

# Kuveyt Türk Katılım Bankası A.Ş.

## Full Rating Report

### Ratings

#### Foreign Currency

Long-Term IDR	BBB
Short-Term IDR	F3

#### Local Currency

Long-Term IDR	BBB+
Short-Term IDR	F2

#### National

Long-Term IDR	AAA(tur)
Support Rating	2

#### Viability Rating

bb-

#### Sovereign Risk

Foreign-Currency Long-Term IDR	BBB-
Local-Currency Long-Term IDR	BBB

### Outlooks

Foreign-Currency Long-Term Rating	Stable
Local-Currency Long-Term Rating	Stable
Sovereign Foreign-Currency Long-Term IDR	Stable
Sovereign Local-Currency Long-Term IDR	Stable

### Financial Data

#### Kuveyt Türk Katılım Bankası A.Ş.

	30 Sep 15	31 Dec 14
Total assets (USDm)	14,132.6	14,614.2
Total assets (TRYm)	43,049.2	33,919.6
Total equity (TRYm)	3,365.1	3,056.5
Operating profit (TRYm)	449.1	471.2
Published net income (TRYm)	351.6	374.9
Comprehensive income (TRYm)	352.4	396.3
Operating ROAA (TRYm)	1.6	1.6
Operating ROAE (TRYm)	18.7	17.3
Internal capital generation (%)	12.4	11.6
Fitch Core Capital/weighted risks (%)	12.0	13.3
Tier 1 ratio (%)	11.9	12.8

### Related Research

[Turkey \(October 2015\)](#)

[Fitch Affirms Turkey at 'BBB-'; Outlook Stable \(September 2015\)](#)

[Fitch Affirms Türkiye Finans and Kuveyt Türk at 'BBB'; Outlook Stable \(November 2015\)](#)

[Fitch Affirms 9 Kuwaiti Banks; Upgrades Gulf Bank's VR \(November 2015\)](#)

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### Key Rating Drivers

**Support-Driven Rating:** Kuveyt Türk Katılım Bankası A.Ş.'s (Kuveyt Türk) Issuer Default Ratings (IDRs) are driven by potential support from the bank's 62.2% owner Kuwait Finance House (KFH, A+/Stable/bb). Fitch Ratings views Kuveyt Türk as a strategically important subsidiary. It represents about 26% of KFH's assets and contributes 28% of consolidated pre-tax income. The cost of supporting Kuveyt Türk is, in our opinion, still manageable for KFH.

**Constrained IDRs:** Turkey's BBB Country Ceiling constrains Kuveyt Türk's foreign-currency (FC) IDR and results in a three-notch difference between the bank and KFH. Fitch would normally rate a strategically important subsidiary at a maximum of two notches below its parent's Long-Term IDR. The bank's Long-Term local currency IDR also takes into account country risks.

**Limited Franchise:** Kuveyt Türk is the largest participation bank in Turkey (37% share of participation sector assets). Its share of total banking-sector assets is just 1.8% (ranked 13th). The participation banking segment in Turkey is expanding.

**Aggressive Growth, Risk Appetite:** Kuveyt Türk has consistently grown above the sector average (albeit from a low base) in terms of loans and assets since 2009. It aims to become one of the 10 largest banks in Turkey by end-2018. Planned loan growth of 30% a year gives rise to significant potential credit risks, particularly given the high level of foreign currency (FC) and FC-indexed lending. However, these risks have been adequately managed to date.

**Capital Support from KFH:** Growth at Kuveyt Türk has outpaced internal capital generation, but capital ratios have been supported by regular capital injections from KFH (2017: TRY1.3bn budgeted). The Fitch Core Capital (FCC) ratio fell to a still reasonable 12% at end-9M15 from 13.3% mainly due to the depreciation of the Turkish lira and its total capital adequacy ratio (CAR) to 13.7% (since risen to 17.20% following a USD350m Tier 2 sukuk issue in 2Q16). Fitch considers capitalisation to be adequate for the risk profile given shareholder support.

