

(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, 2011**

(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, 2011**

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

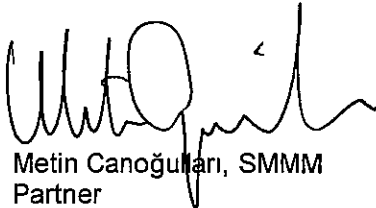
We have reviewed the unconsolidated balance sheet of Kuveyt Türk Katılım Bankası A.Ş. (the Bank) as of September 30, 2011 and the related unconsolidated statements of income, income and expenses accounted under equity, unconsolidated cash flows and changes in shareholders' equity for the period then 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, 2011 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



Metin Canoğulları, SMMM  
Partner

November 11, 2011  
Istanbul, Turkey

**The unconsolidated financial report of Kuveyt Turk Katılım Bankası A.Ş. for the nine months period ended September 30, 2011**

Address of the Bank Headquarters: Büyükdere Cad. No: 129 34394 Esentepe / İSTANBUL  
Bank's Phone Number : 0212 354 11 11  
Bank's Facsimile : 0212 354 12 12  
Bank's Website : www.kuveytturk.com.tr  
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The unconsolidated financial report designed in line with the Banking Regulation and Supervision Agency's official communication on "Financial Statements to be Publicly Announced and the Related Policies and Disclosures" consists of the sections listed below:

- GENERAL INFORMATION ABOUT THE BANK
- UNCONSOLIDATED FINANCIAL STATEMENTS OF THE BANK
- EXPLANATIONS ON THE ACCOUNTING PRINCIPLES APPLIED IN THE RELATED PERIOD
- INFORMATION ON FINANCIAL STRUCTURE OF THE BANK
- EXPLANATORY DISCLOSURES AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS
- INDEPENDENT LIMITED REVIEW REPORT

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

November 11, 2011

Mohammad S.A.I. Alomar	Adnan Ertem	Azfar Hussain Qarni	Ufuk Uyan	Ahmet Karaca
Chairman of the Board of Directors	Chairman of the Audit Committee	Member of the Audit Committee	General Manager	Assistant General Manager In Charge of Financial Reporting
<hr/>				
Ismail Hakkı Yeşilyurt External Reporting Manager				

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

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for the interim period ended September 30, 2011 (continued)  
(Currency – Thousands of Turkish Lira)****Section one  
General information****I. History of the Bank including its incorporation date, initial legal status and amendments to legal status:**

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

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

As of September 30, 2011 and December 31, 2010, 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 Titles of Chairman and Members of the Board of Directors, Members of the Audit Committee, General Managers and Assistant General Managers and Their Shareholdings in the Bank:**

Name	Title	Date of the assignment	Educational degree	Ownership percentage %
Mohammad S.A.I. ALOMAR	Chairman of the Board of Directors	19/07/2000	Bachelor	-
Abdullah TIVNİKLİ	Vice Chairman of the BOD	16/05/2001	Master	0.0834%
Azfar Hussain QARNI	Member of BOD and Audit Committee	23/05/2003	Master	-
Dr. Adnan ERTEM	Member of BOD and Chairman of the Audit Committee	22/12/2010	Doctorate	-
Nadir ALPASLAN	Member of BOD	15/04/2011	Bachelor	-
Khaled Nasser Abdulaziz AL FOUZAN	Member of BOD	02/08/2006	Bachelor	-
Fawaz KH E AL SALEH	Member of BOD	20/10/2006	Bachelor	0.0133%
Shaeen H.A. KH: SH. ALGHANEM	Member of BOD	18/12/2006	Bachelor	-
Ufuk UYAN	Member of BOD, General Manager	10/05/1999	Master	0.0556%
Ahmet KARACA	Assistant General Manager, Chief Financial Officer	12/07/2006	Master	0.0189%
Ahmet Süleyman KARAKAYA	Assistant General Manager, Corporate and Commercial Banking	14/01/2003	Bachelor	0.0008%
Bilal SAYIN	Assistant General Manager, Lending	20/08/2003	Bachelor	0.0082%
İrfan YILMAZ	Assistant General Manager, Retail Banking	27/10/2005	Bachelor	0.0083%
Dr. Ruşen Ahmet ALBAYRAK	Assistant General Manager, Banking Service Group	05/05/2005	Doctorate	0.0061%
Murat ÇETİNKAYA	Assistant General Manager, Treasury, International and Investment Banking	02/01/2008	Bachelor	-
Nurettin KOLAÇ	Assistant General Manager, Legal and Risk Follow Up	20/04/2010	Bachelor	-
Asım ÖZGÖZÜKARA	Auditor	22/11/1988	Bachelor	-
Güven OBALI	Auditor	11/12/2007	Bachelor	-
Mikdat YETİM	Auditor	15/04/2010	Associate Degree	-

Chairman and members of the Board of Directors, members of auditing committee, general manager and assistant general managers own 0.20% of the Bank's share capital (December 31, 2010 – 0.20%).

**Kuveyt Türk Katılım Bankası Anonim Şirketi**

**Notes related to unconsolidated financial statements  
for the interim period ended September 30, 2011 (continued)  
(Currency – Thousands of Turkish Lira)**

**IV. Information on qualified shareholders:**

<b>Name / Commercial Name</b>	<b>Share amount (Nominal)</b>	<b>Shareholding percentage</b>	<b>Paid shares (Nominal)</b>	<b>Unpaid shares</b>
Kuwait Finance House	591,228	62.23%	591,228	-
Vakıflar Genel Müdürlüğü Mazbut Vakıfları	177,833	18.72%	177,833	-
<b>Total</b>	<b>769,061</b>	<b>80.95%</b>	<b>769,061</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, 2011, the Bank is operating with 3,205 employees (December 31, 2010 – 2,834). 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 Customs 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 commitments
- III. Statement of income
- IV. Statement of income and expenses accounted under equity  
(Other comprehensive income statement)
- V. Statement of changes in shareholders' equity
- VI. Statement of cash flows

**Kuveyt Türk Katılım Bankası Anonim Şirketi****Unconsolidated balance sheet (Statement of financial position)  
as of September 30, 2011.  
(Currency – Thousands of Turkish Lira)****Assets**

	Note (5th section)	Reviewed			Audited		
		Current period (30.09.2011)			Prior period (31.12.2010)		
		TL	FC	Total	TL	FC	Total
I. Cash and balances with the central bank	(I-a)	745,314	1,813,145	2,558,459	351,372	901,498	1,252,870
II. Financial assets at fair value through profit and loss, net	(I-b)	115,048	48,025	163,073	15,755	16,956	32,711
2.1 Trading financial assets		115,048	48,025	163,073	15,755	16,956	32,711
2.1.1 Public sector debt securities		-	-	-	-	-	-
2.1.2 Share certificates		-	-	-	-	-	-
2.1.3 Derivative financial assets held for trading		110,565	48,025	158,590	11,524	16,956	28,480
2.1.4 Other marketable securities		4,483	-	4,483	4,231	-	4,231
2.2 Financial assets at fair value through profit and loss		-	-	-	-	-	-
2.2.1 Public sector debt securities		-	-	-	-	-	-
2.2.2 Share certificates		-	-	-	-	-	-
2.2.3 Loans		-	-	-	-	-	-
2.2.4 Other marketable securities		-	-	-	-	-	-
III. Banks	(I-c)	232,484	611,016	843,500	323,570	592,789	916,359
IV. Money market placements		-	-	-	-	-	-
V. Financial assets-available for sale (net)	(I-d)	6,542	-	6,542	4,548	-	4,548
5.1 Share certificates		6,542	-	6,542	4,548	-	4,548
5.2 Public sector debt securities		-	-	-	-	-	-
5.3 Other marketable securities		-	-	-	-	-	-
VI. Loans and receivables	(I-e)	8,574,299	745,904	9,320,203	6,580,419	391,108	6,971,527
6.1 Loans and receivables		8,516,227	745,904	9,262,131	6,510,120	391,108	6,901,228
6.1.1 Loans to risk group of the bank		29,447	39,020	68,467	27,684	28,741	56,425
6.1.2 Public sector debt securities		-	-	-	-	-	-
6.1.3 Other		8,486,780	706,884	9,193,664	6,482,436	362,367	6,844,803
6.2 Non-performing loans		223,556	-	223,556	234,342	-	234,342
6.3 Specific provisions (-)		(165,484)	-	(165,484)	(164,043)	-	(164,043)
VII. Investments held to maturity (net)	(I-f)	-	-	-	-	-	-
VIII. Investments in associates (net)	(I-g)	-	-	-	-	-	-
8.1 Accounted for under equity method		-	-	-	-	-	-
8.2 Unconsolidated associates		-	-	-	-	-	-
8.2.1 Financial associates		-	-	-	-	-	-
8.2.2 Non-financial associates		-	-	-	-	-	-
IX. Subsidiaries (net)	(I-h)	90,770	-	90,770	57,170	-	57,170
9.1 Unconsolidated financial subsidiaries		17,917	-	17,917	17,917	-	17,917
9.2 Unconsolidated non-financial subsidiaries		72,853	-	72,853	39,253	-	39,253
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)	117,005	-	117,005	83,761	-	83,761
11.1 Finance lease receivables		138,810	-	138,810	98,725	-	98,725
11.2 Operating lease receivables		-	-	-	-	-	-
11.3 Other		-	-	-	-	-	-
11.4 Unearned income (-)		(21,805)	-	(21,805)	(14,964)	-	(14,964)
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)		149,929	111	150,040	148,751	96	148,847
XIV. Intangible assets (net)		21,652	1	21,653	13,052	1	13,053
14.1 Goodwill		-	-	-	-	-	-
14.2 Other		21,652	1	21,653	13,052	1	13,053
XV. Investment property (net)		16,339	-	16,339	16,420	-	16,420
XVI. Tax asset	(I-l)	36,872	-	36,872	8,471	-	8,471
16.1 Current tax asset		-	-	-	-	-	-
16.2 Deferred tax asset		36,872	-	36,872	8,471	-	8,471
XVII. Assets held for sale and discontinued operations (net)		22,937	-	22,937	27,068	-	27,068
17.1 Held for sale		22,937	-	22,937	27,068	-	27,068
17.2 Discontinued operations		-	-	-	-	-	-
XVIII. Other assets	(I-m)	222,043	101,471	323,514	111,735	46,013	157,748
<b>Total assets</b>		<b>10,351,234</b>	<b>3,319,673</b>	<b>13,670,907</b>	<b>7,742,092</b>	<b>1,948,461</b>	<b>9,690,553</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, 2011.  
(Currency – Thousands of Turkish Lira)****Liabilities and equity**

