III. Funds borrowed</b>	(II-c)	9,848	6,208	16,056	892	5,339	6,231
<b>IV. Debts to money markets</b>		-	522,976	522,976	-	383,681	383,681
<b>V. Marketable securities issued (net)</b>		-	-	-	-	-	-
<b>VI. Miscellaneous payables</b>	(II-d)	41,309	1,649	42,958	47,818	70,978	118,796
<b>VII. Other liabilities</b>	(II-d)	205,034	15,860	220,894	102,330	10,183	112,513
<b>VIII. Finance lease payables (net)</b>	(II-e)	-	1	1	-	3	3
8.1 Finance lease payables		-	1	1	-	4	4
8.2 Operating lease payables		-	-	-	-	-	-
8.3 Other		-	-	-	-	-	-
8.4 Deferred finance lease expenses (-)		-	-	-	-	(1)	(1)
<b>IX. Hedging derivative financial liabilities</b>	(II-f)	-	-	-	-	-	-
9.1 Fair value hedge		-	-	-	-	-	-
9.2 Cash flow hedge		-	-	-	-	-	-
9.3 Hedge of net investment in foreign operations		-	-	-	-	-	-
<b>X. Provisions</b>	(II-g)	84,079	10,345	94,424	73,290	9,541	82,831
10.1 General loan loss provisions		57,316	10,167	67,483	41,776	9,390	51,166
10.2 Restructuring provisions		-	-	-	-	-	-
10.3 Reserve for employee benefits		22,163	178	22,341	23,735	151	23,886
10.4 Insurance technical reserves (net)		-	-	-	-	-	-
10.5 Other provisions		4,600	-	4,600	7,779	-	7,779
<b>XI. Tax liability</b>	(II-h)	36,564	-	36,564	34,902	-	34,902
11.1 Current tax liability		36,564	-	36,564	34,902	-	34,902
11.2 Deferred tax liability		-	-	-	-	-	-
<b>XII. Liabilities for the assets held for sale and discontinued operations (net)</b>		-	-	-	-	-	-
12.1 Held for sale		-	-	-	-	-	-
12.2 Discontinued operations		-	-	-	-	-	-
<b>XIII. Subordinated loans</b>		-	-	-	-	-	-
<b>XIV. Shareholders' equity</b>	(II-i)	1,224,945	592	1,225,537	806,499	813	807,312
14.1 Paid-in capital		850,000	-	850,000	500,000	-	500,000
14.2 Capital reserves		23,250	-	23,250	23,250	-	23,250
14.2.1 Share premium		23,250	-	23,250	23,250	-	23,250
14.2.2 Share cancellation profits		-	-	-	-	-	-
14.2.3 Marketable securities revaluation reserve		-	-	-	-	-	-
14.2.4 Tangible assets revaluation reserve		-	-	-	-	-	-
14.2.5 Intangible assets revaluation reserve		-	-	-	-	-	-
14.2.6 Investment property revaluation reserve		-	-	-	-	-	-
14.2.7 Bonus shares obtained from associates, subsidiaries and jointly controlled entities		-	-	-	-	-	-
14.2.8 Hedging funds (effective portion)		-	-	-	-	-	-
14.2.9 Value increase on assets held for resale		-	-	-	-	-	-
14.2.10 Other capital reserves		-	-	-	-	-	-
14.3 Profit reserves		223,787	-	223,787	156,929	-	156,929
14.3.1 Legal reserves		25,565	-	25,565	18,067	-	18,067
14.3.2 Status reserves		-	-	-	-	-	-
14.3.3 Extraordinary reserves		196,712	-	196,712	137,352	-	137,352
14.3.4 Other profit reserves		1,510	-	1,510	1,510	-	1,510
14.4 Profit or loss		127,908	592	128,500	126,320	813	127,133
14.4.1 Prior year income/(losses)		-	-	-	-	-	-
14.4.2 Current year income/(losses)		127,908	592	128,500	126,320	813	127,133
<b>Total liabilities and equity</b>		<b>5,377,482</b>	<b>3,267,669</b>	<b>8,645,151</b>	<b>4,053,146</b>	<b>2,851,380</b>	<b>6,904,526</b>

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

**Kuveyt Türk Katılım Bankası Anonim Şirketi****Unconsolidated statement of off-balance sheet (Statement of financial position)  
As of September 30, 2010 and December 31, 2009  
(Currency – Thousands of Turkish Lira)**

	Notes (5th Section)	Current period (30.09.2010)			Prior period (31.12.2009)		
		TL	FC	Total	TL	FC	Total
<b>A. Off balance sheet commitments and contingencies</b>							
<b>(I+II+III)</b>		<b>8,800,260</b>	<b>24,348,662</b>	<b>33,148,922</b>	<b>2,857,466</b>	<b>4,145,972</b>	<b>7,003,438</b>
<b>i. Guarantees</b>	(III-a)	<b>1,999,260</b>	<b>1,718,151</b>	<b>3,717,411</b>	<b>1,511,827</b>	<b>1,818,804</b>	<b>3,330,631</b>
1.1. Letters of guarantees		1,999,260	1,236,864	3,236,124	1,511,827	1,355,609	2,867,436
1.1.1. Guarantees subject to state tender law		120,059	9,911	129,970	160,036	18,885	178,921
1.1.2. Guarantees given for foreign trade operations		43,391	1,054	44,445	69,970	1,944	71,914
1.1.3. Other letters of guarantee		1,835,810	1,225,899	3,061,709	1,281,821	1,334,780	2,616,601
1.2. Bank loans		-	22,391	22,391	-	30,567	30,567
1.2.1. Import letter of acceptances		-	22,391	22,391	-	30,567	30,567
1.2.2. Other bank acceptances		-	-	-	-	-	-
1.3. Letter of credits		-	450,778	450,778	-	426,991	426,991
1.3.1. Documentary letter of credits		-	215,459	215,459	-	165,349	165,349
1.3.2. Other letter of credits		-	235,319	235,319	-	261,642	261,642
1.4. Prefinancing given as guarantee		-	-	-	-	-	-
1.5. Endorsements		-	-	-	-	-	-
1.5.1. Endorsements to the central bank of turkey		-	-	-	-	-	-
1.5.2. Other endorsements		-	-	-	-	-	-
1.6. Other guarantees		-	8,118	8,118	-	5,637	5,637
1.7. Other collaterals		-	-	-	-	-	-
<b>ii. Commitments</b>	(III-a)	<b>6,147,202</b>	<b>21,662,328</b>	<b>27,809,530</b>	<b>659,395</b>	<b>1,265,074</b>	<b>1,924,469</b>
2.1. Irrevocable commitments		607,695	249,815	857,510	659,395	1,265,074	1,924,469
2.1.1. Forward asset purchase commitments		41,279	249,815	291,094	11,406	1,265,074	1,276,480
2.1.2. Share capital commitment to associates and subsidiaries		36,594	-	36,594	23,334	-	23,334
2.1.3. Loan granting commitments		1,895	-	1,895	1,938	-	1,938
2.1.4. Securities underwriting commitments		-	-	-	-	-	-
2.1.5. Commitments for reserve deposit requirements		-	-	-	146,723	-	146,723
2.1.6. Payment commitment for checks		413,541	-	413,541	368,914	-	368,914
2.1.7. Tax and fund liabilities from export commitments		106	-	106	106	-	106
2.1.8. Commitments for credit card expenditure limits		114,280	-	114,280	101,974	-	101,974
2.1.9. Commitments for promotions related with credit cards and banking activities		-	-	-	-	-	-
2.1.10. Receivables from short sale commitments		-	-	-	-	-	-
2.1.11. Payables for short sale commitments		-	-	-	-	-	-
2.1.12. Other irrevocable commitments		-	-	-	5,000	-	5,000
2.2. Revocable commitments (*)		5,539,507	21,412,513	26,952,020	-	-	-
2.2.1. Revocable loan granting commitments		5,539,507	21,412,513	26,952,020	-	-	-
2.2.2. Other revocable commitments		-	-	-	-	-	-
<b>iii. Derivative financial instruments</b>		<b>653,798</b>	<b>968,183</b>	<b>1,621,981</b>	<b>686,244</b>	<b>1,062,094</b>	<b>1,748,338</b>
3.1. Derivative financial instruments for hedging purposes		-	-	-	-	-	-
3.1.1. Fair value hedge		-	-	-	-	-	-
3.1.2. Cash flow hedge		-	-	-	-	-	-
3.1.3. Hedge of net investment in foreign operations		-	-	-	-	-	-
3.2. Held for trading transactions		653,798	968,183	1,621,981	686,244	1,062,094	1,748,338
3.2.1. Forward foreign currency buy/sell transactions		653,798	865,912	1,519,710	686,244	971,157	1,657,401
3.2.1.1. Forward foreign currency transactions-buy		526,939	210,567	737,506	679,247	172,093	851,340
3.2.1.2. Forward foreign currency transactions-sell		126,859	655,345	782,204	6,997	799,064	806,061
3.2.2. Other forward buy/sell transactions		-	102,271	102,271	-	90,937	90,937
3.3. Other		-	-	-	-	-	-
<b>B. Custody and pledged items (IV+V+VI)</b>		<b>16,512,711</b>	<b>34,344,016</b>	<b>50,856,727</b>	<b>12,685,341</b>	<b>28,470,423</b>	<b>41,155,764</b>
<b>IV. Items held in custody</b>		<b>1,232,937</b>	<b>167,531</b>	<b>1,400,468</b>	<b>896,970</b>	<b>267,061</b>	<b>1,164,031</b>
4.1. Assets under management		1	-	1	1	-	1
4.2. Investment securities held in custody		1,286	3	1,289	1,038	3	1,041
4.3. Checks received for collection		1,031,541	115,911	1,147,452	758,433	207,323	965,756
4.4. Commercial notes received for collection		200,109	51,617	251,726	137,498	59,735	197,233
4.5. Other assets received for collection		-	-	-	-	-	-
4.6. Assets received for public offering		-	-	-	-	-	-
4.7. Other items under custody		-	-	-	-	-	-
4.8. Custodians		-	-	-	-	-	-
<b>V. Pledged items</b>		<b>15,279,774</b>	<b>34,161,973</b>	<b>49,441,747</b>	<b>11,788,371</b>	<b>28,188,305</b>	<b>39,976,676</b>
5.1. Marketable securities		52,529	-	52,529	6,529	-	6,529
5.2. Guarantee notes		110,671	784,724	895,395	112,371	828,298	940,669
5.3. Commodity		1,279,420	29,956	1,309,376	1,030,480	37,027	1,067,507
5.4. Warranty		-	-	-	-	-	-
5.5. Properties		12,794,754	598,595	13,393,349	9,726,282	726,102	10,452,384
5.6. Other pledged items		1,042,400	32,748,698	33,791,098	912,709	26,596,878	27,509,587
5.7. Pledged items-depository		-	-	-	-	-	-
<b>VI. Accepted independent guarantees and warranties</b>		<b>-</b>	<b>14,512</b>	<b>14,512</b>	<b>-</b>	<b>15,057</b>	<b>15,057</b>
<b>Total off balance sheet accounts (A+B)</b>		<b>25,312,971</b>	<b>58,692,678</b>	<b>84,005,649</b>	<b>15,542,807</b>	<b>32,616,395</b>	<b>48,159,202</b>

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

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

**Kuveyt Türk Katılım Bankası Anonim Şirketi****Unconsolidated statement of income  
for the interim periods ended September 30, 2010 and 2009  
(Currency – Thousands of Turkish Lira)**