**Moderate Wholesale Funding:** Non-deposit wholesale funding represented 25.5% of total funding at end-9M15, below the sector average, less than a quarter of which was sourced from KFH. A high 88% was foreign-currency denominated. FC liquidity could come under pressure in case of prolonged market closure, as for other banks, but the presence of KFH provides some comfort in this respect.

**Above-Sector-Average ROE:** ROE rose to 14.7% in 9M15. It is supported by an above-sector-average net finance margin, reasonable cost efficiency (for the bank's size) and moderate non-performing loans (NPLs), although these have risen. However, competition is increasing and costs could rise.

### Rating Sensitivities

**Parent's Ratings:** A change in KFH's ratings or its ability and/or willingness to support Kuveyt Türk could affect Kuveyt Türk's IDRs, National Rating and potentially also Support Rating. Its Long-Term FC IDR is also sensitive to changes in the Country Ceiling.

**Limited VR Upside:** An upgrade of the VR is unlikely given its risk appetite and franchise.

## Operating Environment

Kuveyt Turk's operations are mainly concentrated in Turkey, which is subject to frequent movements in interest rates, a volatile exchange-rate regime, political instability, and high inflation and unemployment. However, real GDP has grown consistently for the past 10 years, albeit largely driven by consumption in recent years.

## Company Profile

### Ownership

Kuveyt Turk is majority owned (62%) by KFH. The second-largest shareholder (19%) is the General Directorate for Foundations (GDF), an arm of the Turkish government (also the majority owner of Türkiye Vakıflar Bankası T.A.O. (BBB-/Stable), one of the three large state-owned banks). The Islamic Development Bank, which aims to encourage sharia-compliant business, and the Public Institution for Social Security, a Kuwaiti pension and social security vehicle, own 9% each. The remaining 1% is widely held.

The Kuwaiti government holds a 49% stake in KFH, which is listed on the Kuwait Stock Exchange, via several public institutions, including the Kuwait Investment Authority (24%), the Public Authority for Minors' Affairs (11%), Kuwait Awkaf Public Foundation (8%) and the Public Authority for Social Security (6%). The remaining 51% is widely held by local investors.

### Largest Participation Bank, Limited Domestic Franchise

Kuveyt Turk is the largest participation bank in Turkey offering sharia-compliant Islamic financial products; at end-9M15 it had shares of 36.5% to 37% in participation loans, deposits and total assets. However, at end-9M15 it had national market shares of just 1.7%, 2.2% and 1.8% of sector loans, deposits and total assets, respectively (up moderately versus end-2014).

Participation banks accounted for about 5% of sector assets at end-9M15. The government's aim is to increase this to 15% by 2025, supported by new entrants to the market and greater penetration. Fitch expects this segment to grow above the sector average in the short to medium term as a result. The range of available sharia-compliant products remains limited, however.

Kuveyt Turk operates from 343 branches (end-9M15) in Turkey (2014: 308), which gives it broad geographical coverage. It plans to expand this close to 500 by the end of the 2018. It is also creating digital branches – 10 opened in 2015 – in locations where there are no conventional branches. These are a cost-effective means of expanding its operations.

Internationally, the bank has a subsidiary in Dubai (0.4% of consolidated assets at end-9M15) and an offshore branch in Bahrain, which collects deposits. At end-9M15 18% of total funding was gathered through this subsidiary and branches. It has three special-purpose vehicles through which it issues sukuk certificates (see *Issues* below). Additionally, the bank established a subsidiary in Germany, KT Bank AG, in March 2015. It plans to offer a full range of sharia-compliant banking services to retail and non-retail customers in Germany through seven branches and hopes to benefit from its first-mover advantage.

### Business Model

Revenue mix at Kuveyt Turk is undiversified due to high reliance on net interest income (as for other banks in the sector) but lending is relatively diversified by customer segment. The bank has a number of small domestic subsidiaries including a portfolio management company, a pension fund joint-venture set up in early 2014 along with Albaraka (another participation bank) and a real-estate investment trust.

