

**KUVEYT TRK KATILIM BANKASI  
ANONİM ŐİRKETİ**

**INDEPENDENT AUDITOR'S  
LIMITED REVIEW REPORT,  
UNCONSOLIDATED FINANCIAL  
STATEMENTS AND NOTES  
FOR THE PERIOD  
1 JANUARY-31 MARCH 2016**

*Translated into English  
from the Original Turkish Report*

**LIMITED REVIEW REPORT  
FOR THE INTERIM FINANCIAL INFORMATION**

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

**Introduction**

We have reviewed the accompanying statement of financial position of Kuveyt Türk Katılım Bankası A.Ş. (“the Bank”) as at 31 March 2016, and the statement of income, statement of income and expense items under shareholders’ equity, statement of changes in shareholders’ equity and statement of cash flows for the three-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Bank management is responsible for the preparation and fair presentation of the accompanying interim financial information in accordance with “the Banking Regulation and Supervision Agency (“BRSA”) Accounting and Reporting Regulations” including the regulation on “The Procedures and Principles Regarding Banks’ Accounting Practices and Maintaining Documents” published in the Official Gazette dated 1 November 2006 with No. 26333, and other regulations on accounting records of banks published by the Banking Regulation and Supervision Board and circulars and pronouncements published by the BRSA and Turkish Accounting Standard 34 “Interim Financial Reporting” principles for the matters not legislated by the aforementioned regulations. Our responsibility is to express a conclusion on this interim financial information based on our review.

**Scope of Review**

We conducted our review in accordance with the Independent Auditing Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial reporting process, and applying analytical and other review procedures. A review of interim financial information is substantially less in scope than an independent audit conducted in accordance with Independent Auditing Standards and the objective of which is to express an opinion on the financial statements. Consequently, a review of the interim financial information does not provide assurance that the audit firm will be aware of all significant matters which would have been identified in an audit. Accordingly, we do not express an audit opinion.

## **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information does not present fairly, in all material respects, the financial position of Kuveyt Türk Katılım Bankası A.Ş. as at 31 March 2016, and of the results of its operations and its cash flows for the three-month period then ended in accordance with the BRSA Accounting and Reporting Regulations.

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

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information provided in the Management's interim report included in Section eight of the accompanying financial statements, is not presented fairly, in all material respects, and is not consistent with the reviewed interim financial statements and the explanatory notes.

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

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

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

Müjde Şehsuvaroğlu  
Partner

İstanbul, 5 May 2016

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

**AS OF 31 MARCH 2016**

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

- GENERAL INFORMATION ABOUT THE PARTICIPATION BANK
- UNCONSOLIDATED FINANCIAL STATEMENTS OF THE PARTICIPATION BANK
- EXPLANATIONS ON ACCOUNTING POLICIES
- INFORMATION ON FINANCIAL STRUCTURE OF THE BANK
- FOOTNOTES AND EXPLANATIONS ON UNCONSOLIDATED FINANCIAL STATEMENTS
- OTHER EXPLANATIONS AND DISCLOSURES
- INDEPENDENT AUDITORS' LIMITED REVIEW REPORT

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

Hamad Abdulmohsen AL MARZOUQ Chairman of the Board of Directors	Adnan ERTEM Vice Chairman of BOD And Head of the Audit Committee	Ahmad S. AL KHARJI Member of the Audit Committee	Mohamad AL- MIDANI Member of the Audit Committee	Ufuk UYAN General Manager	Ahmet KARACA Chief Financial Officer	İsmail Hakkı YEŞİLYURT External Reporting Manager
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Contact information of the personnel in charge of the addressing of questions about this financial report:

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**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31 MARCH 2016**

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

**SECTION ONE**

**GENERAL INFORMATION**

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

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

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

As of 31 March 2016, 62.24% 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 1.04% of the shares are owned by other real persons and legal entities.

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

Name	Title	Date of the assignment	Date of Audit Committee assignment	Educational degree	Ownership Percentage
Hamad Abdulmohsen AL MARZOUQ	Head of the BOD	25/06/2014		Master	-
Dr. Adnan ERTEM	Vice Chairman of the BOD and Head of the Audit Committee	10/10/2002	19/10/2010	Doctorate	-
Nadir ALPASLAN	Member of BOD	15/04/2011		Bachelor	-
Khaled Nasser Abdulaziz AL FOUZAN	Member of BOD	02/08/2006		Bachelor	-
Fawaz KHE AL SALEH	Member of BOD	20/10/2006		Bachelor	%0.0105
Mazin S.A.S AL NAHEDH	Member of BOD	29/09/2015		Bachelor	-
Mohamad AL-MIDANI	Member of BOD and Audit Committee	05/05/2015	15/05/2015	Master	-
Ahmed S. AL KHARJI	Member of BOD and Audit Committee	26/03/2014	24/09/2014	Master	-
Ufuk UYAN	Member of BOD and General Manager	10/05/1999		Master	%0.0556
Ahmet KARACA	Assistant General Manager and Chief Financial Officer	12/07/2006		Master	%0.0041
Ahmet Süleyman KARAKAYA	Assistant General Manager, Corporate and Commercial Banking	14/01/2003		Bachelor	-
Bilal SAYIN	Assistant General Manager, Lending	20/08/2003		Bachelor	%0.0035
İrfan YILMAZ	Assistant General Manager, Retail Banking	27/10/2005		Bachelor	%0.0156
Dr. Ruşen Ahmet ALBAYRAK	Assistant General Manager, Corporate and International Banking	05/05/2005		Doctorate	%0.0091
Nurettin KOLAÇ	Assistant General Manager, Legal and Risk Follow Up	20/04/2010		Bachelor	%0.0007
Aslan DEMİR	Assistant General Manager, Strategy	08/10/2012		Bachelor	%0.0047
Mehmet ORAL	Assistant General Manager, Retail Banking	01/10/2012		Bachelor	%0.0029
Abdurrahman DELİPOYRAZ	Assistant General Manager, SME Banking	09/01/2015		Bachelor	%0.0028

Chairman and members of the Board of Directors, members of auditing committee, general manager and assistant general managers own 0.11% of the Bank's share capital (31 December 2015 – 0.11%).

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31 MARCH 2016**

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

**IV. Information on qualified shareholders:**

Name / Commercial Name	Share amount (Nominal)	Shareholding percentage	Paid shares (Nominal)	Unpaid shares
Kuwait Finance House	1,574,704	62.24%	1,574,704	-
Vakıflar Genel Müdürlüğü Mazbut Vakıfları	473,597	18.72%	473,597	-
<b>Total</b>	<b>2,048,301</b>	<b>80.96%</b>	<b>2,048,301</b>	-

As of 31 March 2016, the shares of parent shareholder of Bank, Kuwait Finance House (“KFH”) are 51.45% publicly traded; 24.08% of KFH belongs to Kuwait Investment Authority and 10.48% belongs to Public Authority for Minors Affairs.

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

The Bank’s field of operations includes corporate banking, international banking services, and retail banking and credit card services. The Bank’s core business is operating in accordance with the principles of interest-free banking as a participation bank by collecting funds through current and profit/loss sharing accounts, and lending such funds to its customers. As of 31 March 2016, the Bank is operating through 366 domestic branches (31 December 2015 – 359) with 5,384 employees (31 December 2015 – 5,442). 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 Assembly and authorized by relevant legal authorities after whom it also needs to be approved by the Ministry of Customs and Trade since it constitutes an amendment of the Article of Association. Decisions that have been approved through all these channels will be included to the Article of Association.

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

None.

## **SECTION TWO**

### **UNCONSOLIDATED FINANCIAL STATEMENTS**

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



**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**UNCONSOLIDATED BALANCE SHEET AS OF 31 MARCH 2016**  
(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

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

	Note	Reviewed Current period 31.03.2016			Audited Prior period 31.12.2015		
		TL	FC	Total	TL	FC	Total
<b>I. CASH AND BALANCES WITH THE CENTRAL BANK</b>	<b>(I-a)</b>	<b>764,975</b>	<b>6,422,605</b>	<b>7,187,580</b>	<b>662,376</b>	<b>6,906,439</b>	<b>7,568,815</b>
<b>II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (Net)</b>	<b>(I-b)</b>	<b>22,004</b>	<b>108,830</b>	<b>130,834</b>	<b>12,302</b>	<b>76,312</b>	<b>88,614</b>
2.1 Held for trading financial assets		22,004	108,830	130,834	12,302	76,312	88,614
2.1.1 Public sector debt securities		2,051	31,289	33,340	100	-	100
2.1.2 Equity securities		-	-	-	-	-	-
2.1.3 Derivative financial assets held for trading		19,099	31,952	51,051	11,995	32,613	44,608
2.1.4 Other marketable securities		854	45,589	46,443	207	43,699	43,906
2.2 Financial assets at fair value through profit and loss		-	-	-	-	-	-
2.2.1 Public sector debt securities		-	-	-	-	-	-
2.2.2 Equity securities		-	-	-	-	-	-
2.2.3 Loans		-	-	-	-	-	-
2.2.4 Other marketable securities		-	-	-	-	-	-
<b>III. BANKS</b>	<b>(I-c)</b>	<b>31,506</b>	<b>3,166,518</b>	<b>3,198,024</b>	<b>10,341</b>	<b>3,573,153</b>	<b>3,583,494</b>
<b>IV. MONEY MARKET PLACEMENTS</b>		-	-	-	-	-	-
<b>V. FINANCIAL ASSETS AVAILABLE FOR SALE (Net)</b>	<b>(I-d)</b>	<b>1,592,927</b>	<b>780,156</b>	<b>2,373,083</b>	<b>1,578,258</b>	<b>752,109</b>	<b>2,330,367</b>
5.1 Equity securities		10,080	53,835	63,915	9,571	55,244	64,815
5.2 Public sector debt securities		1,580,152	527,983	2,108,135	1,560,223	347,953	1,908,176
5.3 Other marketable securities		2,695	198,338	201,033	8,464	348,912	357,376
<b>VI. LOANS AND RECEIVABLES</b>	<b>(I-e)</b>	<b>22,358,746</b>	<b>4,354,244</b>	<b>26,712,990</b>	<b>21,565,734</b>	<b>4,285,266</b>	<b>25,851,000</b>
6.1 Loans and receivables		22,226,726	4,354,244	26,580,970	21,441,275	4,285,266	25,726,541
6.1.1 Loans to risk group of the Bank		78,176	386,275	464,451	76,162	152,608	228,770
6.1.2 Public sector debt securities		-	-	-	-	-	-
6.1.3 Other		22,148,550	3,967,969	26,116,519	21,365,113	4,132,658	25,497,771
6.2 Non-performing loans		514,697	-	514,697	442,519	-	442,519
6.3 Specific provisions (-)		382,677	-	382,677	318,060	-	318,060
<b>VII. HELD TO MATURITY INVESTMENTS (Net)</b>	<b>(I-f)</b>	-	-	-	-	-	-
<b>VIII. INVESTMENTS IN ASSOCIATES (Net)</b>	<b>(I-g)</b>	-	-	-	-	-	-
8.1 Accounted for under equity method		-	-	-	-	-	-
8.2 Unconsolidated associates		-	-	-	-	-	-
8.2.1 Financial associates		-	-	-	-	-	-
8.2.2 Non-financial associates		-	-	-	-	-	-
<b>IX. INVESTMENTS IN SUBSIDIARIES (Net)</b>	<b>(I-h)</b>	<b>300,062</b>	-	<b>300,062</b>	<b>299,312</b>	-	<b>299,312</b>
9.1 Unconsolidated financial subsidiaries		276,382	-	276,382	276,382	-	276,382
9.2 Unconsolidated non-financial subsidiaries		23,680	-	23,680	22,930	-	22,930
<b>X. ENTITIES UNDER COMMON CONTROL (JOINT VENT.) (Net)</b>	<b>(I-i)</b>	<b>15,500</b>	-	<b>15,500</b>	<b>15,500</b>	-	<b>15,500</b>
10.1 Accounted for under equity method		15,500	-	15,500	15,500	-	15,500
10.2 Unconsolidated		-	-	-	-	-	-
10.2.1 Financial subsidiaries		-	-	-	-	-	-
10.2.2 Non-financial subsidiaries		-	-	-	-	-	-
<b>XI. FINANCE LEASE RECEIVABLES</b>	<b>(I-j)</b>	<b>993,734</b>	<b>299,949</b>	<b>1,293,683</b>	<b>947,273</b>	<b>235,587</b>	<b>1,182,860</b>
11.1 Finance lease receivables		1,135,509	344,259	1,479,768	1,084,062	278,938	1,363,000
11.2 Operating lease receivables		-	-	-	-	-	-
11.3 Other		-	-	-	-	-	-
11.4 Unearned income (-)		141,775	44,310	186,085	136,789	43,351	180,140
<b>XII. DERIVATIVE FINANCIAL ASSETS FOR HEDGING PURPOSES</b>	<b>(I-k)</b>	-	-	-	-	-	-
12.1 Fair value hedge		-	-	-	-	-	-
12.2 Cash flow hedge		-	-	-	-	-	-
12.3 Hedge of net investment risks in foreign operations		-	-	-	-	-	-
<b>XIII. TANGIBLE ASSETS (Net)</b>		<b>485,221</b>	<b>89</b>	<b>485,310</b>	<b>503,954</b>	<b>95</b>	<b>504,049</b>
<b>XIV. INTANGIBLE ASSETS (Net)</b>		<b>90,617</b>	-	<b>90,617</b>	<b>77,966</b>	-	<b>77,966</b>
14.1 Goodwill		-	-	-	-	-	-
14.2 Other		90,617	-	90,617	77,966	-	77,966
<b>XV. INVESTMENT PROPERTIES (Net)</b>		-	-	-	-	-	-
<b>XVI. TAX ASSET</b>	<b>(I-l)</b>	<b>92,263</b>	-	<b>92,263</b>	<b>107,150</b>	-	<b>107,150</b>
16.1 Current tax asset		-	-	-	-	-	-
16.2 Deferred tax asset		92,263	-	92,263	107,150	-	107,150
<b>XVII. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)</b>		<b>25,383</b>	-	<b>25,383</b>	<b>32,640</b>	-	<b>32,640</b>
17.1 Held for sale		25,383	-	25,383	32,640	-	32,640
17.2 Discontinued operations		-	-	-	-	-	-
<b>XVIII. OTHER ASSETS</b>	<b>(I-m)</b>	<b>365,278</b>	<b>60,429</b>	<b>425,707</b>	<b>312,330</b>	<b>98,410</b>	<b>410,740</b>
<b>TOTAL ASSETS</b>		<b>27,138,216</b>	<b>15,192,820</b>	<b>42,331,036</b>	<b>26,125,136</b>	<b>15,927,371</b>	<b>42,052,507</b>

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

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**UNCONSOLIDATED BALANCE SHEET AS OF 31 MARCH 2016**  
(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

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

	Note	Reviewed Current period 31.03.2016			Audited Prior period 31.12.2015		
		TL	FC	Total	TL	FC	Total
<b>I. FUND COLLECTED</b>	<b>(II-a)</b>	<b>14,080,262</b>	<b>13,688,335</b>	<b>27,768,597</b>	<b>14,536,125</b>	<b>13,586,541</b>	<b>28,122,666</b>
1.1 Funds from risk group of the Bank		111,900	176,625	288,525	105,516	379,359	484,875
1.2 Other		13,968,362	13,511,710	27,480,072	14,430,609	13,207,182	27,637,791
<b>II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING</b>	<b>(II-b)</b>	<b>21,122</b>	<b>98,529</b>	<b>119,651</b>	<b>9,962</b>	<b>61,561</b>	<b>71,523</b>
<b>III. FUNDS BORROWED</b>	<b>(II-c)</b>	<b>1,063,153</b>	<b>6,060,415</b>	<b>7,123,568</b>	<b>684,076</b>	<b>6,827,603</b>	<b>7,511,679</b>
<b>IV. MONEY MARKET BALANCES</b>		<b>620,215</b>	<b>-</b>	<b>620,215</b>	<b>711,542</b>	<b>-</b>	<b>711,542</b>
<b>V. MARKETABLE SECURITIES ISSUED (Net)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>VI. SUNDRY CREDITORS</b>	<b>(II-d,h)</b>	<b>116,985</b>	<b>20,953</b>	<b>137,938</b>	<b>108,349</b>	<b>10,629</b>	<b>118,978</b>
<b>VII. OTHER LIABILITIES</b>	<b>(II-d)</b>	<b>430,618</b>	<b>46,783</b>	<b>477,401</b>	<b>424,538</b>	<b>30,070</b>	<b>454,608</b>
<b>VIII. FINANCE LEASE PAYABLES</b>	<b>(II-e)</b>	<b>-</b>	<b>397,323</b>	<b>397,323</b>	<b>-</b>	<b>401,990</b>	<b>401,990</b>
8.1 Finance lease payables		-	456,232	456,232	-	468,302	468,302
8.2 Operating lease payables		-	-	-	-	-	-
8.3 Other		-	-	-	-	-	-
8.4 Deferred finance lease expenses (-)		-	58,909	58,909	-	66,312	66,312
<b>IX. DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING PURPOSES</b>	<b>(II-f)</b>	<b>-</b>	<b>47,832</b>	<b>47,832</b>	<b>-</b>	<b>98,650</b>	<b>98,650</b>
9.1 Fair value hedge		-	-	-	-	-	-
9.2 Cash flow hedge		-	47,832	47,832	-	98,650	98,650
9.3 Hedge of net investment in foreign operations		-	-	-	-	-	-
<b>X. PROVISIONS</b>	<b>(II-g)</b>	<b>413,983</b>	<b>110,014</b>	<b>523,997</b>	<b>427,561</b>	<b>104,614</b>	<b>532,175</b>
10.1 General loan loss provisions		270,187	72,657	342,844	261,944	72,174	334,118
10.2 Restructuring provisions		-	-	-	-	-	-
10.3 Reserve for employee benefits		85,319	84	85,403	106,354	86	106,440
10.4 Insurance technical reserves (net)		-	-	-	-	-	-
10.5 Other provisions		58,477	37,273	95,750	59,263	32,354	91,617
<b>XI. TAX LIABILITY</b>	<b>(II-h)</b>	<b>16,333</b>	<b>-</b>	<b>16,333</b>	<b>36,472</b>	<b>-</b>	<b>36,472</b>
11.1 Current tax liability		16,333	-	16,333	36,472	-	36,472
11.2 Deferred tax liability		-	-	-	-	-	-
<b>XII. PAYABLES RELATED TO ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)</b>	<b>(II-i)</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>	<b>(II-j)</b>	<b>-</b>	<b>1,567,574</b>	<b>1,567,574</b>	<b>-</b>	<b>589,734</b>	<b>589,734</b>
<b>XIV. SHAREHOLDERS' EQUITY</b>	<b>(II-k)</b>	<b>3,528,901</b>	<b>1,706</b>	<b>3,530,607</b>	<b>3,406,321</b>	<b>(3,831)</b>	<b>3,402,490</b>
14.1 Paid-in capital		2,527,322	-	2,527,322	2,527,322	-	2,527,322
14.2 Capital reserves		1,363	1,706	3,069	4,258	(3,831)	427
14.2.1 Share premium		22,933	-	22,933	22,933	-	22,933
14.2.2 Share cancellation profits		-	-	-	-	-	-
14.2.3 Marketable securities revaluation reserve		5,718	1,706	7,424	9,225	(3,831)	5,394
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)		(12,372)	-	(12,372)	(12,984)	-	(12,984)
14.2.9 Value increase on assets held for resale		-	-	-	-	-	-
14.2.10 Other capital reserves		(14,916)	-	(14,916)	(14,916)	-	(14,916)
14.3 Profit reserves		430,060	-	430,060	430,060	-	430,060
14.3.1 Legal reserves		100,287	-	100,287	100,287	-	100,287
14.3.2 Status reserves		-	-	-	-	-	-
14.3.3 Extraordinary reserves		241,553	-	241,553	241,553	-	241,553
14.3.4 Other profit reserves		88,220	-	88,220	88,220	-	88,220
14.4 Profit or loss		570,156	-	570,156	444,681	-	444,681
14.4.1 Prior period income/(losses)		444,681	-	444,681	-	-	-
14.4.2 Current period income/(losses)		125,475	-	125,475	444,681	-	444,681
14.5 Minority shares	<b>(II-l)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>20,291,572</b>	<b>22,039,464</b>	<b>42,331,036</b>	<b>20,344,946</b>	<b>21,707,561</b>	<b>42,052,507</b>