Statement of Income	Notes (5th section)	Current period		Prior period	
		01.01.2010- 30.09.2010	01.07.2010- 30.09.2010	01.01.2009- 30.09.2009	01.07.2009- 30.09.2009
		Total	Total	Total	Total
I. Profit share income	(IV-a)	509,095	181,786	504,124	169,122
1.1 Profit share on loans		478,728	169,913	456,360	154,250
1.2 Profit share on reserve deposits		-	-	-	-
1.3 Profit share on banks		17,724	7,676	31,744	10,233
1.4 Profit share on money market placements		-	-	-	-
1.5 Profit share on marketable securities portfolio		33	-	181	45
1.5.1 Held-for-trading financial assets		-	-	-	-
1.5.2 Financial assets at fair value through profit and loss		-	-	-	-
1.5.3 Available-for-sale financial assets		-	-	-	-
1.5.4 Investment-held for maturity		33	-	181	45
1.6 Finance lease income		3,617	1,239	5,825	1,618
1.7 Other profit share income		8,993	2,958	10,014	2,976
II. Profit share expense	(IV-b)	217,923	77,394	250,846	76,637
2.1 Expense on profit sharing accounts		209,040	74,281	234,360	71,525
2.2 Profit share expense on funds borrowed		8,882	3,113	16,220	3,883
2.3 Profit share expense on money market borrowings		-	-	-	-
2.4 Expense on securities issued		-	-	-	-
2.5 Other profit share expense		1	-	266	229
III. Net profit share income (I – II)		291,172	104,392	253,278	93,485
IV. Net fees and commissions Income/expenses		42,129	15,004	41,887	13,619
4.1 Fees and commissions received		59,631	21,105	63,530	21,151
4.1.1 Non-cash loans		32,303	11,736	32,728	11,199
4.1.2 Other	(IV-k)	27,328	9,369	30,802	9,952
4.2 Fees and commissions paid		17,502	6,101	21,643	7,532
4.2.1 Non-cash loans		22	5	247	104
4.2.2 Other	(IV-k)	17,480	6,096	21,396	7,428
V. Dividend Income		-	0	-	-
VI. Net trading income	(IV-c)	44,224	12,506	64,385	12,239
6.1 Capital market transaction gains / (losses)		261	260	41	15
6.2 Gains/ (losses) from derivative financial instruments		17,347	4,151	37,227	6,304
6.3 Foreign exchange gains / (losses)		26,616	8,095	27,117	5,920
VII. Other operating income	(IV-d)	66,991	6,217	36,203	6,163
VIII. Net operating income (III+IV+V+VI+VII)		444,516	138,119	394,753	125,506
IX. Provision for loan losses and other receivables (-)	(IV-e)	70,061	15,143	89,506	29,488
X. Other operating expenses (-)	(IV-f)	210,412	80,285	168,604	63,609
XI. Net operating income/(loss) (VIII-Ix-X)		164,043	42,691	136,643	32,409
XII. Amount in excess recorded as gain after merger		-	-	-	-
XIII. Gain/(loss) on equity method		-	-	-	-
XIV. Gain/(loss) on net monetary position		-	-	-	-
XV. Profit/(loss) from continued operations before taxes (XI+...+XIV)	(IV-g)	164,043	42,691	136,643	32,409
XVI. Tax provision for continued operations (±)	(IV-h)	(35,543)	(8,895)	(29,251)	(8,207)
16.1 Provision for current income taxes		(36,564)	(9,565)	(29,128)	(9,480)
16.2 Provision for deferred taxes		1,021	670	(123)	1,273
XVII. Net profit/(loss) from continued operations (XV±XVI)		128,500	33,796	107,392	24,202
XVIII. Income on discontinued operations		-	-	-	-
18.1 Income on assets held for sale		-	-	-	-
18.2 Income on sale of associates, subsidiaries and jointly controlled entities (joint vent.)		-	-	-	-
18.3 Income on other discontinued operations		-	-	-	-
XIX. Loss from discontinued operations (-)		-	-	-	-
19.1 Loss from assets held for sale		-	-	-	-
19.2 Loss on sale of associates, subsidiaries and jointly controlled entities (joint vent.)		-	-	-	-
19.3 Loss from other discontinued operations		-	-	-	-
XX. Income / (loss) on discontinued operations before taxes (XVIII-XIX)		-	-	-	-
XXI. Tax provision for discontinued operations (±)		-	-	-	-
21.1 Provision for current income taxes		-	-	-	-
21.2 Provision for deferred taxes		-	-	-	-
XXII. Net income/loss from discontinued operations (XX±XXI)	(IV-i)	-	-	-	-
XXIII. Net income/loss (XVII+XXII)	(IV-i)	128,500	33,796	107,392	24,202
Earnings per share		0.21	0.04	0.22	0.05

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

**Kuveyt Türk Katılım Bankası Anonim Şirketi**

**Unconsolidated statement of income and expenses accounted under equity  
(Other comprehensive income statement)  
for the interim periods ended September 30, 2010 and 2009  
(Currency – Thousands of Turkish Lira)**

	Current period (30.09.2010)	Prior period (30.09.2009)
<b>Statement of income and expenses accounted under equity</b>		
I. Additions to marketable securities revaluation differences from available for sale financial assets	-	-
II. Tangible assets revaluation differences	-	-
III. Intangible assets revaluation differences	-	-
IV. Currency translation differences for foreign currency transactions	-	-
V. Profit/loss from derivative financial instruments for cash flow hedge purposes (effective portion of fair value differences)	-	-
VI. Profit/loss from derivative financial instruments for hedge of net investment in foreign operations (effective portion of fair value differences)	-	-
VII. The effect of corrections of errors and changes in accounting policies	-	-
VIII. Other profit loss items accounted under equity as per Turkish accounting standards	-	-
IX. Deferred tax on valuation differences	-	-
X. Total net profit/loss accounted under equity (I+II+...+IX)	-	-
XI. Profit/loss	128,500	107,392
XI.1 Change in fair value of marketable securities (transfer to profit/loss)	-	-
Reclassification of derivatives accounted for cash flow hedge purposes to		
income statement	-	-
XI.2		
Reclassification of hedge of net investments in foreign operations to income		
statement	-	-
XI.3		
Other	128,500	107,392
XI.4		
XII. Total profit/loss accounted for the period (X±XI)	128,500	107,392

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

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

**Kuveyt Türk Katılım Bankası Anonim Şirketi**

**Unconsolidated statement of changes in shareholders' equity  
for the interim periods ended September 30, 2010 and 2009  
(Currency – Thousands of Turkish Lira)**

	Note (8 th section)	Paid-in capital	Effect of initiation accounting on paid-in capital and other capital reserves	Share premium	Share cancellation	Share certificate profits	Legal reserves	Statutory reserves	Extraordinary reserve	Other reserve	Current period net income / (loss)	Prior period net income / (loss)	Marketable securities revaluation reserve	Tangible and intangible assets revaluation fund	Bonus shares from investments	Hedging reserves	Asset held for sale and disc. on valuation fund	Total equity
		500,000	-	23,250	-	-	18,067	-	137,352	1,510	127,133	-	-	-	-	-	-	897,312
I.	Current period (30.09.2010)																	
	Beginning balance																	
	Changes in period																	
II.	Increase/decrease related to merger																	
III.	Marketable securities revaluation differences																	
IV.	Hedging funds (effective portion)																	
4.1	Cash-flow hedge																	
4.2	Hedge of net investment in foreign operations																	
V.	Tangible assets revaluation differences																	
VI.	Intangible assets revaluation differences																	
VII.	Bonus shares obtained from associates,																	
VIII.	F. subsidiaries and jointly controlled operations																	
IX.	Foreign exchange differences																	
X.	Changes related to the disposal of assets																	
XI.	Changes related to the reclassification of assets																	
XII.	The effect of change in associate's equity																	
XIII.	Cash	350,000																
12.1	Capital increase	300,000																
12.2	Internal sources	50,000																
XIII.	Share issue Premium																	
XIV.	Share cancellation profits																	
XV.	Initiation adjustment to paid-in capital																	
XVI.	Other:																	
XVII.	Net income/(loss) for the period										128,500							
XVIII.	Profit distribution										(127,133)							
16.1	Dividends distributed						7,498		59,360									
16.2	Transfers to reserves						7,498		59,360									
16.3	Other																	
	Closing balance (I+II+III+...+XVI+XVII+XVIII)	850,000		23,250			25,565		136,712	1,510	128,500							1,225,537

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

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

**Kuveyt Türk Katılım Bankası Anonim Şirketi**

**Unconsolidated statement of changes in shareholder's equity  
for the interim periods ended September 30, 2010 and 2009  
(Currency – Thousands of Turkish Lira)**

	Note (if section)	Paid-in capital	Effect of initiation on accounting on paid-in capital and other capital reserves	Share premium	Share cancellation	Share certificate profits	Legal reserves	Statutory reserves	Extraordinary reserve	Other reserve	Current period net income (loss)	Prior period net income/(loss)	Marketable securities revaluation reserve	Tangible and intangible assets revaluation fund	Bonus shares from investments	Hedging reserves	Asset held for sale and disc.op valuation fund	Total equity
<b>Prior period (30.09.2009)</b>																		
I.		500,000	-	23,250	-	-	12,313	-	45,289	728	104,086	3	-	-	-	-	-	685,679
II.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IV.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.1		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.2		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.1		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVIII.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVIII.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18.1		-	-	-	-	-	5,754	-	92,053	782	107,492	(3)	-	-	-	-	-	107,392
18.2		-	-	-	-	-	5,754	-	92,053	782	(104,086)	(5,500)	-	-	-	-	-	(5,500)
18.3		-	-	-	-	-	-	-	-	-	(104,086)	104,086	-	-	-	-	-	(5,500)
<b>Closing balance</b>																		
		500,000	-	23,250	-	-	18,067	-	137,352	1,510	107,392	-	-	-	-	-	-	787,671
<b>(Hizmetler, Yatırımlar ve Diğer Aktifler)</b>																		

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

**Kuveyt Türk Katılım Bankası Anonim Şirketi****Unconsolidated statements of cash flows  
for the interim periods ended September 30, 2010 and 2009  
(Currency – Thousands of Turkish Lira)**

Statement of cash flows	Note (5th section)	Current period 01.01.2010 – 30.09.2010	Prior period 01.01.2009 - 30.09.2009
<b>A. Cash flows from banking operations</b>			
<b>1.1 Operating profit (loss) before changes in operating assets and liabilities</b>		<b>304,649</b>	<b>289,250</b>
1.1.1 Profit share income received		526,627	515,726
1.1.2 Profit share expense paid		(213,015)	(281,902)
1.1.3 Dividend received		-	-
1.1.4 Fees and commissions received		47,790	64,007
1.1.5 Other income		66,991	35,203
1.1.6 Collections from previously written off loans		34,850	26,114
1.1.7 Payments to personnel and service suppliers		(103,172)	(85,869)
1.1.8 Taxes paid		(42,584)	(35,602)
1.1.9 Others		(12,838)	51,573
<b>1.2 Changes in operating assets and liabilities</b>		<b>(164,426)</b>	<b>(18,863)</b>
1.2.1 Net (increase) decrease trading financial assets		(23,214)	10,259
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		134,451	(15,118)
1.2.4 Net (increase) decrease in loans		(1,516,289)	(467,785)
1.2.5 Net (increase) decrease in other assets		(3,716)	(129,857)
1.2.6 Net increase (decrease) in bank deposits		-	-
1.2.7 Net increase (decrease) in other deposits		1,125,687	923,851
1.2.8 Net increase (decrease) in funds borrowed		139,756	(405,963)
1.2.9 Net increase (decrease) in due payables		-	-
1.2.10 Net increase (decrease) in other liabilities		(21,101)	65,750
<b>I. Net cash provided from (used in) banking operations</b>		<b>140,223</b>	<b>270,387</b>
<b>B. Cash flows from investing activities</b>			
<b>II. Net cash provided from (used in) investing activities</b>		<b>(46,139)</b>	<b>(28,373)</b>
2.1 Cash paid for purchase jointly controlled operations, associates and subsidiaries		(16,840)	(1,374)
2.2 Cash obtained from sale of jointly controlled operations, associates and subsidiaries		-	-
2.3 Fixed assets purchases		(36,828)	(27,145)
2.4 Fixed assets sales		-	-
2.5 Cash paid for purchase of financial assets available for sale		-	(27)
2.6 Cash obtained from sale of financial assets available for sale		-	-
2.7 Cash paid for purchase of investment securities		7,529	173
2.8 Cash obtained from sale of investment securities		-	-
2.9 Other		-	-
<b>C. Cash flows from financing activities</b>			
<b>III. Net cash provided from (used in) financing activities</b>		<b>289,723</b>	<b>(5,503)</b>
3.1 Cash obtained from funds borrowed and securities issued		-	-
3.2 Cash used for repayment of funds borrowed and securities issued		-	-
3.3 Capital increase		300,000	-
3.4 Dividends paid		(10,275)	(5,500)
3.5 Payments for finance leases		(2)	(3)
3.6 Other		-	-
<b>IV. Effect of change in foreign exchange rate on cash and cash equivalents</b>		<b>(11,426)</b>	<b>(654)</b>
<b>V. Net increase (decrease) in cash and cash equivalents (I + II + III + IV)</b>		<b>372,381</b>	<b>235,857</b>
<b>VI. Cash and cash equivalents at the beginning of the period</b>	(V-a)	<b>1,124,410</b>	<b>1,232,151</b>
<b>VII. Cash and cash equivalents at the end of the period</b>	(V-a)	<b>1,496,791</b>	<b>1,468,008</b>

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

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

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

**Notes related to unconsolidated financial statements  
for the interim period ended September 30, 2010  
(Currency – Thousands of Turkish Lira)**

### **Section three**

#### **Accounting principles**

##### **I. Explanations on basis of presentation**

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

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

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

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

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

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

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



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

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

### **Notes related to unconsolidated financial statements for the interim period ended September 30, 2010 (continued) (Currency - Thousands of Turkish Lira)**

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

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

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

In accordance with the clarification declared by the BRSA related with 'Reserve Deposits' to the Association of the Participation Banks at January 3, 2008, some changes and reclassifications has been performed on the prior period's financial statements presented for comparison purposes. 'Profit share on reserve deposits' amounting to TL 6,400 has been classified under 'Profit share on banks' account in statement of income for the interim period ended September 30, 2010 to be consistent with the presentation of the current financial statements.