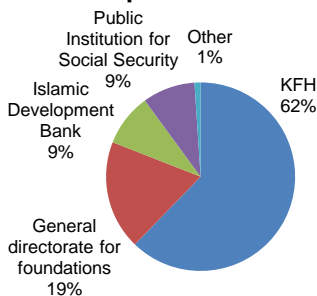
## Management and Strategy

### Management Quality

Kuveyt Turk's management is stable and executive management have a long record with the bank. Management operate independently from KFH but within set budgets.

Figure 1

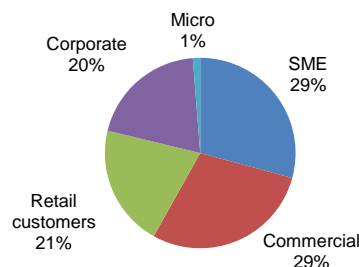
### Kuveyt Turk Ownership Structure



Source: Kuveyt Turk, Fitch (1H15)

Figure 2

### Kuveyt Turk Lending by Segment



Source: Kuveyt Turk, Fitch (1H15)

### Related Criteria

[Global Bank Rating Criteria \(March 2015\)](#)

KFH appoints five of the nine members on the supervisory board. The chairman of the board is also KFH's chairman and Kuveyt Türk's chief executive officer also sits as a member of the Board as required by the Banking Law. The remaining shareholders, the Turkish General Directorate for Foundations appoints two board members and the Islamic Development Bank (IDB: AAA/Stable) and the Kuwaiti Public Institution for Social Security each appoint one board member.

### Strategic Objectives Imply Aggressive Growth Plans

Kuveyt Türk aims to become a top 10 bank in Turkey by net profit and total assets by end-2018 (which would have required a doubling of its balance sheet as at end-9M15) and maintain its position as the largest participation bank. It aims to diversify its loan book by increasing the share of SME and retail loans to 60% (from 50%); of the remaining 40% to corporates only 10% of gross loans are budgeted to be to the large corporate segment.

Consequently, the bank's strategy focuses primarily on attracting SMEs (mainly medium-sized customers) and retail borrowers, notably new participation banking customers but also conventional bank customers. In retail lending the primary focus is on housing loans (92% of the existing portfolio).

Cost efficiency, the diversification of business lines and revenues through increasing fee income, and the selective development of international business are also short-term priorities.

### Execution

Kuveyt Türk has performed acceptably relative to its strategic targets maintaining solid, above-sector-average ROE, despite some tightening. Its performance has been supported by above-sector-average loan growth. While this suggests a fairly aggressive risk-appetite growth, it has been deposit funded, from a low base, and well managed based on the bank's still reasonable asset-quality ratios.

Given existing levels of internal capital generation, the bank is likely to require further capital injections from shareholders to meet its growth targets. However, competition in the banking sector remains stiff and is set to increase in the participation segment given the entrance of the state-owned banks' participation subsidiaries.

### Risk Appetite

#### Fairly Aggressive Risk Appetite

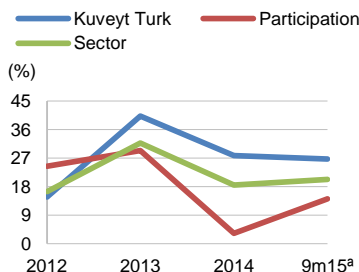
Kuveyt Türk's risk appetite can be considered fairly aggressive based on its growth targets, quest for market share and higher than sector average proportion of exposures extended in FC or on FC-indexed terms. However, growth is from a low base.

#### Underwriting Standards

The credit risk-management structure is centralised with regional credit risk officers reporting directly to the chief credit officer. Discretionary lending limits are reasonable. Regional and branch lending limits (TRY7.5m and TRY500,000, respectively) are modest. The chief executive's approval limit is set at a maximum 1% of equity and board-level credit committee approval at 10%.