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

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**STATEMENT OF UNCONSOLIDATED OFF-BALANCE SHEET COMMITMENTS AND**  
**CONTINGENCIES AS OF 31 MARCH 2016**

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

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

		Reviewed Current period 31.03.2016			Audited Prior period 31.12.2015		
	Notes	TL	FC	Total	TL	FC	Total
<b>A. OFF BALANCE SHEET CONTINGENCIES AND COMMITMENTS (I+II+III)</b>		<b>34,074,791</b>	<b>19,911,274</b>	<b>53,986,065</b>	<b>33,843,259</b>	<b>16,528,787</b>	<b>50,372,046</b>
<b>I. GUARANTEES</b>	(III-a)	<b>4,781,703</b>	<b>4,421,569</b>	<b>9,203,272</b>	<b>4,637,394</b>	<b>4,318,928</b>	<b>8,956,322</b>
1.1. Letters of guarantees		4,753,761	2,879,294	7,633,055	4,607,569	2,732,091	7,339,660
1.1.1. Guarantees subject to state tender law		160,802	266	161,068	153,636	273	153,909
1.1.2. Guarantees given for foreign trade operations		533,541	254,782	788,323	569,151	276,734	845,885
1.1.3. Other letters of guarantee		4,059,418	2,624,246	6,683,664	3,884,782	2,455,084	6,339,866
1.2. Bank loans		7,179	72,376	79,555	7,656	76,452	84,108
1.2.1. Import letter of acceptances		7,179	72,376	79,555	7,656	76,452	84,108
1.2.2. Other bank acceptances		-	-	-	-	-	-
1.3. Letter of credits		287	1,011,342	1,011,629	177	1,029,087	1,029,264
1.3.1. Documentary letter of credits		78	386,196	386,274	78	315,930	316,008
1.3.2. Other letter of credits		209	625,146	625,355	99	713,157	713,256
1.4. Pre-financing given as guarantee		-	20,820	20,820	-	21,290	21,290
1.5. Endorsements		-	-	-	-	-	-
1.5.1. Endorsements to the Central Bank of Republic of Turkey		-	-	-	-	-	-
1.5.2. Other endorsements		-	-	-	-	-	-
1.6. Other guarantees		20,476	437,737	458,213	21,992	460,008	482,000
1.7. Other collaterals		-	-	-	-	-	-
<b>II. COMMITMENTS</b>	(III-a)	<b>27,728,487</b>	<b>1,824,444</b>	<b>29,552,931</b>	<b>27,214,987</b>	<b>481,365</b>	<b>27,696,352</b>
2.1. Irrevocable commitments		2,387,938	1,824,444	4,212,382	2,311,549	481,365	2,792,914
2.1.1. Forward asset purchase commitments		309,071	1,824,444	2,133,515	231,210	481,365	712,575
2.1.2. Share capital commitment to associates and subsidiaries		-	-	-	-	-	-
2.1.3. Loan granting commitments		147,109	-	147,109	304,107	-	304,107
2.1.4. Securities underwriting commitments		-	-	-	-	-	-
2.1.5. Commitments for reserve deposit requirements		-	-	-	-	-	-
2.1.6. Payment commitment for checks		1,116,372	-	1,116,372	1,018,655	-	1,018,655
2.1.7. Tax and fund liabilities from export commitments		99	-	99	99	-	99
2.1.8. Commitments for credit card expenditure limits		797,530	-	797,530	739,721	-	739,721
2.1.9. Commitments for promotions related with credit cards and banking activities		-	-	-	-	-	-
2.1.10. Receivables from short sale commitments		-	-	-	-	-	-
2.1.11. Payables for short sale commitments		-	-	-	-	-	-
2.1.12. Other irrevocable commitments		17,757	-	17,757	17,757	-	17,757
2.2. Revocable commitments		25,340,549	-	25,340,549	24,903,438	-	24,903,438
2.2.1. Revocable loan granting commitments		25,340,549	-	25,340,549	24,903,438	-	24,903,438
2.2.2. Other revocable commitments		-	-	-	-	-	-
<b>III. DERIVATIVE FINANCIAL INSTRUMENTS</b>		<b>1,564,601</b>	<b>13,665,261</b>	<b>15,229,862</b>	<b>1,990,878</b>	<b>11,728,494</b>	<b>13,719,372</b>
3.1. Derivative financial instruments for hedging purposes		-	1,189,817	1,189,817	-	1,172,816	1,172,816
3.1.1. Fair value hedge		-	-	-	-	-	-
3.1.2. Cash flow hedge		-	1,189,817	1,189,817	-	1,172,816	1,172,816
3.1.3. Hedge of net investment in foreign operations		-	-	-	-	-	-
3.2. Held for trading transactions		1,564,601	12,475,444	14,040,045	1,990,878	10,555,678	12,546,556
3.2.1. Forward foreign currency buy/sell transactions		1,298,830	2,258,719	3,557,549	1,139,111	2,030,563	3,169,674
3.2.1.1. Forward foreign currency transactions-buy		658,655	1,121,381	1,780,036	550,697	1,043,355	1,594,052
3.2.1.2. Forward foreign currency transactions-sell		640,175	1,137,338	1,777,513	588,414	987,208	1,575,622
3.2.2. Other forward buy/sell transactions		265,771	10,216,725	10,482,496	851,767	8,525,115	9,376,882
3.3. Other		-	-	-	-	-	-
<b>B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)</b>		<b>180,186,919</b>	<b>86,843,786</b>	<b>267,030,705</b>	<b>168,473,267</b>	<b>89,309,104</b>	<b>257,782,371</b>
<b>IV. ITEMS HELD IN CUSTODY</b>		<b>6,226,520</b>	<b>1,409,007</b>	<b>7,635,527</b>	<b>5,545,140</b>	<b>1,330,898</b>	<b>6,876,038</b>
4.1. Assets under management		19,969	-	19,969	1	-	1
4.2. Investment securities held in custody		155,689	-	155,689	-	-	-
4.3. Checks received for collection		5,138,935	509,923	5,648,858	4,698,688	482,005	5,180,693
4.4. Commercial notes received for collection		911,927	107,069	1,018,996	846,451	105,406	951,857
4.5. Other assets received for collection		-	-	-	-	-	-
4.6. Assets received for public offering		-	-	-	-	-	-
4.7. Other items under custody		-	-	-	-	-	-
4.8. Custodians		-	792,015	792,015	-	743,487	743,487
<b>V. PLEDGED ITEMS</b>		<b>173,948,760</b>	<b>85,401,548</b>	<b>259,350,308</b>	<b>162,916,488</b>	<b>87,944,184</b>	<b>250,860,672</b>
5.1. Marketable securities		348,754	53,290	402,044	351,154	53,770	404,924
5.2. Guarantee notes		101,988	1,145,128	1,247,116	101,988	1,174,760	1,276,748
5.3. Commodity		3,508,190	527,143	4,035,333	3,362,451	538,357	3,900,808
5.4. Warranty		-	-	-	-	-	-
5.5. Properties		75,768,171	588,400	76,356,571	71,286,808	618,846	71,905,654
5.6. Other pledged items		94,221,657	83,087,587	177,309,244	87,814,087	85,558,451	173,372,538
5.7. Pledged items-depository		-	-	-	-	-	-
<b>VI. ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES</b>		<b>11,639</b>	<b>33,231</b>	<b>44,870</b>	<b>11,639</b>	<b>34,022</b>	<b>45,661</b>
<b>TOTAL OFF BALANCE SHEET ACCOUNTS (A+)</b>		<b>214,261,710</b>	<b>106,755,060</b>	<b>321,016,770</b>	<b>202,316,526</b>	<b>105,837,891</b>	<b>308,154,417</b>

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

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**UNCONSOLIDATED INCOME STATEMENT FOR THE PERIOD ENDED**  
**31 MARCH 2016**

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

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

			Current Period Reviewed 01.01.2016 - 31.03.2016	Prior Period Reviewed 01.01.2015 - 31.03.2015
		Notes		
<b>I.</b>	<b>PROFIT SHARE INCOME</b>	<b>(IV-a)</b>	<b>722,517</b>	<b>572,739</b>
1.1	Profit share on loans		640,037	513,027
1.2	Profit share on reserve deposits		7,083	17
1.3	Profit share on banks		3,044	1,812
1.4	Profit share on money market placements		-	-
1.5	Profit share on marketable securities portfolio		43,047	37,792
1.5.1	Held-for-trading financial assets		-	-
1.5.2	Financial assets at fair value through profit and loss		1,726	-
1.5.3	Available-for-sale financial assets		41,321	37,792
1.5.4	Investments held-to-maturity		-	-
1.6	Finance lease income		24,390	15,074
1.7	Other profit share income		4,916	5,017
<b>II.</b>	<b>PROFIT SHARE EXPENSE</b>	<b>(IV-b)</b>	<b>311,013</b>	<b>247,048</b>
2.1	Expense on profit sharing accounts	<b>(IV-d)</b>	204,721	160,661
2.2	Profit share expense on funds borrowed		87,457	67,584
2.3	Profit share expense on money market borrowings		13,223	13,169
2.4	Expense on securities issued		-	-
2.5	Other profit share expense		5,612	5,634
<b>III.</b>	<b>NET PROFIT SHARE INCOME (I - II)</b>		<b>411,504</b>	<b>325,691</b>
<b>IV.</b>	<b>NET FEES AND COMMISSIONS INCOME/EXPENSE</b>		<b>38,748</b>	<b>35,388</b>
4.1	Fees and commissions received		71,151	59,023
4.1.1	Non-cash loans		20,895	19,621
4.1.2	Other	<b>(IV- m)</b>	50,256	39,402
4.2	Fees and commissions paid		32,403	23,635
4.2.1	Non-cash loans		36	40
4.2.2	Other	<b>(IV-m)</b>	32,367	23,595
<b>V.</b>	<b>DIVIDEND INCOME</b>	<b>(IV-c)</b>	<b>509</b>	<b>-</b>
<b>VI.</b>	<b>NET TRADING INCOME</b>	<b>(IV-e)</b>	<b>29,522</b>	<b>61,900</b>
6.1	Capital market transaction gains / (losses)		652	4,850
6.2	Gains/ (losses) from derivative financial instruments		(12,448)	11,446
6.3	Foreign exchange gains / (losses)		41,318	45,604
<b>VII.</b>	<b>OTHER OPERATING INCOME</b>	<b>(IV-f)</b>	<b>73,705</b>	<b>46,851</b>
<b>VIII.</b>	<b>NET OPERATING INCOME (III+IV+V+VI+VII)</b>		<b>553,988</b>	<b>469,830</b>
<b>IX.</b>	<b>PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)</b>	<b>(IV-g)</b>	<b>115,888</b>	<b>89,926</b>
<b>X.</b>	<b>OTHER OPERATING EXPENSES (-)</b>	<b>(IV-h)</b>	<b>282,167</b>	<b>250,258</b>
<b>XI.</b>	<b>NET OPERATING INCOME/(LOSS) (VIII-IX-X)</b>		<b>155,933</b>	<b>129,646</b>
<b>XII.</b>	<b>AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER</b>		<b>-</b>	<b>-</b>
<b>XIII.</b>	<b>GAIN / (LOSS) ON EQUITY METHOD</b>		<b>-</b>	<b>-</b>
<b>XIV.</b>	<b>GAIN / (LOSS) ON NET MONETARY POSITION</b>		<b>-</b>	<b>-</b>
<b>XV.</b>	<b>PROFIT/(LOSS) FROM CONTINUED OPERATIONS BEFORE TAXES (XI+...+XIV)</b>	<b>(IV-i)</b>	<b>155,933</b>	<b>129,646</b>
<b>XVI.</b>	<b>TAX CHARGE FOR CONTINUED OPERATIONS (±)</b>	<b>(IV- j)</b>	<b>(30,458)</b>	<b>(29,158)</b>
16.1	Current income tax charge		(16,232)	(34,382)
16.2	Deferred tax charge / benefit		(14,226)	5,224
<b>XVII.</b>	<b>NET PROFIT/(LOSS) FROM CONTINUED OPERATIONS (XV±XVI)</b>		<b>125,475</b>	<b>100,488</b>
<b>XVIII.</b>	<b>INCOME ON DISCONTINUED OPERATIONS</b>		<b>-</b>	<b>-</b>
18.1	Income on assets held for sale		-	-
18.2	Income on sale of associates, subsidiaries and jointly controlled entities (joint vent.)		-	-
18.3	Income on other discontinued operations		-	-
<b>XIX.</b>	<b>LOSS FROM DISCONTINUED OPERATIONS (-)</b>		<b>-</b>	<b>-</b>
19.1	Loss from assets held for sale		-	-
19.2	Loss on sale of associates, subsidiaries and jointly controlled entities (joint vent.)		-	-
19.3	Loss from other discontinued operations		-	-
<b>XX.</b>	<b>PROFIT / (LOSS) ON DISCONTINUED OPERATIONS BEFORE TAXES (XVIII-XIX)</b>		<b>-</b>	<b>-</b>
<b>XXI.</b>	<b>TAX CHARGE FOR DISCONTINUED OPERATIONS (±)</b>	<b>(IV-k)</b>	<b>-</b>	<b>-</b>
21.1	Current income tax charge		-	-
21.2	Deferred tax charge / benefit		-	-
<b>XXII.</b>	<b>NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XX±XXI)</b>		<b>-</b>	<b>-</b>
<b>XXIII.</b>	<b>NET PROFIT/LOSS (XVII+XXII)</b>	<b>(IV-l)</b>	<b>125,475</b>	<b>100,488</b>
23.1	Group's income/loss		125,475	100,488
23.2	Minority interest income/loss (-)		-	-
	Earnings per share income/loss (full TL)		-	-

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

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**STATEMENTS OF UNCONSOLIDATED PROFIT AND LOSS ACCOUNTED FOR UNDER**  
**EQUITY FOR THE PERIOD ENDED 31 MARCH 2016**

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

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

	Reviewed	Reviewed
	Current period	Prior period
	01.01.2016-	01.01.2015-
Statement of income and expenses accounted under equity	31.03.2016	31.03.2015
<b>I. Additions to marketable securities revaluation differences from available for sale financial assets</b>	<b>2,538</b>	<b>(13,535)</b>
<b>II. Tangible assets revaluation differences</b>	<b>-</b>	<b>-</b>
<b>III. Intangible assets revaluation differences</b>	<b>-</b>	<b>-</b>
<b>IV. Currency translation differences for foreign currency transactions</b>	<b>-</b>	<b>-</b>
<b>V. Profit/loss from derivative financial instruments for cash flow hedge purposes (effective portion of fair value differences)</b>	<b>765</b>	<b>-</b>
<b>VI. Profit/loss from derivative financial instruments for hedge of net investment in foreign operations (effective portion of fair value differences)</b>	<b>-</b>	<b>-</b>
<b>VII. The effect of corrections of errors and changes in accounting policies</b>	<b>-</b>	<b>-</b>
<b>VIII. Other profit loss items accounted under equity as per Turkish accounting standards</b>	<b>-</b>	<b>-</b>
<b>IX. Deferred tax on valuation differences</b>	<b>(661)</b>	<b>2,706</b>
<b>X. Total net profit/loss accounted under equity (I+II+...+IX)</b>	<b>2,642</b>	<b>(10,829)</b>
<b>XI. Profit/loss</b>	<b>125,475</b>	<b>100,488</b>
XI.1 Change in fair value of marketable securities (transfer to profit/loss)	760	-
XI.2 Reclassification of derivatives accounted for cash flow hedge purposes to income statement	-	-
XI.3 Reclassification of hedge of net investments in foreign operations to income statement	-	-
XI.4 Other	124,715	100,488
<b>XII. Total profit/loss accounted for the period (X±XI)</b>	<b>128,117</b>	<b>89,659</b>

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

# KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ

## STATEMENT OF UNCONSOLIDATED CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIOD ENDED 31 MARCH 2016

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

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

Reviewed	Note	Paid-in capital	Effect of inflation accounting on paid-in capital and other reserves	Share Premium	Share certificate cancellation profits	Legal reserves	Statutory reserves	Extraordinary reserve	Other reserve	Current period net income / (loss)	Prior period net income / (loss)	Marketable securities revaluation reserve	Tangible and intangible assets revaluation fund	Bonus shares from investments	Hedging reserves	Asset held for sale and disc.op. valuation fund	Total excluding minority interest	Minority interest	Total equity
<b>Prior Period – (01.01-31.03.2015)</b>																			
I. Balances at beginning of the period		2,287,005	-	23,250	-	77,869	-	208,951	34,276	-	370,450	21,069	-	-	-	-	3,022,870	-	3,022,870
II. Correction made as per TAS 8		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1 Effect of corrections		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Effect of changes in accounting policies		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Adjusted balances at beginning of the period (I+II)		2,287,005	-	23,250	-	77,869	-	208,951	34,276	-	370,450	21,069	-	-	-	-	3,022,870	-	3,022,870
III. Changes during the period		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IV. Increase/decrease related to merger		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V. Marketable securities revaluation differences		-	-	-	-	-	-	-	-	-	-	(10,829)	-	-	-	-	(10,82)	-	(10,829)
VI. Hedging funds (effective portion)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6.1 Cash-flow hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6.2 Hedge of net investment in foreign operations		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Tangible assets revaluation differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Intangible assets revaluation differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bonus shares obtained from associates, subsidiaries and jointly controlled operations		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Foreign exchange differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Changes related to the disposal of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII. Changes related to the reclassification of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII. The effect of change in associate's equity		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV. Capital increase		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14.1 Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14.2 Internal sources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV. Share issue premium		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI. Share cancellation profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI. I. Inflation adjustment to paid-in capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI. II. Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIX. Net income/(loss) for the period		-	-	-	-	-	-	-	-	100,488	-	-	-	-	-	-	100,488	-	100,488
XX. Profit distribution		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20.1 Dividends distributed		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20.2 Transfers to reserves		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20.3 Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Balances at end of the period</b>																			
(III+IV+V+.....+XVIII+XIX+XX)	(II-k)	2,287,005	-	23,250	-	77,869	-	208,951	34,276	100,488	370,450	10,240	-	-	-	-	3,112,529	-	3,112,529

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

# KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ

## STATEMENT OF UNCONSOLIDATED CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIOD ENDED 31 MARCH 2016

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

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

			Effect of inflation accounting on paid-in capital and other capital reserves	Share Premium	Share certificate cancellation profits	Legal reserves	Statutory reserves	Extraordinary reserve	Other reserve	Current period net income / (loss)	Prior period net income / (loss)	Marketable securities revaluation reserve	Tangible and intangible assets revaluation fund	Bonus shares from investments	Hedging reserves	Asset held for sale and disc.op. valuation fund	Total excluding minority interest	Minority interest	Total equity	
Reviewed	Note	Paid-in capital																		
Current Period – (01.01-31.03.2016)																				
I.	Balances at beginning of the period	2,527,322	-	22,933	-	100,287	-	241,553	73,304	-	444,681	5,394	-	-	(12,984)	-	3,402,490	-	3,402,490	
II.	Correction made as per TAS 8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2.1	Effect of corrections	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2.2	Effect of changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
III.	Adjusted balances at beginning of the period (I+II)	2,527,322	-	22,933	-	100,287	-	241,553	73,304	-	444,681	5,394	-	-	(12,984)	-	3,402,490	-	3,402,490	
	Changes during the period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
IV.	Increase/decrease related to merger	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
V.	Marketable securities revaluation differences	-	-	-	-	-	-	-	-	-	-	2,030	-	-	-	-	2,030	-	2,030	
VI.	Hedging funds (effective portion)	-	-	-	-	-	-	-	-	-	-	-	-	-	612	-	612	-	612	
6.1	Cash-flow hedge	-	-	-	-	-	-	-	-	-	-	-	-	-	612	-	612	-	612	
6.2	Hedge of net investment in foreign operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VII.	Tangible assets revaluation differences	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VIII.	Intangible assets revaluation differences	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
IX.	Bonus shares obtained from associates, subsidiaries and jointly controlled operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
X.	Foreign exchange differences	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XI.	Changes related to the disposal of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XII.	Changes related to the reclassification of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XIII.	The effect of change in associate's equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XIV.	Capital increase	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
14.1	Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
14.2	Internal sources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XV.	Share issue premium	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XVI.	Share cancellation profits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XVII.	Inflation adjustment to paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XVIII.	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XIX.	Net income/(loss) for the period	-	-	-	-	-	-	-	-	125,475	-	-	-	-	-	-	125,475	-	125,475	
XX.	Profit distribution	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
20.1	Dividends distributed	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
20.2	Transfers to reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
20.3	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Balances at end of the period																				
(III+IV+V+.....+XVIII+XIX+XX)		(II-k)	2,527,322	-	22,933	-	100,287	-	241,553	73,304	125,475	444,681	7,424	-	-	(12,372)	-	3,530,607	-	3,530,607