The Bank has classified loans given to banks with maturity less than 3 months amounting to TL 354,087 from "Loans" account to "Banks" account in balance sheet as of December 31, 2009 to be comparative with the current year presentation. In addition, profit share income obtained from such loans amounting to TL 22,975 has been classified from "Profit Share on Loans" to "Profit Share on Banks" in the income statement for the period ending September 30, 2010.

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

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

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

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

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

There are no foreign currency differences capitalized by the Bank.

**Kuveyt Türk Katılım Bankası Anonim Şirketi**

**Notes related to unconsolidated financial statements  
for the interim period ended September 30, 2010 (continued)  
(Currency - Thousands of Turkish Lira)**

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

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

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

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

Embedded derivatives are separated from the host contract 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.

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

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

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

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

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

**Kuveyt Türk Katılım Bankası Anonim Şirketi**

**Notes related to unconsolidated financial statements  
for the interim period ended September 30, 2010 (continued)  
(Currency - Thousands of Turkish Lira)**

**VI. Explanations on financial assets**

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

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

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

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

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

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

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

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

**c. Loans and receivables:**

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

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

Held to maturity financial assets are financial assets with fixed maturities and fixed or determinable payments where management has the intent and ability to hold the financial assets to maturity that are not classified under 'Loans and receivables'. Held to maturity financial assets are initially recognized at cost 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.

**Kuveyt Türk Katılım Bankası Anonim Şirketi**

**Notes related to unconsolidated financial statements  
for the interim period ended September 30, 2010 (continued)  
(Currency - Thousands of Turkish Lira)**

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

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

i) Loans and receivables:

The Bank provides impairment reserve for loans collections of which may become doubtful in the future and records this as expense. Impairment provision for the non-performing loans is the amount calculated by the Bank management to cover the possible losses in the existing loan portfolio by evaluating the loan portfolio on the grounds of risk and quality and considering the related legislation, economic and other factors.

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

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

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

ii) Financial assets held to maturity:

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

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

**Kuveyt Türk Katılım Bankası Anonim Şirketi**

**Notes related to unconsolidated financial statements  
for the interim period ended September 30, 2010 (continued)  
(Currency - Thousands of Turkish Lira)**

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.

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

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

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

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

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

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

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

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

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

### **Notes related to unconsolidated financial statements for the interim period ended September 30, 2010 (continued) (Currency - Thousands of Turkish Lira)**

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

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

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

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

As of September 30, 2010, assets held for sale amounts to TL 15,485 (December 31, 2009 – TL 10,600).

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

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

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

As of September 30, 2010 there is no goodwill related to associates and subsidiaries.

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

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

**Notes related to unconsolidated financial statements  
for the interim period ended September 30, 2010 (continued)  
(Currency - Thousands of Turkish Lira)**

### **XII. Explanations on tangible assets**

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

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

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

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

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

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

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

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

### **XIII. Explanations on leasing transactions**

#### *Bank as a lessee*

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

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

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

#### *Bank as a lessor*

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

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

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

**Notes related to unconsolidated financial statements  
for the interim period ended September 30, 2010 (continued)  
(Currency - Thousands of Turkish Lira)**

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

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

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

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

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

#### **a) Defined benefit plans:**

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

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

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

#### **b) Defined contribution plans:**

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

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

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

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



**Kuveyt Türk Katılım Bankası Anonim Şirketi**

**Notes related to unconsolidated financial statements  
for the interim period ended September 30, 2010 (continued)  
(Currency - Thousands of Turkish Lira)**

**XVI. Explanations on taxation**

***Current tax***

In accordance with the Corporate Tax Law No 5520" published on June 21, 2006, the corporate tax rate has been decreased to 20%. The tax legislation provides for a temporary tax of 20% to be calculated and paid based on earnings generated for each quarter. The amounts thus calculated and paid are offset against the final corporate tax liability for the year.

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

Effective April 24, 2003, new fixed asset investments over TL 10, which have an economic life and are directly related with the production of services, provides a deduction from the annual taxable income amounting to 40% of the cost of the fixed asset. Investment allowances with incentive certificates obtained prior to April 24, 2003, would be subject to 19.8% withholding tax unless the companies choose to convert to the new application. Before the implementation of the new investment incentive application, effective January 1, 2006, all investment incentives could be carried forward indefinitely, however, as of January 1, 2006 the investment incentive application was terminated. Unused qualifying capital investment amounts from periods prior to December 31, 2005 could be deducted from the corporate income tax base until the end of December 31, 2008. However, in this case corporate tax rate would be 30%. Furthermore, qualifying capital investments to be made until the end of December 31, 2008 within the scope of the investment projects started before December 31, 2005 would be subject to investment incentives until the end of December 31, 2008. In 2008, the Bank decided not to utilize its investment incentive allowance and therefore corporate tax rate for the Bank was 20%. In both 2009 and 2010, corporate tax rate applicable to the Bank is 20%.

Constitutional Court abolished 2006, 2007, 2008 phrases included in the temporary article numbered 69 of the Income Tax Law related to investment allowances. Thereby, time limitation related to investment incentive is removed. Supreme Court concluded that reasoned decision of cancellation related to investment incentive becomes effective when it is published in the Official Gazette. The reasoned decision became effective on January 8, 2010 in accordance with the Supreme Court's Principal 2006/95, decision numbered 2009/144, Constitution's article numbered 153 which has been published in Trade Registry Gazette numbered 27456 dated January 8, 2010. In this context, an opportunity has arisen to use investment incentive amounting to TL 61,108 which was not used until December 31, 2008 and transferred to 2009 with applicable withholding tax rate of 19.8%. However, the Bank's 2009 Corporate Tax Base is TL 174,508 and this amount is greater than the investment incentive to be utilized. As the remaining part of Corporate Tax Base that exceeds the investment incentive is subject to 30% corporate tax rate, this would create a disadvantage in corporate tax. Therefore, the amount of transferred investment incentive was not used.

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

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

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

**Kuveyt Türk Katılım Bankası Anonim Şirketi**

**Notes related to unconsolidated financial statements  
for the interim period ended September 30, 2010 (continued)  
(Currency - Thousands of Turkish Lira)**

***Deferred tax***

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

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

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

There are no debt securities issued by the Bank.

The Bank has not issued convertible bonds.

**XVIII. Explanations on share certificates issued**

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

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

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

**XX. Explanations on government grants**

There are no government grants received by the Bank.

**XXI. Explanations on segment reporting**

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

Segment reporting is disclosed in Section 4, Note VI.

**XXII. Explanations on other matters**

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

**XXIII. Additional paragraph for convenience translation**

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

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

**Kuveyt Türk Katılım Bankası Anonim Şirketi**

**Notes related to unconsolidated financial statements  
for the interim period ended September 30, 2010 (continued)  
(Currency - Thousands of Turkish Lira)**

**Section four**

**Information on financial structure**

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

Capital Adequacy Standard Ratio is calculated in accordance with the Communiqué on "Measurement and Assessment of Capital Adequacy of Banks", which was published on November 1, 2006 in the Official Gazette numbered 26333. The calculation of Capital Adequacy Ratio includes the methods used in determining the Capital Adequacy Ratio, determination of risk weighted assets and non-cash credits in line with the relevant banking regulation and measuring the market risk and operational risk ratio in line with the same regulation. Based on the "Measurement and Assessment of Capital Adequacy of Banks", the capital adequacy ratio of the Bank is 17.59% (December 31, 2009 – 14.56%).

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

	Risk weights					
	0%	20%	50%	100%	150%	Bank 200%
<b>Amount subject to credit risk</b>						
Balance sheet items (Net)	883,371	987,130	2,621,676	2,826,004	3,081	86
Cash and cash equivalents	369,378	-	-	-	-	-
Matured marketable securities	-	-	-	-	-	-
The Central Bank of the Republic of Turkey	185,240	-	-	-	-	-
Domestic Banks, Foreign Banks, Foreign Head						
Offices and Branches	-	975,255	-	127,104	-	-
Money market placements	-	-	-	-	-	-
Receivables from reverse repo transactions	-	-	-	-	-	-
Reserve deposits	184,505	-	-	-	-	-
Loans	101,152	11,700	2,563,343	2,131,154	3,081	86
Non-performing loans (Net)	-	-	-	88,549	-	-
Financial lease receivables	277	-	19,914	47,929	-	-
Available-for-sale financial assets	-	-	-	4,547	-	-
Held to maturity investments	-	-	-	-	-	-
Receivables from installment sales of assets	-	-	-	-	-	-
Miscellaneous receivables	-	-	-	52,740	-	-
Accrued profit share and income accruals	3,830	175	38,419	31,942	-	-
Investment in associates, subsidiaries and joint ventures (Business Partnerships) (net)	-	-	-	57,170	-	-
Tangible assets	-	-	-	168,929	-	-
Other assets	38,989	-	-	115,940	-	-
Off-balance sheet items	85,548	9,638	293,438	1,638,352	-	-
Guarantees and commitments	85,548	1,127	293,438	1,630,671	-	-
Derivative financial instruments	-	8,511	-	7,681	-	-
Accounts without weighted risk						
Total risk weighted assets	968,919	996,768	2,915,114	4,464,356	3,081	86

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

	Current period	Prior period
Total Risk Weighted Assets (TRWA)	6,126,060	4,858,537
Amount Subject to Market Risk (ASMR)	86,075	23,575
Amount Subject to Operational Risk (ASOR)	795,684	583,487
Shareholders' Equity	1,232,578	795,749
Shareholders' Equity / (TRWA + ASMR + ASOR) *100	17.59	14.56

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

## Kuveyt Türk Katılım Bankası Anonim Şirketi

### Notes related to unconsolidated financial statements for the interim period ended September 30, 2010 (continued) (Currency - Thousands of Turkish Lira)