	Note (5th Section)	Reviewed			Audited		
		Current period (30.09.2011)			Prior period (31.12.2010)		
		TL	FC	Total	TL	FC	Total
<b>I. Funds collected</b>	(II-a)	<b>5,178,097</b>	<b>4,694,890</b>	<b>9,872,987</b>	<b>4,496,126</b>	<b>2,885,347</b>	<b>7,381,473</b>
1.1 Funds from risk group of the bank		51,729	352,413	404,142	18,255	178,401	196,656
1.2 Other		5,126,368	4,342,477	9,468,845	4,477,871	2,706,946	7,184,817
<b>II. Derivative financial liabilities held for trading</b>	(II-b)	<b>91,145</b>	<b>84,787</b>	<b>175,932</b>	<b>5,601</b>	<b>8,698</b>	<b>14,300</b>
<b>III. Funds borrowed</b>	(II-c)	<b>-</b>	<b>1,192,488</b>	<b>1,192,488</b>	<b>-</b>	<b>639,405</b>	<b>639,405</b>
<b>IV. Debts to money markets</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>V. Marketable securities issued (net)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>VI. Miscellaneous payables</b>	(II-d)	<b>63,538</b>	<b>55,604</b>	<b>119,142</b>	<b>46,604</b>	<b>10,425</b>	<b>57,029</b>
<b>VII. Other liabilities</b>	(II-d)	<b>277,443</b>	<b>37,805</b>	<b>315,248</b>	<b>169,153</b>	<b>54,625</b>	<b>223,778</b>
<b>VIII. Finance lease payables (net)</b>	(II-e)	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>1</b>
8.1 Finance lease payables		-	-	-	-	1	1
8.2 Operating lease payables		-	-	-	-	-	-
8.3 Other		-	-	-	-	-	-
8.4 Deferred finance lease expenses (-)		-	-	-	-	-	-
<b>IX. Hedging derivative financial liabilities</b>	(II-f)	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
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)	<b>145,131</b>	<b>29,159</b>	<b>174,290</b>	<b>103,236</b>	<b>8,983</b>	<b>112,219</b>
10.1 General loan loss provisions		88,939	13,443	102,382	65,560	8,081	73,621
10.2 Restructuring provisions		-	-	-	-	-	-
10.3 Reserve for employee benefits		26,493	281	26,774	33,066	190	33,256
10.4 Insurance technical reserves (net)		-	-	-	-	-	-
10.5 Other provisions		29,699	15,435	45,134	4,610	732	5,342
<b>XI. Tax liability</b>	(II-h)	<b>48,252</b>	<b>-</b>	<b>48,252</b>	<b>5,663</b>	<b>-</b>	<b>5,663</b>
11.1 Current tax liability		48,252	-	48,252	5,663	-	5,663
11.2 Deferred tax liability		-	-	-	-	-	-
<b>XII. Liabilities for the assets held for sale and discontinued operations (net)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
12.1 Held for sale		-	-	-	-	-	-
12.2 Discontinued operations		-	-	-	-	-	-
<b>XIII. Subordinated loans</b>	(II-i)	<b>-</b>	<b>369,117</b>	<b>369,117</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>XIV. Shareholders' equity</b>	(II-j)	<b>1,403,451</b>	<b>-</b>	<b>1,403,451</b>	<b>1,256,685</b>	<b>-</b>	<b>1,256,685</b>
14.1 Paid-in capital		950,000	-	950,000	850,000	-	850,000
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		269,686	-	269,686	223,787	-	223,787
14.3.1 Legal reserves		34,923	-	34,923	25,565	-	25,565
14.3.2 Status reserves		-	-	-	-	-	-
14.3.3 Extraordinary reserves		233,253	-	233,253	196,712	-	196,712
14.3.4 Other profit reserves		1,510	-	1,510	1,510	-	1,510
14.4 Profit or loss		160,515	-	160,515	159,648	-	159,648
14.4.1 Prior period income/(losses)		-	-	-	-	-	-
14.4.2 Current period income/(losses)		160,515	-	160,515	159,648	-	159,648
14.5 Minority interest		-	-	-	-	-	-
<b>Total liabilities and equity</b>		<b>7,207,057</b>	<b>6,463,850</b>	<b>13,670,907</b>	<b>6,083,068</b>	<b>3,607,485</b>	<b>9,690,553</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 commitments  
as of September 30, 2011.  
(Currency – Thousands of Turkish Lira)**

	Notes (5th Section)	Reviewed			Audited		
		Current period (30.09.2011)			Prior period (31.12.2010)		
		TL	FC	Total	TL	FC	Total
<b>Off balance sheet commitments and contingencies</b>							
<b>A. (+II+III)</b>		<b>18,211,097</b>	<b>9,116,453</b>	<b>27,327,550</b>	<b>3,570,685</b>	<b>29,804,535</b>	<b>33,375,220</b>
<b>I. Guarantees (III-a)</b>		<b>2,268,954</b>	<b>2,408,739</b>	<b>4,677,693</b>	<b>1,810,779</b>	<b>1,919,429</b>	<b>3,730,208</b>
1.1. Letters of guarantees		2,267,304	1,665,685	3,932,989	1,810,779	1,339,576	3,150,355
1.1.1. Guarantees subject to state tender law		100,148	11,278	111,426	119,775	10,362	130,137
1.1.2. Guarantees given for foreign trade operations		60,442	2,311	62,753	48,287	1,101	49,388
1.1.3. Other letters of guarantee		2,106,714	1,652,096	3,758,810	1,642,717	1,328,113	2,970,830
1.2. Bank loans		-	67,047	67,047	-	39,285	39,285
1.2.1. Import letter of acceptances		-	67,047	67,047	-	39,285	39,285
1.2.2. Other bank acceptances		-	-	-	-	-	-
1.3. Letter of credits		1,650	588,619	590,269	-	535,890	535,890
1.3.1. Documentary letter of credits		-	258,067	258,067	-	289,659	289,659
1.3.2. Other letter of credits		1,650	330,552	332,202	-	246,231	246,231
1.4. Prefinancing given as guarantee		-	14,874	14,874	-	-	-
1.5. Endorsements		-	-	-	-	-	-
1.5.1. Endorsements to the central bank of turkey		-	-	-	-	-	-
1.5.2. Other endorsements		-	-	-	-	-	-
1.6. Other guarantees		-	72,514	72,514	-	4,678	4,678
1.7. Other collaterals		-	-	-	-	-	-
<b>II. Commitments (III-a)</b>		<b>13,685,022</b>	<b>447,934</b>	<b>14,132,956</b>	<b>1,033,684</b>	<b>25,751,219</b>	<b>26,784,903</b>
2.1. Irrevocable commitments		954,025	447,934	1,401,959	722,735	561,936	1,284,671
2.1.1. Forward asset purchase commitments		128,488	447,934	576,422	64,427	561,936	626,363
2.1.2. Share capital commitment to associates and subsidiaries		3,000	-	3,000	36,594	-	36,594
2.1.3. Loan granting commitments		22,961	-	22,961	7,697	-	7,697
2.1.4. Securities underwriting commitments		-	-	-	-	-	-
2.1.5. Commitments for reserve deposit requirements		-	-	-	-	-	-
2.1.6. Payment commitment for checks		623,134	-	623,134	492,993	-	492,993
2.1.7. Tax and fund liabilities from export commitments		106	-	106	106	-	106
2.1.8. Commitments for credit card expenditure limits		176,336	-	176,336	120,918	-	120,918
2.1.9. Commitments for promotions related with credit cards and banking activities		-	-	-	-	-	-
2.1.10. Receivables from short sale commitments		-	-	-	-	-	-
2.1.11. Payables for short sale commitments		-	-	-	-	-	-
2.1.12. Other irrevocable commitments		-	-	-	-	-	-
2.2. Revocable commitments		12,730,997	-	12,730,997	310,949	25,189,283	25,500,232
2.2.1. Revocable loan granting commitments		12,730,997	-	12,730,997	310,949	25,189,283	25,500,232
2.2.2. Other revocable commitments		-	-	-	-	-	-
<b>III. Derivative financial instruments</b>		<b>2,257,121</b>	<b>6,259,780</b>	<b>8,516,901</b>	<b>726,222</b>	<b>2,133,887</b>	<b>2,860,109</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		2,257,121	6,259,780	8,516,901	726,222	2,133,887	2,860,109
3.2.1. Forward foreign currency buy/sell transactions		2,257,121	5,605,599	7,862,720	726,222	1,802,439	2,528,661
3.2.1.1. Forward foreign currency transactions-buy		1,092,400	2,593,680	3,686,080	580,456	713,569	1,294,025
3.2.1.2. Forward foreign currency transactions-sell		1,164,721	3,011,919	4,176,640	145,766	1,088,870	1,234,636
3.2.2. Other forward buy/sell transactions		-	654,181	654,181	-	331,448	331,448
3.3. Other		-	-	-	-	-	-
<b>B. Custody and pledged items (IV+V+VI)</b>		<b>24,309,012</b>	<b>61,053,451</b>	<b>85,362,463</b>	<b>18,545,066</b>	<b>40,585,413</b>	<b>59,130,489</b>
<b>IV. Items held in custody</b>		<b>2,096,387</b>	<b>311,558</b>	<b>2,407,945</b>	<b>1,343,232</b>	<b>187,071</b>	<b>1,530,303</b>
4.1. Assets under management		-	-	-	-	-	-
4.2. Investment securities held in custody		3,308	-	3,308	1,428	-	1,428
4.3. Checks received for collection		1,802,916	236,209	2,039,125	1,128,441	129,178	1,257,619
4.4. Commercial notes received for collection		290,163	74,865	365,028	213,363	57,893	271,256
4.5. Other assets received for collection		-	-	-	-	-	-
4.6. Assets received for public offering		-	-	-	-	-	-
4.7. Other items under custody		-	-	-	-	-	-
4.8. Custodians		-	484	484	-	-	-
<b>V. Pledged items</b>		<b>22,209,034</b>	<b>60,721,867</b>	<b>82,930,901</b>	<b>17,200,530</b>	<b>40,382,233</b>	<b>57,582,763</b>
5.1. Marketable securities		62,529	9227	71,756	52,529	-	52,529
5.2. Guarantee notes		110,182	813,875	924,057	110,704	834,764	945,468
5.3. Commodity		1,793,437	38,277	1,831,714	1,417,446	32,092	1,449,538
5.4. Warranty		-	-	-	-	-	-
5.5. Properties		18,247,580	689,366	18,936,946	14,495,959	601,946	15,097,905
5.6. Other pledged items		1,995,306	59,171,122	61,166,428	1,123,892	38,913,431	40,037,323
5.7. Pledged items-depository		-	-	-	-	-	-
<b>VI. Accepted Independent guarantees and warranties</b>		<b>3,591</b>	<b>20,026</b>	<b>23,617</b>	<b>1,294</b>	<b>16,109</b>	<b>17,403</b>
<b>Total off balance sheet accounts (A+B)</b>		<b>42,520,109</b>	<b>70,169,904</b>	<b>112,690,013</b>	<b>22,115,741</b>	<b>70,389,948</b>	<b>92,505,689</b>

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 period ended September 30, 2011.  
(Currency – Thousands of Turkish Lira)**

		Reviewed		Reviewed		
		Current period		Prior period		
		01.01.2011- 30.09.2011	01.07.2011- 30.09.2011	01.01.2010- 30.09.2010	01.07.2010- 30.09.2010	
Statement of Income		Notes (5th section)	Total	Total	Total	
I.	Profit share income	(IV-a)	680,987	254,737	509,095	181,786
1.1	Profit share on loans		655,041	245,109	478,728	169,902
1.2	Profit share on reserve deposits		-	-	-	-
1.3	Profit share on banks		12,900	4,557	17,724	7,686
1.4	Profit share on money market placements		-	-	-	-
1.5	Profit share on marketable securities portfolio		-	-	33	-
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	-
1.6	Finance lease income		5,363	1,970	3,617	1,239
1.7	Other profit share income		7,683	3,101	8,993	2,959
II.	Profit share expense	(IV-b)	296,234	106,682	217,923	77,394
2.1	Expense on profit sharing accounts		270,862	95,746	209,040	74,281
2.2	Profit share expense on funds borrowed		25,372	10,936	8,882	3,113
2.3	Profit share expense on money market borrowings		-	-	-	-
2.4	Expense on securities issued		-	-	-	-
2.5	Other profit share expense		-	-	1	-
III.	Net profit share income (I – II)	(IV-j)	384,753	148,055	291,172	104,392
IV.	Net fees and commissions income/expenses	(IV-i)	49,773	16,295	42,129	15,004
4.1	Fees and commissions received		73,626	25,958	59,631	21,105
4.1.1	Non-cash loans		36,518	12,788	32,303	11,736
4.1.2	Other	(IV-k)	37,108	13,170	27,328	9,369
4.2	Fees and commissions paid		23,853	9,663	17,502	6,101
4.2.1	Non-cash loans		9	1	22	5
4.2.2	Other	(IV-k)	23,844	9,662	17,480	6,096
V.	Dividend income		-	-	-	-
VI.	Net trading income	(IV-c)	91,112	44,973	44,224	12,506
6.1	Capital market transaction gains / (losses)		670	287	261	260
6.2	Gains/ (losses) from derivative financial instruments		14,987	7,271	17,347	4,151
6.3	Foreign exchange gains / (losses)		75,455	37,415	26,616	8,095
VII.	Other operating income	(IV-d)	59,416	13,742	66,991	6,217
VIII.	Net operating income (III+IV+V+VI+VII)		585,054	223,065	444,516	138,119
IX.	Provision for loan losses and other receivables (-)	(IV-e)	112,261	32,976	70,061	15,143
X.	Other operating expenses (-)	(IV-f)	269,592	104,047	210,412	80,285
XI.	Net operating income/(loss) (VIII-IX-X)		203,201	86,042	164,043	42,691
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)	203,201	86,042	164,043	42,691
XVI.	Tax provision for continued operations (±)	(IV-h)	(42,686)	(18,877)	(35,543)	(8,895)
16.1	Provision for current income taxes		(71,087)	(48,251)	(36,564)	(9,565)
16.2	Provision for deferred taxes		28,401	29,374	1,021	670
XVII.	Net profit/(loss) from continued operations (XV±XVI)		160,515	67,165	128,500	33,796
XVIII.	Income on discontinued operations		-	-	-	-
18.1	Income on assets held for sale		-	-	-	-
	Income on sale of associates, subsidiaries and jointly controlled entities (joint vent.)		-	-	-	-
18.2	Income on other discontinued operations		-	-	-	-
18.3	Income on other discontinued operations		-	-	-	-
XIX.	Loss from discontinued operations (-)		-	-	-	-
19.1	Loss from assets held for sale		-	-	-	-
	Loss on sale of associates, subsidiaries and jointly controlled entities (joint vent.)		-	-	-	-
19.2	Loss from other discontinued operations		-	-	-	-
19.3	Loss from other discontinued operations		-	-	-	-
	Income / (loss) on discontinued operations before taxes (XVIII-XIX)		-	-	-	-
XX.	Tax provision for discontinued operations (±)		-	-	-	-
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-j)	160,515	67,165	128,500	33,796
23.1	Group's income/loss		160,515	67,165	128,500	33,796
23.2	Minority interest		-	-	-	-
	Earnings per share		0.168	0.070	0.135	0.035