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

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**CASH FLOWS STATEMENT FOR THE PERIOD ENDED 31 MARCH 2016**  
(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

**VI. CASH FLOWS STATEMENT**

	Note	Reviewed	Reviewed
		Current period 01.01.2016 – 31.03.2016	Prior period 01.01.2015 – 31.03.2015
<b>A. CASH FLOWS FROM BANKING OPERATIONS</b>			
<b>1.1 Operating profit before changes in operating assets and liabilities</b>		<b>166,564</b>	<b>308,828</b>
1.1.1 Profit share income received		733,743	572,228
1.1.2 Profit share expense paid		(288,757)	(220,966)
1.1.3 Dividend received		509	-
1.1.4 Fees and commissions received		72,654	59,702
1.1.5 Other income		2,977	213,635
1.1.6 Collections from previously written off loans		37,949	18,112
1.1.7 Payments to personnel and service suppliers		(232,945)	(158,201)
1.1.8 Taxes paid		(46,796)	(43,202)
1.1.9 Others		(112,770)	(132,480)
<b>1.2 Changes in operating assets and liabilities</b>		<b>(1,279,677)</b>	<b>(546,372)</b>
1.2.1 Net (increase) decrease held for trading financial assets		(35,776)	(6,841)
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		(406,804)	(48,018)
1.2.4 Net (increase) decrease in loans		(1,047,627)	(2,335,507)
1.2.5 Net (increase) decrease in other assets		17,096	(92,768)
1.2.6 Net increase (decrease) in bank deposits		(188,634)	563,797
1.2.7 Net increase (decrease) in other deposits		(163,156)	1,036,455
1.2.8 Net increase (decrease) in funds borrowed		(412,646)	569,844
1.2.9 Net increase (decrease) in due payables		-	-
1.2.10 Net increase (decrease) in other liabilities		957,870	(233,334)
<b>I. Net cash provided from / (used in) banking operations</b>		<b>(1,113,113)</b>	<b>(237,544)</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>II. Net cash provided from / (used in) investing activities</b>		<b>(97,698)</b>	<b>(161,984)</b>
2.1 Cash paid for purchase jointly controlled operations, associates and subsidiaries		(750)	(5,000)
2.2 Cash obtained from sale of jointly controlled operations, associates and subsidiaries		-	-
2.3 Fixed assets purchases		(9,765)	(14,211)
2.4 Fixed assets sales		1,786	2,452
2.5 Cash paid for purchase of financial assets available for sale		(753,217)	(836,483)
2.6 Cash obtained from sale of financial assets available for sale		682,252	702,710
2.7 Cash paid for purchase of investment securities		-	-
2.8 Cash obtained from sale of investment securities		-	-
2.9 Other		(18,004)	(11,452)
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>III. Net cash provided from / (used in) financing activities</b>		<b>(37)</b>	<b>(1,248)</b>
3.1 Cash obtained from funds borrowed and securities issued		-	-
3.2 Cash used for repayment of funds borrowed and securities issued		-	-
3.3 Capital increase		-	(922)
3.4 Dividends paid		-	-
3.5 Payments for finance leases		(37)	(326)
3.6 Other		-	-
<b>IV. Effect of change in foreign exchange rate on cash and cash equivalents</b>	<b>(V-d)</b>	<b>37,339</b>	<b>(67,964)</b>
<b>V. Net increase (decrease) in cash and cash equivalents (I + II + III + IV)</b>		<b>(1,173,509)</b>	<b>(468,740)</b>
<b>VI. Cash and cash equivalents at the beginning of the period</b>	<b>(V-a)</b>	<b>4,687,293</b>	<b>1,995,829</b>
<b>VII. Cash and cash equivalents at the end of the period</b>	<b>(V-a)</b>	<b>3,513,784</b>	<b>1,527,089</b>

The accompanying notes are an integral part of these financial statements



**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31 MARCH 2016**

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

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

**I. Explanations on basis of presentation**

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

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

**b. Classification**

Expertise expense amount of TL 5,306 that is presented under Other Operating Income in previous period’s statement of income, is classified under “Fees and Commissions Given” in current period for consistency of presentation.

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

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

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

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31 MARCH 2016**

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

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

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

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

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

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

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

The Bank’s portion of risk regarding loans originating from participation accounts followed in receivables to be written off, doubtful commission, fees and other receivables, uncollectible loans and other receivables, along with foreign currency (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. Investments in associates and subsidiaries**

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

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

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

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

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

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

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31 MARCH 2016**

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

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

The Bank enters into interest rate and cross currency swap transactions in order to hedge the change in fair values of fixed-rate financial instruments. While applying fair value hedge accounting, the changes in fair values of hedging instrument and hedged item are recognised in income statement. If the hedging is effective, the changes in fair value of the hedged item is presented in statement of financial position together with the fixed-rate loan, and in case of fixed-rate financial assets available for sale, such changes are reclassified from shareholders' equity to income statement.

The Bank enters into profit share rate and cross currency swap transactions in order to hedge the changes in cash flows of the floating-rate financial instruments. While applying cash flow hedge accounting, the effective portion of the changes in the fair value of the hedging instrument is accounted for under hedging reserves in shareholders' equity, and the ineffective portion is recognised in income statement. The changes recognised in shareholders' equity is removed and included in income statement in the same period when the hedged cash flows effect the income or loss.

The Bank performs effectiveness test at the beginning of the hedge accounting period and at each reporting period. The effectiveness tests are carried out using the "Dollar off-set model" and the hedge accounting is applied as long as the test results are between the range of 80%-125% of effectiveness.

The hedge accounting is discontinued when the hedging instrument expires, is exercised, sold or no longer effective. When discontinuing fair value hedge accounting, the cumulative fair value changes in carrying value of the hedged item arising from the hedged risk are amortised to income statement over the life of the hedged item from that date of the hedge accounting is discontinued. While discontinuing cash flow hedge accounting, the cumulative gains/losses recognised in shareholders' equity and presented under hedging reserves are continued to be kept in this account. When the cash flows of hedged item are recognised in income statement, the gain/losses accounted for under shareholders' equity, are recognised in income statement.

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

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

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

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

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

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

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31 MARCH 2016**

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

**VII. Explanations on financial assets**

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

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

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

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

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

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

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

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

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

**c. Loans and receivables:**

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

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

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

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

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

i) Loans and receivables:

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

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

ii) Financial assets held to maturity:

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

iii) Financial assets available for sale:

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

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

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

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

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

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

As of 31 March 2016, the Bank has repurchasing agreements amounting to TL 620,215 (31 December 2015 –TL 711,542).

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

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

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

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

Although the 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.

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

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

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

There is no goodwill related to associates and subsidiaries.

**XIII. Explanations on tangible assets**

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

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

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

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

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

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

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

The capital expenditures made in order to increase the capacity of the tangible asset or to increase its future benefits are capitalized on the cost of the tangible asset. The capital expenditures include the cost components which are used either to increase the useful life or the capacity of the asset or the quality of the product or to decrease the costs.

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

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**XIV. Explanations on leasing transactions**

*Bank as a lessee*

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

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

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

*Bank as a lessor*

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



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

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

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

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

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

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

**a) Defined benefit plans:**

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

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

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

**b) Defined contribution plans:**

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

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

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

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

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**XVII. Explanations on taxation**

***Current tax***

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

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

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

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

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

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

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

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

***Deferred tax***

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

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

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

There are no debt securities issued by the Bank.

The Bank has not issued convertible bonds.

*Borrowing through the rent certificates (Sukuk)*

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

In accordance with the letter received from BRSA, numbered B.02.1.BDK.0.06.00.00-045.01(3/8)-5397 and dated 13 March 2012 this transaction is accounted for as “sale and lease back” transaction in accordance with TAS 17. As a consequence of this accounting treatment, the net book value of the real estate property transferred and leased back increased from TL 61,195 to TL 248,734. The difference of TL 187,539 between the net book value of TL 61,195 before the aforementioned transaction and the net book value of TL 248,734 after the aforementioned transaction will be recognized as income in 5 years using the effective interest method and accounted for as deferred income under other liabilities. As of 31 March 2016, TL 14,304 (31 December 2015 – TL 10,686) of the aforementioned deferred income is recognized as income in the income statement. The difference accounted as tangible assets mentioned above, will be recognized as expense by accounting under “other expenses” in the income statement during the period of lease.

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

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

**XIX. Explanations on share certificates issued**

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

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

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

**XXI. Explanations on government grants**

There are no government grants received by the Bank.

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**XXII. Explanations on segment reporting**

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

Segment reporting is disclosed in Section Four, Note X.

**XXIII. Explanations on other matters**

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

**XXIV. Additional paragraph for convenience translation**

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

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**SECTION FOUR**

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF  
THE BANK**

**I. Explanations on equity**

Total capital and Capital adequacy ratio have been calculated in accordance with the “Regulation on Equity of Banks” and “Regulation on Measurement and Assessment of Capital Adequacy of Banks”. As of 31 March 2016 Bank’s total capital has been calculated as TL 5,062,730. Capital adequacy ratio is % 16.95.

As of 31 December 2015, Bank’s total capital amounted to TL 3,796,691, capital adequacy ratio was % 14.23 calculated pursuant to former regulations. This ratio is well above the minimum ratio required by the legislation.

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**I. Explanations on Equity (continued)**

**a-) Components of total capital:**

	<i>Amount</i>	<i>Amount as per the regulation before 1/1/2014 (*)</i>
<b>COMMON EQUITY TIER I CAPITAL</b>		
Paid-in Capital to be Entitled for Compensation after All Creditors	2,530,000	
Share Premium	22,933	
Reserves	430,060	
Other Comprehensive Income according to TAS	7,424	
Profit	570,156	
Current Period Profit	125,475	
Prior Period Profit	444,681	
Bonus Shares from Associates, Affiliates and Joint-Ventures not Accounted in Current Period's Profit	-	
<b>Common Equity Tier I Capital Before Deductions</b>	<b>3,560,573</b>	
<b>Deductions From Common Equity Tier I Capital</b>		
Valuation adjustments calculated as per the article 9. (i) of the Regulation on Bank Capital	-	
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-)	27,288	
Leasehold Improvements on Operational Leases (-)	47,144	
Goodwill Netted with Deferred Tax Liabilities	-	
Other Intangible Assets Netted with Deferred Tax Liabilities Except Mortgage Servicing Rights	36,905	92,263
Net Deferred Tax Asset/Liability (-)	36,247	90,617
Differences arise when assets and liabilities not held at fair value, are subjected to cash flow hedge accounting	-	
Total credit losses that exceed total expected loss calculated according to the Regulation on Calculation of Credit Risk by Internal Ratings Based Approach	-	
Securitization gains	-	
Unrealized gains and losses from changes in bank's liabilities' fair values due to changes in creditworthiness	-	
Net amount of defined benefit plans	-	
Direct and Indirect Investments of the Bank on its own Tier I Capital (-)	2,678	
Shares Obtained against Article 56, Paragraph 4 of the Banking Law (-)	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	
Mortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital (-)	-	
Net Deferred Tax Assets arising from Temporary Differences Exceeding the 10% Threshold of Tier I Capital (-)	-	
Amount Exceeding the 15% Threshold of Tier I Capital as per the Article 2, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital not deducted from Tier I Capital (-)	-	
Mortgage Servicing Rights not deducted (-)	-	
Excess Amount arising from Deferred Tax Assets from Temporary Differences (-)	-	
Other items to be Defined by the BRSA (-)	-	
Deductions from Tier I Capital in cases where there are no adequate Additional Tier I or Tier II Capitals (-)	-	
<b>Total Deductions from Common Equity Tier I Capital</b>	<b>150,262</b>	
<b>Total Common Equity Tier I Capital</b>	<b>3,410,311</b>	

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**I. Explanations on Equity (continued)**

**a-) Components of total capital (continued):**

<b>ADDITIONAL TIER I CAPITAL</b>		
Preferred Stock not Included in Common Equity Tier I Capital and the Related Share Premiums	-	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	-	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-	
<b>Additional Tier I Capital before Deductions</b>	<b>-</b>	
<b>Deductions from Additional Tier I Capital</b>		
Direct and Indirect Investments of the Bank on its own Additional Tier I Capital (-)	-	-
Investments in Equity Instruments Issued by Banks or Financial Institutions Invested in Bank's Additional Tier I Capital and Having Conditions Stated in the Article 7 of the Regulation	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital (-)	-	-
Other items to be defined by the BRSA (-)	-	-
<b>Items to be Deducted from Tier I Capital during the Transition Period</b>		
Goodwill and Other Intangible Assets and Related Deferred Taxes not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	54,370	90,617
Net Deferred Tax Asset/Liability not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	55,358	92,263
Deduction from Additional Tier I Capital when there is not enough Tier II Capital (-)	-	-
<b>Total Deductions from Additional Tier I Capital</b>	<b>109,728</b>	
<b>Total Additional Tier I Capital</b>	<b>-</b>	
<b>Total Tier I Capital (Tier I Capital= Common Equity Tier I Capital + Additional Tier I Capital)</b>	<b>3,300,583</b>	
<b>TIER II CAPITAL</b>		
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	1,558,370	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-	
Provisions (Amounts explained in the first paragraph of the article 8 of the Regulation on Bank Capital)	253,696	
<b>Total Deductions from Tier II Capital</b>	<b>1,812,066</b>	
<b>Deductions from Tier II Capital</b>		
Direct and Indirect Investments of the Bank on its own Tier II Capital (-)	-	-
Investments in Equity Instruments Issued by Banks and Financial Institutions Invested in Bank's Tier II Capital and Having Conditions Stated in the Article 8 of the Regulation	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital and Tier II Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of Tier I Capital (-)	-	-
Other items to be defined by the BRSA (-)	-	-
<b>Total Deductions from Tier II Capital</b>	<b>-</b>	
<b>Total Tier II Capital</b>	<b>1,812,066</b>	
<b>Total Equity (Total Tier I and Tier II Capital)</b>	<b>5,112,649</b>	
	-	

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**I. Explanations on Equity (continued)**

**a-) Components of total capital (continued):**

<b>Total Tier I Capital and Tier II Capital ( Total Equity)</b>	-	
Loans Granted against the Articles 50 and 51 of the Banking Law (-)	4,350	
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years (-)	45,569	
Other items to be Defined by the BRSA (-)		
<b>Items to be Deducted from the Sum of Tier I and Tier II Capital (Capital) During the Transition Period</b>	-	
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Tier I Capital, Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-	
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-	
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital, of the Net Deferred Tax Assets arising from Temporary Differences and of the Mortgage Servicing Rights not deducted from Tier I Capital as per the Temporary Article 2, Clause 2, Paragraph (1) and (2) and Temporary Article 2, Clause 1 of the Regulation (-)	-	
<b>CAPITAL</b>		
Total Capital ( Total of Tier I Capital and Tier II Capital )	5,062,730	
Total Risk Weighted Assets	29,870,002	
<b>CAPITAL ADEQUACY RATIOS</b>		
CET1 Capital Ratio (%)	11.42	
Tier I Capital Ratio (%)	11.05	
Capital Adequacy Ratio (%)	16.95	
<b>BUFFERS</b>		
Bank-specific total CET1 Capital Ratio	0.63	
Capital Conservation Buffer Ratio (%)	0.63	
Bank-specific Counter-Cyclical Capital Buffer Ratio (%)	-	
Additional CET1 Capital Over Total Risk Weighted Assets Ratio Calculated According to the Article 4 of Capital Conservation and Counter-Cyclical Capital Buffers Regulation	6.92	
<b>Amounts Lower Than Excesses as per Deduction Rules</b>		
Remaining Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital	-	
Remaining Total of Net Long Positions of the Investments in Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% or less of the Issued Share Capital	-	
Remaining Mortgage Servicing Rights	-	
Net Deferred Tax Assets arising from Temporary Differences	-	



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**I. Explanations on Equity (continued)**

**a-) Components of total capital (continued):**

<b>Limits for Provisions Used in Tier II Capital Calculation</b>		
General Loan Provisions for Exposures in Standard Approach (before limit of one hundred and twenty five per ten thousand)	253,696	-
General Loan Provisions for Exposures in Standard Approach Limited by 1.25% of Risk Weighted Assets	253,696	-
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach	-	-
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach, Limited by 0.6% Risk Weighted Assets	-	-
<b>Debt Instruments Covered by Temporary Article 4 (effective between 1.1.2018-1.1.2022)</b>		
Upper Limit for Additional Tier I Capital Items subject to Temporary Article 4	-	-
Amount of Additional Tier I Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-	-
Upper Limit for Additional Tier II Capital Items subject to Temporary Article 4	-	-
Amount of Additional Tier II Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-	-

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**I. Explanations on Equity (continued)**

**a-) Components of total capital (continued):**

	<b>Prior Period</b>
<b>TIER 1 CAPITAL</b>	<b>3,281,829</b>
Paid-in Capital to be Entitled for Compensation after All Creditors	2,527,322
Share Premium	22,933
Share Cancellation Profits	-
Reserves	341,840
Other Comprehensive Income According to TAS	97,445
Profit	444,681
Current Period Profit	444,681
Prior Period Profit	-
General Reserves for Possible Losses	-
Bonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Current Period's Profit	-
<b>Tier 1 Capital Before Deductions</b>	<b>3,434,221</b>
<b>Deductions from Tier 1 Capital</b>	
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-)	31,731
Leasehold Improvements on Operational Leases (-)	46,615
Goodwill and Other Intangible Assets and Related Deferred Taxes (-)	28,797
Net Deferred Tax Asset/Liability (-)	45,249
Shares Obtained against Article 56, Paragraph 4 of the Banking Law (-)	-
Direct and Indirect Investments of the Bank on its own Tier I Capital (-)	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-
Mortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital (-)	-
Net Deferred Tax Assets arising from Temporary Differences Exceeding the 10% Threshold of Tier I Capital (-)	-
Amount Exceeding the 15% Threshold of Tier I Capital as per the Article 2, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital not deducted from Tier I Capital (-)	-
Mortgage Servicing Rights not deducted (-)	-
Excess Amount arising from Deferred Tax Assets from Temporary Differences (-)	-
Other items to be Defined by the BRSA (-)	-
Deductions from Tier I Capital in cases where there are no adequate Additional Tier I or Tier II Capitals (-)	-
<b>Total Deductions from Tier I Capital</b>	<b>152,392</b>
<b>Total Tier 1 Capital</b>	<b>3,281,829</b>
<b>ADDITIONAL CORE CAPITAL</b>	
Preferred Stock not included in Tier I Capital in cases where there are no adequate Additional Tier I or Tier II Capitals (-)	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained after 1.1.2014)	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained before 1.1.2014)	-
<b>Additional Core Capital before Deductions</b>	
<b>Deductions from Additional Core Capital</b>	
Direct and Indirect Investments of the Bank on its own Additional Core Capital (-)	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital (-)	-
Other items to be Defined by the BRSA (-)	-
Deductions from Additional Core Capital in cases where there are no adequate Tier II Capital (-)	-
<b>Total Deductions from Additional Core Capital</b>	
<b>Total Additional Core Capital</b>	
<b>Deductions from Core Capital</b>	<b>111,070</b>
Goodwill and Other Intangible Assets and Related Deferred Taxes not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	46,780
Net Deferred Tax Asset/Liability not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	64,290
<b>Total Core Capital</b>	<b>3,170,759</b>

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**I. Explanations on Equity (continued)**

**a-) Components of total capital (continued):**

	<b>Prior Period</b>
<b>TIER II CAPITAL</b>	<b>659,168</b>
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained after 1.1.2014)	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained before 1.1.2014)	417,402
Pledged Assets of the Shareholders to be used for the Bank's Capital Increases	-
General Provisions	241,766
<b>Tier II Capital Before Deductions</b>	<b>659,168</b>
<b>Deductions from Tier II Capital</b>	
Direct and Indirect Investments of the Bank on its own Tier II Capital (-)	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Core Capital and Tier II Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of Tier I Capital (-)	-
Other items to be Defined by the BRSA (-)	-
<b>Total Deductions from Tier II Capital</b>	<b>-</b>
<b>Total Tier II Capital</b>	<b>659,168</b>
<b>CAPITAL</b>	<b>3,829,927</b>
Loans Granted against the Articles 50 and 51 of the Banking Law (-)	-
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years (-)	4,334
Loans to Banks, Financial Institutions (domestic/foreign) or Qualified Shareholders in the form of Subordinated Debts or Debt Instruments Purchased from Such Parties and Qualified as Subordinated Debts (-)	-
Deductions as per the Article 20, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-
Other items to be Defined by the BRSA (-)	28,902
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Tier I Capital, Additional Core Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where The Bank Owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Additional Core Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital, of the Net Deferred Tax Assets arising from Temporary Differences and of the Mortgage Servicing Rights not deducted from Tier I Capital as per the Temporary Article 2, Clause 2, Paragraph (1) and (2) and Temporary Article 2, Clause 1 of the Regulation (-)	-
<b>EQUITY</b>	<b>3,796,691</b>
<b>Amounts lower than Excesses as per Deduction Rules</b>	<b>-</b>
Remaining Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital	-
Remaining Total of Net Long Positions of the Investments in Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% or less of the Tier I Capital	-
Remaining Mortgage Servicing Rights	-
Net Deferred Tax Assets arising from Temporary Differences	-

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**II. Explanations on currency risk**

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

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

As of 31 March 2016, the Bank carries a net foreign currency long position of TL 93,607 (31 December 2015 – TL 52,807 long position) comprising TL 13,056 balance sheet long position (31 December 2015 - TL 952,092 long position) and TL 80,551 off balance sheet long position (31 December 2015 - TL899,285 short position).