#### Components of shareholders' equity:

	Current period	Prior period
<b>Core capital</b>		
Paid-in capital	850,000	500,000
Nominal capital	850,000	500,000
Capital commitments (-)	-	-
Inflation adjustment to Share Capital	-	-
Share premium	23,250	23,250
Share cancellations profits	-	-
<b>Legal reserves</b>	<b>25,565</b>	<b>18,067</b>
First legal reserve (Turkish Commercial Code 466/1)	20,371	14,015
Second legal reserve (Turkish Commercial Code 466/2)	5,194	4,052
Other legal reserve per special legislation	-	-
<b>Status reserves</b>	<b>-</b>	<b>-</b>
<b>Extraordinary reserves</b>	<b>198,222</b>	<b>138,862</b>
Reserves allocated by the General Assembly	198,222	138,862
Retained earnings	-	-
Accumulated losses	-	-
Foreign currency share capital exchange difference	-	-
Inflation Adjustments to Legal Reserve, status reserves and extraordinary reserves	-	-
<b>Profit</b>	<b>128,500</b>	<b>127,133</b>
Current year profit	128,500	127,133
Prior years' profits	-	-
Provision for possible losses up to 25% of the core capital	4,600	7,452
Gains on sale of associates and subsidiaries and properties to be added to capital	-	-
Primary subordinated loans up to 15% of the core capital	-	-
<b>Losses that cannot be covered by reserves ( )</b>	<b>-</b>	<b>-</b>
Net current period loss	-	-
Prior years' losses	-	-
Leasehold Improvements (-)(*)(**)	(17,774)	(17,416)
Prepaid Expenses (-) (**)	(8,171)	(3,797)
Intangible Assets (-) (**)	(9,077)	(8,187)
Deferred Tax Asset in excess of 10% of Core Capital (-)(**)	-	-
Excess amount in the Article 56, Clause 3 of the Banking Law (-)	-	-
<b>Total core capital</b>	<b>1,195,115</b>	<b>785,364</b>
<b>Supplementary capital</b>		
General provisions	40,830	32,100
45% of the revaluation reserve for movable fixed assets	-	-
45% of the of revaluation reserve for properties	-	-
Bonus shares of investment in associates, subsidiaries and joint ventures	-	-
Primary subordinated loans excluded in the calculation of the core capital	-	-
Secondary subordinated loans	-	-
45 % of the marketable securities value increase fund	-	-
Associates and subsidiaries	-	-
Available for sale securities	-	-
Indexation differences for capital reserves, profit reserves and retained earnings (Except for indexation differences for legal reserves, statutory reserves and extraordinary reserves)	-	-
<b>Total supplementary capital</b>	<b>40,830</b>	<b>32,100</b>
<b>TIER III capital</b>	<b>-</b>	<b>-</b>
<b>Capital</b>	<b>1,235,945</b>	<b>817,464</b>
<b>Deductions from the capital</b>	<b>3,367</b>	<b>21,715</b>
Shareholdings of banks and financial institutions (Domestic, Foreign) in which the Bank has investments of ten percent or more	-	17,917
Shareholdings of banks and financial institutions (Domestic, Foreign) in which the Bank has investments less than ten percent total of which exceed ten percent of Bank's Core and Supplementary Capital	-	-
Loans to Banks, Financial Institutions (domestic/foreign) or Qualified Shareholders in the form of Secondary Subordinated Debts and Debt Instruments purchased from Such Parties qualified as Primary or Secondary Subordinated Debts	-	-
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	3,367	3,798
Other	-	-
<b>Total shareholder's equity</b>	<b>1,232,578</b>	<b>795,749</b>

(\*) Leasehold Improvements amounting to TL 17,774 as of September 30, 2010, have been classified under tangible assets in the accompanying financial statements and are presented as deductions from the capital due to declaration of BRSA numbered 5379 dated March 18, 2009 (As of December 31, 2009- TL, 17,416 TL).

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

**Kuveyt Türk Katılım Bankası Anonim Şirketi**

**Notes related to unconsolidated financial statements  
for the interim period ended September 30, 2010 (continued)  
(Currency - Thousands of Turkish Lira)**

**II. Explanations on market risk**

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

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

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

The capital which should be kept against general market risk and specific risks, is calculated and monthly reported in accordance with the "Marketing risk measurement process with standard method" which is the third chapter of "Calculation of Marketing Risk Amount" of the "Communiqué on the "Measurement and Assessment of Capital Adequacy of Banks". As of September 30, 2010, the details of market risk calculated in accordance with the mentioned method are as follows:

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

	<b>Amount</b>
(I) Capital Requirement to be Employed For General Market Risk - Standard Method	393
(II) Capital Requirement to be Employed For Specific Risk - Standard Method	72
(III) Capital Requirement to be Employed For Currency Risk - Standard Method	3,760
(IV) Capital Requirement to be Employed For Commodity Risk - Standard Method	2,661
(V) Capital Requirement to be Employed For Settlement Risk - Standard Method	-
(VI) Total Capital Requirement to be Employed For Market Risk Resulting From Options - Standard	-
(VII) Total Capital Requirement to be Employed For Market Risk in Banks Using Risk Measurement	-
(VIII) Total Capital Requirement to be Employed For Market Risk (I+II+III+IV+V+VI)	6,886
(IX) Amount Subject to Market Risk (12.5 x VIII)	86,075

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

This section has not been prepared in accordance with the article 25 of the Communiqué on Bank's Publicly Disclosed Financial Statements and Relevant Explanations and Footnotes.

## Kuveyt Türk Katılım Bankası Anonim Şirketi

### Notes related to unconsolidated financial statements for the interim period ended September 30, 2010 (continued) (Currency - Thousands of Turkish Lira)

#### III. Explanations on operational risk

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

#### IV. Explanations on currency risk

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

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

As of September 30, 2010, the Bank carries a net foreign currency long position of TL 48,726 (December 31, 2009 – TL – 5,680 long position) comprising TL 392,435 (December 31, 2009 - TL 657,432 long position) long balance sheet position and TL 343,709 off balance sheet short position (December 31, 2009 - TL 651,662 short position).

The announced current foreign exchange buying rates of the Bank as of September 30, 2010 and the previous five working days are as follows (Full TL):

	23/09/2010	24/09/2010	27/09/2010	28/09/2010	29/09/2010	Balance sheet evaluation rate
USD	1.4773	1.4809	1.4786	1.4686	1.4669	1.4512
CHF	1.4880	1.4974	1.5038	1.4886	1.4867	1.4842
GBP	2.3131	2.3189	2.3212	2.3244	2.322	2.2937
JPY	0.0174	0.0174	0.0174	0.0174	0.0174	0.0173
EUR	1.9717	1.9753	1.9803	1.9778	1.9724	1.9754

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

	Monthly average FC purchase rate
USD	1.4911
CHF	1.4833
GBP	2.3140
JPY	1.7625
EUR	1.9412

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

**Kuveyt Türk Katılım Bankası Anonim Şirketi**

**Notes related to unconsolidated financial statements  
for the interim period ended September 30, 2010 (continued)  
(Currency - Thousands of Turkish Lira)**

**Currency risk of the Bank:**

	EURO	USD	Yen	Other FC	Total
<b>Current period</b>					
<b>Assets</b>					
Cash (cash in vault, effectives, money in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey	12,860	314,997	65	254,985	582,907
Banks	131,366	692,834	1,052	17,583	842,835
Financial assets at fair value through profit and loss	557	10,189	-	3	10,749
Money market placements	-	-	-	-	-
Available-for-sale financial assets (**)	-	714	-	-	714
Loans and finance lease receivables (*)	633,504	1,518,794	-	-	2,152,298
Subsidiaries, associates and joint ventures (**)	-	17,917	-	-	17,917
Held-to-maturity investments	-	-	-	-	-
Derivative financial assets for hedging purposes	-	-	-	-	-
Tangible assets	74	18	-	-	92
Intangible assets	-	-	-	-	-
Other assets	1,977	35,708	-	21	37,706
<b>Total assets</b>	<b>780,338</b>	<b>2,591,171</b>	<b>1,117</b>	<b>272,592</b>	<b>3,645,218</b>
<b>Liabilities</b>					
Current account and funds collected from Banks via participation accounts	38,951	192,008	-	6,081	237,040
Current and profit sharing accounts FC	708,888	1,412,522	245	351,343	2,472,998
Money market borrowings	-	-	-	-	-
Funds provided from other financial institutions	9,913	513,063	-	-	522,976
Marketable securities issued	-	-	-	-	-
Miscellaneous payables	725	770	-	154	1,649
Derivative financial liabilities for hedging purposes	-	-	-	-	-
Other liabilities	1,967	15,073	81	999	18,120
<b>Total liabilities</b>	<b>760,444</b>	<b>2,133,436</b>	<b>326</b>	<b>358,577</b>	<b>3,252,783</b>
Net balance sheet position	19,894	457,735	791	(85,985)	392,435
Net off-balance sheet position	(13,744)	(415,160)	(868)	86,063	(343,709)
Financial derivative assets	71,563	213,682	2,690	149,209	437,144
Financial derivative liabilities	85,307	628,842	3,558	63,146	780,853
Non-cash loans (***)	479,591	1,180,652	1,116	56,935	1,718,294
<b>Prior period</b>					
Total assets	878,393	2,204,862	160	425,307	3,508,722
Total liabilities	849,239	1,818,285	142	183,714	2,851,380
Net balance sheet position	29,154	386,577	18	241,593	657,342
Net off-balance sheet position	(27,220)	(388,809)	-	(235,633)	(651,662)
Financial derivative assets	101,941	503,832	-	231,980	837,753
Financial derivative liabilities	129,161	892,641	-	467,613	1,489,415
Non-cash loans (***)	601,470	1,149,020	4,823	63,491	1,818,804

(\*) Includes foreign currency indexed loans amounting to TL 1,834,893 (December 31, 2009 – TL 1,732,262) followed as TL on the balance sheet.

(\*\*) Includes TL 714 (December 31, 2009 – TL 714) of foreign currency denominated available for sale financial assets, which are followed as Turkish Lira in TL 4,547 of available for sale financial assets and TL 17,917 (December 31, 2009 – TL 17,917) of foreign currency denominated subsidiaries, which are followed as Turkish Lira in TL 57,170 of investments in subsidiaries on the balance sheet.

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

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

## Kuveyt Türk Katılım Bankası Anonim Şirketi

### Notes related to unconsolidated financial statements for the interim period ended September 30, 2010 (continued) (Currency - Thousands of Turkish Lira)

#### Foreign currency sensitivity:

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

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

	Change in currency rate in %	Effect on profit or loss		Effect on equity	
		Current period	Prior period	Current period	Prior period
USD	%10	4,258	886	-	-
EURO	%10	615	264	-	-

#### V. Explanations on liquidity risk

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

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

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

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



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

**Kuveyt Türk Katılım Bankası Anonim Şirketi**

**Notes related to unconsolidated financial statements  
for the interim period ended September 30, 2010 (continued)  
(Currency - Thousands of Turkish Lira)**

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

	Demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Unallocated (*)	Total
<b>Current period</b>								
<b>Assets</b>								
Cash (cash in vault, effectives, cash in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey	820,512	-	-	-	-	-	-	820,512
Banks	451,956	699,283	16,982	27,542	-	-	-	1,195,763
Financial assets at fair value through profit and loss	3,610	16,525	3,963	15,256	-	-	-	39,354
Money market placements	-	-	-	-	-	-	-	-
Available-for-sale financial assets	-	-	-	-	-	-	4,547	4,547
Loans	-	1,732,303	773,318	1,744,988	1,749,969	918	-	6,001,496
Held-to-maturity investments	-	-	-	-	-	-	-	-
Other assets (*)	1,585	163,511	29,357	11,755	8,740	-	368,531	583,479
<b>Total assets</b>	<b>1,277,663</b>	<b>2,611,622</b>	<b>823,620</b>	<b>1,799,541</b>	<b>1,758,709</b>	<b>918</b>	<b>373,078</b>	<b>8,645,151</b>
<b>Liabilities</b>								
Current account and funds collected from banks via participation accounts	8,446	229,144	-	-	-	-	-	237,590
Current and profit sharing accounts	1,441,996	2,146,816	1,907,499	454,885	296,955	-	-	6,248,151
Funds provided from other financial institutions	-	-	111,340	265,802	145,834	-	-	522,976
Money market borrowings	-	-	-	-	-	-	-	-
Marketable securities issued	-	-	-	-	-	-	-	-
Miscellaneous payables	31,331	11,627	-	-	-	-	-	42,958
Other liabilities (*)	-	227,242	6,348	55,478	-	-	1,304,408	1,593,476
<b>Total liabilities</b>	<b>1,481,773</b>	<b>2,614,829</b>	<b>2,025,187</b>	<b>776,165</b>	<b>442,789</b>	<b>-</b>	<b>1,304,408</b>	<b>8,645,151</b>
<b>Net liquidity gap</b>	<b>(204,110)</b>	<b>(3,207)</b>	<b>(1,201,567)</b>	<b>1,023,376</b>	<b>1,315,920</b>	<b>918</b>	<b>(931,330)</b>	<b>-</b>
<b>Prior period</b>								
Total assets	1,398,623	1,105,026	748,732	1,719,540	1,561,830	13	370,762	6,904,526
Total liabilities	1,254,796	314,044	3,167,788	806,186	471,569	-	890,143	6,904,526
Net liquidity gap	143,827	790,982	(2,419,056)	913,354	1,090,261	13	(519,381)	-

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

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

**Kuveyt Türk Katılım Bankası Anonim Şirketi**

**Notes related to unconsolidated financial statements  
for the interim period ended September 30, 2010 (continued)  
(Currency - Thousands of Turkish Lira)**

**Breakdown of derivative instruments according to their remaining contractual maturities:**

<b>Current period – September 30, 2010</b>	<b>Up to 1 month</b>	<b>1-3 months</b>	<b>3-12 months</b>	<b>1-5 years</b>	<b>Over 5 years</b>	<b>Total</b>
<b>Derivatives held for trading</b>						
Foreign exchange derivatives:						
Inflow	529,059	98,056	212,193	-	-	839,308
Outflow	514,426	87,933	180,314	-	-	782,673
<b>Derivatives held for hedging</b>						
Foreign exchange derivatives:						
Inflow	-	-	-	-	-	-
Outflow	-	-	-	-	-	-
<b>Total cash inflow</b>	<b>529,059</b>	<b>98,056</b>	<b>212,193</b>	<b>-</b>	<b>-</b>	<b>839,308</b>
<b>Total cash outflow</b>	<b>514,426</b>	<b>87,933</b>	<b>180,314</b>	<b>-</b>	<b>-</b>	<b>782,673</b>
<b>Prior period - December 31, 2009</b>						
Up to 1 month						
1-3 months						
3-12 months						
1-5 years						
Over 5 years						
<b>Total</b>						
<b>Derivatives held for trading</b>						
Foreign exchange derivatives:						
Inflow	840,738	10,340	29,014	-	-	880,092
Outflow	836,577	10,400	21,269	-	-	868,246
<b>Derivatives held for hedging</b>						
Foreign exchange derivatives:						
Inflow	-	-	-	-	-	-
Outflow	-	-	-	-	-	-
<b>Total cash inflow</b>	<b>840,738</b>	<b>10,340</b>	<b>29,014</b>	<b>-</b>	<b>-</b>	<b>880,092</b>
<b>Total cash outflow</b>	<b>836,577</b>	<b>10,400</b>	<b>21,269</b>	<b>-</b>	<b>-</b>	<b>868,246</b>

**VI. Explanations on business segments**

The Bank operates in Corporate and Commercial Banking, Retail Banking, International Banking – Treasury and Investment Banking sectors.