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 period ended September 30, 2011.  
(Currency – Thousands of Turkish Lira)**

	Reviewed	Reviewed
	Current period	Prior period
Statement of income and expenses accounted under equity	(30.09.2011)	(30.09.2010)
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	160,515	128,500
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	-	-
XI.3 Reclassification of hedge of net investments in foreign operations to income statement	-	-
XI.4 Other	160,515	128,500
XII. Total profit/loss accounted for the period (X±XI)	160,515	128,500

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 period ended September 30, 2011.  
(Currency – Thousands of Turkish Lira)**

	Note (if section)	Paid-in capital	Effect of initiation accounting on paid-in capital and other capital reserves	Share premium	Share certificate cancellation	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 excluding minority interest	Minority interest	Total equity	
																				(II-k)
Current period (30.09.2011)																				
I.		850,000	-	23,250	-	25,565	-	196,712	1,510	159,648	-	-	-	-	-	-	1,256,686	-	1,256,686	
II.	Changes in period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
III.	Increase/decrease related to merger	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
IV.	Marketable securities revaluation differences	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
V.	Hedging funds (effective portion)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
4.1	Cash-flow hedge	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
4.2	Hedge of net investment in foreign operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
V.	Tangible assets revaluation differences	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VI.	Intangible assets revaluation differences	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VII.	Bonus shares obtained from associates, subsidiaries and jointly controlled operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VIII.	Foreign exchange differences	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
IX.	Changes related to the disposal of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
X.	Changes related to reclassification of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XI.	The effect of change in associate's equity	100,000	-	-	-	-	-	-	-	-	(100,000)	-	-	-	-	-	-	-	-	
XII.	Capital increase	100,000	-	-	-	-	-	-	-	-	(100,000)	-	-	-	-	-	-	-	-	
12.1	Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
12.2	Internal sources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XIII.	Share issue premium	100,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XIV.	Share cancellation profits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XV.	Initiation adjustment to paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XVI.	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XVII.	Net income/(loss) for the period	-	-	-	-	-	-	-	-	160,515	-	-	-	-	-	-	160,515	-	-	
XVIII.	Profit distribution	-	-	-	-	-	-	-	-	(159,648)	-	-	-	-	-	-	(13,749)	-	-	
18.1	Dividends distributed	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(13,749)	-	-	
18.2	Transfers to reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(13,749)	-	-	
18.3	Other	-	-	-	-	-	-	-	-	(159,648)	-	-	-	-	-	-	-	-	-	
Closing balance (I+II+III+...+XVI+XVII+XVIII)		950,000	-	23,250	-	34,923	-	233,253	1,510	160,515	-	-	-	-	-	-	1,403,451	-	1,403,451	
																			1,403,451	1

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 period ended September 30, 2011.  
(Currency – Thousands of Turkish Lira)**

	Note (s th section)	Paid-in capital	Effect of litigation on accounting on paid-in capital and other capital reserves	Share premium	Share cancellation profits	Legal reserves	Statutory reserves	Extraordinary reserve	Other reserve	Current period net income / (loss)	Prior period net income / (loss)	Marketable securities revaluation reserve	Tangible and intangible assets revaluation fund	Bonus shares from investments	Hedging reserves	Asset held for sale and discoun valuation fund	Total excluding minority interest	Minority interest	Total equity
<b>Previous period (30.09.2010)</b>																			
I.		500,000	-	23,250	-	18,067	-	137,352	1,510	127,133	-	-	-	-	-	-	807,312	-	807,312
II.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IV.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.1		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.2		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII.		350,000	-	-	-	-	-	-	-	-	(50,000)	-	-	-	-	-	300,000	-	300,000
12.1		50,000	-	-	-	-	-	-	-	-	(50,000)	-	-	-	-	-	300,000	-	300,000
12.2		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVIII.		-	-	-	-	-	-	-	-	128,500	-	-	-	-	-	-	128,500	-	128,500
XVIII.		-	-	-	-	-	-	-	-	(127,133)	-	-	-	-	-	-	(10,275)	-	(10,275)
18.1		-	-	-	-	-	-	59,360	-	-	50,000	-	-	-	-	-	(10,275)	-	(10,275)
18.2		-	-	-	-	-	-	59,360	-	-	(56,558)	-	-	-	-	-	(10,275)	-	(10,275)
18.3		-	-	-	-	-	-	-	-	(127,133)	127,133	-	-	-	-	-	-	-	-
<b>Closing balance</b>																			
		(I-I)	850,000	23,250	25,665	196,712	1,510	123,500	-	-	-	-	-	-	-	-	1,225,537	-	1,225,537

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 period ended September 30, 2011.  
(Currency – Thousands of Turkish Lira)**

Statement of cash flows	Note (5th section)	Reviewed	Reviewed
		Current period 01.01.2011 – 30.09.2011	Prior period 01.01.2010 – 30.09.2010
<b>A. Cash flows from banking operations</b>			
<b>1.1 Operating profit (loss) before changes in operating assets and liabilities</b>		<b>412,484</b>	<b>304,649</b>
1.1.1 Profit share income received		647,568	526,627
1.1.2 Profit share expense paid		(279,355)	(213,015)
1.1.3 Dividend received		-	-
1.1.4 Fees and commissions received		73,304	47,790
1.1.5 Other income		55,642	66,991
1.1.6 Collections from previously written off loans		44,197	34,850
1.1.7 Payments to personnel and service suppliers		(137,587)	(103,172)
1.1.8 Taxes paid		(43,500)	(42,584)
1.1.9 Others		52,215	(12,838)
<b>1.2 Changes in operating assets and liabilities</b>		<b>(635,398)</b>	<b>(153,879)</b>
1.2.1 Net (increase) decrease trading financial assets		176,717	(23,214)
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		(695,916)	134,451
1.2.4 Net (increase) decrease in loans		(2,078,090)	(1,516,289)
1.2.5 Net (increase) decrease in other assets		(165,766)	(3,716)
1.2.6 Net increase (decrease) in bank deposits		-	-
1.2.7 Net increase (decrease) in other deposits		2,081,642	1,136,234
1.2.8 Net increase (decrease) in funds borrowed		69,010	139,756
1.2.9 Net increase (decrease) in due payables		-	-
1.2.10 Net increase (decrease) in other liabilities		(22,995)	(21,101)
<b>I. Net cash provided from (used in) banking operations</b>		<b>(222,914)</b>	<b>150,770</b>
<b>B. Cash flows from investing activities</b>			
<b>II. Net cash provided from (used in) investing activities</b>		<b>(60,020)</b>	<b>(46,139)</b>
2.1 Cash paid for purchase jointly controlled operations, associates and subsidiaries		(33,600)	(16,840)
2.2 Cash obtained from sale of jointly controlled operations, associates and subsidiaries		-	-
2.3 Fixed assets purchases		(62,953)	(36,828)
2.4 Fixed assets sales		38,527	-
2.5 Cash paid for purchase of financial assets available for sale		(1,994)	-
2.6 Cash obtained from sale of financial assets available for sale		-	-
2.7 Cash paid for purchase of investment securities		-	7,529
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>831,575</b>	<b>279,176</b>
3.1 Cash obtained from funds borrowed and securities issued		1,110,983	256,726
3.2 Cash used for repayment of funds borrowed and securities issued		(265,659)	(267,273)
3.3 Capital increase		-	300,000
3.4 Dividends paid		(13,749)	(10,275)
3.5 Payments for finance leases		-	(2)
3.6 Other		-	-
<b>IV. Effect of change in foreign exchange rate on cash and cash equivalents</b>		<b>(11,470)</b>	<b>(11,426)</b>
<b>V. Net increase (decrease) in cash and cash equivalents (I + II + III + IV)</b>		<b>537,171</b>	<b>372,381</b>
<b>VI. Cash and cash equivalents at the beginning of the period</b>	(V-a)	<b>1,332,074</b>	<b>1,124,410</b>
<b>VII. Cash and cash equivalents at the end of the period</b>	(V-a)	<b>1,869,245</b>	<b>1,496,791</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, 2011 (continued)  
(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 November 1, 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 February 10, 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.

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

Accounting policies and valuation methods used in the preparation of financial statements have been applied as specified in the related communiqués, pronouncements and regulations of TAS and BRSA. The accounting policies adopted in the preparation of the year end financial statements are consistent with those adopted in the preparation of the financial statements as of December 31, 2010. TAS/TFRS changes, which will be effective starting from January 1, 2011, (TFRIC 14 (Change) "Prepayments of a Minimum Funding Instrument"; TAS 32 (Change), "Classification on Rights Issue"; TFRIC 19, "Extinguishing Financial Liabilities with Equity Instruments; TAS 24, "Related Party Disclosures" and Improvements to TFRS (issued in 2010)) do not have an effect on the Bank's accounting policies, financial position or performance. The accounting policies and valuation principles used in the preparation of unconsolidated financial statements are explained in Notes II and XXII below.



**Kuveyt Türk Katılım Bankası Anonim Şirketi**

**Notes related to unconsolidated financial statements  
for the interim period ended September 30, 2011 (continued)  
(Currency – Thousands of Turkish Lira)**

“Communiqué related to Changes in Communiqué on Financial Statements and Related Disclosures and Footnotes to be announced to Public by Banks” published in the Official Gazette dated January 23, 2011 and numbered 27824 has set out the financial statement formats for the banks which selected to early adopt TFRS 9 “Financial Instruments” before January 1, 2013. This standard will primarily have an effect on the classification and measurement of the Bank’s financial assets. The Bank has not early adopted this standard and is currently assessing the impact of adopting it. However, as the impact of adoption depends on the financial asset management models applied and the financial assets held by the Bank at the date of adoption, it is not practical or possible to quantify the effect at this stage. As of the date of these financial statements, the other TAS/TFRS standards announced but not yet effective are not expected to have significant impact on the Bank’s accounting policies, financial position and performance.

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

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

**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. Reclassifications:**

Prepayments with respect to temporary corporate taxes amounting to TL 36,564, which was classified as other assets in the balance sheet as of December 31, 2010, has been netted off from current tax liabilities line item in the balance sheet as of December 31, 2010 to be consistent with the current year presentation.

**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.

(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, 2011 (continued) (Currency – Thousands of Turkish Lira)**

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

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

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

There are no foreign currency differences capitalized by the Bank.

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

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

**Kuveyt Türk Katılım Bankası Anonim Şirketi**

**Notes related to unconsolidated financial statements  
for the interim period ended September 30, 2011 (continued)  
(Currency – Thousands of Turkish Lira)**

**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. Due to the difficulties in the IT systems, commissions and fees obtained for the loans granted before the year 2009 could not have been decomposed and the balances of deferred revenues corresponding to these loans granted could not have been identified.

**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.

**Kuveyt Türk Katılım Bankası Anonim Şirketi**

**Notes related to unconsolidated financial statements  
for the interim period ended September 30, 2011 (continued)  
(Currency – Thousands of Turkish Lira)**

**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.

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

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

**i) Loans and receivables:**

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

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.

(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, 2011 (continued) (Currency – Thousands of Turkish Lira)**

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.

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

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

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

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

### **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."

(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, 2011 (continued) (Currency – Thousands of Turkish Lira)**

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

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

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

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.

#### **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 have been determined as 5 years and for the year 2004 and forthcoming years, as 3 years.

As of September 30, 2011 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, 2011 (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, 2011 (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.

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

### **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 quits the employment to receive old age or disability benefits, to fulfill the compulsory military service, because of the marriage (for females) or because of the other compulsive reasons as defined in the laws and whose employment is terminated due to reasons other than resignation or misconduct.

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.