The announced current foreign exchange buying rates of the Bank as of 31 December 2015 and the previous five working days are as follows (full TL):

	24/03/2016	25/03/2016	26/03/2016	27/03/2016	30/03/2016	Balance sheet evaluation rate
<b>USD</b>	2.8693	2.8789	2.8705	2.8733	2.8695	2.8334
<b>EURO</b>	3.2096	3.2141	3.2049	3.2082	3.2114	3.2081
<b>GBP</b>	4.0586	4.0535	4.0520	4.0631	4.0834	4.0766
<b>CHF</b>	2.9361	2.9441	2.9309	2.9346	2.9378	2.9324
<b>100 JPY</b>	0.0254	0.0255	0.0253	0.0253	0.0252	0.0252

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
<b>USD</b>	2.8902
<b>EUR</b>	3.2035
<b>GBP</b>	4.0940
<b>CHF</b>	2.9273
<b>100 JPY</b>	0.0255

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**II. Explanations on currency risk (continued):**

**Currency risk of the Bank:**

	EURO	USD	Other FC	Total
<b>Current period</b>				
<b>Assets</b>				
Cash (cash in vault, effectives, money in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey (****)	918,375	3,962,020	1,542,210	6,422,605
Banks	2,188,965	699,557	277,996	3,166,518
Financial assets at fair value through profit and loss	-	76,878	-	76,878
Money market placements	-	-	-	-
Available-for-sale financial assets (**)	-	780,870	-	780,870
Loans and finance lease receivables (*)	3,017,534	7,974,784	144,866	11,137,184
Subsidiaries, associates and joint ventures (**)	-	221,109	-	221,109
Held-to-maturity investments	-	-	-	-
Derivative financial assets for hedging purposes	-	-	-	-
Tangible assets	-	89	-	89
Intangible assets	-	-	-	-
Other assets	2,623	45,486	11,257	59,366
<b>Total assets</b>	<b>6,127,497</b>	<b>13,760,793</b>	<b>1,976,329</b>	<b>21,864,619</b>
<b>Liabilities</b>				
Current account and funds collected from Banks via participation accounts	14,495	109,949	107,351	231,795
Current and profit sharing accounts FC (****)	2,682,953	9,567,661	1,205,926	13,456,540
Money market borrowings	-	-	-	-
Funds provided from other financial institutions	123,350	7,282,456	619,506	8,025,312
Marketable securities issued	-	-	-	-
Miscellaneous payables	4,747	15,898	308	20,953
Derivative financial liabilities for hedging purposes	-	-	-	-
Other liabilities (*****)	18,026	81,314	17,623	116,963
<b>Total liabilities</b>	<b>2,843,571</b>	<b>17,057,278</b>	<b>1,950,714</b>	<b>21,851,563</b>
Net balance sheet position	3,283,926	(3,296,485)	25,615	13,056
Net off-balance sheet position	(3,363,703)	3,457,256	(13,002)	80,551
Financial derivative assets	634,777	5,810,682	1,339,669	7,785,128
Financial derivative liabilities	3,998,480	2,353,426	1,352,671	7,704,577
Non-cash loans (***)	1,433,134	2,670,255	318,180	4,421,569
<b>Prior period</b>				
Total assets	5,412,877	15,092,420	1,963,637	22,468,934
Total liabilities	2,873,661	16,565,606	2,077,575	21,516,842
Net balance sheet position	2,539,216	(1,473,186)	(113,938)	952,092
Net off-balance sheet position	(2,626,021)	1,630,857	95,879	(899,285)
Financial derivative assets	433,025	4,183,696	1,038,566	5,655,287
Financial derivative liabilities	3,059,046	2,552,839	942,687	6,554,572
Non-cash loans (***)	1,391,637	2,607,319	319,972	4,318,928

(\*) Includes foreign currency indexed loans amounting to TL 6,482,991 (31 December 2015 – TL 6,353,696 ) followed as TL on the balance sheet.

(\*\*) Includes TL 714 (31 December 2015 – TL 714) of foreign currency denominated available for sale financial assets, which are followed in Turkish Lira as TL 2,373,083 on the balance sheet and TL 221,109 (31 December 2015 – TL 221,109) of foreign currency denominated subsidiaries, which are followed in Turkish Lira as TL 300,062 on the balance sheet.

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

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

(\*\*\*\*\*) General provision for FC indexed loans amount of TL 27,473 included in Other Liabilities. General loan provisions for the Bank’s share and provisions for financial assets at fair value through profit and loss amount of TL 66,819 and TL 488 respectively are not included in currency risk of the Bank.

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 31,952 (31 December 2015 – TL 32,613)
- Prepaid expenses : TL 1,063 (31 December 2015 – TL 1,343)
- Derivative financial liabilities held for trading : TL 98,529 (31 December 2015 – TL 61,561)
- Marketable securities of FC revaluation reverse: TL 1,706 (31 December 2015 – TL (3,831))
- Derivative financial liabilities held for hedging : TL 47,832 (31 December 2015- TL 98,650)

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**II. Explanations on currency risk (continued):**

**Currency risk of the Bank: (continued)**

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

- Forward foreign currency purchase transactions TL 916,383 (31 December 2015 - TL 257,398)
- Forward foreign currency sale transactions: TL 908,061 (31 December 2015 - TL 223,967)
- Future precious metal purchase transactions: TL 575,528 (31 December 2015 - TL 340,409)
- Future precious metal sale transactions: TL 614,289 (31 December 2015 - TL 832,407)

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

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

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

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

<b>Current Period</b>		<b>Comparison</b>	
<b>Equity Securities (shares)</b>	<b>Carrying Value</b>	<b>Fair Value</b>	<b>Market Value</b>
1 <b>Securities Available-for-Sale (*)</b>	<b>63,915</b>	-	-
Quoted Securities	-	-	-
2 <b>Investments in Associates</b>	-	-	-
Quoted Securities	-	-	-
3 <b>Investment in Subsidiaries</b>	<b>300,062</b>	-	-
Quoted Securities	50,173	-	-
4 <b>Other</b>	<b>15,500</b>	-	-
Quoted Securities	-	-	-
<b>Prior Period</b>		<b>Comparison</b>	
<b>Equity Securities (shares)</b>	<b>Carrying Value</b>	<b>Fair Value</b>	<b>Market Value</b>
1 <b>Securities Available-for-Sale (*)</b>	<b>64,815</b>	-	-
Quoted Securities	-	-	-
2 <b>Investments in Associates</b>	-	-	-
Quoted Securities	-	-	-
3 <b>Investment in Subsidiaries</b>	<b>299,312</b>	-	-
Quoted Securities	50,173	-	-
4 <b>Other</b>	<b>15,500</b>	-	-
Quoted Securities	-	-	-

(\*)Valuation of equity share investments are accounted at cost value due to its fair value cannot be measured reliably.

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

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**IV. Liquidity risk management and liquidity coverage ratio**

The liquidity risk of the Bank is the risk of being unable to fulfill its payment obligations on time due to not having enough cash sources or cash inflows to finance its cash outflows fully and on time due to cash flow instabilities. It has been evaluated in two main categories :

Funding Liquidity Risk : It is a kind of risk which does not meet the any unexpected loss and non defaulting debts and liabilities.

Market Liquidity Risk : It is a kind of risk which consists of the position that cannot be sold without affecting market price due to insufficient market depth or market conditions' deterioration or that cannot be completed with the position of market price for any reasons.

**a) Information on risk capacity of the Bank, Responsibilities and structure of liquidity risk management, the Bank's internal liquidity risk reporting, communication between the Board of Directors and business lines on liquidity risk strategy, policy and application:**

The Bank's liquidity and funding policy is to own sufficient liquidity reserve and funding opportunities to meet its liabilities even in cases of stress, resulting from the market conditions or other conditions specific to the Bank. The applications and responsibilities related to the liquidity risk has been determined according to the Treasury Liquidity and Mark Management Policies and Practices approved by Board of Directors.

The Bank, with its strong capital structure and its main shareholder is Kuwait Finance House's support, spread the base of current and participation accounts and be stable, diversified sources of foreign borrowing has a high risk capacity. In addition, in the case that high-quality liquid assets to meet its cash outflows with the stock of the Liquidity Coverage Ratio of the Bank it is evaluated as high. There are limits to ready use in the Central Bank and financial institutions.

Senior management in the ALCO meetings are analyzed indicators of the liquidity situation and liquidity risk are weekly discussed. In addition, the Board of Directors through the Audit Committee are informed.

For the management of liquidity risk, the Risk Management Department of the funding and liquidity risks, market conditions, in the participating accounts, the distribution of different currencies, maturity, cost and expected future cash flow requirements (particularly with regard to large deposits) are followed. reports on the liquidity gap analysis Budget and Management Reporting prepared weekly by the Department and monitored by the Asset and Liability Committee. These units also possible to estimate the Bank's liquidity needs in case of emergency and urgent action plans based on these estimates. Risk Management Department, followed by limits on liquidity risk as determined by the Board. Risk Management Department, in addition to these, is implementing monthly liquidity stress tests to measure the effects of negative scenario will make the liquidity position of the Bank. The Treasury Department is to do at any time or from any source with regard to funding deficiency funding to prevent and manage its liquidity risk and Asset and Liability Committee regularly reports regarding the Bank's liquidity position. External Reporting Directorate to track the liquidity coverage ratio and the results are reported to the BRSA.

**b) Information on the centralization degree of liquidity management and funding strategy and the functioning between the Bank and the Bank's subsidiaries:**

The Bank's liquidity management is performed by the Asset and Liability Management. depending on the Bank's consolidated subsidiaries are subject to liquidity risk is managed in-house, but the necessary communication and coordination within the Assistant General Manager in charge of Treasury and International Banking are provided.

**c) Information on the Bank's funding strategy including the policies on funding types and variety of maturities:**

The Bank targets to obtain additional funding sources besides the strong capital structure, from the most possible diversified, long term stable sources, considering cost factors. In this direction, concentration ratios such as share of retail funding sources in total funding sources, share of deposits of high amount in total deposits, share of borrowings made from the market in total market volume are monitored and limited with the applied risk limits. Treasury performs necessary work to obtain long term foreign funding.

**d) Information on liquidity management on the basis of currencies constituting a minimum of five percent of the Bank's total liabilities:**

Bank spread to the base of current and participation accounts and that a stable, long-term diversification and aims to be the source of the funds used. of liquid assets to total assets ratio and risk indicators related to liquidity, credit and the ratio of funds, issues such as the concentration in collected funds are being closely monitored.

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**IV. Liquidity risk management and liquidity coverage ratio (continued)**

**d) Information on liquidity management on the basis of currencies constituting a minimum of five percent of the Bank's total liabilities (continued):**

Foreign currency funds are obtained through foreign exchange deposit accounts, foreign based, foreign currency loans, securities issued and repurchase agreements. Foreign currency liquidity management is performed using internal risk limits defined for liquidity buffer kept at correspondent banks and monitored daily in the scope of the Bank's risk limits, and cumulative gap in the scope of liquidity stress scenario, and other risk limits defined for wholesale funding and concentration.

**e) Information on liquidity risk mitigation techniques:**

Liquidity risk is mitigated by using techniques such as maintaining high quality liquid asset buffer to cover possible fund outflows, diversification of funding sources so far as possible and inclusion to the base, homogenizing the maturity distribution of repayments as far as possible, obtaining limits from funding institutions to use when necessary and ensuring that a determined portion of funding sources are comprised of deposits.

**f) Information on the use of stress tests:**

In cases of negative conditions such as an impairment in the securities in the Bank's portfolio, inability to replace short and long term borrowings, fast cash outflow, increase in non-performing loan ratio, high margin calls, the extent and duration of sufficient liquidity is analyzed by the stress tests made by the Risk Management Department. Risk limits determined according to analysis results exist within the Bank. It is ensured that the necessary actions are taken by sharing the analysis results and risk limit compliance status with the ALCO, Executive Risk Committee and related business units.

**g) General information on urgent and unexpected liquidity situation plans:**

Necessary strategy and procedures for the management of possible liquidity crisis are determined with the Liquidity Contingency Plan, which is approved and reviewed every year by the Executive Risk Committee. The actions to be taken favor the benefits of depositors, creditors of the Bank and shareholders. In case one or several emergency situations occur, Bank's Liquidity Contingency Plan is put into use. After Liquidity Contingency Plan is put into use, Liquidity Contingency Management Committee is responsible from the determination of actions to be taken.



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**IV. Liquidity risk management and liquidity coverage ratio (continued)**

**Liquidity coverage ratio**

<i>Current Period</i>		<b>Total Unweighted Value (Average) <sup>(*)</sup></b>		<b>Total Weighted Value (Average) <sup>(*)</sup></b>	
		<b>TL+FC</b>	<b>FC</b>	<b>TL+FC</b>	<b>FC</b>
<b>High-Quality Liquid Assets</b>					
1	Total high-quality liquid assets (HQLA)	6,458,647	5,879,545	5,365,796	4,786,695
<b>Cash Outflows</b>					
2	Retail deposits and deposits from small business customers, of which:				
3	Stable deposits	20,934,202	9,319,071	1,339,425	598,218
4	Less stable deposits	15,079,890	6,673,769	753,994	333,688
5	Unsecured wholesale funding, of which:	5,854,312	2,645,302	585,431	264,530
6	Operational deposits	5,692,490	2,533,610	3,523,001	1,230,947
7	Non-operational deposits	1,968,808	1,151,663	492,203	287,916
8	Unsecured funding	2,081,360	1,323,427	1,388,476	884,511
9	Secured wholesale funding	1,642,322	58,520	1,642,322	58,520
10	Other cash outflows of which:				
11	Outflows related to derivative exposures and other collateral requirements	5,749,036	(461,405)	648,900	585,255
12	Outflows related to restructured financial instruments	-	(3,659,718)	-	63,991
13	Payment commitments and other off-balance sheet commitments granted for debts to financial markets	-	-	-	-
14	Other revocable off-balance sheet commitments and contractual obligations	5,749,036	3,198,313	648,900	521,264
15	Other irrevocable or conditionally revocable off-balance sheet obligations	-	-	-	-
16	<b>Total Cash Outflows</b>			<b>5,511,326</b>	<b>2,414,420</b>
<b>Cash Inflows</b>					
17	Secured receivables	-	-	-	-
18	Unsecured receivables	4,791,301	4,219,878	1,700,993	1,423,387
19	Other cash inflows	85,761	322,515	85,761	322,515
20	<b>Total Cash Inflows</b>	<b>4,877,062</b>	<b>4,542,393</b>	<b>1,786,754</b>	<b>1,745,902</b>
				Total Adjusted Value	
21	<b>Total HQLA</b>			<b>5,365,796</b>	<b>4,786,695</b>
22	<b>Total Net Cash Outflows</b>			<b>3,724,573</b>	<b>865,932</b>
23	<b>Liquidity Coverage Ratio (%)</b>			<b>144.06</b>	<b>552.78</b>

<sup>(\*)</sup> The average of last three months' liquidity coverage ratio calculated by weekly simple averages.

The table below presents highest, lowest and average liquidity coverage ratios of the first three months of 2016:

<i>Current Period</i>	<b>Highest</b>	<b>Date</b>	<b>Lowest</b>	<b>Date</b>	<b>Average</b>
<b>TL+FC</b>	294.78	08.01.2016	117.94	25.03.2016	195.30
<b>FC</b>	1033.24	08.01.2016	393.39	25.03.2016	769.78

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**IV. Liquidity risk management and liquidity coverage ratio (continued)**

**Liquidity coverage ratio (continued)**

<i>Prior Period</i>		<b>Total Unweighted Value (Average) (*)</b>		<b>Total Weighted Value (Average) (*)</b>	
		<b>TL+FC</b>	<b>FC</b>	<b>TL+FC</b>	<b>FC</b>
<b>High-Quality Liquid Assets</b>					
1	Total high-quality liquid assets (HQLA)	7,152,259	6,495,841	5,892,554	5,236,137
<b>Cash Outflows</b>					
2	Retail deposits and deposits from small business customers, of which:	20,207,987	9,032,118	1,283,873	571,159
3	Stable deposits	14,738,520	6,641,070	736,926	332,054
4	Less stable deposits	5,469,467	2,391,048	546,947	239,105
5	Unsecured wholesale funding, of which:	5,117,630	2,361,450	2,829,696	984,199
6	Operational deposits	1,695,445	896,461	423,861	224,115
7	Non-operational deposits	2,025,354	1,413,310	1,027,916	708,405
8	Unsecured funding	1,396,831	51,679	1,377,919	51,679
9	Secured wholesale funding	-	-	-	-
10	Other cash outflows of which:	5,513,306	3,014,714	649,792	500,221
11	Outflows related to derivative exposures and other collateral requirements	25,821	-	25,821	-
12	Outflows related to restructured financial instruments	-	-	-	-
13	Payment commitments and other off-balance sheet commitments granted for debts to financial markets	5,487,485	3,014,714	623,971	500,221
14	Other revocable off-balance sheet commitments and contractual obligations	-	-	-	-
15	Other irrevocable or conditionally revocable off-balance sheet obligations	-	-	-	-
16	<b>Total Cash Outflows</b>			<b>4,763,361</b>	<b>2,055,579</b>
<b>Cash Inflows</b>					
17	Secured receivables	-	-	-	-
18	Unsecured receivables	5,100,784	4,292,418	1,230,262	829,902
19	Other cash inflows	69,691	617,479	69,691	617,479
20	<b>Total Cash Inflows</b>	<b>5,170,475</b>	<b>4,909,897</b>	<b>1,299,953</b>	<b>1,447,381</b>
				<b>Total Adjusted Value</b>	
21	<b>Total HQLA</b>			<b>5,892,554</b>	<b>5,236,137</b>
22	<b>Total Net Cash Outflows</b>			<b>3,463,409</b>	<b>645,360</b>
23	<b>Liquidity Coverage Ratio (%)</b>			<b>170.14</b>	<b>811.35</b>

(\*) The average of last three months' liquidity coverage ratio calculated by weekly simple averages.