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

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

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

**Kuveyt Türk Katılım Bankası Anonim Şirketi**

**Notes related to unconsolidated financial statements  
for the interim period ended September 30, 2010 (continued)  
(Currency - Thousands of Turkish Lira)**

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

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

September 30, 2010	Retail Banking	Corporate and Commercial Banking	Treasury, Investment Banking and International Banking	Unallocated	Bank's total operation
Operating income	261,139	362,201	39,099	-	662,439
Operating expenses	(193,804)	(94,405)	(8,882)	(201,305)	(498,396)
Transfers between segments	102,421	(96,334)	(6,087)	-	-
<b>Net operating income(loss) (*)</b>	<b>169,756</b>	<b>171,462</b>	<b>24,130</b>	<b>(201,305)</b>	<b>164,043</b>
Income from associates	-	-	-	-	-
<b>Income (loss) before tax</b>	<b>169,756</b>	<b>171,462</b>	<b>24,130</b>	<b>(201,305)</b>	<b>164,043</b>
Provision for taxation	-	-	-	(35,543)	(35,543)
<b>Net income for the period</b>	<b>169,756</b>	<b>171,462</b>	<b>24,130</b>	<b>(236,848)</b>	<b>128,500</b>
Segment assets	2,059,661	4,052,931	2,057,801	-	8,170,393
Associates, subsidiaries and joint ventures	-	-	-	57,170	57,170
Undistributed assets	-	-	-	417,588	417,588
<b>Total assets</b>	<b>2,059,661</b>	<b>4,052,931</b>	<b>2,057,801</b>	<b>474,758</b>	<b>8,645,151</b>
Segment liabilities	4,500,209	1,985,532	539,032	-	7,024,773
Undistributed liabilities	-	-	-	394,841	394,841
Shareholders' equity	-	-	-	1,225,537	1,225,537
<b>Total liabilities</b>	<b>4,500,209</b>	<b>1,985,532</b>	<b>539,032</b>	<b>1,620,378</b>	<b>8,645,151</b>
Other segment items					
Capital investment	-	-	-	34,807	34,807
Depreciation	-	-	-	16,087	16,087
Non- cash income- expense	-	-	-	(154,967)	(154,967)
Restructuring expenses	-	-	-	-	-

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

**Kuveyt Türk Katılım Bankası Anonim Şirketi**

**Notes related to unconsolidated financial statements  
for the interim period ended September 30, 2010 (continued)  
(Currency - Thousands of Turkish Lira)**

<b>September 30, 2009</b>	<b>Retail Banking</b>	<b>Corporate and Commercial Banking</b>	<b>Treasury, Investment Banking and International Banking</b>	<b>Unallocated</b>	<b>Bank's total operation</b>
Operating income	267,516	299,399	78,684	-	645,599
Operating expenses	(224,706)	(99,598)	(23,125)	(161,527)	(508,956)
Transfers between segments	103,138	(124,273)	21,135	-	-
<b>Net operating income/loss</b>	<b>145,948</b>	<b>75,528</b>	<b>76,694</b>	<b>(161,527)</b>	<b>136,643</b>
Income from associates	-	-	-	-	-
<b>Income(loss) before tax</b>	<b>145,948</b>	<b>75,528</b>	<b>76,694</b>	<b>(161,527)</b>	<b>136,643</b>
Provision for taxation	-	-	-	(29,251)	(29,251)
<b>Net income for the period</b>	<b>145,948</b>	<b>75,528</b>	<b>76,694</b>	<b>(190,778)</b>	<b>107,392</b>
Segment assets	1,516,291	2,882,574	1,694,826	-	6,093,691
Associates, subsidiaries and joint ventures	-	-	-	41,773	41,773
Undistributed assets	-	-	-	303,973	303,973
<b>Total assets</b>	<b>1,516,291</b>	<b>2,882,574</b>	<b>1,694,826</b>	<b>345,746</b>	<b>6,439,437</b>
Segment liabilities	3,713,280	1,272,525	390,910	-	5,376,715
Undistributed liabilities	-	-	-	275,151	275,151
Shareholders' equity	-	-	-	787,571	787,571
<b>Total liabilities</b>	<b>3,713,280</b>	<b>1,272,525</b>	<b>390,910</b>	<b>1,062,722</b>	<b>6,439,437</b>
Other segment items					
Capital investment	-	-	-	19,812	19,812
Depreciation	-	-	-	12,949	12,949
Non- cash income- expense	-	-	-	(938)	(938)
Restructuring expenses	-	-	-	-	-

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

**Kuveyt Türk Katılım Bankası Anonim Şirketi**

**Notes related to unconsolidated financial statements  
for the interim period ended September 30, 2010 (continued)  
(Currency - Thousands of Turkish Lira)**

**Section five**

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

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

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

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

	Current period		Prior period	
	TL	FC	TL	FC
Cash/foreign currency	51,223	64,222	34,264	23,614
The CBRT	186,376	264,757	181,687	217,931
Other(*)	6	253,928	120	409,585
<b>Total</b>	<b>237,605</b>	<b>582,907</b>	<b>216,071</b>	<b>651,130</b>

(\*) As of September 30, 2010 precious metal depot account amounting to TL 253,591 is reflected in this line (December 31, 2009 - TL 409,585).

**2. Information on CBRT:**

	Current period		Prior period	
	TL	FC	TL	FC
Unrestricted demand deposit	184,061	1,179	179,692	1,237
Unrestricted time deposit	-	-	-	-
Restricted time deposit	2,315	263,578	1,995	216,694
<b>Total</b>	<b>186,376</b>	<b>264,757</b>	<b>181,687</b>	<b>217,931</b>

In accordance with the Communiqué on the changes to the "Communiqué on Reserve Requirements" published in the Official Gazette No. 27708 dated September 23, 2010, the required reserve rate of Turkish Lira for Turkish currency obligations was raised by 0.5 points to 5.5% and the rate for the foreign currency obligations was raised by 1% to 11%. According to the changes, the payment of interest for Turkish Lira required reserves will also cease. The Communiqué is valid as of publication date and the changes will be effective as of the period starting October 1, 2010.

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

## Kuveyt Türk Katılım Bankası Anonim Şirketi

### Notes related to unconsolidated financial statements for the interim period ended September 30, 2010 (continued) (Currency - Thousands of Turkish Lira)

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

- As of September 30, 2010, there are no financial assets at fair value through profit and loss subject to repurchase transactions, given as a collateral or blocked (December 31, 2009 – None).
- Positive Differences Related to Derivative Financial Assets Held-for-Trading:

Derivative financial assets held-for-trading	Current period		Prior period	
	TL	FC	TL	FC
Forward transactions	7,897	10,718	910	515
Swap transactions	15,424	1,705	7,605	895
Futures transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>23,321</b>	<b>12,423</b>	<b>8,515</b>	<b>1,410</b>

#### c. Information on Banks:

- Information on Banks:

	Current period		Prior period	
	TL	FC	TL	FC
Banks	352,928	842,835	125,154	760,328
Domestic	43,911	350,579	20,507	364,263
Foreign	309,017	492,256	104,647	396,065
Branches and head office abroad	-	-	-	-
<b>Total</b>	<b>352,928</b>	<b>842,835</b>	<b>125,154</b>	<b>760,328</b>

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

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

	Current period	Prior period
Debt Securities	-	-
Quoted on stock exchange	-	-
Not quoted on stock exchange	-	-
Share certificates	4,547	27
Quoted on stock exchange (*)	-	-
Not quoted on stock exchange	4,547	27
Impairment provision	-	-
<b>Total</b>	<b>4,547</b>	<b>27</b>

(\*) The Bank had previously classified 1,67% ownership of Kredi Garanti Fonu A.Ş. of TL 2,000, 8.99% ownership of Islamic International Rating Agency of TL 714 and 6.99% ownership of Neova Sigorta A.Ş. of TL 1,806 under investments in associates. Since the Bank's percentage of ownership in these companies is less than 10% and it does not have a significant influence, these amounts have been reclassified under available for sale financial assets.

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

**Kuveyt Türk Katılım Bankası Anonim Şirketi**

**Notes related to unconsolidated financial statements  
for the interim period ended September 30, 2010 (continued)  
(Currency - Thousands of Turkish Lira)**

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

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

	Current period		Prior period	
	Cash	Non-Cash	Cash	Non-Cash
Direct Loans Granted to Shareholders	71	834	61	111
Corporate Shareholders	-	834	-	111
Real Person Shareholders	71	-	61	-
Indirect Loans Granted to Shareholders	-	-	-	-
Loans Granted to Employees	2,513	-	2,398	-
<b>Total</b>	<b>2,584</b>	<b>834</b>	<b>2,459</b>	<b>111</b>

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

	Standard loans and other receivables		Loans and other receivables under close monitoring	
	Loans and other receivables	Restructured or rescheduled	Loans and other receivables	Restructured or rescheduled
<b>Cash Loans</b>				
Loans	5,436,887	159,640	142,553	188,569
Financing of documents on goods	-	-	-	-
Export loans	14,132	1,248	58	487
Import loans	505,111	-	6,049	-
Business loans	3,173,934	153,101	81,386	159,893
Consumer loans	1,012,175	54	43,166	6,680
Credit cards	71,826	-	2,572	-
Investments on profit/loss partnership	-	-	-	-
Precious metals loans	-	-	-	-
Loans given to financial sector	-	-	-	-
Loans given abroad	88,406	-	5,213	19,771
Other	571,303	5,237	4,109	1,738
Other receivables	296	-	726	-
<b>Total</b>	<b>5,437,183</b>	<b>159,640</b>	<b>143,279</b>	<b>188,569</b>

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

**Kuveyt Türk Katılım Bankası Anonim Şirketi**

**Notes related to unconsolidated financial statements  
for the interim period ended September 30, 2010 (continued)  
(Currency - Thousands of Turkish Lira)**

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

	Short term	Medium and long term	Total
<b>Consumer Loans-TL</b>	<b>4,208</b>	<b>980,755</b>	<b>984,963</b>
Housing Loans	2,134	903,686	905,820
Vehicle Loans	1,525	70,404	71,929
Consumer Loans	349	3,632	3,981
Other	200	3,033	3,233
<b>Consumer Loans-FC Indexed</b>	<b>-</b>	<b>76,907</b>	<b>76,907</b>
Housing Loans	-	72,582	72,582
Vehicle Loans	-	1,889	1,889
Consumer Loans	-	272	272
Other	-	2,164	2,164
<b>Consumer Loans-FC</b>	<b>-</b>	<b>205</b>	<b>205</b>
Housing Loans	-	205	205
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Retail Credit Cards-TL</b>	<b>34,492</b>	<b>-</b>	<b>34,492</b>
With Installment	14,549	-	14,549
Without Installment	19,943	-	19,943
<b>Retail Credit Cards-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
With Installment	-	-	-
Without Installment	-	-	-
<b>Personnel Loans-TL</b>	<b>102</b>	<b>935</b>	<b>1,037</b>
Housing Loans	-	358	358
Vehicle Loans	69	428	497
Consumer Loans	30	149	179
Other	3	-	3
<b>Personnel Loans-FC Indexed</b>	<b>-</b>	<b>57</b>	<b>57</b>
Housing Loans	-	19	19
Vehicle Loans	-	32	32
Consumer Loans	-	6	6
Other	-	-	-
<b>Personnel Loans-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Personnel Credit Cards-TL</b>	<b>1,419</b>	<b>-</b>	<b>1,419</b>
With Installment	475	-	475
Without Installment	944	-	944
<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>40,221</b>	<b>1,058,859</b>	<b>1,099,080</b>