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

**Notes related to unconsolidated financial statements  
for the interim period ended September 30, 2011 (continued)  
(Currency – Thousands of Turkish Lira)**

### **XVI. Explanations on taxation**

#### ***Current tax***

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

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

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

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

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

### **Notes related to unconsolidated financial statements for the interim period ended September 30, 2011 (continued) (Currency – Thousands of Turkish Lira)**

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

In accordance with the provisions of the code, the amount of investment incentive to be deducted from the tax basis cannot exceed 25% of the related tax base. Tax amount is calculated as 20%- the effective tax rate of the remaining tax base. As the investment allowance amount TL 6,937 is less than 25% of the total tax base, total investment incentive has been deducted from the tax base in year 2010.

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

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

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

#### ***Deferred tax***

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

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

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

There are no debt securities issued by the Bank.

The Bank has not issued convertible bonds.

#### **XVIII. Explanations on share certificates issued**

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

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**Kuveyt Türk Katılım Bankası Anonim Şirketi**

**Notes related to unconsolidated financial statements  
for the interim period ended September 30, 2011 (continued)  
(Currency – Thousands of Turkish Lira)**

**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.

## Kuveyt Türk Katılım Bankası Anonim Şirketi

### Notes related to unconsolidated financial statements for the interim period ended September 30, 2011 (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 16.51% (December 31, 2010 – 17.05%).

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

	Risk weights					
	0%	20%	50%	100%	150%	200%
<b>Amount subject to credit risk</b>						
Balance sheet items (Net)	2,810,696	724,214	3,991,549	4,488,681	5,727	9,818
Cash and cash equivalents	1,397,531	-	-	-	-	-
Matured marketable securities	-	-	-	-	-	-
The Central Bank of the Republic of Turkey	671,090	-	-	-	-	-
Domestic Banks, Foreign Banks, Foreign Head Offices and Branches	-	693,230	-	95,313	-	-
Money market placements	-	-	-	-	-	-
Receivables from reverse repo transactions	-	-	-	-	-	-
Reserve deposits	432,005	-	-	-	-	-
Loans	231,680	29,297	3,755,007	3,487,482	5,727	9,818
Non-performing loans (Net)	-	-	-	48,278	-	-
Financial lease receivables	351	-	20,314	94,283	-	-
Available-for-sale financial assets	-	-	-	6,542	-	-
Held to maturity investments	-	-	-	0	-	-
Receivables from installment sales of assets	-	-	-	22,885	-	-
Miscellaneous receivables	-	-	-	88,603	-	-
Accrued profit share and income accruals	13,341	1687	216,228	200,823	-	-
Investment in associates, subsidiaries and joint ventures (Business Partnerships) (net)	-	-	-	90,770	-	-
Tangible assets	-	-	-	164,090	-	-
Other assets	64,698	-	-	189,612	-	-
Off-balance sheet items	405,504	48,117	341,695	2,010,143	-	-
Guarantees and commitments	405,504	12,438	341,695	1,953,736	-	-
Derivative financial instruments	-	35,679	-	56,407	-	-
Accounts without weighted risk	-	-	-	-	-	-
Total risk weighted assets	3,216,200	772,331	4,333,244	6,498,824	5,727	9,818

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

	Current period	Prior period
Total Risk Weighted Assets (TRWA)	8,848,139	6,556,317
Amount Subject to Market Risk (ASMR)	155,663	54,213
Amount Subject to Operational Risk (ASOR)	989,285	795,684
Shareholders' Equity	1,649,394	1,262,629
Shareholders' Equity / (TRWA + ASMR + ASOR) *100	16.51	17.05

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## Kuveyt Türk Katılım Bankası Anonim Şirketi

### Notes related to unconsolidated financial statements for the interim period ended September 30, 2011 (continued) (Currency – Thousands of Turkish Lira)

#### Components of shareholders' equity:

	Current period	Prior period
<b>Core capital</b>		
Paid-in capital subordinated to all other receivables in case of liquidation of the Bank	950,000	850,000
Nominal capital	950,000	850,000
Capital commitments (-)	-	-
Inflation indexation difference on paid-in capital subordinated to all other receivables in case of the liquidation of the Bank	-	-
Share premium	23,250	23,250
Share cancellations profits	-	-
<b>Legal reserves</b>	<b>34,923</b>	<b>25,565</b>
First legal reserve (Turkish Commercial Code 466/1)	28,354	20,371
Second legal reserve (Turkish Commercial Code 466/2)	6,569	5,194
Other legal reserve per special legislation	-	-
Status reserves	-	-
<b>Extraordinary reserves</b>	<b>234,763</b>	<b>198,222</b>
Reserves allocated by the General Assembly	234,763	198,222
Retained earnings	-	-
Accumulated losses	-	-
Foreign currency share capital exchange difference	-	-
Inflation Adjustments to Legal Reserve, status reserves and extraordinary reserves	-	-
<b>Profit</b>	<b>160,515</b>	<b>159,648</b>
Current year profit	160,515	159,648
Prior years' profits	-	-
Provision for possible losses up to 25% of the core capital	-	4,600
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	-	-
Operational Leases Improvement Costs(-)	(23,028)	(20,520)
Prepaid Expenses (-) (*)	-	(5,748)
Intangible Assets (-)	(21,653)	(13,053)
Deferred Tax Asset in excess of 10% of Core Capital (-)	-	-
Excess amount in the Article 58, Clause 3 of the Banking Law (-)	-	-
<b>Total core capital</b>	<b>1,358,770</b>	<b>1,221,964</b>
<b>Supplementary capital</b>		
General provisions	69,226	43,047
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	236,626	-
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>305,852</b>	<b>43,047</b>
<b>TIER III capital</b>		
<b>Capital</b>	<b>1,664,622</b>	<b>1,265,011</b>
<b>Deductions from the capital</b>	<b>15,228</b>	<b>2,382</b>
Shareholdings of banks and financial institutions (Domestic, Foreign) in which the Bank has investments of ten percent or more	-	-
Shareholdings of banks and financial institutions (Domestic, Foreign) in which the Bank has investments less than ten percent total of which exceed ten percent of Bank's Core and Supplementary Capital	-	-
Loans to Banks, Financial Institutions (domestic/foreign) or Qualified Shareholders in the form of Secondary Subordinated Debts and Debt Instruments purchased from Such Parties qualified as Primary or Secondary Subordinated Debts	-	-
Loan granted to Customer against the Articles 50 and 51 of the Banking Law	-	-
The net book value of properties exceeding fifty percent of equity and properties held for sale and properties and commodity to be disposed, acquired in exchange of loans and receivables according to the Article 57 of the Banking Law and have not been disposed yet after 5 years from foreclosure	2,202	2,382
Securitization Positions Preferred to be Deducted from Equity rather than to be subjected to 1250 % Risk Weighted Resulting from the Law numbered 45 on Principles and Procedures in Calculating the Capital Adequacy	-	-
Other	13,026	-
<b>Total shareholder's equity</b>	<b>1,649,394</b>	<b>1,262,629</b>

(\*) In accordance with the 'Communiqué to change the Regulation on own funds of Banks' published in the official gazette dated March 10, 2011 and numbered 27870, prepaid expenses are not any more deducted from the core capital.

**Kuveyt Türk Katılım Bankası Anonim Şirketi**

**Notes related to unconsolidated financial statements  
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**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, 2011, 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	4,559
(II) Capital Requirement to be Employed For Specific Risk - Standard Method	90
(III) Capital Requirement to be Employed For Currency Risk - Standard Method	1,382
(IV) Capital Requirement to be Employed For Commodity Risk - Standard Method	6,422
(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)	12,453
(IX) Amount Subject to Market Risk (12.5 x VIII)	155,663

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## Kuveyt Türk Katılım Bankası Anonim Şirketi

### Notes related to unconsolidated financial statements for the interim period ended September 30, 2011 (continued) (Currency – Thousands of Turkish Lira)

#### III. 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, 2011, the Bank carries a net foreign currency long position of TL 37,157 (December 31, 2010 – TL 31,165 long position) comprising TL 47,078 long balance sheet position (December 31, 2010 - TL 440,788 long position) and TL 9,921 off balance sheet short position (December 31, 2010 - TL 439,037 short position).

The announced current foreign exchange buying rates of the Bank as of September 30, 2011 and the previous five working days are as follows (Full TL):

	23/09/2011	26/09/2011	27/09/2011	28/09/2011	29/09/2011	Balance sheet evaluation rate
USD	1.8183	1.8262	1.8425	1.8410	1.8375	1.8453
CHF	1.9928	2.0164	2.0286	2.0367	2.0487	2.0577
GBP	2.8052	2.8187	2.8544	2.8647	2.8739	2.8884
JPY	2.3760	2.3910	2.4100	2.4040	2.4000	2.4050
EUR	2.4524	2.4646	2.4822	2.4911	2.5058	2.5157

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	1.7818
CHF	2.0599
GBP	2.8213
JPY	2.3166
EUR	2.4677

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## Kuveyt Türk Katılım Bankası Anonim Şirketi

### Notes related to unconsolidated financial statements for the interim period ended September 30, 2011 (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	22,534	549,452	111	1,241,048	1,813,145
Banks	25,084	554,757	251	30,924	611,016
Financial assets at fair value through profit and loss	-	-	-	-	-
Money market placements	-	-	-	-	-
Available-for-sale financial assets (**)	-	714	-	-	714
Loans and finance lease receivables (*)	895,675	2,805,847	-	167,422	3,868,944
Subsidiaries, associates and joint ventures (**)	-	17,917	-	-	17,917
Held-to-maturity investments	-	-	-	-	-
Derivative financial assets for hedging purposes	-	-	-	-	-
Tangible assets	94	17	-	-	111
Intangible assets	-	1	-	-	1
Other assets	27,536	73,877	1	23	101,437
<b>Total assets</b>	<b>970,923</b>	<b>4,002,582</b>	<b>363</b>	<b>1,439,417</b>	<b>6,413,285</b>
<b>Liabilities</b>					
Current account and funds collected from Banks via participation accounts	47,885	419,419	-	48,524	515,828
Current and profit sharing accounts FC	839,906	1,451,263	172	1,887,721	4,179,062
Money market borrowings	-	-	-	-	-
Funds provided from other financial institutions	96,175	1,465,430	-	-	1,561,605
Marketable securities issued	-	-	-	-	-
Miscellaneous payables	316	55,009	-	279	55,604
Derivative financial liabilities for hedging purposes	-	-	-	-	-
Other liabilities	17,377	35,856	-	875	54,108
<b>Total liabilities</b>	<b>1,001,659</b>	<b>3,426,977</b>	<b>172</b>	<b>1,937,399</b>	<b>6,366,207</b>
Net balance sheet position	(30,736)	575,605	191	(497,982)	47,078
Net off-balance sheet position	43,818	(554,798)	59	501,000	(9,921)
Financial derivative assets	922,305	1,761,205	3,957	661,429	3,348,896
Financial derivative liabilities	878,487	2,316,003	3,898	160,429	3,358,817
Non-cash loans (***)	682,713	1,532,786	23,727	183,308	2,422,534
<b>Prior period</b>					
Total assets	785,051	2,705,136	272	541,758	4,032,217
Total liabilities	798,747	2,304,516	203	487,963	3,591,429
Net balance sheet position	(13,696)	400,620	69	53,795	440,788
Net off-balance sheet position	18,381	(405,594)	14	(51,838)	(439,037)
Financial derivative assets	386,186	570,012	472	171,723	1,128,393
Financial derivative liabilities	367,805	975,606	458	223,561	1,567,430
Non-cash loans (***)	499,243	1,362,197	979	57,010	1,919,429

(\*) Includes foreign currency indexed loans amounting to TL 3,123,040 (December 31, 2010 – TL 2,081,649) followed as TL on the balance sheet.

(\*\*) Includes TL 714 (December 31, 2010 – TL 714) of foreign currency denominated available for sale financial assets, which are followed in Turkish Lira as TL 6,542 on the balance sheet and TL 17,917 (December 31, 2010 – TL 17,917) of foreign currency denominated subsidiaries, which are followed in Turkish Lira as TL 90,770 on the balance sheet.