The table below presents highest, lowest and average liquidity coverage ratios of the year 2015:

<i>Prior Period</i>	<b>Highest</b>	<b>Date</b>	<b>Lowest</b>	<b>Date</b>	<b>Average</b>
<b>TL+FC</b>	318.35	27.03.2015	166.26	02.01.2015	227.12
<b>FC</b>	991.79	11.12.2015	181.55	02.01.2015	565.20

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**IV. Liquidity risk management and liquidity coverage ratio (continued)**

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

Current period	Demand	Up to 1 month	1-3 Months	3-12 months	1-5 years	Over 5 years	Unallocated (**)	Total
Assets								
Cash (cash in vault, effectives, cash in transit, Cheques purchased) and balances with the Central Bank of the Republic of Turkey	2,274,411	4,913,169	-	-	-	-	-	7,187,580
Banks	3,198,024	-	-	-	-	-	-	3,198,024
Financial assets at fair value through profit and loss	-	21,916	17,637	11,766	45,799	33,340	376	130,834
Money market placements	-	-	-	-	-	-	-	-
Available-for-sale financial assets	-	767,738	144,131	695,368	623,079	70,863	71,904	2,373,083
				10,293,94				
Loans (*)	-	3,671,137	3,739,394	2	8,951,007	1,219,173	132,020	28,006,673
Held-to-maturity investments	-	-	-	-	-	-	-	-
Other assets (**)	43,484	377,751	160,633	-	92,263	-	760,711	1,434,842
<b>Total assets</b>	<b>5,515,919</b>	<b>9,751,711</b>	<b>4,061,795</b>	<b>11,001,076</b>	<b>9,712,148</b>	<b>1,323,376</b>	<b>965,011</b>	<b>42,331,036</b>
Liabilities								
Current account and funds collected from banks via participation accounts	164,639	31,900	13	43,501	-	-	-	240,053
Current and profit sharing accounts	9,411,943	14,492,948	2,684,101	929,640	9,912	-	-	27,528,544
Funds provided from other financial institutions	-	461,662	1,891,473	3,023,282	2,144,475	1,567,573	-	9,088,465
Money market borrowings	-	620,215	-	-	-	-	-	620,215
Marketable securities issued	-	-	-	-	-	-	-	-
Miscellaneous payables	95,523	42,415	-	-	-	-	-	137,938
Other liabilities (**)	-	563,117	32,843	17,426	47,831	-	4,054,604	4,715,821
<b>Total liabilities</b>	<b>9,672,105</b>	<b>16,212,257</b>	<b>4,608,430</b>	<b>4,013,849</b>	<b>2,202,218</b>	<b>1,567,573</b>	<b>4,054,604</b>	<b>42,331,036</b>
Net liquidity gap	(4,156,186)	(6,460,546)	(546,635)	6,987,227	7,509,930	(244,197)	(3,089,593)	-
<b>Prior period</b>								
Total assets	6,108,054	10,768,415	4,529,611	8,790,170	9,571,272	1,280,626	1,004,359	42,052,507
Total liabilities	9,395,700	16,451,251	3,999,249	5,430,098	2,251,818	589,726	3,934,665	42,052,507
Net liquidity gap	(3,287,646)	(5,682,836)	530,362	3,360,072	7,319,454	690,900	(2,930,306)	-

(\*) Includes receivables from leasing transactions.

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

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**V. Explanations on leverage ratio**

**Disclosure of Leverage ratio template**

The leverage ratio table prepared in accordance with the communiqué “Regulation on Measurement and Assessment of Leverage Ratios of Banks” published in the Official Gazette no. 28812 dated 5 November 2013 is presented below:

<b>On-balance sheet assets</b>		<b>Current Period <sup>(*)</sup></b>	<b>Prior Period <sup>(*)</sup></b>
1	On-balance sheet items (excluding derivative financial instruments and credit derivatives but including collateral)	42,508,570	42,388,827
2	(Assets deducted in determining Tier I capital)	(229,273)	(212,131)
3	Total on-balance sheet risks (sum of lines 1 and 2)	42,279,297	42,176,696
<b>Derivative financial instruments and credit derivatives</b>			
4	Replacement cost associated with all derivative instruments and credit derivatives	-	-
5	Add-on amounts for PFE associated with all derivative instruments and credit derivatives	41,057	99,214
6	Total risks of derivative financial instruments and credit derivatives (sum of lines 4 to 5)	41,057	99,214
<b>Securities or commodity financing transactions (SCFT)</b>			
7	Risks from SCFT assets (excluding on-balance sheet)	634,735	673,233
8	Risks from brokerage activities related exposures	-	-
9	Total risks related with securities or commodity financing transactions (sum of lines 7 to 8)	634,735	673,233
<b>Other off-balance sheet transactions</b>			
10	Gross notional amounts of off-balance sheet transactions	37,875,415	37,197,875
11	(Adjustments for conversion to credit equivalent amounts)	(22,470,507)	(22,663,134)
12	Total risks of off-balance sheet items (sum of lines 10 and 11)	15,404,908	14,534,741
<b>Capital and total risks</b>			
13	Tier I capital	3,261,105	3,189,730
14	Total risks (sum of lines 3, 6, 9 and 12)	58,359,987	57,483,884
<b>Leverage ratio</b>			
15	Leverage ratio	5.59	5.55

(\*) Amounts in the table are three-month average amounts.

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**VI. Explanations on risk management**

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

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

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

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

		Risk Weighted Amounts		Minimum Capital Requirements
		Current Period	Prior Period	Current Period
1	Credit risk (excluding counterparty credit risk) (CCR) <sup>(*)</sup>	26,283,955	23,609,084	2,102,716
2	Of which standardised approach (SA)	26,283,955	23,609,084	2,102,716
3	Of which internal rating-based (IRB) approach	-	-	-
4	Counterparty credit risk	11,574	15,602	926
5	Of which standardised approach for counterparty credit risk (SA-CCR)	11,574	15,602	926
6	Of which internal model method (IMM)	-	-	-
7	Equity position in banking book under basic risk weighting or internal rating-based	-	-	-
8	Equity investments in funds – look-through approach	-	-	-
9	Equity investments in funds – mandate-based approach	-	-	-
10	Equity investments in funds – 1250% risk weighting approach	-	-	-
11	Settlement risk	-	-	-
12	Securitisation exposures in banking book	-	-	-
13	Of which IRB ratings-based approach (RBA)	-	-	-
14	Of which IRB supervisory formula approach (SFA)	-	-	-
15	Of which SA/simplified supervisory formula approach (SSFA)	-	-	-
16	Market risk	651,219	755,386	52,098
17	Of which standardised approach (SA)	651,219	755,386	52,098
18	Of which internal model approaches (IMM)	-	-	-
19	Operational risk	2,900,835	2,307,997	232,067
20	Of which basic indicator approach	2,900,835	2,307,997	232,067
21	Of which standardised approach			
22	Of which advanced measurement approach			
23	Amounts below the thresholds for deduction from capital (subject to 250% risk weight)			
24	Floor adjustment			
25	Total (1+4+7+8+9+10+11+12+16+19+23+24)	29,847,583	26,688,069	2,387,807

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**VII . Securitization Positions**

None.

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

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

**IX. 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.

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

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

<b>Current Period</b> <b>1 January – 31 March 2016</b>	<b>Retail and enterprise Banking</b>	<b>Commercial banking</b>	<b>Corporate and international banking</b>	<b>Unallocated</b>	<b>Bank's total operation</b>
Operating income	384,429	504,390	8,585	-	897,404
Operating expenses	289,719	73,653	110,340	267,759	741,471
Transfers between segments	189,169	(223,586)	34,417	-	-
<b>Net operating income(loss)</b>	<b>283,879</b>	<b>207,151</b>	<b>(67,338)</b>	<b>(267,759)</b>	<b>155,933</b>
Income from associates	-	-	-	-	-
<b>Income (loss) before tax</b>	<b>283,879</b>	<b>207,151</b>	<b>(67,338)</b>	<b>(267,759)</b>	<b>155,933</b>
Provision for taxation	-	-	-	30,458	30,458
<b>Net income for the period</b>	<b>283,879</b>	<b>207,151</b>	<b>(67,338)</b>	<b>(298,217)</b>	<b>125,475</b>
<b>Current Period</b> <b>1 January – 31 March 2016</b>					
Segment assets	9,681,954	17,966,815	13,247,425	-	40,896,194
Associates, subsidiaries and joint Ventures	-	-	-	315,562	315,562
Undistributed assets	-	-	-	1,119,280	1,119,280
<b>Total assets</b>	<b>9,681,954</b>	<b>17,966,815</b>	<b>13,247,425</b>	<b>1,434,842</b>	<b>42,331,036</b>
Segment liabilities	21,605,709	7,012,452	9,026,599	-	37,644,760
Undistributed liabilities	-	-	-	1,155,669	1,155,669
Shareholders' equity	-	-	-	3,530,607	3,530,607
<b>Total liabilities</b>	<b>21,605,709</b>	<b>7,012,452</b>	<b>9,026,599</b>	<b>4,686,276</b>	<b>42,331,036</b>

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**IX. Explanations on business segments (continued)**

<b>Prior Period</b> <b>1 January 2015 – 31 March 2015</b>	<b>Retail and enterprise Banking</b>	<b>Commercial banking</b>	<b>Corporate and international banking</b>	<b>Unallocated</b>	<b>Bank's total operation</b>
Operating income	301,816	389,969	48,729	-	740,513
Operating expenses	231,378	65,256	76,672	237,562	610,867
Transfers between segments	107,865	(101,418)	(6,447)	-	-
<b>Net operating income(loss)</b>	<b>178,303</b>	<b>223,295</b>	<b>(34,390)</b>	<b>(237,562)</b>	<b>129,646</b>
Income from associates	-	-	-	-	-
<b>Income (loss) before tax</b>	<b>178,303</b>	<b>223,295</b>	<b>(34,390)</b>	<b>(237,562)</b>	<b>129,646</b>
Provision for taxation	-	-	-	29,158	29,158
<b>Net income for the period</b>	<b>178,303</b>	<b>223,295</b>	<b>(34,390)</b>	<b>(266,720)</b>	<b>100,488</b>
<b>Prior Period</b>					
<b>31 December 2015</b>					
Segment assets	9,345,689	17,310,032	13,949,429	-	40,605,150
Associates, subsidiaries and joint ventures	-	-	-	314,812	314,812
Undistributed assets	-	-	-	1,132,545	1,132,545
<b>Total assets</b>	<b>9,345,689</b>	<b>17,310,032</b>	<b>13,949,429</b>	<b>1,447,357</b>	<b>42,052,507</b>
<b>Prior Period</b>					
<b>31 December 2015</b>					
Segment liabilities	20,903,219	7,217,038	9,387,527	-	37,507,784
Undistributed liabilities	-	-	-	1,142,233	1,142,233
Shareholders' equity	-	-	-	3,402,490	3,402,490
<b>Total liabilities</b>	<b>20,903,219</b>	<b>7,217,038</b>	<b>9,387,527</b>	<b>4,544,723</b>	<b>42,052,507</b>

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**SECTION FIVE**

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

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

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

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

	Current period		Prior period	
	TL	FC	TL	FC
Cash/foreign currency	273,852	750,227	433,762	1,279,705
The Central Bank of Republic of Turkey	457,140	4,913,179	220,583	5,136,523
Other (*)	33,983	759,199	8,031	490,211
<b>Total</b>	<b>764,975</b>	<b>6,422,605</b>	<b>662,376</b>	<b>6,906,439</b>

(\*) As of 31 March 2016, precious metal account amounting to TL 526,689 (31 December 2015 - TL 471,703) and money in transit amounting to TL 266,493 (31 December 2015 - TL 26,539) are presented in this line.

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

	Current period		Prior period	
	TL	FC	TL	FC
Unrestricted demand deposit	450,084	10	215,802	9
Unrestricted time deposit	-	-	-	-
Restricted time deposit	7,056	4,913,169	4,781	5,136,514
<b>Total</b>	<b>457,140</b>	<b>4,913,179</b>	<b>220,583</b>	<b>5,136,523</b>

In accordance with the “Communiqué Regarding the Reserve Requirements no. 2013/15, the Bank is required to maintain reserves in CBRT for TL and foreign currency liabilities. The reserve requirements can be maintained as TL, USD, EUR and standard gold. CBRT started paying interest on reserve balances held in USD starting from May 2015 and held in TL starting from November 2014. The reserve rates for TL liabilities vary between 5% and 11.5% for TL deposits and other liabilities according to their maturities as of 31 March 2016 (31 December 2015: 5% and 11.5% for all TL liabilities). The reserve rates for foreign currency liabilities vary between 5% and 25% for deposit and other foreign currency liabilities according to their maturities as of 31 December 2015 (31 December 2015: 5% and 25% for all foreign currency liabilities).

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

1. As of 31 March 2016, there are no financial assets at fair value through profit and loss subject to repurchase transactions, given as a collateral or blocked (31 December 2015 – 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	18,876	6,964	10,574	5,262
Swap transactions	223	24,988	1,421	27,351
Futures transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>19,099</b>	<b>31,952</b>	<b>11,995</b>	<b>32,613</b>



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

**c. Information on Banks:**

**1. Information on Banks:**

	Current period		Prior period	
	TL	FC	TL	FC
<b>Banks</b>	31,506	3,166,518	10,341	3,573,153
Domestic	31,292	1,421,375	10,291	1,765,435
Foreign	214	1,745,143	50	1,807,718
Branches and head office abroad	-	-	-	-
<b>Total</b>	<b>31,506</b>	<b>3,166,518</b>	<b>10,341</b>	<b>3,573,153</b>

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

	Current period		Prior period	
	Unrestricted Amount	Restricted Amount	Unrestricted Amount	Restricted Amount
EU Countries	1,074,060	-	960,042	-
USA and Canada	500,143	-	647,305	-
OECD Countries (*)	7,675	-	21,339	-
Off-shore Banking Regions	331	-	419	-
Other	163,148	-	178,663	-
<b>Total</b>	<b>1,745,357</b>	<b>-</b>	<b>1,807,768</b>	<b>-</b>

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

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

	Current period	Prior period
Debt Securities	2,292,397	2,268,627
Quoted on stock exchange	2,292,397	2,268,627
Not quoted on stock exchange	-	-
Share certificates	85,261	70,463
Quoted on stock exchange	18,898	4,933
Not quoted on stock exchange	66,363	65,530
Impairment provision	(4,575)	(8,723)
<b>Total</b>	<b>2,373,083</b>	<b>2,330,367</b>

The details of the Rent Certificates which are in Bank's Portfolio "Financial Assets Available for-Sale" are presented below as of 31 March 2016.

- a) The Bank invested in domestic currency rent certificates ("Sukuk") issued by private companies which are presented below. The "Sukuk" is classified under "Other Marketable Securities" at the accompanying financial statements.

DESCRIPTION	CURRENCY	COUPON FREQUENCY	ISSUER	ENTRY DATE	MATURITY DATE	VALUE	RATE
TRDKTVK51610	TRY	3	KT KİRA SERTİFİKALARI V.K.Ş.	13/11/2015	10/05/2016	498	10.96
TRDKTVK51628	TRY	3	KT KİRA SERTİFİKALARI V.K.Ş.	19/02/2016	10/05/2016	1,705	10.95
XS1082151868	USD	6	ALBARAKA TURK	30/06/2014	30/06/2019	113,336	6.26
XS1347658442	USD	3	IILMH	19/01/2016	19/04/2016	141,670	1.08
XS1369311995	USD	3	IILMH	24/02/2016	24/05/2016	141,670	4.16

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

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

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

DESCRIPTON	CURRENCY	COUPON FREQUENCY	ISSUER	ENTRY DATE	MATURITY DATE	VALUE	RATE
TRD150217T18	TRY	6	T.C. HAZİNE	18/02/2015	15/02/2017	464,649	7.80
TRD280916T17	TRY	6	T.C. HAZİNE	01/10/2014	28/09/2016	351,770	9.68
TRD160817T11	TRY	6	T.C. HAZİNE	19/08/2015	16/08/2017	321,193	9.96
TRD140218T18	TRY	6	T.C. HAZİNE	17/02/2016	14/02/2018	402,793	10.64
XS0831353361	USD	6	T.C. HAZİNE	26/09/2012	26/03/2018	217,625	2.80
XS1141043296	USD	6	T.C. HAZİNE	25/11/2014	25/11/2024	105,765	4.48

**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	933	13,347	1,014	13,543
Corporate Shareholders	-	13,197	-	13,543
Real Person Shareholders	933	150	1,014	-
Indirect Loans Granted to Shareholders	127,790	443	126,600	600
Loans Granted to Employees	12,291	3	11,943	3
<b>Total</b>	<b>141,014</b>	<b>13,793</b>	<b>139,557</b>	<b>14,146</b>

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

Current Period	Performing Loans and Other Receivables			Loans and Other Receivables under Follow-Up		
	Loans and Other Receivables (Total)	Loans and Receivables with Revised Contract Terms		Loans and Other Receivables (Total)	Loans and Receivables with Revised Contract Terms	
		Extension of Repayment Plan	Other		Extension of Repayment Plan	Other
<b>Loans</b>	<b>24,891,526</b>	<b>335,611</b>	<b>-</b>	<b>567,392</b>	<b>759,836</b>	<b>-</b>
Financing commodity against document	-	-	-	-	-	-
Exports Loan	19,860	-	-	50	-	-
Imports Loans	1,129,152	-	-	2,538	-	-
Enterprise Loans	16,085,524	277,078	-	369,821	744,461	-
Consumer Loans	4,901,984	5,698	-	151,705	10,080	-
Credit Cards	265,896	-	-	7,053	-	-
Precious Metal Loans	142,583	-	-	25	-	-
Loans Given to Financial Sector	39,112	-	-	-	-	-
Loans Extended Abroad	193,029	52,835	-	17,828	5,295	-
Other	2,114,386	-	-	18,372	-	-
<b>Other Receivables</b>	<b>21,412</b>	<b>-</b>	<b>-</b>	<b>5,193</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>24,912,938</b>	<b>335,611</b>	<b>-</b>	<b>572,585</b>	<b>759,836</b>	<b>-</b>

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

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

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

Prior Period	Performing Loans and Other Receivables			Loans and Other Receivables under Follow-Up		
	Loans and Other Receivables (Total)	Loans and Receivables with Revised Contract Terms		Loans and Other Receivables (Total)	Loans and Receivables with Revised Contract Terms	
Cash Loans		Extension of Repayment Plan	Other		Extension of Repayment Plan	Other
<b>Loans</b>	<b>24,141,604</b>	<b>347,322</b>	<b>-</b>	<b>499,331</b>	<b>715,135</b>	<b>-</b>
Financing commodity against document	-	-	-	-	-	-
Exports Loan	22,796	-	-	247	-	-
Imports Loans	1,034,926	-	-	1,981	-	-
Enterprise Loans	15,501,924	287,782	-	329,471	705,718	-
Consumer Loans	4,742,925	5,853	-	126,684	7,896	-
Credit Cards	246,452	-	-	5,967	-	-
Precious Metal Loans	149,169	-	-	2,598	-	-
Loans Given to Financial Sector	195,951	-	-	-	-	-
Loans Extended Abroad	237,965	53,687	-	14,339	1,521	-
Other	2,009,496	-	-	18,044	-	-
<b>Other Receivables</b>	<b>19,064</b>	<b>-</b>	<b>-</b>	<b>4,085</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>24,160,668</b>	<b>347,322</b>	<b>-</b>	<b>503,416</b>	<b>715,135</b>	<b>-</b>

In accordance with the Communiqué “Principles and Procedures for the Determination of the Quality of Loans and Other Receivables and Reserves to be provided for These Loans” published in Official Gazette dated 1 November 2006 and numbered 26333, information related to the restructuring (after publish date of the aforementioned Communiqué) of the standard loans and loans and other receivables under close monitoring with respect to the payment schedules and terms is as follows (average maturities are taken into the account):

Number of Extensions for Repayment Plan		
Current Period	Performing Loans and Other Receivables	Performing Loans and Other Receivables
1 or 2 times	335,611	759,836
3,4 or 5 times	-	-
Over 5 times	-	-
<b>Total</b>	<b>335,611</b>	<b>759,836</b>