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

**Kuveyt Türk Katılım Bankası Anonim Şirketi**

**Notes related to unconsolidated financial statements  
for the interim period ended September 30, 2010 (continued)  
(Currency - Thousands of Turkish Lira)**

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

	Short term	Medium and long term	Total
<b>Commercial Installment Loans-TL</b>	<b>30,829</b>	<b>710,470</b>	<b>741,299</b>
Business Loans	943	159,143	160,086
Vehicle Loans	5,263	291,647	296,910
Consumer Loans	-	32,561	32,561
Other	24,623	227,119	251,742
<b>Commercial Installment Loans-FC Indexed</b>	<b>4,346</b>	<b>157,665</b>	<b>162,011</b>
Business Loans	1,060	41,121	42,181
Vehicle Loans	1,922	46,365	48,287
Consumer Loans	36	-	36
Other	1,328	70,179	71,507
<b>Commercial Installment Loans-FC</b>	<b>20</b>	<b>14,396</b>	<b>14,416</b>
Business Loans	-	1,759	1,759
Vehicle Loans	-	9,252	9,252
Consumer Loans	-	-	-
Other	20	3,385	3,405
<b>Corporate Credit Cards-TL</b>	<b>38,487</b>	-	<b>38,487</b>
With Installment	25,657	-	25,657
Without Installment	12,830	-	12,830
<b>Corporate Credit Cards-FC</b>	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
<b>Overdraft Account-TL (Legal Entity)</b>	-	-	-
<b>Overdraft Account-FC (Legal Entity)</b>	-	-	-
<b>Total</b>	<b>73,682</b>	<b>882,531</b>	<b>956,213</b>

5. Breakdown of domestic and foreign loans:

	Current period	Prior period
Domestic loans	5,815,281	4,413,412
Foreign loans	113,390	87,438
<b>Total</b>	<b>5,928,671</b>	<b>4,500,850</b>

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

**Kuveyt Türk Katılım Bankası Anonim Şirketi**

**Notes related to unconsolidated financial statements  
for the interim period ended September 30, 2010 (continued)  
(Currency - Thousands of Turkish Lira)**

6. Loans granted to subsidiaries and associates:

The Bank has not granted any loans to its subsidiaries and associates as of September 30, 2010 (December 31, 2009 – None).

7. Specific provisions for loans:

	Current period	Prior period
Specific provisions		
Loans and receivables with limited collectability	3,362	24,464
Loans and receivables with doubtful collectability	16,771	35,154
Uncollectible loans and receivables	134,871	87,993
<b>Total</b>	<b>155,004</b>	<b>147,611</b>

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

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

	Group III Loans and receivables with limited collectability	Group IV Loans and receivables with doubtful collectability	Group V Uncollectible loans and receivables
<b>Current period- September 30, 2010</b> (Gross amounts before specific provision)			
Restructured loans and other receivables	10,324	32,206	14,473
Rescheduled loans and other receivables	-	-	-
<b>Prior period- December 31, 2009</b> (Gross amounts before specific provision)			
Restructured loans and other receivables	36,207	10,867	13,357
Rescheduled loans and other receivables	-	-	-

**Kuveyt Türk Katılım Bankası Anonim Şirketi**

**Notes related to unconsolidated financial statements  
for the interim period ended September 30, 2010 (continued)  
(Currency - Thousands of Turkish Lira)**

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

	Group III Loans and receivables with limited collectability	Group IV Loans and receivables with doubtful collectability	Group V Uncollectible loans and receivables
<b>Ending balance of prior period</b>	<b>72,199</b>	<b>74,879</b>	<b>151,131</b>
Additions in the current period (+)	61,918	5,638	1,780
Transfers from other categories of non-performing loans (+)	-	75,863	80,791
Transfers to other categories of non-performing loans (-)	76,632	80,021	-
Collections in the current period (-)	6,486	8,919	19,445
Disposals in the current period (-)	20,519	10,561	35,371
Write offs (-)	-	-	-
Corporate and commercial loans	-	-	-
Retail loans	-	-	-
Credit Cards	-	-	-
Other	-	-	-
<b>Ending balance of the current period</b>	<b>30,480</b>	<b>56,879</b>	<b>178,886</b>
Specific provisions (-)	3,362	16,771	134,871
<b>Net balance at the balance sheet</b>	<b>27,118</b>	<b>40,108</b>	<b>44,015</b>

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

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

	Group III Loans and receivables with limited collectability	Group IV Loans and receivables with doubtful collectability	Group V Uncollectible loans and receivables
<b>Current period (Net)</b>	<b>27,118</b>	<b>40,108</b>	<b>44,015</b>
Loans granted to real persons and legal entities (Gross)	30,480	56,879	178,886
Specific provision (-)	3,362	16,771	134,871
Loans to real persons and legal entities (Net)	27,118	40,108	44,015
Banks (Gross)	-	-	-
Specific provision (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	-	-	-
Specific provision (-)	-	-	-
Other loans and receivables (Net)	-	-	-
<b>Prior period (Net)</b>	<b>47,735</b>	<b>39,725</b>	<b>63,138</b>
Loans to real persons and legal entities (Gross)	72,199	74,879	151,131
Specific provision (-)	24,464	35,154	87,993
Loans to real persons and legal entities (Net)	47,735	39,725	63,138
Banks (Gross)	-	-	-
Specific provision (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	-	-	-
Specific provision (-)	-	-	-
Other loans and receivables (Net)	-	-	-

**Kuveyt Türk Katılım Bankası Anonim Şirketi**

**Notes related to unconsolidated financial statements  
for the interim period ended September 30, 2010 (continued)  
(Currency - Thousands of Turkish Lira)**

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

Loans and other receivables, which were deemed uncollectible according to the "Principles and Procedures for the Determination of the Quality of Loans and Other Receivables and Reserves to be provided for these Loans" published in the Official Gazette No. 26333 dated November 01, 2006 and for which a full impairment provision has been made, are written-off per the decision of the Bank top management. In the first nine months of 2010, no non-performing loans have been written-off (December 31, 2009 – TL 80,298).

10. Information on the write-off policy:

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

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

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

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

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

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

**Kuveyt Türk Katılım Bankası Anonim Şirketi**

**Notes related to unconsolidated financial statements  
for the interim period ended September 30, 2010 (continued)  
(Currency - Thousands of Turkish Lira)**

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

1. The 1,67% ownership of Kredi Garanti Fonu A.Ş. of TL 2,000, 8.99% ownership of Islamic International Rating Agency of TL 714 and 6.99% ownership of Neova Sigorta A.Ş. of TL 1,806 was previously recorded under unconsolidated associates. Since the Bank's ownership in these institutions is less than 10% and its operative effectiveness is insignificant, these amounts have been reclassified under available for sale financial assets.
2. Information about investments in unconsolidated associates: None.
3. Information related to consolidated associates: None.

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

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

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

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

Total assets	Equity	Total fixed assets	Profit share income	Income from marketable securities	Current period income/loss	Prior period income/loss	Fair value
85,689	17,089	33	644	-	(97)	-	-
14,876	14,724	3,584	8	-	(52)	(54)	-
37,509	20,756	35,953	25	-	(43)	(202)	-

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

## Kuveyt Türk Katılım Bankası Anonim Şirketi

### Notes related to unconsolidated financial statements for the interim period ended September 30, 2010 (continued) (Currency - Thousands of Turkish Lira)

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

Sectoral information on financial subsidiaries and the related carrying amounts:

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

(\*) Since Kuwait Turkish Participation Bank Dubai Ltd's total assets surpasses the 1% threshold, it will be consolidated in the September 30, 2010 financial statements.

Listed Subsidiaries: None.

Movement for subsidiaries:

	Current period	Prior period
<b>Balance at the beginning of the year</b>	32,997	36,894
Movements during the year		
Purchases (*)	22,306	3,380
Transfers from subsidiaries	11,845	-
Bonus shares	-	-
Dividends from current year income	-	-
Sales (*)	-	-
Revaluation increase	-	-
Impairment provision (*)	(9,978)	(1,021)
	-	-
<b>Balance at the end of the year</b>	57,170	39,253
Capital commitments (**)	33,600	33,600
Share percentage at the end of the year (%)	-	-

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

(\*\*) The Bank has capital commitments of TL 7,600 to its subsidiary Körfez Tatil Beldesi and TL 26,000 to Körfez Gayrimenkul A.S. as of September 30, 2010.

**Kuveyt Türk Katılım Bankası Anonim Şirketi**

**Notes related to unconsolidated financial statements  
for the interim period ended September 30, 2010 (continued)  
(Currency - Thousands of Turkish Lira)**

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

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

1. Presentation of remaining maturities of net finance leases:

	Current period		Prior period	
	Gross	Net	Gross	Net
Less than 1 year	51,828	47,803	32,424	29,976
1 to 4 years	26,612	22,206	22,486	19,560
More than 4 years	3,435	2,816	502	459
<b>Total</b>	<b>81,875</b>	<b>72,825</b>	<b>55,412</b>	<b>49,995</b>

2. Net investments in finance leases:

	Current period	Prior period
Gross receivable from finance leases	81,875	55,412
Unearned finance lease income (-)	(9,050)	(5,417)
Cancelled amounts (-)	-	-
<b>Net receivable from finance leases</b>	<b>72,825</b>	<b>49,995</b>

3. Information on finance lease contracts:

The Bank determines the settlements of the financial lease agreements in accordance with related legislations. Payment terms and amounts may be rearranged with additional agreements upon customers' requests. On the agreements, the Bank gives the customer the option to buy the related property. According to the Financial Lease Law, if a customer does not fulfill its obligations, the Bank sends a notice to the customer and informs them that if the obligations are not fulfilled within 60 days the financial lease agreement will be terminated. If the customer does not fulfill its obligations in 60 days, the Bank takes legal action against the customer. Non performing finance lease receivables amounting to TL 10,006 are included in the non-performing loans (December 31, 2009 – TL 16,365).

Impairment provision amounting to TL 4,650 (December 31, 2009 – TL 7,057) for financial lease receivables are included under the specific provision account under loans in the balance sheet.

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

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

## Kuveyt Türk Katılım Bankası Anonim Şirketi

### Notes related to unconsolidated financial statements for the interim period ended September 30, 2010 (continued) (Currency - Thousands of Turkish Lira)

#### I. Information on deferred tax asset:

In accordance with the related regulations deferred tax asset calculated as of September 30, 2010 is TL 15,499 (December 31, 2009 – TL 11,610) and deferred tax liability is TL 6,759 (December 31, 2009 – TL 3,891).

	Current period	Prior period
Financial lease adjustments	-	449
Personnel bonus accrual and vacation pay liability	3,298	3,825
Retirement pay liability	1,171	952
Deferred income on loans	10,426	5,745
Impairment provision for subsidiaries, fixed assets and assets held for sale	399	337
Other	205	302
<b>Deferred tax asset</b>	<b>15,499</b>	<b>11,610</b>
Financial lease adjustments	(580)	(992)
Difference between carrying value and tax base of tangible assets	(2,241)	(2,162)
Accruals of derivative financial instruments held for trading(net)	(3,938)	(737)
<b>Deferred tax liability</b>	<b>(6,759)</b>	<b>(3,891)</b>
<b>Deferred tax, net</b>	<b>8,740</b>	<b>7,719</b>

#### m. Information on other assets:

As of balance sheet date, the Bank's other assets amount to TL 207,181 (December 31, 2009 - TL 207,037). Other assets balance does not exceed 10% of the total assets on the balance sheet excluding off balance sheet commitments.