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



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## Kuveyt Türk Katılım Bankası Anonim Şirketi

### Notes related to unconsolidated financial statements for the interim period ended September 30, 2011 (continued) (Currency – Thousands of Turkish Lira)

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

- Derivative financial assets held for trading : TL 48,025 (December 31, 2010 – TL 16,519)
- Prepaid expenses : TL 34 (December 31, 2010 – TL 5)
- Derivative financial liabilities held for trading : TL 84,787 (December 31, 2010 – TL 8,561)

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

- Forward foreign currency purchase transactions: TL 186,652 (December 31, 2010 - TL 269,109)
- Forward foreign currency sale transactions: TL 261,281 (December 31, 2010 TL 292,827)

#### 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%	2,081	6,489	-	-
EURO	10%	1,308	(2,477)	-	-

#### IV. 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.

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## Kuveyt Türk Katılım Bankası Anonim Şirketi

### Notes related to unconsolidated financial statements for the interim period ended September 30, 2011 (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	2,068,621	489,838	-	-	-	-	-	2,558,459
Banks	362,526	480,974	-	-	-	-	-	843,500
Financial assets at fair value through profit and loss	4,483	25,426	112,690	20,348	126	-	-	163,073
Money market placements	-	-	-	-	-	-	-	-
Available-for-sale financial assets	-	-	-	-	-	-	6,542	6,542
Loans	-	1,263,778	1,589,745	3,446,407	2,843,869	235,337	58,072	9,437,208
Held-to-maturity investments	-	-	-	-	-	-	-	-
Other assets (*)	76,764	222,034	4,460	4,169	36,872	-	317,826	662,125
<b>Total assets</b>	<b>2,512,394</b>	<b>2,482,050</b>	<b>1,706,895</b>	<b>3,470,924</b>	<b>2,880,867</b>	<b>235,337</b>	<b>382,440</b>	<b>13,670,907</b>
<b>Liabilities</b>								
Current account and funds collected from banks via participation accounts	15,776	41,150	120,400	321,027	27,749	-	-	526,102
Current and profit sharing accounts	2,793,552	2,291,085	2,815,000	920,102	527,146	-	-	9,346,885
Funds provided from other financial institutions	-	-	240,080	709,950	242,458	369,117	-	1,561,605
Money market borrowings	-	-	-	-	-	-	-	-
Marketable securities issued	-	-	-	-	-	-	-	-
Miscellaneous payables	100,698	18,444	-	-	-	-	-	119,142
Other liabilities (*)	-	334,224	177,100	28,108	-	-	1,577,741	2,117,173
<b>Total liabilities</b>	<b>2,910,026</b>	<b>2,684,903</b>	<b>3,352,580</b>	<b>1,979,187</b>	<b>797,353</b>	<b>369,117</b>	<b>1,577,741</b>	<b>13,670,907</b>
<b>Net liquidity gap</b>	<b>(397,632)</b>	<b>(202,853)</b>	<b>(1,646,686)</b>	<b>1,491,737</b>	<b>2,083,514</b>	<b>(133,780)</b>	<b>(1,196,301)</b>	<b>-</b>
<b>Prior period</b>								
Total assets	1,725,216	1,422,878	1,164,760	2,528,306	2,544,499	1,444	339,994	9,727,117
Total liabilities	1,740,367	902,582	3,990,989	990,923	733,352	-	1,368,904	9,727,117
<b>Net liquidity gap</b>	<b>(16,151)</b>	<b>520,296</b>	<b>(2,826,209)</b>	<b>1,537,383</b>	<b>1,811,147</b>	<b>1,444</b>	<b>(1,028,910)</b>	<b>-</b>

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

(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, 2011 (continued)  
(Currency – Thousands of Turkish Lira)**

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

<b>Current period – September 30, 2011</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	1,555,028	2,272,401	425,431	1,784	-	4,254,644
Outflow	1,543,958	2,284,224	432,376	1,699	-	4,262,257
<b>Derivatives held for hedging</b>						
Foreign exchange derivatives:						
Inflow	-	-	-	-	-	-
Outflow	-	-	-	-	-	-
<b>Total cash inflow</b>	<b>1,555,028</b>	<b>2,272,401</b>	<b>425,431</b>	<b>1,784</b>	<b>-</b>	<b>4,254,644</b>
<b>Total cash outflow</b>	<b>1,543,958</b>	<b>2,284,224</b>	<b>432,376</b>	<b>1,699</b>	<b>-</b>	<b>4,262,257</b>
<b>Prior period - December 31, 2010</b>						
<b>Up to 1 month</b>	<b>1-3 months</b>	<b>3-12 months</b>	<b>1-5 years</b>	<b>Over 5 years</b>	<b>Total</b>	
<b>Derivatives held for trading</b>						
Foreign exchange derivatives:						
Inflow	945,163	78,245	414,826	1,505	-	1,439,739
Outflow	944,181	76,043	398,645	1,500	-	1,420,369
<b>Derivatives held for hedging</b>						
Foreign exchange derivatives:						
Inflow	-	-	-	-	-	-
Outflow	-	-	-	-	-	-
<b>Total cash inflow</b>	<b>945,163</b>	<b>78,245</b>	<b>414,826</b>	<b>1,505</b>	<b>-</b>	<b>1,439,739</b>
<b>Total cash outflow</b>	<b>944,181</b>	<b>76,043</b>	<b>398,645</b>	<b>1,500</b>	<b>-</b>	<b>1,420,369</b>

**V. 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, 2011 (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, 2011	Retail banking	Corporate and commercial banking	Treasury, investment banking and international banking	Unallocated	Bank's total operation
Operating income	323,157	494,760	63,371	-	881,288
Operating expenses	239,797	156,398	25,380	256,512	678,087
Transfers between segments	129,943	(89,896)	(18,266)	(21,781)	-
<b>Net operating income(loss)</b>	<b>213,303</b>	<b>248,466</b>	<b>19,725</b>	<b>(278,293)</b>	<b>203,201</b>
Income from associates	-	-	-	-	-
<b>Income (loss) before tax</b>	<b>213,303</b>	<b>248,466</b>	<b>19,725</b>	<b>(278,293)</b>	<b>203,201</b>
Provision for taxation	-	-	-	(42,686)	(42,686)
<b>Net income for the period</b>	<b>213,303</b>	<b>248,466</b>	<b>19,725</b>	<b>(320,979)</b>	<b>160,515</b>
Segment assets	3,139,483	6,297,725	3,571,574	-	13,008,782
Associates, subsidiaries and joint ventures	-	-	-	90,770	90,770
Undistributed assets	-	-	-	571,355	571,355
<b>Total assets</b>	<b>3,139,483</b>	<b>6,297,725</b>	<b>3,571,574</b>	<b>662,125</b>	<b>13,670,907</b>
Segment liabilities	6,761,992	3,110,995	1,368,420	-	11,241,407
Undistributed liabilities	-	-	-	1,026,049	1,026,049
Shareholders' equity	-	-	-	1,403,451	1,403,451
<b>Total liabilities</b>	<b>6,761,992</b>	<b>3,110,995</b>	<b>1,368,420</b>	<b>2,429,500</b>	<b>13,670,907</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, 2011 (continued)  
(Currency – Thousands of Turkish Lira)**

<b>September 30, 2010</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	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>

**Kuveyt Türk Katılım Bankası Anonim Şirketi**

**Notes related to unconsolidated financial statements  
for the interim period ended September 30, 2011 (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	74,701	83,778	58,118	63,452
The CBRT	669,591	491,337	293,254	330,735
Other(*)	1,022	1,238,030	-	507,311
<b>Total</b>	<b>745,314</b>	<b>1,813,145</b>	<b>351,372</b>	<b>901,498</b>

(\*) As of September 30, 2011 precious metal depot account amounting to TL 1,042,877 (December 31, 2010 - TL 507,311) and cash in transit account amounting to TL 196,175 (December 31, 2010 - None) are reflected in this line.

**2. Information on CBRT:**

	Current period		Prior period	
	TL	FC	TL	FC
Unrestricted demand deposit	669,591	1,499	292,897	1,248
Unrestricted time deposit	-	-	-	-
Restricted time deposit	-	489,838	357	329,487
<b>Total</b>	<b>669,591</b>	<b>491,337</b>	<b>293,254</b>	<b>330,735</b>

As of September 30, 2011 banks which operate in Turkey should provide required reserve for amounting to 16% of the total demand deposits, 16% of total profit sharing accounts that have less than 1 month-maturity, 12.5% of total profit sharing accounts that have less than 3 months-maturity, 9% of total profit sharing accounts that have less than 6 months-maturity, 6% of total profit sharing accounts that have less than 1 year-maturity, 5% of total profit sharing accounts that have 1 year or more maturity, 11% for other liabilities that have less than 1 year-maturity, 8% for other liabilities that have more than 1 year-maturity and less than 3 years-maturity and 5% for other liability that have more than 3 years-maturity other than profit sharing funds according to legislation of Turkish Central Bank of Republic of Turkey, for Turkish Lira denominated liabilities. For the foreign currency demand deposits banks should provide required reserve amounting to 11% of the total FC demand Deposits, notice deposits, FC private current accounts, deposits/ participation accounts up to 1- month, 3-month, 6-month, 1 year maturities; 9% of the total FC deposits/FC Participation accounts with 1-year or longer maturity, cumulative FC deposits/FC participation accounts; 11% of the total other liabilities up to 1-years (including 1-years) maturity; 9% of the total other liabilities up to 3-year (including 3-years) maturity, 6% of the other liabilities with 3-year and longer maturity. TCMB does not pay any interest for foreign currency denominated reserves. Interest payments for Turkish Lira denominated reserves has been revoked in accordance with the "Communiqué on the changes to the Communiqué on Reserve Requirements" published in the Official Gazette No.27708 dated September 23, 2010.

(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, 2011 (continued)  
(Currency – Thousands of Turkish Lira)**

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

1. As of September 30, 2011, there are no financial assets at fair value through profit and loss subject to repurchase transactions, given as a collateral or blocked (December 31, 2010 – None).
2. Positive Differences Related to Derivative Financial Assets Held-for-Trading:

Derivative financial assets held-for-trading	Current period		Prior period	
	TL	FC	TL	FC
Forward transactions	109,505	41,992	7,053	15,559
Swap transactions	1,060	6,033	4,471	1,397
Futures transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>110,565</b>	<b>48,025</b>	<b>11,524</b>	<b>16,956</b>

**c. Information on Banks:**

1. Information on Banks:

	Current period		Prior period	
	TL	FC	TL	FC
Banks	232,484	611,016	323,570	592,789
Domestic	20,362	232,065	20,552	360,807
Foreign	212,122	378,951	303,018	231,982
Branches and head office abroad	-	-	-	-
<b>Total</b>	<b>232,484</b>	<b>611,016</b>	<b>323,570</b>	<b>592,789</b>

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

1. There are no financial assets available for sale subject to repurchase transactions, given as a guarantee or blocked (December 31, 2010 – None).
2. Information on Financial Assets Available-for-Sale:

	Current period	Prior period
Debt Securities	-	-
Quoted on stock exchange	-	-
Not quoted on stock exchange	-	-
Share certificates	6,542	4,548
Quoted on stock exchange	-	-
Not quoted on stock exchange (*)	6,542	4,548
Impairment provision	-	-
<b>Total</b>	<b>6,542</b>	<b>4,548</b>

(\*) The Bank has paid the capital commitment amounting to TL 994 in March 20011 and TL 1,000 in July 2011 to Neova Sigorta A.Ş. and Credit Guarantee Fund, respectively.