Extensions Periods for Repayment Plan Changes		
Extension Periods for Repayment Plan Changes	Performing Loans and Other Receivables	Loans and Other Receivables under Follow-Up
0 - 6 months	5,691	17,099
6 - 12 months	15,255	55,189
1 - 2 years	72,321	228,326
2 - 5 years	117,843	451,107
5 years and over	124,501	8,115
<b>Total</b>	<b>335,611</b>	<b>759,836</b>

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

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

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

<b>Number of Extensions for Repayment Plan</b>		
<b>Prior Period</b>	<b>Performing Loans and Other Receivables</b>	<b>Loans and Other Receivables under Follow-Up</b>
1 or 2 times	347,322	715,135
3,4 or 5 times	-	-
Over 5 times	-	-
<b>Total</b>	<b>347,322</b>	<b>715,135</b>
<b>Extension Periods for Repayment Plan Changes</b>	<b>Performing Loans and Other Receivables</b>	<b>Loans and Other Receivables under Follow-Up</b>
0 - 6 months	3,386	16,447
6 - 12 months	17,113	50,730
1 - 2 years	67,989	231,651
2 - 5 years	133,004	415,379
5 years and over	125,830	928
<b>Total</b>	<b>347,322</b>	<b>715,135</b>

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

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

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

<b>Current Period</b>	<b>Performing Loans and Other Receivables</b>		<b>Loans and other receivables under Follow-Up</b>	
	<b>Loans and other receivables</b>	<b>Loans and Receivables with Revised Contract Terms</b>	<b>Loans and other receivables</b>	<b>Loans and Receivables with Revised Contract Terms</b>
<b>Cash loans</b>				
<b>Short-term loans and other receivables</b>	<b>6,694,652</b>	<b>12,152</b>	<b>75,331</b>	<b>42,890</b>
Loans	6,673,240	12,152	70,138	42,890
Other receivables	21,412	-	5,193	-
<b>Medium and long-term loans and other receivables (*)</b>	<b>18,218,286</b>	<b>323,459</b>	<b>497,254</b>	<b>716,946</b>
Loans	18,218,286	323,459	497,254	716,946
Other receivables	-	-	-	-
<b>Total</b>	<b>24,912,938</b>	<b>335,611</b>	<b>572,585</b>	<b>759,836</b>

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

<b>Prior Period</b>	<b>Performing Loans and Other Receivables</b>		<b>Loans and other receivables under Follow-Up</b>	
	<b>Loans and other receivables</b>	<b>Loans and Receivables with Revised Contract Terms</b>	<b>Loans and other receivables</b>	<b>Loans and Receivables with Revised Contract Terms</b>
<b>Cash Loans</b>				
<b>Short-term loans and other receivables</b>	<b>6,497,940</b>	<b>13,522</b>	<b>81,700</b>	<b>25,134</b>
Loans	6,478,876	13,522	77,615	25,134
Other receivables	19,064	-	4,085	-
<b>Medium and long-term loans and other receivables (*)</b>	<b>17,662,728</b>	<b>333,800</b>	<b>421,716</b>	<b>690,001</b>
Loans	17,662,728	333,800	421,716	690,001
Other receivables	-	-	-	-
<b>Total</b>	<b>24,160,668</b>	<b>347,322</b>	<b>503,416</b>	<b>715,135</b>

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

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

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

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

<b>Current Period</b>	<b>Short term</b>	<b>Medium and long term</b>	<b>Total</b>
<b>Consumer Loans-TL</b>	<b>87,704</b>	<b>4,860,858</b>	<b>4,948,562</b>
Housing Loans	3,403	4,534,063	4,537,466
Vehicle Loans	4,409	230,594	235,003
Consumer Loans	79,120	68,039	147,159
Other	772	28,162	28,934
<b>Consumer Loans-FC Indexed</b>	<b>-</b>	<b>7,486</b>	<b>7,486</b>
Housing Loans	-	7,486	7,486
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Consumer Loans-FC</b>	<b>138</b>	<b>105,126</b>	<b>105,264</b>
Housing Loans	138	47,787	47,925
Vehicle Loans	-	10	10
Consumer Loans	-	-	-
Other	-	57,329	57,329
<b>Retail Credit Cards-TL</b>	<b>153,195</b>	<b>395</b>	<b>153,590</b>
With Installment	31,472	395	31,867
Without Installment	121,723	-	121,723
<b>Retail Credit Cards-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
With Installment	-	-	-
Without Installment	-	-	-
<b>Personnel Loans-TL</b>	<b>1,802</b>	<b>6,353</b>	<b>8,155</b>
Housing Loans	2	1,774	1,776
Vehicle Loans	96	3,446	3,542
Consumer Loans	1,702	1,133	2,835
Other	2	-	2
<b>Personnel Loans-FC Indexed</b>	<b>-</b>	<b>-</b>	<b>-</b>
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Personnel Loans-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Personnel Credit Cards-TL</b>	<b>6,613</b>	<b>30</b>	<b>6,643</b>
With Installment	1,953	30	1,983
Without Installment	4,660	-	4,660
<b>Personnel Credit Cards-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Installment based	-	-	-
Without-installment	-	-	-
<b>Overdraft Account-TL (Real Person)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Overdraft Account-FC (Real Person)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>249,452</b>	<b>4,980,248</b>	<b>5,229,700</b>

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

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

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

Prior Period	Short term	Medium and long term	Total
<b>Consumer Loans-TL</b>	<b>97,352</b>	<b>4,656,748</b>	<b>4,754,100</b>
Housing Loans	2,681	4,371,412	4,374,093
Vehicle Loans	3,997	226,999	230,996
Consumer Loans	89,695	36,603	126,298
Other	979	21,734	22,713
<b>Consumer Loans-FC Indexed</b>	<b>-</b>	<b>8,775</b>	<b>8,775</b>
Housing Loans	-	8,775	8,775
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Consumer Loans-FC</b>	<b>193</b>	<b>113,354</b>	<b>113,547</b>
Housing Loans	193	51,882	52,075
Vehicle Loans	-	18	18
Consumer Loans	-	-	-
Other	-	61,454	61,454
<b>Retail Credit Cards-TL</b>	<b>140,945</b>	<b>821</b>	<b>141,766</b>
With Installment	28,719	821	29,540
Without Installment	112,226	-	112,226
<b>Retail Credit Cards-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
With Installment	-	-	-
Without Installment	-	-	-
<b>Personnel Loans-TL</b>	<b>2,317</b>	<b>4,619</b>	<b>6,936</b>
Housing Loans	3	1,579	1,582
Vehicle Loans	166	2,406	2,572
Consumer Loans	2,126	634	2,760
Other	22	-	22
<b>Personnel Loans-FC Indexed</b>	<b>-</b>	<b>-</b>	<b>-</b>
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Personnel Loans-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Personnel Credit Cards-TL</b>	<b>6,693</b>	<b>40</b>	<b>6,733</b>
With Installment	2,045	40	2,085
Without Installment	4,648	-	4,648
<b>Personnel Credit Cards-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Installment based	-	-	-
Without-installment	-	-	-
<b>Overdraft Account-TL (Real Person)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Overdraft Account-FC (Real Person)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>247,500</b>	<b>4,784,357</b>	<b>5,031,857</b>

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

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

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

<b>Current Period</b>	<b>Short term</b>	<b>Medium and long term</b>	<b>Total</b>
<b>Commercial Installment Loans-TL</b>	<b>99,553</b>	<b>3,335,486</b>	<b>3,435,039</b>
Business Loans	4,890	810,846	815,736
Vehicle Loans	50,908	828,699	879,607
Consumer Loans	43,663	1,687,025	1,730,688
Other	92	8,916	9,008
<b>Commercial Installment Loans-FC Indexed</b>	<b>23,690</b>	<b>1,586,950</b>	<b>1,610,640</b>
Business Loans	4,116	392,766	396,882
Vehicle Loans	3,140	351,850	354,990
Consumer Loans	7,251	778,169	785,420
Other	9,183	64,165	73,348
<b>Commercial Installment Loans-FC</b>	<b>-</b>	<b>157,032</b>	<b>157,032</b>
Business Loans	-	138,626	138,626
Vehicle Loans	-	14,991	14,991
Consumer Loans	-	-	-
Other	-	3,415	3,415
<b>Corporate Credit Cards-TL</b>	<b>112,716</b>	<b>-</b>	<b>112,716</b>
With Installment	16,260	-	16,260
Without Installment	96,456	-	96,456
<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>235,959</b>	<b>5,079,468</b>	<b>5,315,427</b>

<b>Prior Period</b>	<b>Short term</b>	<b>Medium and long term</b>	<b>Total</b>
<b>Commercial Installment Loans-TL</b>	<b>101,510</b>	<b>3,178,876</b>	<b>3,280,386</b>
Business Loans	3,143	760,710	763,853
Vehicle Loans	55,812	772,597	828,409
Consumer Loans	42,303	1,633,848	1,676,151
Other	252	11,721	11,973
<b>Commercial Installment Loans-FC Indexed</b>	<b>22,962</b>	<b>1,616,759</b>	<b>1,639,721</b>
Business Loans	1,222	423,948	425,170
Vehicle Loans	4,632	347,961	352,593
Consumer Loans	7,829	765,312	773,141
Other	9,279	79,538	88,817
<b>Commercial Installment Loans-FC</b>	<b>-</b>	<b>148,328</b>	<b>148,328</b>
Business Loans	-	129,225	129,225
Vehicle Loans	-	16,169	16,169
Consumer Loans	-	-	-
Other	-	2,934	2,934
<b>Corporate Credit Cards-TL</b>	<b>103,920</b>	<b>-</b>	<b>103,920</b>
With Installment	14,186	-	14,186
Without Installment	89,734	-	89,734
<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>228,392</b>	<b>4,943,963</b>	<b>5,172,355</b>



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

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

6. Breakdown of domestic and foreign loans:

	Current period	Prior period
Domestic loans	26,311,983	25,419,029
Foreign loans	268,987	307,512
<b>Total</b>	<b>26,580,970</b>	<b>25,726,541</b>

7. Loans granted to subsidiaries and associates:

	Current period	Prior period
Loans granted directly to subsidiaries and associates (*)	335,728	101,156
Loans granted indirectly to subsidiaries and associates	-	-
<b>Total</b>	<b>335,728</b>	<b>101,156</b>

(\*) The amount of loans granted directly to subsidiaries and associates is presented under "Banks" in financial statements.

8. Specific provisions for loans:

	Current period	Prior period
Specific provisions		
Loans and receivables with limited collectability	87,921	67,565
Loans and receivables with doubtful collectability	70,525	104,178
Uncollectible loans and receivables	224,231	146,317
<b>Total</b>	<b>382,677</b>	<b>318,060</b>

9. Information on non-performing loans (Net):

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

	Group III	Group IV	Group V
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
<b>Current period</b>			
(Gross amounts before specific provision)	-	-	-
Restructured loans and other receivables	-	-	-
Rescheduled loans and other receivables	-	-	-
<b>Prior period 31.12.2015</b>			
(Gross amounts before specific provision)	-	-	-
Restructured loans and other receivables	1,961	-	-
Rescheduled loans and other receivables	-	-	-

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

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

9. Information on non-performing loans (Net): (continued)

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

	<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</b>			
<b>Ending balance of prior period</b>	<b>112,924</b>	<b>160,172</b>	<b>169,423</b>
Additions in the current period (+)	83,793	16,345	2,733
Transfers from other categories of non-performing loans(+)	-	39,597	97,767
Transfers to other categories of non-performing loans (-)	47,431	89,930	4
Collections in the current period (-)	3,298	13,992	13,402
Transfers from non-performing loans to performing loans (-)	-	-	-
<b>Write offs (-)</b>	<b>-</b>	<b>-</b>	<b>-</b>
Corporate and commercial loans	-	-	-
Retail loans	-	-	-
Credit Cards	-	-	-
Other	<b>145,988</b>	<b>112,192</b>	<b>256,517</b>
<b>Ending balance of the current period</b>	<b>87,921</b>	<b>70,525</b>	<b>224,231</b>
Specific provisions (-)	<b>58,067</b>	<b>41,667</b>	<b>32,286</b>
<b>Net balance at the balance sheet</b>	<b>112,924</b>	<b>160,172</b>	<b>169,423</b>

(iii). Information on non-performing loans granted as foreign currency: None (31 December 2015 – 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>58,067</b>	<b>41,667</b>	<b>32,286</b>
Loans granted to real persons and legal entities (Gross)	145,988	112,192	256,517
Specific provision (-)	87,921	70,525	224,231
<b>Loans to real persons and legal entities (Net)</b>	<b>58,067</b>	<b>41,667</b>	<b>32,286</b>
Banks (Gross)	-	-	-
Specific provision (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	-	-	-
Specific provision (-)	-	-	-
Other loans and receivables (Net)	-	-	-
<b>Prior period (net) 31.12.2015</b>	<b>45,359</b>	<b>55,994</b>	<b>23,106</b>
Loans to real persons and legal entities (Gross)	112,924	160,172	169,423
Specific provision (-)	67,565	104,178	146,317
<b>Loans to real persons and legal entities (Net)</b>	<b>45,359</b>	<b>55,994</b>	<b>23,106</b>
Banks (Gross)	-	-	-
Specific provision (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	-	-	-
Specific provision (-)	-	-	-
Other loans and receivables (Net)	-	-	-

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

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

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

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

Loans and other receivables, which were deemed uncollectible according to the “Principles and Procedures for the Determination of the Quality of Loans and Other Receivables and Reserves to be provided for these Loans” published in the Official Gazette No. 26333 dated 1 November 2006 and for which a full impairment provision has been made, are written-off per the decision of the Bank top management. In 2016, non-performing loans amounting to TL have been written-off : None (31 December 2015 – TL 333,185).

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

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

**f. Information on held-to-maturity investments:**

None (31 December 2015 – None).

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

1. The 1.69% ownership of Kredi Garanti Fonu A.Ş. of TL 4,719 (31 December 2015 – TL 4,210), 8.36% ownership of Islamic International Rating Agency of TL 714 (31 December 2015 – TL 714), and 6.99% ownership of Neova Sigorta A.Ş. of TL 4,956 (31 December 2015 – TL 4,956), TL 390 amount of swift shares (31 December 2015 – TL 390) and 0.0035% ownership of share of TL 15 (31 December 2015 – TL 15) that is traded in Borsa İstanbul A.Ş. are classified as financial assets available for sale since the Bank’s ownership in these institutions is less than 10% and the Bank does not have a significant influence on these institutions.
2. Information about investments in unconsolidated associates: None (31 December 2015 – None).
3. Information related to consolidated associates: None (31 December 2015 – None).

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

1. Although the Bank has control power over the management and capital of its non-financial subsidiaries, Körfez Tatil Beldesi Turistik Tesisler ve Devremülk İşletmeciliği San. Ve Tic. A.Ş does not confirm to the definition of financial subsidiary in accordance with “Regulation related to the Preparation of Consolidated Financial Statements by Banks” published in the Official Gazette No. 26340 dated 8 November 2006; hence this subsidiary has not been consolidated. The Bank has reflected its subsidiary at restated cost less any provision for impairment in its financial statements until 31 December 2004.

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

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

**2. Information on subsidiaries:**

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

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

Total assets	Equity	Total fixed assets	Profit share income	Income from marketable securities	Current period profit/loss	Prior period profit /loss	Fair value
252,253	153,285	364	4,634	-	447	977	-
23,604	23,572	2	-	-	1,126	(1,009)	-
138,235	67,048	88,039	-	-	892	127	-
1,016,118	144	-	-	-	2	2	-
2,601,684	107	-	-	-	18	(29)	-
192,079	144,365	4,230	-	-	(9,277)	-	-
3,731	3,544	-	-	-	(1)	-	-
754	697	-	-	-	(300)	-	-
1,809,000	-	-	-	-	-	-	-

(\*) As of 31 March 2016, financial figures for this entity in the table above are based on the financial information prepared in accordance with the local regulations of the country in which this entity operates.

(\*\*) These figures are shown per Turkish Trade Law financial statements as at 31 March 2016.

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

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

Movement for subsidiaries

	<b>Current period</b> <b>31.03.2016</b>	<b>Prior period</b> <b>31.03.2015</b>
Balance at the beginning of the year	299,312	168,355
Movements during the year	-	-
Purchases (*)	750	-
Transfers from subsidiaries	-	-
Bonus shares	-	-
Dividends from current year income	-	-
Sales	-	-
Revaluation increase	-	-
Impairment	-	-
Capital commitment payments	-	-
<b>Balance at the end of the year</b>		
Capital commitments	<b>300,062</b>	<b>168,355</b>
Share percentage at the end of the year (%)	-	-

(\*) Purchases are the capital payments to Architech Bilişim Sistemleri amounting to TL 750.

Sectoral information on consolidated subsidiaries and the related carrying amounts:

	<b>Current period</b>	<b>Prior period</b>
Banks	221,109	221,109
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	-	-
Finance Companies	-	-
Other Financial Subsidiaries	55,273	55,273

Subsidiaries that are quoted on the stock exchange

	<b>Current period</b>	<b>Prior period</b>
Quoted in Domestic Stock Exchange	50,173	50,173
Quoted in Foreign Stock Exchange	-	-
<b>Toplam</b>	<b>50,173</b>	<b>50,173</b>

**3. Information on capital adequacies of major subsidiaries:**

The Bank does not have any major subsidiary.

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

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

	Bank's share percentage	Total assets	Equity	Total fixed assets	Current period profit/loss	Prior period profit /loss
Katılım Emeklilik ve Hayat A.Ş. (*) (**)	%50	341,790	13,234	1,897	(1,141)	(1,878)

(\*) These figures are shown per Turkish Trade Law financial statements as of 31 March 2016.

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

**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	916,001	772,084	1,008,185	850,194
1 to 4 years	489,767	452,777	305,026	285,153
More than 4 years	74,000	68,822	49,789	47,513
<b>Total</b>	<b>1,479,768</b>	<b>1,293,683</b>	<b>1,363,000</b>	<b>1,182,860</b>

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

	Current period	Prior period
Gross receivable from finance leases	1,479,768	1,363,000
Unearned finance lease income (-)	(186,085)	(180,140)
Cancelled amounts (-)	-	-
<b>Net receivable from finance leases</b>	<b>1,293,683</b>	<b>1,182,860</b>

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

The Bank determines the settlements of the financial lease agreements in accordance with related legislations. Payment terms and amounts may be rearranged with additional agreements upon customers' requests. On the agreements, the Bank gives the customer the option to buy the related property. According to the Financial Lease Law, if a customer does not fulfill its obligations, the Bank sends a notice to the customer and the Bank takes legal action against the customer if necessary. Non performing finance lease receivables amounting to TL 4,677 are included in the non-performing loans in the balance sheet (31 December 2015 – TL 3,506).

Impairment provision amounting to TL 3,567 (31 December 2015– 2,941) 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 (31 December 2015 – None).

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

**l. Information on deferred tax asset**

In accordance with the related regulations deferred tax asset calculated as of 31 March 2016 is TL 104,622 (31 December 2015– TL 117,108) and deferred tax liability is TL 12,359 (31 December 2015 – TL 9,958).

	Current period	Prior period
Reserve for employee benefits	6,766	11,646
Retirement pay liability	10,314	9,642
Deferred income	29,798	27,131
Rediscounts for derivative instruments held for trading	20,107	21,827
Impairment provision for subsidiaries, fixed assets and assets held for sale	29,084	26,223
Precious metals valuation difference	4,051	14,440
Other	4,502	6,199
<b>Deferred tax asset</b>	<b>104,622</b>	<b>117,108</b>
Difference between carrying value and tax base of tangible assets	(6,578)	(6,852)
Valuation difference on available for sale financial asset	(516)	(482)
Other	(5,265)	(2,624)
<b>Deferred tax liability</b>	<b>(12,359)</b>	<b>(9,958)</b>
<b>Deferred tax asset, (net)</b>	<b>92,263</b>	<b>107,150</b>

Table of deferred tax asset movement:

	Current period	Prior period
As of January 1	107,150	50,016
Deferred tax (expense)/income	(14,226)	50,599
Deferred tax accounted under other comprehensive income	(661)	6,535
<b>Deferred tax asset</b>	<b>92,263</b>	<b>107,150</b>

**m. Information on other assets:**

As of balance sheet date, the Bank's other assets amount to TL 425,707 (31 December 2015 - TL 410,740). Other assets balance does not exceed 10% of the total assets on the balance sheet excluding off balance sheet commitments.