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

**Kuveyt Türk Katılım Bankası Anonim Şirketi**

**Notes related to unconsolidated financial statements  
for the interim period ended September 30, 2010 (continued)  
(Currency - Thousands of Turkish Lira)**

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

**a. Information on funds collected:**

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

**i. Current period:**

	Demand	Up to 1 month	Up to 3 months	Up to 6 months	Up to 9 months	Up to 1 year	1 year and over	Accumulated profit sharing accounts	Total
<b>I. Real persons current accounts-TL</b>	<b>325,490</b>	-	-	-	-	-	-	-	<b>325,490</b>
<b>II. Real persons profit sharing accounts-TL</b>	-	<b>1,595,691</b>	<b>502,512</b>	<b>50,695</b>	-	<b>36,020</b>	<b>383,200</b>	-	<b>2,568,118</b>
<b>III. Other current accounts-TL</b>	<b>475,323</b>	-	-	-	-	-	-	-	<b>475,323</b>
Public sector	15,403	-	-	-	-	-	-	-	15,403
Commercial sector	449,018	-	-	-	-	-	-	-	449,018
Other institutions	8,241	-	-	-	-	-	-	-	8,241
Commercial and other institutions	-	-	-	-	-	-	-	-	-
<b>Banks and participation banks</b>	<b>2,661</b>	-	-	-	-	-	-	-	<b>2,661</b>
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	-	-	-	-	-	-	-	-	-
Foreign banks	2,632	-	-	-	-	-	-	-	2,632
Participation banks	29	-	-	-	-	-	-	-	29
Others	-	-	-	-	-	-	-	-	-
<b>IV. Profit sharing accounts-TL</b>	-	<b>226,830</b>	<b>116,076</b>	<b>12,225</b>	-	<b>3,349</b>	<b>48,292</b>	-	<b>406,772</b>
Public sector	-	8	4,595	-	-	-	-	-	4,603
Commercial sector	-	219,108	108,126	7,106	-	3,302	48,142	-	385,784
Other institutions	-	7,714	3,044	5,119	-	47	150	-	16,074
Commercial and other institutions	-	-	309	-	-	-	-	-	309
<b>Banks and participation banks</b>	-	-	<b>2</b>	-	-	-	-	-	<b>2</b>
<b>V. Real persons current accounts-FC</b>	<b>255,665</b>	-	-	-	-	-	-	-	<b>255,665</b>
<b>VI. Real persons profit sharing accounts-FC</b>	-	<b>817,194</b>	<b>274,793</b>	<b>27,940</b>	-	<b>52,497</b>	<b>113,072</b>	-	<b>1,285,496</b>
<b>VII. Other current accounts-FC</b>	<b>296,344</b>	-	-	-	-	-	-	-	<b>296,344</b>
Commercial residents in Turkey	268,854	-	-	-	-	-	-	-	268,854
Commercial residents in Abroad	21,706	-	-	-	-	-	-	-	21,706
<b>Banks and participation banks</b>	<b>5,784</b>	-	-	-	-	-	-	-	<b>5,784</b>
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	-	-	-	-	-	-	-	-	-
Foreign banks	281	-	-	-	-	-	-	-	281
Participation banks	5,503	-	-	-	-	-	-	-	5,503
Others	-	-	-	-	-	-	-	-	-
<b>VIII. Profit sharing accounts- FC</b>	-	<b>169,044</b>	<b>59,831</b>	<b>160,181</b>	-	<b>7,690</b>	<b>134,258</b>	-	<b>531,004</b>
Public sector	-	267	-	-	-	-	-	-	267
Commercial sector	-	152,616	49,119	1,491	-	1,713	8,532	-	213,471
Other institutions	-	13,275	1,163	65,838	-	10	1,348	-	81,634
Commercial and other institutions	-	2,886	1,493	-	-	-	-	-	4,379
<b>Banks and participation banks</b>	-	-	<b>8,056</b>	<b>92,852</b>	-	<b>5,967</b>	<b>124,378</b>	-	<b>231,253</b>
<b>IX. Precious metal funds</b>	<b>97,620</b>	-	<b>226,590</b>	<b>9,598</b>	-	<b>7,721</b>	-	-	<b>341,529</b>
<b>X. Profit sharing accounts special funds - TL</b>	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
<b>XI. Profit sharing accounts special funds - FC</b>	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>1,450,442</b>	<b>2,808,759</b>	<b>1,179,802</b>	<b>260,639</b>	-	<b>107,277</b>	<b>678,822</b>	-	<b>6,485,741</b>

There are no 7 day notification and accumulative deposit accounts.

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

**Kuveyt Türk Katılım Bankası Anonim Şirketi**

**Notes related to unconsolidated financial statements  
for the interim period ended September 30, 2010 (continued)  
(Currency - Thousands of Turkish Lira)**

ii. Prior period:

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

**Kuveyt Türk Katılım Bankası Anonim Şirketi**

**Notes related to unconsolidated financial statements  
for the interim period ended September 30, 2010 (continued)  
(Currency - Thousands of Turkish Lira)**

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

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

	Under the guarantee of saving deposit insurance		Exceeding the limit of saving deposit	
	Current period	Prior period	Current period	Prior period
Real persons current and profit sharing accounts that are not subject to commercial activities				
TL accounts	1,437,078	1,199,070	1,442,855	1,100,355
FC accounts	722,237	591,478	1,138,287	1,089,439
Foreign branches' deposits under foreign authorities' insurance	-	-	-	-
Off-shore banking regions' under foreign authorities' insurance	-	-	-	-

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

ii. 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	5,938	806
Profit sharing account and other accounts in scope of the property holdings derived from crime defined in article 282 of Turkish Criminal Law No:5237 dated September 26, 2004	-	-
Profit sharing accounts in participation banks which are established in Turkey in order to engage in off-shore banking activities solely	-	-

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

**Kuveyt Türk Katılım Bankası Anonim Şirketi**

**Notes related to unconsolidated financial statements  
for the interim period ended September 30, 2010 (continued)  
(Currency - Thousands of Turkish Lira)**

**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	8,947	3,676	892	3,767
Swap transactions	901	2,532	-	1,572
Futures transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>9,848</b>	<b>6,208</b>	<b>892</b>	<b>5,339</b>

**c. Information on funds borrowed:**

1. Information on banks and other financial institutions:

	Current period		Prior period	
	TL	FC	TL	FC
Loans from The Central Bank of the Republic of Turkey	-	-	-	-
From Domestic Banks and Institutions	-	-	-	-
From Foreign Banks, Institutions and Funds	-	522,976	-	383,681
<b>Total</b>	<b>-</b>	<b>522,976</b>	<b>-</b>	<b>383,681</b>

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

2. Information on remaining maturity structure of borrowings:

	Current period		Prior period	
	TL	FC	TL	FC
Short-term	-	377,098	-	378,385
Medium and Long-Term	-	145,878	-	5,296
<b>Total</b>	<b>-</b>	<b>522,976</b>	<b>-</b>	<b>383,681</b>

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

As of September 30, 2010, other liabilities amount to TL 220,894 (December 31, 2009 - TL 112,513), miscellaneous payables amount to TL 42,958 (December 31, 2009 - TL 118,796), both of them do not exceed 10% of the balance sheet total.

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

**Kuveyt Türk Katılım Bankası Anonim Şirketi**

**Notes related to unconsolidated financial statements  
for the interim period ended September 30, 2010 (continued)  
(Currency - Thousands of Turkish Lira)**

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

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

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

ii. Information on Financial Lease Obligations

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

iii. Information on Operational Leases:

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

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

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

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

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

**Kuveyt Türk Katılım Bankası Anonim Şirketi**

**Notes related to unconsolidated financial statements  
for the interim period ended September 30, 2010 (continued)  
(Currency - Thousands of Turkish Lira)**

**g. Information on provisions:**

1. Information on general provisions:

	Current period	Prior period
General provisions	<b>67,483</b>	<b>51,166</b>
Provisions for first group loans and receivables	52,600	38,290
Profit sharing accounts' share	23,898	15,896
The Bank's share	28,702	22,394
Other	-	-
Provisions for second group loans and receivables	6,815	5,884
Profit sharing accounts' share	2,755	3,169
The Bank's share	4,060	2,715
Other	-	-
Provisions for non-cash loans	8,068	6,992
Other	-	-

2. Information on provisions related with foreign currency evaluation difference of foreign currency indexed loans: As of September 30, 2010, effect of decrease in exchange rates on foreign currency indexed loans amounting to TL 72,681 (December 31, 2009 – TL 21,734) is offset against loans and receivables.

3. Information on other provisions:

	Current period	Prior period
General provisions for possible risks	4,600	7,779
Provisions from equity/profit sharing accounts	-	-
Total	4,600	7,779

4. Information on provisions for employee benefits:

Provisions for employee benefits consist of reserve for employee termination benefits amounting to TL 5,853 (December 31, 2009 – TL 4,759), vacation pay liability amounting to TL 841 (December 31, 2009 – TL 127), performance premium amounting to TL 14,000 (December 31, 2009 – TL 19,000) and previous year's performance premium TL 1,647 which has not yet been paid.

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

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

**Kuveyt Türk Katılım Bankası Anonim Şirketi**

**Notes related to unconsolidated financial statements  
for the interim period ended September 30, 2010 (continued)  
(Currency - Thousands of Turkish Lira)**

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

	Current period	Prior period
Discount rate (%)	11	11
Estimated increase rate of salary ceiling (%)	4.8	4.8

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

	Current period	Prior period
Balance at the beginning of the period	4,759	3,721
Provisions recognized during the period	1,999	1,817
Paid during the period	(905)	(779)
<b>Balances at the end of the period</b>	<b>5,853</b>	<b>4,759</b>

**h. Explanations on tax liability:**

1. Explanations on current tax liability:

- i. Information on tax provisions: Current tax liability amounting to TL 36,564 includes the corporate tax provision for the nine month period ending September 30, 2010.
- ii. Information on taxes payable:

	Current period	Prior period
Corporate taxes payable	-	-
Taxation of marketable securities	3,541	3,261
Property tax	344	244
Banking Insurance Transaction Tax (BITT)	3,120	4,248
Foreign Exchange Transaction Tax	-	-
Value Added Tax Payable	144	445
Income tax deducted from wages	1,788	-
Other	373	2,051
<b>Total</b>	<b>9,310</b>	<b>10,249</b>

iii. Information on premiums:

	Current period	Prior period
Social Security Premiums-Employee	1,018	836
Social Security Premiums-Employer	1,052	865
Bank Social Aid Pension Fund Premium-Employee	-	-
Bank Social Aid Pension Fund Premium-Employer	-	-
Pension Fund Membership Fees and Provisions- Employee	-	-
Pension Fund Membership Fees and Provisions-Employer	-	-
Unemployment insurance-Employee	73	60
Unemployment insurance-Employer	172	148
Other	-	-
<b>Total</b>	<b>2,315</b>	<b>1,909</b>

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

**Kuveyt Türk Katılım Bankası Anonim Şirketi**

**Notes related to unconsolidated financial statements  
for the interim period ended September 30, 2010 (continued)  
(Currency - Thousands of Turkish Lira)**

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

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

1. Presentation of paid-in capital:

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

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

Registered capital system is not applied in the Bank.

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

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

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

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

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

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

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

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



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

**Kuveyt Türk Katılım Bankası Anonim Şirketi**

**Notes related to unconsolidated financial statements  
for the interim period ended September 30, 2010 (continued)  
(Currency - Thousands of Turkish Lira)**

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

**a. Explanations on off-balance sheet accounts:**

1. Type and amount of irrevocable commitments: Commitment for credit card limits, as of September 30, 2010 is TL 114,280 (December 31, 2009 – TL 101,974); payment commitments for cheque books are TL 413,541 (December 31, 2008 – TL 368,914).

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

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

As of September 30, 2010, the Bank has guarantees and suretyships constituting of TL 3,236,124 (December 31, 2009 – TL 2,867,436) letters of guarantee; TL 22,391 (December 31, 2009 – TL 30,567) acceptances and TL 450,778 (December 31, 2009 – TL 426,991) letters of credit.