(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, 2011 (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	121	466	186	315
Corporate Shareholders	5	-	37	295
Real Person Shareholders	116	466	149	20
Indirect Loans Granted to Shareholders	77,806	2,919	56,238	5,097
Loans Granted to Employees	3,467	17	2,588	9
<b>Total</b>	<b>81,394</b>	<b>3,402</b>	<b>59,012</b>	<b>5,421</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
Cash Loans				
Loans	<b>8,778,811</b>	<b>148,352</b>	<b>112,735</b>	<b>218,352</b>
Financing of documents on goods	-	-	-	-
Export loans	98,242	854	367	156
Import loans	865,614	-	5,324	-
Business loans	5,141,452	141,664	68,640	209,241
Consumer loans	1,453,744	496	25,631	8,271
Credit cards	82,055	-	3,045	-
Investments on profit/loss partnership	-	-	-	-
Precious metals loans	164,963	-	-	-
Loans given to financial sector	7,023	-	-	-
Loans given abroad	121,091	1,002	83	-
Other	844,627	4,336	9,645	684
Other receivables	783	-	3,098	-
<b>Total</b>	<b>8,779,594</b>	<b>148,352</b>	<b>115,833</b>	<b>218,352</b>

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

Number of amendments on the payment plan	6 months –						Total
	0-1 month	1-3 months	3-6 months	1 year	1 – 5 years	More than 5 years	
1	-	-	428	3,902	23,228	-	27,558
2	-	-	-	-	-	-	-
<b>Total</b>	-	-	<b>428</b>	<b>3,902</b>	<b>23,228</b>	-	<b>27,558</b>



**Kuveyt Türk Katılım Bankası Anonim Şirketi**

**Notes related to unconsolidated financial statements  
for the interim period ended September 30, 2011 (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>4,672</b>	<b>1,424,674</b>	<b>1,429,346</b>
Housing Loans	1,322	1,316,994	1,318,316
Vehicle Loans	1,525	100,481	102,006
Consumer Loans	1,643	6,627	8,270
Other	182	572	754
<b>Consumer Loans-FC Indexed</b>	-	<b>56,465</b>	<b>56,465</b>
Housing Loans	-	55,433	55,433
Vehicle Loans	-	539	539
Consumer Loans	-	162	162
Other	-	331	331
<b>Consumer Loans-FC</b>	-	<b>1,008</b>	<b>1,008</b>
Housing Loans	-	1,008	1,008
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Retail Credit Cards-TL</b>	<b>38,997</b>	<b>10,820</b>	<b>49,817</b>
With Installment	10,571	10,820	21,391
Without Installment	28,426	-	28,426
<b>Retail Credit Cards-FC</b>	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
<b>Personnel Loans-TL</b>	<b>30</b>	<b>1,276</b>	<b>1,306</b>
Housing Loans	-	662	662
Vehicle Loans	18	497	515
Consumer Loans	12	117	129
Other	-	-	-
<b>Personnel Loans-FC Indexed</b>	-	<b>17</b>	<b>17</b>
Housing Loans	-	2	2
Vehicle Loans	-	11	11
Consumer Loans	-	4	4
Other	-	-	-
<b>Personnel Loans-FC</b>	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Personnel Credit Cards-TL</b>	<b>2,276</b>	<b>282</b>	<b>2,558</b>
With Installment	964	282	1,246
Without Installment	1,312	-	1,312
<b>Personnel Credit Cards-FC</b>	-	-	-
Installment based	-	-	-
Without-installment	-	-	-
<b>Overdraft Account-TL (Real Person)</b>	-	-	-
<b>Overdraft Account-FC (Real Person)</b>	-	-	-
<b>Total</b>	<b>45,975</b>	<b>1,494,542</b>	<b>1,540,517</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, 2011 (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>31,903</b>	<b>1,208,916</b>	<b>1,240,819</b>
Business Loans	1,933	216,038	217,971
Vehicle Loans	15,407	501,485	516,892
Consumer Loans	-	40,907	40,907
Other	14,563	450,486	465,049
<b>Commercial Installment Loans-FC Indexed</b>	<b>9,587</b>	<b>435,740</b>	<b>445,327</b>
Business Loans	3,151	100,263	103,414
Vehicle Loans	3,432	149,607	153,039
Consumer Loans	134	-	134
Other	2,870	185,870	188,740
<b>Commercial Installment Loans-FC</b>	<b>-</b>	<b>57,785</b>	<b>57,785</b>
Business Loans	-	1,738	1,738
Vehicle Loans	-	15,667	15,667
Consumer Loans	-	-	-
Other	-	40,380	40,380
<b>Corporate Credit Cards-TL</b>	<b>32,721</b>	<b>4</b>	<b>32,725</b>
With Installment	11,338	-	11,338
Without Installment	21,383	4	21,387
<b>Corporate Credit Cards-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
With Installment	-	-	-
Without Installment	-	-	-
<b>Overdraft Account-TL (Legal Entity)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Overdraft Account-FC (Legal Entity)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>74,211</b>	<b>1,702,445</b>	<b>1,776,656</b>

5. Breakdown of domestic and foreign loans:

	Current period	Prior period
Domestic loans	9,139,955	6,785,804
Foreign loans	122,176	115,424
<b>Total</b>	<b>9,262,131</b>	<b>6,901,228</b>

6. Loans granted to subsidiaries and associates:

There is no loan granted to subsidiaries and associates as of September 30, 2011 (December 31, 2010 – TL 72,720).

**Kuveyt Türk Katılım Bankası Anonim Şirketi**

**Notes related to unconsolidated financial statements  
for the interim period ended September 30, 2011 (continued)  
(Currency – Thousands of Turkish Lira)**

7. Specific provisions for loans:

	Current period	Prior period
Specific provisions		
Loans and receivables with limited collectability	2,468	19,003
Loans and receivables with doubtful collectability	11,815	18,067
Uncollectible loans and receivables	151,201	126,973
<b>Total</b>	<b>165,484</b>	<b>164,043</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</b>			
(Gross amounts before specific provision)	-	-	-
Restructured loans and other receivables	1,830	8,793	51,067
Rescheduled loans and other receivables	-	-	-
<b>Prior period</b>			
(Gross amounts before specific provision)	-	-	-
Restructured loans and other receivables	13,359	13,001	28,487
Rescheduled loans and other receivables	-	-	-

(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>33,496</b>	<b>33,200</b>	<b>167,646</b>
Additions in the current period (+)	15,378	27,389	11,188
Transfers from other categories of non-performing loans (+)	-	1,761	46,742
Transfers to other categories of non-performing loans (-)	26,222	22,281	-
Collections in the current period (-)	8,496	10,444	25,257
Disposals in the current period (-)	969	460	768
Write offs (-)	-	-	18,347
<b>Ending balance of the current period</b>	<b>13,187</b>	<b>29,165</b>	<b>181,204</b>
Specific provisions (-)	2,468	11,815	151,201
<b>Net balance at the balance sheet</b>	<b>10,719</b>	<b>17,350</b>	<b>30,003</b>

**Kuveyt Türk Katılım Bankası Anonim Şirketi**

**Notes related to unconsolidated financial statements  
for the interim period ended September 30, 2011 (continued)  
(Currency – Thousands of Turkish Lira)**

- (iii). Information on non performing loans granted as foreign currency: None (December 31, 2010 – None).
- (iv). Gross and net amounts of non-performing loans with respect to user groups:

	<b>Group III</b>	<b>Group IV</b>	<b>Group V</b>
	<b>Loans and receivables with limited collectability</b>	<b>Loans and receivables with doubtful collectability</b>	<b>Uncollectible loans and receivables</b>
<b>Current period (Net)</b>	<b>10,719</b>	<b>17,350</b>	<b>30,003</b>
Loans granted to real persons and legal entities (Gross)	13,187	29,165	181,204
Specific provision (-)	2,468	11,815	151,201
Loans to real persons and legal entities (Net)	10,719	17,350	30,003
Banks (Gross)	-	-	-
Specific provision (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	-	-	-
Specific provision (-)	-	-	-
Other loans and receivables (Net)	-	-	-
<b>Prior period (Net)</b>	<b>14,491</b>	<b>15,135</b>	<b>40,673</b>
Loans to real persons and legal entities (Gross)	33,494	33,202	167,646
Specific provision (-)	19,003	18,067	126,973
Loans to real persons and legal entities (Net)	14,491	15,135	40,673
Banks (Gross)	-	-	-
Specific provision (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	-	-	-
Specific provision (-)	-	-	-
Other loans and receivables (Net)	-	-	-

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 2011, non-performing loans amounting to TL 18,347 have been written-off (December 31, 2010 – TL 25,184).

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.

**Kuveyt Türk Katılım Bankası Anonim Şirketi**

**Notes related to unconsolidated financial statements  
for the interim period ended September 30, 2011 (continued)  
(Currency – Thousands of Turkish Lira)**

**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, 2010 – None).
2. Information related to Government bonds classified as held to maturity investments: None (December 31, 2010 – None).
3. Information on held-to-maturity investments:

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

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

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

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

1. The 1.67% ownership of Kredi Garanti Fonu A.Ş. of TL 3,000 (December 31, 2010 – 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 2,800 (December 31, 2010 – TL 1,806) are classified as financial assets available for sale since the Bank's ownership in these institutions is less than 10% and the Bank does not have a significant influence on these institutions.
2. Information about investments in unconsolidated associates: None.
3. Information related to consolidated associates: None.

## Kuveyt Türk Katılım Bankası Anonim Şirketi

### Notes related to unconsolidated financial statements for the interim period ended September 30, 2011 (continued) (Currency – Thousands of Turkish Lira)

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

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

#### 2. Information on subsidiaries:

Title	Address (City/ Country)	Bank's share percentage, if different-voting percentage (%)	Bank's risk group share percentage (%)
Kuwait Turkish Participation Bank Dubai Ltd. (*)	Dubai/UAE	100%	100%
Körfez Tatil Beldesi Turistik Tesisler ve Devremülk İşletmeciliği San. ve Tic. A.Ş. (**)	İstanbul/Turkey	99.9%	99.9%
Körfez Gayrimenkul İnşaat Taahhüt Turizm San. ve Tic. A.Ş. (**)	İstanbul/Turkey	99.9%	99.9%

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

Total assets	Equity	Total fixed assets	Profit share income	Income from marketable securities	Current period income/loss	Prior period income/loss	Fair value
54,451	21,670	192	2,326	-	(50)	(98)	-
22,607	22,441	3,567	416	-	382	(52)	-
75,167	50,977	55,486	840	-	973	(43)	-

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

(\*\*) Financial figures for these entities in the table above are based on the financial information prepared in accordance with the Turkish Commercial Code.

**Kuveyt Türk Katılım Bankası Anonim Şirketi**

**Notes related to unconsolidated financial statements  
for the interim period ended September 30, 2011 (continued)  
(Currency – Thousands of Turkish Lira)**

Movement for subsidiaries:

	Current period	Prior period
<b>Balance at the beginning of the year</b>	57,170	32,997
Movements during the year	-	-
Purchases (*) (**)	15,361	22,306
Transfers from subsidiaries	-	11,845
Bonus shares	-	-
Dividends from current year income	-	-
Sales	(15,361)	-
Revaluation increase	-	-
Impairment provision	-	(9,978)
Capital commitment payments (***)	33,600	-
<b>Balance at the end of the year</b>	90,770	57,170
Capital commitments (***)	-	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. However, the Bank has bought back 51% of Körfez Gayrimenkul A.S. from Hayat Investment Company under the same conditions; USD 10,572,000 (TL 16,840) and TL 2,450 on June 10, 2010. Consequitively Körfez gayrimenkul has been classified back to "Subsidiaries" account and additional TL 9.978 impairment has been booked.

(\*\*) The Bank has bought %25 share of the joint venture, called Körfez İnşaat İş Ortaklığı, which was established by one of its non financial subsidiary Körfez Gayrimenkul İnşaat Taahhüt Turizm Sanayi ve Ticaret A.Ş. and a third party company who have 75% and 25% stakes, respectively. The Bank has bought the 25% stake of the third party company in Körfez İnşaat İş Ortaklığı for a total consideration of TL 22,589 in exchange of releasing the debt of the third party company to the bank amounting to TL 15,888 and taking over the debt of the third party company to Körfez İnşaat İş Ortaklığı amounting to TL 6,701. The purchase price has been determined based on the expected discounted future cash flows of Körfez İnşaat İş Ortaklığı. Afterwards the Bank has transferred 8% of the joint venture shares, amounting to TL 7,229, to Körfez Gayrimenkul İnşaat Taahhüt Turizm Sanayi ve Ticaret A.Ş. in exchange of release of its debt to Körfez İnşaat İş Ortaklığı amounting to TL 6,701 and for a cash consideration amounting to TL 528. The Bank has transferred the remaining 17% equity stake in Körfez İnşaat İş Ortaklığı to Körfez Gayrimenkul İnşaat Taahhüt Turizm Sanayi ve Ticaret A.Ş. on September 23, 2011 for an amount of TL 16,332.

(\*\*\*) The Bank has paid capital commitments of TL 7,600 to its subsidiary Körfez Tatil Beldesi Turistik Tesisler ve Devremülk İşletmeciliği San. Ve Tic. A.Ş. on February, 2011 and TL 26,000 to its subsidiary Körfez Gayrimenkul İnşaat Taahhüt Turizm Sanayi ve Ticaret A.Ş. on April, 2011.

(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, 2011 (continued)  
(Currency – Thousands of Turkish Lira)

### 3. Information on consolidated subsidiaries:

Sectoral information on subsidiaries and the related carrying amounts:

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

Listed Subsidiaries: None (December 31, 2010 – None).

i. Information on joint ventures (business partnerships) (Net): None (December 31, 2010 – 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	63,846	56,113	48,551	42,634
1 to 4 years	69,113	55,986	44,487	36,467
More than 4 years	5,851	4,906	5,687	4,660
<b>Total</b>	<b>138,810</b>	<b>117,005</b>	<b>98,725</b>	<b>83,761</b>

#### 2. Net investments in finance leases:

	Current period	Prior period
Gross receivable from finance leases	138,810	98,725
Unearned finance lease income (-)	(21,805)	(14,964)
Cancelled amounts (-)	-	-
<b>Net receivable from finance leases</b>	<b>117,005</b>	<b>83,761</b>



## Kuveyt Türk Katılım Bankası Anonim Şirketi

### Notes related to unconsolidated financial statements for the interim period ended September 30, 2011 (continued) (Currency – Thousands of Turkish Lira)

#### 3. Information on finance lease contracts:

The Bank determines the settlements of the financial lease agreements in accordance with related legislations. Payment terms and amounts may be rearranged with additional agreements upon customers' requests. On the agreements, the Bank gives the customer the option to buy the related property. According to the Financial Lease Law, if a customer does not fulfill its obligations, the Bank sends a notice to the customer and informs them that if the obligations are not fulfilled within 60 days the financial lease agreement will be terminated. If the customer does not fulfill its obligations in 60 days, the Bank takes legal action against the customer. Non performing finance lease receivables amounting to TL 8,737 are included in the non-performing loans (December 31, 2010 – TL 8,111).