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**SECTION FIVE**

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

**a. Information on funds collected:**

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

**i. Current period:**

	Demand	Up to 1 Month	Up to 3 Months	Up to 6 months	Up to 9 months	Up to 1 year	1 year and over	Accumulated profit sharing accounts	Total
<b>I. Real persons current accounts-TL</b>	<b>2,574,136</b>	-	-	-	-	-	-	-	<b>2,574,136</b>
<b>II. Real persons profit sharing accounts TL</b>	-	<b>2,779,371</b>	<b>4,811,796</b>	<b>552,121</b>		<b>210,564</b>	<b>162,551</b>	-	<b>8,516,403</b>
<b>III. Other current accounts-TL</b>	<b>1,785,804</b>	-	-	-	-	-	-	-	<b>1,785,804</b>
Public sector	105,317	-	-	-	-	-	-	-	105,317
Commercial sector	1,640,923	-	-	-	-	-	-	-	1,640,923
Other institutions	31,318	-	-	-	-	-	-	-	31,318
Commercial and other institutions	-	-	-	-	-	-	-	-	-
Banks and participation banks	8,246	-	-	-	-	-	-	-	8,246
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	445	-	-	-	-	-	-	-	445
Foreign banks	3,902	-	-	-	-	-	-	-	3,902
Participation banks	899	-	-	-	-	-	-	-	899
Others	3,000	-	-	-	-	-	-	-	3,000
<b>IV. Profit sharing accounts-TL</b>	-	<b>239,861</b>	<b>653,407</b>	<b>60,629</b>	-	<b>122,706</b>	<b>123,124</b>	-	<b>1,199,727</b>
Public sector	-	47	23,046	5,103	-	18	-	-	28,214
Commercial sector	-	211,989	596,899	48,638	-	119,005	122,742	-	1,099,273
Other institutions	-	27,674	33,038	6,888	-	3,679	382	-	71,661
Commercial and other institutions	-	151	411	-	-	4	-	-	566
Banks and participation banks	-	-	13	-	-	-	-	-	13
<b>V. Real persons current accounts-FC</b>	<b>3,204,101</b>	-	-	-	-	-	-	-	<b>3,204,101</b>
<b>VI. Real persons profit sharing accounts-FC</b>	-	<b>1,821,448</b>	<b>3,244,599</b>	<b>637,785</b>	-	<b>386,601</b>	<b>162,389</b>	-	<b>6,252,822</b>
<b>VII. Other current accounts-FC</b>	<b>1,507,036</b>	-	-	-	-	-	-	-	<b>1,507,036</b>
Commercial residents in Turkey	1,353,095	-	-	-	-	-	-	-	1,353,095
Commercial residents in Abroad	103,970	-	-	-	-	-	-	-	103,970
Banks and participation banks	49,971	-	-	-	-	-	-	-	49,971
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	4,613	-	-	-	-	-	-	-	4,613
Foreign banks	44,129	-	-	-	-	-	-	-	44,129
Participation banks	1,229	-	-	-	-	-	-	-	1,229
Others	-	-	-	-	-	-	-	-	-
<b>VIII. Profit sharing accounts- FC</b>	-	<b>301,513</b>	<b>938,398</b>	<b>87,167</b>	-	<b>36,083</b>	<b>139,594</b>	-	<b>1,502,755</b>
Public sector	-	-	15	-	-	-	-	-	15
Commercial sector	-	177,741	829,072	70,780	-	33,742	92,312	-	1,203,647
Other institutions	-	84,103	64,823	330	-	641	-	-	149,897
Commercial and other institutions	-	23,284	34,032	16,057	-	425	-	-	73,798
Banks and participation banks	-	16,385	10,456	-	-	1,275	47,282	-	75,398
<b>IX. Precious metal funds</b>	<b>505,505</b>	-	<b>636,775</b>	<b>45,805</b>	-	<b>33,536</b>	-	-	<b>1,221,621</b>
<b>X. Profit sharing accounts special funds - TL</b>	-	-	-	-	-	-	<b>4,192</b>	-	<b>4,192</b>
Residents in Turkey	-	-	-	-	-	-	4,192	-	4,192
Residents Abroad	-	-	-	-	-	-	-	-	-
<b>XI. Profit sharing accounts special funds - FC</b>	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>9,576,582</b>	<b>5,142,193</b>	<b>10,284,975</b>	<b>1,383,507</b>	-	<b>789,490</b>	<b>591,850</b>	-	<b>27,768,597</b>

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



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

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

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

**ii. Prior period:**

	Demand	Up to 1 month	Up to 3 Months	Up to 6 months	Up to 9 months	Up to 1 year	1 year and over	Accumulated profit sharing accounts	Total
<b>I. Real persons current accounts-TL</b>	<b>2,647,535</b>	-	-	-	-	-	-	-	<b>2,647,535</b>
<b>II. Real persons profit sharing accounts-TL</b>	-	<b>2,725,707</b>	<b>4,697,143</b>	<b>545,322</b>	-	<b>212,632</b>	<b>218,604</b>	-	<b>8,399,408</b>
<b>III. Other current accounts-TL</b>	<b>1,944,033</b>	-	-	-	-	-	-	-	<b>1,944,033</b>
Public sector	66,484	-	-	-	-	-	-	-	66,484
Commercial sector	1,843,791	-	-	-	-	-	-	-	1,843,791
Other institutions	24,319	-	-	-	-	-	-	-	24,319
Commercial and other institutions	-	-	-	-	-	-	-	-	-
Banks and participation banks	9,439	-	-	-	-	-	-	-	9,439
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	1,202	-	-	-	-	-	-	-	1,202
Foreign banks	4,839	-	-	-	-	-	-	-	4,839
Participation banks	398	-	-	-	-	-	-	-	398
Others	3,000	-	-	-	-	-	-	-	3,000
<b>IV. Profit sharing accounts-TL</b>	-	<b>285,158</b>	<b>1,016,935</b>	<b>50,342</b>	-	<b>107,013</b>	<b>78,509</b>	-	<b>1,537,957</b>
Public sector	-	43	22,580	5,000	-	19	-	-	27,642
Commercial sector	-	261,501	941,747	38,593	-	103,772	78,126	-	1,423,739
Other institutions	-	23,614	50,911	6,749	-	3,222	383	-	84,879
Commercial and other institutions	-	-	1,685	-	-	-	-	-	1,685
Banks and participation banks	-	-	12	-	-	-	-	-	12
<b>V. Real persons current accounts-FC</b>	<b>2,802,853</b>	-	-	-	-	-	-	-	<b>2,802,853</b>
<b>VI. Real persons profit sharing accounts-FC</b>	-	<b>1,647,358</b>	<b>3,055,045</b>	<b>607,343</b>	-	<b>393,923</b>	<b>169,584</b>	-	<b>5,873,253</b>
<b>VII. Other current accounts-FC</b>	<b>1,337,892</b>	-	-	-	-	-	-	-	<b>1,337,892</b>
Commercial residents in Turkey	1,169,549	-	-	-	-	-	-	-	1,169,549
Commercial residents in Abroad	114,891	-	-	-	-	-	-	-	114,891
Banks and participation banks	53,452	-	-	-	-	-	-	-	53,452
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	4,215	-	-	-	-	-	-	-	4,215
Foreign banks	47,939	-	-	-	-	-	-	-	47,939
Participation banks	1,298	-	-	-	-	-	-	-	1,298
Others	-	-	-	-	-	-	-	-	-
<b>VIII. Profit sharing accounts- FC</b>	-	<b>312,332</b>	<b>1,482,288</b>	<b>67,155</b>	-	<b>69,741</b>	<b>294,886</b>	-	<b>2,226,402</b>
Public sector	-	-	15	-	-	-	-	-	15
Commercial sector	-	170,129	1,373,343	47,301	-	43,511	94,839	-	1,729,123
Other institutions	-	72,423	56,230	348	-	353	-	-	129,354
Commercial and other institutions	-	26,189	39,467	19,506	-	17,006	-	-	102,168
Banks and participation banks	-	43,591	13,233	-	-	8,871	200,047	-	265,742
<b>IX. Precious metal funds</b>	<b>585,999</b>	-	<b>679,839</b>	<b>47,987</b>	-	<b>32,316</b>	-	-	<b>1,346,141</b>
<b>X. Profit sharing accounts special funds - TL</b>	-	-	-	-	-	-	<b>7,192</b>	-	<b>7,192</b>
Residents in Turkey	-	-	-	-	-	-	7,192	-	7,192
Residents Abroad	-	-	-	-	-	-	-	-	-
<b>XI. Profit sharing accounts special funds - FC</b>	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>9,318,312</b>	<b>4,970,555</b>	<b>10,931,250</b>	<b>1,318,149</b>	-	<b>815,625</b>	<b>768,775</b>	-	<b>28,122,666</b>

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

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

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

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

	Under the guarantee of saving deposit insurance		Exceeding the limit of saving Deposit	
	Current period	Prior period	Current period	Prior period
Real persons current and profit sharing accounts that are not subject to commercial activities				
TL accounts	7,438,707	7,234,693	3,612,390	3,775,703
FC accounts	4,497,862	4,001,565	6,007,000	5,831,455
Foreign branches' deposits under foreign authorities' insurance	-	-	-	-
Off-shore banking regions' under foreign authorities' insurance	-	-	-	-

Funds collected by Participation Banks (except for foreign branches) through current and profit share accounts which are opened by real persons and denominated in Turkish Lira or foreign currency with a limit of maximum of TL 100 (including both capital and profit shares) for each person is under the guarantee of Saving Deposit Insurance Fund in accordance with the Banking Law No. 5411 which issued in official gazette no. 25893 on 1 November 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:

The headquarters of the Bank is in Turkey.

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

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

	Current period	Prior period
Foreign branches' profit sharing accounts and other accounts	-	-
Profit sharing accounts and other accounts of controlling shareholders and profit sharing accounts of their mother, father, spouse, children in care	-	-
Profit sharing account and other accounts of President and Members of Board of Directors, CEO and Vice Presidents and profit sharing accounts of their mother, father, spouse and children in care	3,995	2,887
Profit sharing account and other accounts in scope of the property holdings derived from crime defined in article 282 of Turkish Criminal Law No:5237 dated 26 September 2004	-	-
Profit sharing accounts in participation banks which are established in Turkey in order to engage in off-shore banking activities solely	284	291

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

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

Derivative financial liabilities held for trading:

	Current period		Prior period	
	TL	FC	TL	FC
Forward transactions	17,323	7,289	9,669	4,070
Swap transactions	3,799	91,240	293	57,491
Futures transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>21,122</b>	<b>98,529</b>	<b>9,962</b>	<b>61,561</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	1,007,612	2,814,806	628,868	2,786,766
From Foreign Banks, Institutions and Funds	55,541	3,245,609	55,208	4,040,837
<b>Total</b>	<b>1,063,153</b>	<b>6,060,415</b>	<b>684,076</b>	<b>6,827,603</b>

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

	Current period		Prior period	
	TL	FC	TL	FC
Short-term	1,063,153	3,915,940	684,076	4,684,992
Medium and Long-Term	-	2,144,475	-	2,142,611
<b>Total</b>	<b>1,063,153</b>	<b>6,060,415</b>	<b>684,076</b>	<b>6,827,603</b>

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

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

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

Important transactions that are accounted under Funds Borrowed are presented below:

**Current Period:**

Type	Customer	Opening Date	Maturity	Currency	Rate (Yearly)	Principal	Profit Share
KT Issue	KT KİRA SERTİFİKALARI V.K.Ş	25/03/2016	23/06/2016	TRY	10.45%	240,113,800	6,275,854
KT Issue	KT KİRA SERTİFİKALARI V.K.Ş	19/02/2016	10/05/2016	TRY	10.80%	140,000,000	3,402,000
KT Issue	KT KİRA SERTİFİKALARI V.K.Ş	13/11/2015	10/05/2016	TRY	10.82%	200,000,000	10,759,610
KT Issue	KT KİRA SERTİFİKALARI V.K.Ş	15/07/2015	15/07/2020	MYR	5.64%	300,000,000	85,894,027
KT Issue	KT KİRA SERTİFİKALARI V.K.Ş	15/05/2015	15/05/2020	MYR	5.64%	200,000,000	57,262,685
KT Issue	KT KİRA SERTİFİKALARI V.K.Ş	31/03/2015	31/03/2020	MYR	5.72%	300,000,000	87,095,343
KT Issue	KT KİRA SERTİFİKALARI V.K.Ş	26/06/2014	26/06/2019	USD	5.08%	500,000,000	128,767,923
Sukuk	KT Sukuk V.K.Ş.	31/10/2011	31/10/2016	USD	5.88%	213,129,648	63,545,937
Wakala	KFH – KUWAIT	21/05/2015	27/05/2016	USD	1.80%	120,000,000	2,232,000
Wakala	KFH – KUWAIT	15/06/2015	21/06/2016	USD	1.80%	100,000,000	1,911,667
Wakala	PIFSS - KUWAIT	22/10/2015	31/10/2016	USD	1.80%	100,000,000	1,666,667
Syndicated	EMIRATES NBD BANK PJSC (HEAD OFFICE) – DUBAI	29/12/2014	29/12/2016	USD	1.25%	300,000,000	7,642,605

**Previous Period:**

Type	Customer	Opening Date	Maturity	Currency	Rate (Yearly)	Principal	Profit Share
KT Issue	KT KİRA SERTİFİKALARI V.K.Ş	16/12/2015	16/03/2016	TRY	10.72%	150,000,000	4,065,075
KT Issue	KT KİRA SERTİFİKALARI V.K.Ş	13/11/2015	10/05/2016	TRY	10.82%	200,000,000	10,759,610
KT Issue	KT KİRA SERTİFİKALARI V.K.Ş	15/07/2015	15/07/2020	MYR	5.64%	300,000,000	85,894,027
KT Issue	KT KİRA SERTİFİKALARI V.K.Ş	30/06/2015	05/01/2016	TRY	10.48%	160,000,000	8,806,880
KT Issue	KT KİRA SERTİFİKALARI V.K.Ş	15/05/2015	15/05/2020	MYR	5.64%	200,000,000	57,262,685
KT Issue	KT KİRA SERTİFİKALARI V.K.Ş	31/03/2015	31/03/2020	MYR	5.72%	300,000,000	87,095,343
KT Issue	KT KİRA SERTİFİKALARI V.K.Ş	26/06/2014	26/06/2019	USD	5.08%	500,000,000	128,767,923
Sukuk	KT Sukuk V.K.Ş.	31/10/2011	31/10/2016	USD	5.88%	213,129,648	63,545,937
Wakala	KFH – KUWAIT	20/01/2015	27/01/2016	USD	1.80%	125,000,000	2,454,167
Wakala	KFH – KUWAIT	21/05/2015	27/05/2016	USD	1.80%	120,000,000	2,232,000
Wakala	KFH – KUWAIT	15/06/2015	21/06/2016	USD	1.80%	100,000,000	1,911,667
Wakala	PIFSS - KUWAIT	22/10/2015	31/10/2016	USD	1.80%	100,000,000	1,666,667
Syndicated	EMIRATES NBD BANK PJSC (HEAD OFFICE) – DUBAI	29/12/2014	29/12/2016	USD	1.25%	300,000,000	7,642,605

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

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

**3. Explanations Related to the Concentrations of the Bank's Major Liabilities:**

All of the borrowings consist of foreign currency loans and majorly they are formed by the transactions with the off-shore financial institutions. There is no risk concentration of the Bank's current and profit sharing accounts.

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

As of 31 March 2016, other liabilities amount to TL 477,401 (31 December 2015 – TL 454,608), sundry creditors amount to TL 137,938 (31 December 2015- TL 118,978), both of them do not exceed 10% of the balance sheet total.

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

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

As of 31 March 2016, finance lease payables details of the transaction of issuing certificate of rent (sukuk) is explained under section three and disclosure XVIII, with the permission of BRSA's decision numbered B.02.1.BDK.0.06.00.00-045.01(3/8)-5397 and as of 13 March 2012, it is accounted as sale and leaseback transaction in accordance with TAS 17.

i. Information on the changes in agreements and new obligations originating from these changes: None (31 December 2015 – None).

ii. Information on Financial Lease Obligations

	Current period		Prior period	
	Gross	Net	Gross	Net
Less than 1 year	456,232	397,323	468,302	401,990
Between 1-4 years	-	-	-	-
More than 4 years	-	-	-	-
<b>Total</b>	<b>456,232</b>	<b>397,323</b>	<b>468,302</b>	<b>401,990</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:

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

**f. Information on hedging derivative financial liabilities:**

	Current Period		Prior Period	
	TL	FC	TL	FC
Fair value hedge	-	-	-	-
Cash flow hedge	-	47,832	-	98,650
Hedge of net investment in foreign operations	-	-	-	-
<b>Total</b>	<b>-</b>	<b>47,832</b>	<b>-</b>	<b>98,650</b>

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

**g. Information on provisions:**

1. Information on general provisions:

	Current period	Prior Period
<b>General Provisions</b>	<b>342,844</b>	<b>334,118</b>
<b>I.For Loans and Receivables in Group I (Total)</b>	<b>247,983</b>	<b>242,204</b>
Profit Sharing Accounts' Share	66,814	70,988
The Bank's Share	168,038	158,152
Other	-	-
<b>I.Additional Provision for Loans and Receivables with Extended Maturities</b>	<b>13,131</b>	<b>13,064</b>
Profit Sharing Accounts' Share	3,433	3,482
The Bank's Share	9,698	9,582
Other	-	-
<b>II.Loans and Receivables in Group II (Total)</b>	<b>48,508</b>	<b>45,256</b>
Profit Sharing Accounts' Share	79	584
The Bank's Share	12,179	10,692
Other	-	-
<b>II.Additional Provision for Loans and Receivables with Extended Maturities</b>	<b>36,250</b>	<b>33,980</b>
Profit Sharing Accounts' Share	18,822	17,298
The Bank's Share	17,428	16,682
Other	-	-
<b>Provisions for Non Cash Loans</b>	<b>19,843</b>	<b>19,363</b>
<b>Other</b>	<b>26,510</b>	<b>27,295</b>

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

2. Information on provisions related with foreign currency evaluation difference of foreign currency indexed loans:  
As of 31 March 2016, effect of decrease in exchange rates on foreign currency indexed loans amounting to TL 80,979 (31 December 2015 – TL 28,352) and TL 43,310 for leasing receivables (31 December 2015 – TL 37,431) is offset against loans and receivables.

3. Information on other provisions:

	Current period	Prior period
Provisions for non- liquidated non cash loans (*)	67,462	66,746
Provisions for cheque books (*)	6,909	8,768
Provisions from equity/profit sharing accounts	14,547	7,564
Provisions for Promotion Activities for Credit Cards	602	551
Other(**)	6,230	7,988
<b>Total</b>	<b>95,750</b>	<b>91,617</b>

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

(\*\*) Other item includes TL 4,450 litigation provision in current period ( 31 December 2015 – TL 4,450).

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

4. Information on provisions for employee benefits:

Provisions for employee benefits consist of reserve for employee termination benefits amounting to TL 51,572 (31 December 2015 – TL 48,208), vacation pay liability amounting to TL 14,000 (31 December 2015 – TL 355), performance premium amounting to TL 7,995 (31 December 2015 – TL 49,677), retirement bonuses on payment of TL 5,470 (31 December 2015 – TL 3,360), and committee fee amounting to TL 6,366 (31 December 2015- TL 4,840).

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 4,093 (full amount) (31 December 2015 – TL 4,093) for each year of service. The liability is not funded, as there is no funding requirement.

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

	Current period	Prior period
Discount rate (%)	9.80	10.83
Inflation rate (%)	6.90	7.40
Interest rate (%)	9.95	8.40

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

	Current period	Prior period
Balance at the beginning of the period	48,208	41,916
Provisions recognized during the period	4,557	13,063
Paid during the period	(1,193)	(3,151)
Actuarial gain/loss	-	(3,620)
<b>Balances at the end of the period</b>	<b>51,572</b>	<b>48,208</b>

**h. Explanations on tax liability:**

1. Explanations on current tax liability:

- i. Information on tax provisions: As of 31 March 2016, the Bank has current tax liability after deducting temporary taxes paid during the period from the provision for corporate income tax amounting to TL 16,333.