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

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

	Current period	Prior period
Non-cash loans given against cash loans	-	804
With original maturity of 1 year or less	-	804
With original maturity of more than 1 year	-	-
Other non-cash loans	3,717,411	3,329,827
<b>Total</b>	<b>3,717,411</b>	<b>3,330,631</b>

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

	Group I		Group II	
	TL	FC	TL	FC
<b>Non-cash loans</b>	<b>1,891,928</b>	<b>1,685,900</b>	<b>107,332</b>	<b>32,251</b>
Letters of guarantee	1,891,928	1,218,602	107,332	18,262
Bank acceptances	-	22,391	-	-
Letters of credit	-	436,789	-	13,989
Endorsements	-	-	-	-
Underwriting commitments	-	-	-	-
Factoring guarantees	-	-	-	-
Other commitment and contingencies	-	8,118	-	-

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

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

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

**Kuveyt Türk Katılım Bankası Anonim Şirketi**

**Notes related to unconsolidated financial statements  
for the interim period ended September 30, 2010 (continued)  
(Currency - Thousands of Turkish Lira)**

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

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

1. Information on profit share received from loans:

	Current period		Prior period	
	TL	FC	TL	FC
Profit share on loans (*)	465,182	13,546	443,263	13,097
Short term loans	119,353	3,171	137,174	3,738
Medium and long term loans	330,758	10,375	294,730	9,359
Profit share on non-performing loans	15,071	-	11,359	-
Premiums received from resource utilization support fund	-	-	-	-

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

2. Information on profit share received from banks:

	Current period		Prior period	
	TL	FC	TL	FC
Central Bank of the Republic of Turkey	6,400	-	8,769	-
Domestic Banks	-	-	-	-
Foreign Banks	10,739	585	20,771	2,204
Branches and head office abroad	-	-	-	-
<b>Total</b>	<b>17,139</b>	<b>585</b>	<b>29,540</b>	<b>2,204</b>

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

	Current period	Prior period
Profit share income received from associates and subsidiaries	-	7

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

**Kuveyt Türk Katılım Bankası Anonim Şirketi**

**Notes related to unconsolidated financial statements  
for the interim period ended September 30, 2010 (continued)  
(Currency - Thousands of Turkish Lira)**

**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>				
The Central Bank of the Republic of Turkey	-	-	-	-
Domestic banks	-	-	-	-
Foreign banks	-	8,820	-	9,691
Branches and head office abroad	-	-	-	-
<b>Other Institutions</b>	-	62	-	6,529
<b>Total</b>	-	<b>8,882</b>	-	<b>16,220</b>

ii. Profit share expense given to associates and subsidiaries:

	Current period	Prior period
Profit share expenses given to associates and subsidiaries	409	129

**c. Information on trading income/loss (Net):**

	Current period	Prior period
<b>Income</b>	<b>1,235,147</b>	<b>1,073,897</b>
Gain on capital market transactions	266	41
Gain on derivative financial instruments	32,907	41,261
Foreign exchange gains	1,201,974	1,032,595
<b>Losses (-)</b>	<b>(1,190,923)</b>	<b>(1,009,512)</b>
Losses on capital market transactions	(5)	-
Losses on derivative financial instruments	(15,560)	(4,034)
Foreign exchange losses	(1,175,358)	(1,005,478)

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

**Kuveyt Türk Katılım Bankası Anonim Şirketi**

**Notes related to unconsolidated financial statements  
for the interim period ended September 30, 2010 (continued)  
(Currency - Thousands of Turkish Lira)**

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

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

	Current period	Prior period
Reversal of prior period provisions	43,238	12,643
Income from bounced check provisions	5,083	1,372
Expertise fees	5,023	4,444
Income from checkbooks	2,663	4,682
Income from EFT and money transfers	2,440	2,274
Income from check provisions	2,312	2,364
Lease income	1,500	1,715
Income from sale of assets	1,239	1,286
Other Income	3,493	4,423
<b>Total</b>	<b>66,991</b>	<b>35,203</b>

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

	Current period	Prior period
Specific provisions for loans and other receivables	42,175	74,506
III. Group	14	4,179
IV. Group	4,316	36,042
V. Group	37,845	34,285
Doubtful commissions, fees and other receivables	-	4
General provision expenses	17,801	13,975
Provision expenses for possible losses	-	-
Impairment provision of marketable securities	-	-
Financial Assets at fair value through profit and loss	-	-
Investment securities available for sale	-	-
Impairment provision of associates, subsidiaries, joint ventures and held to maturity investments	9,978	1,021
Associates	-	-
Subsidiaries	-	1,021
Joint ventures	9,978	-
Held to maturity investments	-	-
Other	107	-
<b>Total</b>	<b>70,061</b>	<b>89,506</b>

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

**Kuveyt Türk Katılım Bankası Anonim Şirketi**

**Notes related to unconsolidated financial statements  
for the interim period ended September 30, 2010 (continued)  
(Currency - Thousands of Turkish Lira)**

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

	Current period	Prior period
Personnel expenses	117,886	97,736
Provision for retirement pay liability	1,100	724
Depreciation expenses of fixed assets	13,489	11,526
Amortization expenses of intangible assets	2,045	1,109
Impairment expense of assets held for sale	-	-
Depreciation expenses of assets held for sale	553	314
Other operating expenses	46,398	39,088
Rent expenses	17,397	14,603
Maintenance expenses	6,084	4,937
Advertisement expenses	4,838	3,629
Communication expenses	5,629	5,272
Heating, electricity and water expenses	3,265	2,556
Disallowable expenses	2,149	2,446
Cleaning expenses	3,496	2,703
Vehicle expenses	1,433	1,069
Stationery expenses	914	999
Other expenses	1,193	874
Losses on sales of assets	111	139
Deposit insurance fund expenses	9,107	7,077
Other	19,723	10,891
<b>Total</b>	<b>210,412</b>	<b>168,604</b>

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

Income before tax amounts to TL 164,043, increasing by 20% as compared to the prior period. Income before tax includes TL 291,172 net profit share income and TL 42,129 net fees and commission income. Total operating expense amount is TL 210,412.

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

**Kuveyt Türk Katılım Bankası Anonim Şirketi**

**Notes related to unconsolidated financial statements  
for the interim period ended September 30, 2010 (continued)  
(Currency - Thousands of Turkish Lira)**

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

As of September 30, 2010 deferred tax income is TL 1,021 and current tax expense is TL 36,564.

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

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

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

- i. The nature and amount of certain income and expense items from ordinary operations is disclosed if the disclosure for nature, amount and repetition rate of such items is required for a complete understanding of the Bank's performance for the period: As of September 30, 2010, net profit share income is TL 291,172 (September 30, 2009 – TL 253,278), net fees and commission income is TL 42,129 (September 30, 2009 – TL 41,887).
- ii. Effect of changes in accounting estimates on income statement for the current and, if any for subsequent periods: None (September 30, 2009 – None).
- iii. Profit/loss relating to minority interests: None (September 30, 2009 – None).

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

As of September 30, 2010 other fees and commissions received is TL 27,328 (September 30, 2009 – TL 30,802), TL 5,563 of this amount is related with Credit Card fees and commissions (September 30, 2009 – TL 10,016) and TL 7,588 of this amount is related with commissions related with POS machines (September 30, 2009 – TL 10,709).

As of September 30, 2010 other fees and commissions given is TL 17,480 (September 30, 2009 – TL 21,396) TL 7,210 of this amount is related with POS clearing commissions and installation expenses (September 30, 2009 – TL 12,712), TL 3,778 of this amount is related with appraisal fees to experts (September 30, 2009 – TL 2,697).

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

**Kuveyt Türk Katılım Bankası Anonim Şirketi**

**Notes related to unconsolidated financial statements  
for the interim period ended September 30, 2010 (continued)  
(Currency - Thousands of Turkish Lira)**

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

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

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

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

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

	Current period	Prior period
<b>Cash</b>	<b>1,124,410</b>	<b>1,232,151</b>
Cash in TL/foreign currency, others	58,000	163,723
Demand deposits at banks	1,066,410	1,068,428
<b>Cash equivalents</b>	-	-
Interbank money markets	-	-
Time deposits at banks	-	-
Marketable securities	-	-
<b>Total cash and cash equivalents</b>	<b>1,124,410</b>	<b>1,232,151</b>

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

	Current period	Prior period
<b>Cash</b>	<b>1,496,791</b>	<b>1,468,008</b>
Cash in TL/foreign currency, others	115,788	189,897
Demand deposits at banks (less than 3 months)	1,381,003	1,278,111
<b>Cash equivalents</b>	-	-
Interbank money market	-	-
Time deposits at banks	-	-
Marketable securities	-	-
<b>Total cash and cash equivalents</b>	<b>1,496,791</b>	<b>1,468,008</b>

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

**Kuveyt Türk Katılım Bankası Anonim Şirketi**

**Notes related to unconsolidated financial statements  
for the interim period ended September 30, 2010 (continued)  
(Currency - Thousands of Turkish Lira)**

**VI. Explanations and notes related to risk group of the bank:**

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

**1. Current period:**

Risk group of the Bank (*)	Investment in associates, subsidiaries and joint ventures (business partnerships) (**)		Direct and indirect shareholders of the bank		Other real or legal persons included in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Balance at beginning of period	-	76	61	11	19,657	10,362
Balance at end of period	68,206	-	71	3,832	27,731	2,170
Profit share and commission income	178		4	-	1,977	-

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

(\*\*) Neova Sigorta A.Ş. and Islamic International Rating Agency, previously followed under investments in associates, have been reclassified to available for sale financial assets. Accordingly, non-cash loans amounting to TL 61 of these company have been presented under other real or legal persons included in the risk group.

**2. Prior period:**

Risk group of the bank	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the bank		Other real or legal persons included in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Balance at beginning of period	-	55	-	740	15,146	-
Balance at end of period	-	76	61	11	19,657	10,362
Profit share and commission income	8	-	5	-	2,326	-

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

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

Risk group of the bank (*)	Investment in associates, subsidiaries and joint ventures (business partnerships) (**)		Direct and indirect shareholders of the bank		Other real or legal persons included in the risk group	
	Current period	Prior period	Current period	Prior period	Current period	Prior period
Current and profit sharing accounts						
Balance at the beginning of period	15,021	14,929	77,973	2,052	11,732	76,613
Balance at the end of period	1,837	15,021	77,488	77,973	73,873	11,732
Profit share expense	40	717	64	37	562	-

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

(\*\*) Since Neova Sigorta A.Ş. and Islamic International Rating Agency have been classified under available for sale financial assets, the relating TL 13,373 current and profit share accounts and TL 369 profit share expense are shown under other real or legal persons included in the risk group.



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

## Kuveyt Türk Katılım Bankası Anonim Şirketi

### Notes related to unconsolidated financial statements for the interim period ended September 30, 2010 (continued) (Currency - Thousands of Turkish Lira)

- (ii) Forward and option agreements and other similar agreements with related parties: None (September 30 2009 – None).

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

Risk group of the bank	Investment in associates, subsidiaries and joint ventures (business partnerships) (**)		Direct and indirect shareholders of the bank		Other real or legal persons included in the risk group	
	Current period	Prior period	Current period	Prior period	Current period	Prior period
Loans Received						
Balance at beginning of period	-	-	185,836	-	-	-
Balance at end of period	-	-	258,809	185,836	-	-
Profit share expense	-	-	3,111	-	-	-

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

As of September 30, 2010, the Bank has paid TL 5,307 to top management (September 30, 2009 - TL 5,347).

## VII. Explanations and notes related to subsequent events

- a) In the Board of Directors Meeting held on October 19, 2010, the board has elected Adnan Ertem to replace Audit Committee member Mohammad S.A.I. Alomar.
- b) In the Board of Directors Meeting held on October 19, 2010, it has been decided to found a subsidiary of bank status in Kazakhstan with USD 35,000,000 capital.
- c) In the Board of Directors Meeting held on October 19, 2010, it has been decided to transfer Ruhsar Canbilen's TL 1,728, Sabit Canbilen's TL 1,728, Neriman Canbilen's TL 1,728, Mehmet Hüsamettin Canbilen's TL 1,728 nominal value of a total of 6,912 shares to Ahmet Süleyman Karakaya; Ufuk Uyan's TL 6,033 nominal value of 6,033 shares to Sedat Çelikerdoğan; Mustafa Fırat's TL 6,912 nominal value of 6,912 shares to Mehmet Keleş; and Ruşen Ahmet Albayrak's TL 10,976 nominal value of 10,976 shares to Mehmet Oral.

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

**Kuveyt Türk Katılım Bankası Anonim Şirketi**

**Notes related to unconsolidated financial statements  
for the interim period ended September 30, 2010 (continued)  
(Currency - Thousands of Turkish Lira)**

**Section six**

**Limited review report**

**I- Explanations on the independent limited review report:**

The unconsolidated interim financial statements as of and for the nine months period then ended September 30, 2010 have been reviewed by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (A Member Firm of Ernst & Young Global Limited) and the independent auditors' limited review report dated November 10, 2010 is presented preceding the financial statements.

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