Impairment provision amounting to TL 5,746 (December 31, 2010 – TL 4,832) 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, 2010 – None).

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

In accordance with the related regulations deferred tax asset calculated as of September 30, 2011 is TL 43,203 (December 31, 2010 – TL 14,882) and deferred tax liability is TL 6,331 (December 31, 2010 – TL 6,411).

	Current period	Prior period
Personnel bonus accrual and vacation pay liability	3,669	602
Retirement pay liability	1,686	1,416
Deferred income	15,417	12,283
Accruals of derivative financial instruments held for trading(net)	3,468	-
Impairment provision for subsidiaries, fixed assets and assets held for sale	444	545
Other (*)	18,516	36
<b>Deferred tax asset</b>	<b>43,203</b>	<b>14,882</b>
Financial lease adjustments	(574)	(574)
Difference between carrying value and tax base of tangible assets	(2,692)	(2,589)
Accruals of derivative financial instruments held for trading(net)	-	(2,836)
Other	(3,065)	(412)
<b>Deferred tax liability</b>	<b>(6,331)</b>	<b>(6,411)</b>
<b>Deferred tax, net</b>	<b>36,872</b>	<b>8,471</b>

(\*) Includes deferred tax asset amounting to TL 18,327 resulted from precious metal revaluation differences as of September 30, 2011.

#### m. Information on other assets:

As of balance sheet date, the Bank's other assets amount to TL 323,514 (December 31, 2010 - TL 157,748). Other assets balance does not exceed 10% of the total assets on the balance sheet excluding off balance sheet commitments.

**Kuveyt Türk Katılım Bankası Anonim Şirketi****Notes related to unconsolidated financial statements  
for the interim period ended September 30, 2011 (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	Up to 1 year and over	Accumulated profit sharing accounts	Total
<b>I. Real persons current accounts-TL</b>	568,292	-	-	-	-	-	-	-	568,292
<b>II. Real persons profit sharing accounts-TL</b>	-	1,065,875	1,378,296	61,550	-	98,874	731,071	-	3,335,666
<b>III. Other current accounts-TL</b>	762,604	-	-	-	-	-	-	-	762,604
Public sector	29,897	-	-	-	-	-	-	-	29,897
Commercial sector	708,303	-	-	-	-	-	-	-	708,303
Other institutions	14,222	-	-	-	-	-	-	-	14,222
Commercial and other institutions	-	-	-	-	-	-	-	-	-
<b>Banks and participation banks</b>	10,182	-	-	-	-	-	-	-	10,182
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	-	-	-	-	-	-	-	-	-
Foreign banks	10,163	-	-	-	-	-	-	-	10,163
Participation banks	19	-	-	-	-	-	-	-	19
Others	-	-	-	-	-	-	-	-	-
<b>IV. Profit sharing accounts-TL</b>	-	97,931	219,248	18,508	-	53,363	122,482	-	511,532
Public sector	-	8	1,027	0	-	4,946	251	-	6,232
Commercial sector	-	91,129	198,521	18,406	-	48,182	118,206	-	474,444
Other institutions	-	6,794	19,376	102	-	129	4,025	-	30,426
Commercial and other institutions	-	-	324	-	-	106	-	-	430
Banks and participation banks	-	-	-	-	-	-	-	-	-
<b>V. Real persons current accounts-FC</b>	254,971	-	-	-	-	-	-	-	254,971
<b>VI. Real persons profit sharing accounts-FC</b>	-	512,671	484,593	37,199	-	96,588	157,477	-	1,288,528
<b>VII. Other current accounts-FC</b>	414,398	-	-	-	-	-	-	-	414,398
Commercial residents in Turkey	347,084	-	-	-	-	-	-	-	347,084
Commercial residents in Abroad	61,720	-	-	-	-	-	-	-	61,720
<b>Banks and participation banks</b>	5,594	-	-	-	-	-	-	-	5,594
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	-	-	-	-	-	-	-	-	-
Foreign banks	553	-	-	-	-	-	-	-	553
Participation banks	5,041	-	-	-	-	-	-	-	5,041
Others	-	-	-	-	-	-	-	-	-
<b>VIII. Profit sharing accounts- FC</b>	-	101,769	228,473	108,533	-	281,861	188,989	-	909,625
Public sector	-	-	-	-	-	-	-	-	-
Commercial sector	-	80,264	124,213	5,497	-	5,634	44,030	-	259,638
Other institutions	-	15,251	1,035	59,861	-	77	-	-	76,224
Commercial and other institutions	-	4,384	259	-	-	-	10,449	-	15,092
Banks and participation banks	-	1,870	102,966	43,175	-	276,150	134,510	-	558,671
<b>IX. Precious metal funds</b>	809,058	-	941,381	16,968	-	59,964	-	-	1,827,371
<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>2,809,323</b>	<b>1,778,246</b>	<b>3,251,991</b>	<b>242,768</b>	<b>-</b>	<b>590,650</b>	<b>1,200,019</b>	<b>-</b>	<b>9,872,987</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, 2011 (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
I. Real persons current accounts-TL	435,634	-	-	-	-	-	-	-	435,634
II. Real persons profit sharing accounts-TL	-	1,829,667	567,142	59,625	-	39,692	414,699	-	2,910,825
III. Other current accounts-TL	626,382	-	-	-	-	-	-	-	626,382
Public sector	18,060	-	-	-	-	-	-	-	18,060
Commercial sector	598,004	-	-	-	-	-	-	-	598,004
Other institutions	7,074	-	-	-	-	-	-	-	7,074
Commercial and other institutions	-	-	-	-	-	-	-	-	-
Banks and participation banks	3,244	-	-	-	-	-	-	-	3,244
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	-	-	-	-	-	-	-	-	-
Foreign banks	2,632	-	-	-	-	-	-	-	2,632
Participation banks	612	-	-	-	-	-	-	-	612
Others	-	-	-	-	-	-	-	-	-
IV. Profit sharing accounts-TL	-	291,221	141,575	15,897	-	10,775	63,817	-	523,285
Public sector	-	8	1,603	-	-	-	-	-	1,611
Commercial sector	-	284,424	136,454	10,835	-	10,720	63,566	-	505,999
Other institutions	-	6,781	3,202	5,062	-	55	251	-	15,351
Commercial and other institutions	-	8	315	-	-	-	-	-	323
Banks and participation banks	-	-	1	-	-	-	-	-	1
V. Real persons current accounts-FC	226,933	-	-	-	-	-	-	-	226,933
VI. Real persons profit sharing accounts-FC	-	803,468	302,682	31,488	-	59,109	126,738	-	1,323,485
VII. Other current accounts-FC	283,624	-	-	-	-	-	-	-	283,624
Commercial residents in Turkey	265,419	-	-	-	-	-	-	-	265,419
Commercial residents in Abroad	15,891	-	-	-	-	-	-	-	15,891
Banks and participation banks	2,314	-	-	-	-	-	-	-	2,314
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	-	-	-	-	-	-	-	-	-
Foreign banks	600	-	-	-	-	-	-	-	600
Participation banks	1,714	-	-	-	-	-	-	-	1,714
Others	-	-	-	-	-	-	-	-	-
VIII. Profit sharing accounts-FC	-	217,385	59,302	91,600	-	79,141	151,783	-	599,191
Public sector	-	-	-	-	-	-	-	-	-
Commercial sector	-	174,906	35,829	1,222	-	1,600	9,680	-	223,237
Other institutions	-	34,501	868	69,932	-	12	-	-	105,313
Commercial and other institutions	-	6,335	47	272	-	-	3,109	-	9,763
Banks and participation banks	-	1,643	22,558	20,174	-	77,529	138,974	-	260,878
IX. Precious metal funds	124,032	-	308,766	10,744	-	8,572	-	-	482,114
X. Profit sharing accounts special funds - TL	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
XI. Profit sharing accounts special funds - FC	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>1,696,605</b>	<b>3,141,741</b>	<b>1,379,467</b>	<b>209,354</b>	<b>-</b>	<b>197,289</b>	<b>757,017</b>	<b>-</b>	<b>7,381,473</b>

**Kuveyt Türk Katılım Bankası Anonim Şirketi**

**Notes related to unconsolidated financial statements  
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2. Information's on current and profit share accounts that are in the scope of Saving Deposit/Saving Deposit Insurance Fund:
- i. Current and Participation Accounts Attributable to Real Entities/Persons under the Guarantee of Saving Deposit Insurance Fund Exceeding the Limit of the Deposit Insurance Fund:

	Under the guarantee of saving deposit insurance		Exceeding the limit of saving Deposit	
	Current period	Prior period	Current period	Prior period
Real persons current and profit sharing accounts that are not subject to commercial activities				
TL accounts	1,720,881	1,604,614	1,666,365	1,727,661
FC accounts	1,471,263	750,407	1,699,046	1,214,381
Foreign branches' deposits under foreign authorities' insurance	-	-	-	-
Off-shore banking regions' under foreign authorities' insurance	-	-	-	-

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

- ii. If the headquarters of the Bank is abroad and the deposit account in its Turkish branch is in the scope of the insurance policy in the country of the headquarter of the Bank is founded, it should be explained: None (December 31, 2010 – None).
- iii. Current and Profit Share Accounts of the real persons who are not in the scope of Saving Deposits Insurance Fund:

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

	Current period	Prior period
Foreign branches' profit sharing accounts and other accounts		
Profit sharing accounts and other accounts of controlling shareholders and profit sharing accounts of their mother, father, spouse, children in care	-	-
Profit sharing account and other accounts of President and Members of Board of Directors, CEO and Vice Presidents and profit sharing accounts of their mother, father, spouse and children in care	1,299	8,108
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	-	-

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**Kuveyt Türk Katılım Bankası Anonim Şirketi**

**Notes related to unconsolidated financial statements  
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**b. Information on derivative financial liabilities held for trading:**

Derivative financial liabilities held for trading:

	Current period		Prior period	
	TL	FC	TL	FC
Forward transactions	85,871	35,076	1,870	7,491
Swap transactions	5,274	49,711	3,731	1,208
Futures transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>91,145</b>	<b>84,787</b>	<b>5,601</b>	<b>8,699</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	-	1,192,488	-	639,405
<b>Total</b>	<b>-</b>	<b>1,192,488</b>	<b>-</b>	<b>639,405</b>

2. Information on maturity structure of borrowings:

	Current period		Prior period	
	TL	FC	TL	FC
Short-term	-	78,519	-	6,287
Medium and Long-Term	-	1,113,969	-	633,118
<b>Total</b>	<b>-</b>	<b>1,192,488</b>	<b>-</b>	<b>639,405</b>

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

As of September 30, 2011, other liabilities amount to TL 315,248 (December 31, 2010 - TL 223,778), miscellaneous payables amount to TL 119,142 (December 31, 2010 - TL 57,029), both of them do not exceed 10% of the balance sheet total.

**Kuveyt Türk Katılım Bankası Anonim Şirketi**

**Notes related to unconsolidated financial statements  
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**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, 2010 – None).

ii. Information on Financial Lease Obligations

	Current period		Prior period	
	Gross	Net	Gross	Net
Less than 1 year	-	-	1	1
Between 1-4 years	-	-	-	-
More than 4 years	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>1</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, 2010 – None).

**f. Information on hedging derivative financial liabilities: None (December 31, 2010 – None).**

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**Notes related to unconsolidated financial statements  
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**g. Information on provisions:**

1. Information on general provisions:

	Current period	Prior period
General provisions	<b>102,382</b>	<b>73,621</b>
Provisions for first group loans and receivables	82,890	59,836
Profit sharing accounts' share	29,179	28,368
The Bank's share	53,711	31,468
Other	-	-
Provisions for second group loans and receivables	9,091	5,750
Profit sharing accounts' share	3,977	2,208
The Bank's share	5,114	3,542
Other	-	-
Provisions for non-cash loans	10,401	8,035
Other	-	-

2. Information on provisions related with foreign currency evaluation difference of foreign currency indexed loans: As of September 30, 2011, effect of decrease in exchange rates on foreign currency indexed loans amounting to TL 473 (December 31, 2010 – TL 12,542) and TL 3,771 for leasing receivables (December 31, 2010 – TL 6,341) is offset against loans and receivables.