	Current period	Prior period
Provision for corporate income tax	175,761	159,529
Prepaid taxes	(159,428)	(123,057)
<b>Total (*)</b>	<b>16,333</b>	<b>36,472</b>

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

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

**h. Explanations on tax liability: (continued)**

1. Explanations on current tax liability: (continued)

ii. Information on taxes payable :

	Current period	Prior period
Taxation of marketable securities	10,955	10,502
Taxation of immovable property	1,197	997
Banking Insurance Transaction Tax (BITT)	12,923	13,200
Foreign Exchange Transaction Tax	-	-
Value Added Tax Payable	731	1,020
Income tax deducted from wages	5,255	6,488
Other	990	1,001
<b>Total</b>	<b>32,051</b>	<b>33,208</b>

iii. Information on premiums (\*):

	Current period	Prior period
Social Security Premiums-Employee	4,491	3,636
Social Security Premiums-Employer	4,849	3,913
Unemployment insurance-Employee	321	260
Unemployment insurance-Employer	703	573
<b>Total</b>	<b>10,364</b>	<b>8,382</b>

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

iv. Information on deferred tax liability: None (31 December 2015 - None).

**i. Information on payables related to assets held for sale:**

None (31 December 2015 – None).

**j. Information on subordinated loans:**

	Current Period		Prior Period	
	TL	FC	TL	FC
From Domestic Banks	-	-	-	-
From Other Domestic Institutions	-	-	-	-
From Foreign Banks	-	1,567,574	-	589,734
From Other Foreign Institutions	-	-	-	-
<b>Total</b>	<b>-</b>	<b>1,567,574</b>	<b>-</b>	<b>589,734</b>

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

Kuwait Turkish Participation Bank, on February 17, 2016 Cayman Islands' as resident Special Purpose Vehicle (SPV) KT Sukuk Company Limited with over 350 million US dollars worth of sukuk issued by the BRSA by the issue in the Regulation on the Capital Adequacy requirements having a contribution, it has provided capital loans. BRSA dated 09.02.2015 and 20008792101.01[93]E.12819 Letter of Conformity No included in the loan be included in the calculation of capital contribution to the Bank / sukuk annual rate of return is 7.90%, 5 year maturity and repayment option at the end of the Bank 10 it is determined as years. Sukuk returns under the said payment, the implementation of the transfer price of the assets, expressed as a yearly rate of return will be calculated by and principal will be made in two equal installments on July 17 and February 17 each year.



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

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

1. Presentation of paid-in capital:

	Current period	Prior period
Common shares	2,530,000	2,530,000
Preference shares	-	-
Repurchased shares amount (*)	(2,678)	(2,678)
<b>Total</b>	<b>2,527,322</b>	<b>2,527,322</b>

(\*) It represents the Bank's acquisition of its own shares as a result of the Bank's shareholders not using their right of preference according to the commitment made in the capital increase in the Bank

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: None.

4. Information on share capital increases from capital reserves during the current period: None (31 December 2015 – None).

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

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

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

7. Information on marketable securities value increase fund:

	Current Period		Prior Period	
	TL	FC	TL	FC
From Associates, Subsidiaries and Entities Under Common Control (Joint Vent.)	-	-	-	-
Valuation Difference(*)	5,718	1,706	9,225	(3,831)
Foreign Exchange Difference	-	-	-	-
<b>Total</b>	<b>5,718</b>	<b>1,706</b>	<b>9,225</b>	<b>(3,831)</b>

(\*) Valuation difference is calculated taking the tax effect of the rent certifications in the account, which are classified as "Government Debt Securities" and "Other Marketable Securities" under available for sale in the balance sheet.

1. **Information on minority shares:** None (31 December 2015 – None).

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

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

1. Type and amount of irrevocable commitments: Commitment for credit card limits, as of 31 March 2016 is TL 797,530 (31 December 2015 – TL 739,721); payment commitments for cheque books are TL 1,116,372 (31 December 2015 – TL 1,018,655).
2. Type and amount of probable losses and obligations arising from off-balance sheet items:
  - i. Non-cash loans including guarantees, bank acceptances, collaterals and others that are accepted as financial commitments and other letter of credits:  
 As of 31 March 2016, the Bank has guarantees and surety ships constituting of TL 7,633,055 (31 December 2015 – TL 7,339,660) letters of guarantee; TL 79,555 (31 December 2015 – TL 84,108) acceptances and TL 1,011,629 (31 December 2015 – TL 1,029,264) letters of credit. Also banks has other acceptances amount of TL 479,033 (31 December 2015 – TL 503,290).
  - ii. Revocable, irrevocable guarantees and other similar commitments and contingencies: There are no other than those explained in 2.i.)
3. (i). Total amount of non-cash loans:

	Current period	Prior period
Non-cash loans given against cash loans	-	-
With original maturity of 1 year or less	-	-
With original maturity of more than 1 year	-	-
Other non-cash loans	9,203,272	8,956,322
<b>Total</b>	<b>9,203,272</b>	<b>8,956,322</b>

**IV. Explanations and notes 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
<b>Profit share on loans</b>	<b>602,863</b>	<b>37,174</b>	<b>485,756</b>	<b>27,271</b>
Short term loans	163,597	2,855	126,392	2,458
Medium and long term loans	437,893	34,319	356,652	24,813
Profit share on non-performing loans	1,373	-	2,712	-
Premiums received from resource utilization support fund	-	-	-	-

**2. Information on profit share received from banks:**

	Current period		Prior period	
	TL	FC	TL	FC
The Central Bank of the Republic of Turkey	-	-	-	-
Domestic Banks	-	-	-	-
Foreign Banks	236	2,808	-	1,812
Branches and head office abroad	-	-	-	-
<b>Total</b>	<b>236</b>	<b>2,808</b>	<b>-</b>	<b>1,812</b>

**i. Information on profit share income from securities portfolio:**

The Bank has received TL 43,047 profit share income from rent certificates (sukuk) which is given the details in available for sale financial assets information. (1 January-31 March 2015 - TL 37,792)

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

	Current period	Prior period
Profit share income received from associates and subsidiaries	399	168

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

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

	Current period		Prior period	
	TL	FC	TL	FC
Banks				
The Central Bank of the Republic of Turkey	-	-	-	-
Domestic banks	2,728	961	-	87
Foreign banks	1,047	24,914	181	19,608
Branches and head office abroad	-	-	-	-
Other Institutions	14,488	43,319	8,485	39,223
<b>Total</b>	<b>18,263</b>	<b>69,194</b>	<b>8,666</b>	<b>58,918</b>

**i. Profit share expense given to associates and subsidiaries:**

	Current period	Prior period
Profit share expenses given to associates and subsidiaries	53,829	17,873

**ii. Profit share expense paid to securities issued: None (1 January-31 March 2015: None).**

**c. Information on dividend income:**

	Current period	Prior period
Held for Trading Financial Assets	-	-
Fair Value Through Profit or Loss FV	-	-
Available for Sale Financial Assets	-	-
Other (*)	509	-
<b>Total</b>	<b>509</b>	<b>-</b>

(\*) This amount related to capitalization issue of Kredi Garanti Fonu A.Ş. which is presented in Available for sale financial assets.

**d. Distribution of profit share on funds based on maturity of funds:**

Account name	Current period						Accumulated profit sharing accounts	Total
	Up to 1 month	Up to 3 month	Up to 6 month	Up to 9 month	Up to 1 year	Above 1 year		
<b>TL</b>								
Collected funds from banks through current and profit share accounts	-	2,966	-	-	-	-	-	2,966
Real person's non-trading profit sharing account	49,345	87,710	10,453	-	3,874	3,893	-	155,275
Public sector profit sharing account	1	481	103	-	-	-	-	585
Commercial sector profit sharing account	4,417	12,081	791	-	275	730	-	18,294
Other institutions profit sharing account	495	907	131	-	34	8	-	1,575
<b>Total</b>	<b>54,258</b>	<b>104,145</b>	<b>11,478</b>	<b>-</b>	<b>4,183</b>	<b>4,631</b>	<b>-</b>	<b>178,695</b>
<b>FC</b>								
Banks	100	1,539	-	-	17	541	-	2,197
Real person's non-trading profit sharing account	4,843	9,278	2,066	-	1,156	587	-	17,930
Public sector profit sharing account	-	-	-	-	-	-	-	-
Commercial sector profit sharing account	496	2,610	212	-	99	112	-	3,529
Other institutions profit sharing account	377	317	69	-	44	-	-	807
Precious metal accounts	-	1,392	92	-	79	-	-	1,563
<b>Total</b>	<b>5,816</b>	<b>15,136</b>	<b>2,439</b>	<b>-</b>	<b>1,395</b>	<b>1,240</b>	<b>-</b>	<b>26,026</b>
<b>Grand Total</b>	<b>60,074</b>	<b>119,281</b>	<b>13,917</b>	<b>-</b>	<b>5,578</b>	<b>5,871</b>	<b>-</b>	<b>204,721</b>

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

**d. Distribution of profit share on funds based on maturity of funds: (continued)**

Prior period	Profit Sharing Accounts						Accumulated	
Account name	Up to 1 month	Up to 3 month	Up to 6 month	Up to 9 month	Up to 1 year	Above 1 year	profit sharing accounts	Total
<b>TL</b>								
Collected funds from banks through current and profit share accounts	-	-	-	-	-	-	-	-
Real person's non-trading profit sharing account	37,018	63,410	9,680	-	3,107	4,511	-	117,726
Public sector profit sharing account	2	13	1	-	293	126	-	435
Commercial sector profit sharing account	3,992	9,733	1,985	-	482	303	-	16,495
Other institutions profit sharing account	779	609	130	-	7	12	-	1,537
<b>Total</b>	<b>41,791</b>	<b>73,765</b>	<b>11,796</b>	<b>-</b>	<b>3,889</b>	<b>4,952</b>	<b>-</b>	<b>136,193</b>
<b>FC</b>								
Banks	132	224	156	-	155	749	-	1,416
Real person's non-trading profit sharing account	4,189	7,591	2,159	-	1,254	1,024	-	16,217
Public sector profit sharing account.	-	-	-	-	-	-	-	-
Commercial sector profit sharing account	652	2,718	184	-	480	336	-	4,370
Other institutions profit sharing account	412	301	57	-	1	44	-	815
Precious metal accounts	-	1,490	91	-	69	-	-	1,650
<b>Total</b>	<b>5,385</b>	<b>12,324</b>	<b>2,647</b>	<b>-</b>	<b>1,959</b>	<b>2,153</b>	<b>-</b>	<b>24,468</b>
<b>Grand Total</b>	<b>47,176</b>	<b>86,089</b>	<b>14,443</b>	<b>-</b>	<b>5,848</b>	<b>7,105</b>	<b>-</b>	<b>160,661</b>

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

	Current period	Prior period
<b>Net</b>	<b>29,522</b>	<b>61,900</b>
<b>Income</b>	<b>2,249,590</b>	<b>3,291,659</b>
Gain on capital market transactions	1,927	4,943
Gain on derivative financial instruments	120,025	112,219
Foreign exchange gains	2,127,638	3,174,497
<b>Losses (-)</b>	<b>(2,220,068)</b>	<b>(3,229,759)</b>
Losses on capital market transactions	(1,275)	(93)
Losses on derivative financial instruments	(132,473)	(100,773)
Foreign exchange losses	(2,086,320)	(3,128,893)

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

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

	Current period	Prior period
Reversal of prior period provisions	37,055	29,794
Income from sale of assets	20,794	3,694
Income from the real estate sales' gains by rent certificates	14,304	10,686
Lease income	593	551
Other Income	959	2,126
<b>Total</b>	<b>73,705</b>	<b>46,851</b>

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

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

	Current period	Prior period
Specific provisions for loans and other receivables	96,655	69,018
III. group loans and receivables	41,285	33,674
IV. group loans and receivables	29,436	14,650
V. group loans and receivables	25,934	20,694
Doubtful commissions, fees and other receivables	469	17
General provision expenses	10,655	20,801
Provision expenses for possible losses	-	-
Impairment provision of marketable securities	212	4
Financial Assets at fair value through profit and loss	212	4
Investment securities available for sale	-	-
Impairment provision of associates, subsidiaries, joint ventures and held to maturity investments	-	-
Associates	-	-
Subsidiaries	-	-
Joint ventures	-	-
Held to maturity investments	-	-
Other (*)	7,897	86
<b>Total</b>	<b>115,888</b>	<b>89,926</b>

(\*) According to the provision regulation, it consists of the provision is allocated 5% of profit to be distributed to participation accounts for up to 5% general reserve and securities impairment expenses, and obtain non-depreciable assets from real estate to be removed.

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

	Current period	Prior period
Personnel expenses	155,083	131,146
Provision for retirement pay liability	3,364	2,921
Depreciation expenses of fixed assets	12,149	9,702
Impairment expenses of tangible assets	14,304	10,686
Depreciation expenses of intangible assets	5,353	4,938
Depreciation expenses of assets held for sale	265	167
Other operating expenses	53,461	53,046
Rent expenses	23,373	20,128
Maintenance expenses	4,714	4,031
Advertisement expenses	1,350	1,425
Communication expenses	7,088	5,587
Heating, electricity and water expenses	3,504	2,445
Cleaning expenses	1,176	1,083
Vehicle expenses	978	1,159
Stationery expenses	1,253	715
Other expenses	10,025	16,473
Losses on sales of assets	103	55
Deposit insurance fund expenses	14,408	12,695
Other	23,677	24,902
<b>Total</b>	<b>282,167</b>	<b>244,952</b>

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

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

Income before tax amounting to TL 155,933 increased by 20.80% as compared to the prior period (1 January-31 March 2015 – TL 129,646). Income before tax includes TL 411,504 (1 January-31 March 2015 – TL 325,691) net profit share income and TL 38,748 (1 January -31 March 2015 – TL 30,082) net fees and commission income. Other operating expense amount is TL 282,167 (1 January -31 March 2015 – TL 244,952).

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

As of 31 March 2016, deferred tax charge of the Bank is TL 14,226 (1 January-31 March 2015 – TL 5,224 deferred tax benefit) and current tax provision expense is TL 16,232 (1 January-31 March 2015 – TL 34,382).

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

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

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

- i. The nature and amount of certain income and expense items from ordinary operations is disclosed if the disclosure for nature, amount and repetition rate of such items is required for a complete understanding of the Bank's performance for the period: As of 31 March 2016, net profit share income is TL 411,504 (1 January-31 March 2015 – TL 325,691), net fees and commission income is TL 38,748 (1 January-31 March 2015 – TL 30,082).
- ii. Effect of changes in accounting estimates on income statement for the current and, if any for subsequent periods: None (1 January-31 March 2015 – None).
- iii. Profit/Loss attributable to minority interest: None (31 March 2015 – None).

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

As of 31 March 2016, other fees and commissions received is TL 50,256 (1 January-31 March 2015 – TL 39,402), TL 9,824 of this amount is related with credit card fees and commissions (31 March 2015 – TL 6,489) and TL 10,603 of this amount is related with POS machine commissions (1 January-31 March 2015 – TL 7,170).

As of 31 March 2016, other fees and commissions given is TL 32,367 (1 January-31 March 2015 – TL 28,901), TL 12,154 (1 January-31 March 2015 – TL 7,916) of this amount is related with POS clearing commissions and installation expenses, TL 1,484 (1 January-31 March 2015 – TL 1,195) of this amount is related with fees and commissions paid for credit cards.

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

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

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

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

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**V. Explanations and notes related to cash flow statement (continued)**

**a. Information regarding the balances of cash and cash equivalents at the beginning of the period (continued):**

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

	Current period	Prior period
<b>Cash</b>	<b>4,687,293</b>	<b>1,995,829</b>
Cash in TL/foreign currency, others	1,713,467	756,737
Demand deposits at banks	2,973,826	1,239,092
<b>Cash equivalents</b>	-	-
Interbank money markets	-	-
Time deposits at banks	-	-
Marketable securities	-	-
<b>Total cash and cash equivalents</b>	<b>4,687,293</b>	<b>1,995,829</b>

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

	Current period	Prior period
<b>Cash</b>	<b>3,513,784</b>	<b>1,527,089</b>
Cash in TL/foreign currency, others	1,024,079	1,166,322
Demand deposits at banks	2,489,705	360,767
<b>Cash equivalents</b>	-	-
Interbank money markets	-	-
Time deposits at banks	-	-
Marketable securities	-	-
<b>Toplam nakit ve nakde eşdeğer varlık</b>	<b>3,513,784</b>	<b>1,527,089</b>

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

**c. Information on other account in cash flow statement**

“Other items” amounting to TL (112,770) (31 March 2015: TL (132,480)) in “Operating profit before changes in operating assets and liabilities” consists of fees and commissions paid and other operating expenses except for collection from non-performing loans and personnel expenses.

“Net increase/decrease in other liabilities” amounting to TL 957,870 (31 March 2015: TL (233,334)) in “Changes in operating assets and liabilities” consists of changes in sundry creditors, other liabilities and taxes and other duties payables.

“Net increase/decrease in other assets” amounting to TL 17,096 (31 March 2015: TL (92,768)) in “Changes in operating assets and liabilities” consist of changes in prepaid rent expense and other asset.

**d. Effects of the change in foreign currency rates on cash and cash equivalents:**

Effect of the changes in foreign currency rates on cash and cash equivalents has been calculated approximately TL 37,339 as of 31 March 2016 (31 March 2015 – TL (67,964)). The effects of the change in foreign currency rates on cash and cash equivalents is calculated according to multiplying fx difference between balance sheet date and cash entered date and related cash amount.

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

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

1. Current period:

Risk group of the Bank (*)	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the Bank		Other real or legal persons included in the risk group	
	Cash	Non-Cash	Cash	Cash	Cash	Non-Cash
Loans and other receivables						
Balance at beginning of period	101,156	132	1,014	13,543	126,600	600
Balance at end of period	335,728	132	933	13,347	127,790	443
Profit share and commission income	399	1	24	-	1,798	-

(\*) 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	20,036	25,640	580	13,638	79,663	283
Balance at end of period	101,156	132	1,014	13,543	126,600	600
Profit share and commission income	168	-	13	-	1,046	-

(\*) 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 beginning of period	290,113	224,299	57,602	42,633	137,160	207,428
Balance at end of period	86,586	290,113	49,243	57,602	152,696	137,160
Profit share expense	539	1,535	710	523	528	1,668

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

(ii) Forward and option agreements and other similar agreements with the risk group of the Bank: None.



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

**VI. Explanations and notes related to risk group of the Bank: (continued)**

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

**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 the beginning of period	3,651,891	2,220,205	2,607,122	2,618,833	166,742	26,640
Balance at the end of period	3,617,636	3,651,891	1,419,942	2,607,122	-	166,742
Profit share expense	53,290	16,338	13,038	24,625	-	205

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

As of 1 January-31 March 2016, the Bank has paid TL 12,258 to top management (1 January-31 March 2015- TL 10,667).

**VII. Significant Events and Matters Arising Subsequent to Balance Sheet Date**

In the Ordinary General Meeting of Shareholders that was held in 4 April 2016, the Bank decided on reserving primary reserves amount to TL 22,234; other reserves amount to TL 48,788 funded via retained profit from sales of real estates, no cash dividend payments amount to shareholders; dividend to management amount to TL 3,400; funding capital increase from internal sources via remaining net income amount to TL 259,524 and in return distributing additional capitalized shares proportioned to shareholder's stake in share capital; secondary reserves amount to TL 340 and remaining amount to 110,396 to extraordinary legal reserves.

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31 MARCH 2016**

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

**SECTION SIX**

**OTHER EXPLANATIONS AND DISCLOSURES**

- I. Other matters which must be explained in terms of explicitly, interpretability and understandability of the balance sheet:** None.

**SECTION SEVEN**

**LIMITED REVIEW REPORT**

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

The unconsolidated financial statements as of and for the nine months period then ended 31 March 2016 have been reviewed by DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (Member of Deloitte Touche Tohmatsu Limited) and the independent auditors' limited review report dated 5 May 2016 is presented preceding the financial statements.

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