3. Information on other provisions:

	Current period	Prior period
General provisions for possible risks	-	4,600
Provisions for non- liquidated non cash loans	18,224	-
Provisions for Cheque books (*)	18,976	-
Provisions from equity/profit sharing accounts	7,072	732
Other	862	10

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

4. Information on provisions for employee benefits:

Provisions for employee benefits consist of reserve for employee termination benefits amounting to TL 8,431 (December 31, 2010 – TL 7,080), vacation pay liability amounting to TL 893 (December 31, 2010 – TL 183) and provisions for performance premium amounting to 17,450 TL for the year 2011 (December 31, 2010 – TL 25,993).

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 2,623 (December 31, 2010 – TL 2,517) for each year of service. The liability is not funded, as there is no funding requirement.

**Kuveyt Türk Katılım Bankası Anonim Şirketi**

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

	<b>Current period</b>	<b>Prior period</b>
Discount rate (%)	10	10
Estimated increase rate of salary ceiling (%)	5.1	5.1

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

	<b>Current period</b>	<b>Prior period</b>
Balance at the beginning of the period	7,080	4,759
Provisions recognized during the period	2,619	3,401
Paid during the period	(1,268)	(1,080)
<b>Balances at the end of the period</b>	<b>8,431</b>	<b>7,080</b>

**h. Explanations on tax liability:**

1. Explanations on current tax liability:

- i. Information on tax provisions: As of September 30, 2011 the current tax liability of the Bank amounts to TL 48,252, net of prepaid corporate income taxes.

	<b>Current period</b>	<b>Prior period</b>
Provision for corporate income tax	71,087	42,227
Provision for income tax	-	-
Prepaid taxes	(22,835)	(36,564)
<b>Total (*)</b>	<b>48,252</b>	<b>5,663</b>

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



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ii. Information on taxes payable (\*):

	Current period	Prior period
Corporate taxes payable	-	-
Taxation of marketable securities	4,653	4,067
Property tax	418	294
Banking Insurance Transaction Tax (BITT)	7,260	3,831
Foreign Exchange Transaction Tax	-	-
Value Added Tax Payable	238	309
Income tax deducted from wages	2,290	1,845
Other	480	509
<b>Total</b>	<b>15,339</b>	<b>10,855</b>

iii. Information on premiums (\*):

	Current period	Prior period
Social Security Premiums-Employee	1,385	1,067
Social Security Premiums-Employer	1,390	1,090
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	99	76
Unemployment insurance-Employer	231	178
Other	-	-
<b>Total</b>	<b>3,105</b>	<b>2,411</b>

(\*) Included in miscellaneous payables line item on the balance sheet.

iv. Information on deferred tax liability: None (December 31, 2010 - None).

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**Kuveyt Türk Katılım Bankası Anonim Şirketi**

**Notes related to unconsolidated financial statements  
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**i. Information on subordinated loans:**

	Current period		Prior period	
	TL	FC	TL	FC
From Local Banks	-	-	-	-
From Other Local Institutions	-	-	-	-
From Foreign Banks	-	396,060	-	-
From Other Foreign Institutions	-	-	-	-
<b>Total</b>	-	<b>396,060</b>	-	-

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

**Kuveyt Türk Katılım Bankası Anonim Şirketi**

**Notes related to unconsolidated financial statements  
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**j. Information on shareholders' equity:**

1. Presentation of paid-in capital:

	<b>Current period</b>	<b>Prior period</b>
Common stock	950,000	850,000
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, 2010 - None).

<b>Date of Increase</b>	<b>Amount of Increase</b>	<b>Cash</b>	<b>Increase from profit reserves</b>	<b>Increase from capital reserves</b>
May 1, 2011	100,000	-	100,000	-

4. Information on share capital increases from capital reserves during the current period: None (December 31, 2010 – 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, 2010 – None).

**Kuveyt Türk Katılım Bankası Anonim Şirketi**

**Notes related to unconsolidated financial statements  
for the interim period ended September 30, 2011 (continued)  
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**III. Explanations and notes related to off-balance sheet commitments**

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

1. Type and amount of irrevocable commitments: Commitment for credit card limits, as of September 30, 2011 is TL 176,336 (December 31, 2010 – TL 120,918); payment commitments for cheque books are TL 623,134 (December 31, 2010 – TL 492,993).

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, 2011, the Bank has guarantees and surety ships constituting of TL 3,932,989 (December 31, 2010 – TL 3,150,355) letters of guarantee; TL 67,047 (December 31, 2010 – TL 39,285) acceptances and TL 590,269 (December 31, 2010 – TL 535,890) 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	34,063	-
With original maturity of 1 year or less	34,063	-
With original maturity of more than 1 year	-	-
Other non-cash loans	4,643,630	3,730,208
<b>Total</b>	<b>4,677,693</b>	<b>3,730,208</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>2,182,477</b>	<b>2,351,446</b>	<b>86,477</b>	<b>57,293</b>
Letters of guarantee	2,180,827	1,609,005	86,477	56,680
Bank acceptances	-	66,829	-	218
Letters of credit	1,650	588,343	-	276
Endorsements	-	-	-	-
Underwriting commitments	-	-	-	-
Factoring guarantees	-	-	-	-
Other commitment and contingencies	-	87,269	-	119

**Kuveyt Türk Katılım Bankası Anonim Şirketi**

**Notes related to unconsolidated financial statements  
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4. Information on contingent liabilities and assets

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

**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 (*)	630,560	24,481	465,182	13,546
Short term loans	188,086	3,841	119,353	3,171
Medium and long term loans	436,556	20,640	330,758	10,375
Profit share on non-performing loans	5,918	-	15,071	-
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	-
Domestic Banks	-	-	-	-
Foreign Banks	12,362	538	10,739	585
Branches and head office abroad	-	-	-	-
<b>Total</b>	<b>12,362</b>	<b>538</b>	<b>17,139</b>	<b>585</b>

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

	Current period	Prior period
Profit share income received from associates and subsidiaries	100	12

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**b. Information on profit share expenses:**

i. Information on profit share expense given to funds borrowed:

	Current period		Prior period	
	TL	FC	TL	FC
Banks	-	18,303	-	8,820
The Central Bank of the Republic of Turkey	-	-	-	-
Domestic banks	-	-	-	-
Foreign banks	-	18,303	-	8,820
Branches and head office abroad	-	-	-	-
Other Institutions	-	7,069	-	-
<b>Total</b>	-	<b>25,372</b>	-	<b>8,820</b>

ii. Profit share expense given to associates and subsidiaries:

	Current period	Prior period
Profit share expenses given to associates and subsidiaries	2,577	409

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

	Current period	Prior period
<b>Income</b>	<b>4,532,777</b>	<b>1,235,147</b>
Gain on capital market transactions	1,790	266
Gain on derivative financial instruments	414,758	32,907
Foreign exchange gains	4,116,229	1,201,974
<b>Losses (-)</b>	<b>4,441,665</b>	<b>1,190,923</b>
Losses on capital market transactions	1,120	5
Losses on derivative financial instruments	399,771	15,560
Foreign exchange losses	4,040,774	1,175,358

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**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.

	<b>Current period</b>	<b>Prior period</b>
Reversal of prior period provisions	30,676	43,238
Income from sale of assets	8,637	5,083
Expertise fees	5,383	5,023
Income from EFT and money transfers	3,987	2,663
Income from checkbooks	2,661	2,440
Income from bounced check provisions	1,821	2,312
Income from check provisions	1,290	1,500
Lease income	948	1,239
Other Income	4,013	3,493
<b>Total</b>	<b>59,416</b>	<b>66,991</b>

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

	<b>Current period</b>	<b>Prior period</b>
Specific provisions for loans and other receivables	76,650	42,175
III. Group	1,201	14
IV. Group	11,032	4,316
V. Group	64,417	37,845
Doubtful commissions, fees and other receivables	-	-
General provision expenses	29,319	17,801
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	8	9,978
Associates	-	-
Subsidiaries	8	-
Joint ventures	-	9,978
Held to maturity investments	-	-
Other	6,284	107
<b>Total</b>	<b>112,261</b>	<b>70,061</b>

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**Kuveyt Türk Katılım Bankası Anonim Şirketi**

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

	<b>Current period</b>	<b>Prior period</b>
Personnel expenses	149,266	117,886
Provision for retirement pay liability	1,351	1,100
Depreciation expenses of fixed assets	15,324	13,489
Amortization expenses of intangible assets	3,169	2,045
Depreciation expenses of assets held for sale	352	553
Other operating expenses	58,829	46,398
Rent expenses	22,019	17,397
Maintenance expenses	8,019	6,084
Advertisement expenses	7,225	4,838
Communication expenses	6,963	5,629
Heating, electricity and water expenses	3,455	3,265
Disallowable expenses	1,278	2,149
Cleaning expenses	4,552	3,496
Vehicle expenses	1,844	1,433
Stationery expenses	1,440	914
Other expenses	2,034	1,193
Losses on sales of assets	163	111
Deposit insurance fund expenses	13,080	9,107
Other	28,058	19,723
<b>Total</b>	<b>269,592</b>	<b>210,412</b>

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

Income before tax amounts to TL 203,201 decreasing by 23.87% as compared to the prior period. Income before tax includes TL 384,753 net profit share income and TL 49,773 net fees and commission income. Total operating expense amount is TL 269,592.

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

For the period ending September 30, 2011 deferred tax income is TL 28,401 and current tax expense is TL 71,087.

**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.



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**Notes related to unconsolidated financial statements  
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**j. 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, 2011, net profit share income is TL 384,753 (September 30, 2010 – TL 291,172), net fees and commission income is TL 49,773 (September 30, 2010 – TL 42,129).
- ii. Effect of changes in accounting estimates on income statement for the current and, if any for subsequent periods: None (September 30, 2010 – None).

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

For the period ending September 30, 2011 other fees and commissions received is TL 37,108 (September 30, 2010 – TL 27,328), TL 6,173 of this amount is related with Credit Card fees and commissions (September 30, 2010 – TL 5,663) and TL 9,622 of this amount is related with POS machine commissions (September 30, 2010 – TL 7,588).

For the period ending September 30, 2011 other fees and commissions given is TL 23,844 (September 30, 2010 – TL 17,480), TL 10,630 (September 30, 2010 – TL 7,895) of this amount is related with POS clearing commissions and installation expenses, TL 2,777 (September 30, 2010 – TL 1,829) of this amount is related with fees and commissions paid for credit cards.

**Kuveyt Türk Katılım Bankası Anonim Şirketi**

**Notes related to unconsolidated financial statements  
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**V. 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	72,720	61	186	314	110,359	5,097
Balance at end of period	-	59,080	210	466	133,483	2,919
Profit share and commission income	100	-	9	-	2,925	-

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

**2. Prior period:**

Risk group of the bank	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the bank		Other real or legal persons included in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Balance at beginning of period	-	76	289	111	19,657	10,362
Balance at end of period	72,720	61	186	314	110,359	5,097
Profit share and commission income	178	-	4	-	1,977	-

(\*) 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	5,160	15,021	159,873	77,973	33,436	11,732
Balance at the end of period	74,458	5,160	295,932	159,873	84,898	33,436
Profit share expense	1,494	40	6,594	64	452	562

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

(ii) Forward and option agreements and other similar agreements with related parties: None (September 30, 2010 – None).

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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	-	-	282,345	193,537	-	-
Balance at end of period	-	-	616,309	282,345	232,919	-
Profit share expense	1,083	-	5,654	3,111	2,417	-

b. Information on remunerations provided to top management:

For the period ending September 30, 2011, the Bank has paid TL 6,830 to top management (September 30, 2010 - TL 5,307).

VI. Explanations and notes related to subsequent events

In accordance with the "Communiqué in respect to the changes in the Communiqué Regarding the Reserve Requirements" numbered 2011/13 published on October 28, 2011 the reserve requirement rates on local currency liabilities have been changed as it is stated below.

Local currency liabilities	Required reserve ratios (%)
Demand Deposits, notice deposits and private current accounts	11
Participation accounts up to 1-month (including 1 month)	11
Participation accounts up to 3-month (including 3 months)	11
Participation accounts up to 3-month (including 6 months)	8

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(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, 2011 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 11, 2011 is presented preceding the financial statements.

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