Exposures extended in FC amounted to 15% of gross loans at end-9M15 compared with the sector average of 32%. However, a further 25% of gross loans were FC-indexed. Kuveyt Türk's operation as a participation bank means that many exposures are collateralised. The retail portfolio comprises 92% of housing loans (in Turkish lira and fixed rate) and to a smaller extent car loans. SME exposures are generally backed by mortgage collateral and the pledge of receivables. Only commercial and corporate exposures are typically clean (end-9M15: equal to 50% of gross loans).

Figure 3  
**Kuveyt Türk Loan Growth**  
Against sector and participation segment



<sup>a</sup> Non-annualised data  
Source: BRSA, Kuveyt Türk, Fitch

Loans are monthly amortising which helps with the timely detection of asset quality problems. Only large corporate loans typically have longer repayment structures (quarterly). About 40% of loans are issued to customers in Istanbul and over 60% in the large cities in Turkey which also facilitates loan monitoring.

Loan tenor is mainly short-term (end-3Q15: 66% of loans were due in under a year). However, long-term lending has increased largely due to project finance loans, although it remains modest.

Off-balance-sheet volumes at Kuveyt Turk are considerable (end-9M15: equal to 11.7x FCC) and consist 76% of committed credit lines. However, concentrations are relatively modest (the top-10 off-balance-sheet exposures equivalent to 67% of FCC) and volumes contracted by 5% year-to-date in 9M15 (2014: up 21%).

### **Significant FC Lending Heightens Credit Risk**

FC lending has increased rapidly in the past three years; it had risen to 41% of gross loans at end-3Q15 compared with a sector average of 31%. A quarter of gross loans consisted of potentially higher-risk FC-indexed loans to SMEs not eligible to receive FC loans in accordance with local regulations. However, the bank's strategy is to increase the proportion of non-FC indexed loans within the FC portfolio. The risk in FC lending is partially mitigated as FC borrowers are generally export orientated and as such have access to FC. Nevertheless, not all of these loans will be hedged or may only be short-term hedged in Fitch's view. Lending to retail borrowers in FC is prohibited by law.

### **Reasonable Concentration**

Single name concentration remains reasonable. The top 25 exposures were equivalent to 95% of FCC at end-9M15. All exposures were performing, but two were restructured. One was extended to a subsidiary of Kuveyt Turk.

However, exposure to the potentially risky construction and real estate (CRE) industry is high, amounting to TRY4.2bn, 19% of non-retail lending (or 131% of FCC) at end-9M15. The NPL ratio in lending to this segment is higher than in the rest of portfolio (4.5% at end-9M15) and the bank does not plan to grow in this segment; NPLs contributed 28% to total NPLs at end-9M15 despite accounting for only 15% of the loan book. Exposures typically consist of working capital loans or performance guarantees. The bank typically avoids real estate development financing, instead focusing on government contracts and infrastructure projects.

Project finance lending has grown but remains limited (USD300m, or 3% of gross loans, at end-9M15). Loans frequently have grace periods and bullet repayment structures. The increase in this portfolio in 9M15 was due to two large projects and resulted in an extension of the bank's loan tenor in 9M15. The bank is budgeting for growth in loans of USD200m (19% of end-9M15 FCC) by end-Q416 through growth mainly in renewable energy projects, which are strategically important in Turkey and benefit from a guaranteed floor price set by the government.

At end-9M15 the majority of security investments (5.9% of total assets) at Kuveyt Turk comprised of Turkish sovereign sukuk certificates (79%), International Islamic Liquidity Management sukuk certificates (TRY307m, equal to 9% of FCC) and Turkish bank Sukuk (TRY122m, equal to 4% of FCC).

### **Adequate Risk Controls**

Risk management at Kuveyt Turk is fully centralised. Its risk-management framework (including ALM, control, audit) operates under the oversight of KFH. The bank's risk appetite and limits are set by the supervisory board (which is controlled by KFH) and both the chief risk officer and the audit committee report directly to the latter. Further integration is expected as the group is looking to set customer limits centrally for the entire KFH group.



### Rapid Loan Growth Strategy

Turkey's economy is forecast to grow more slowly than it has in recent years, but Kuveyt Turk continues to pursue an aggressive growth strategy, targeting annual loan growth of 30% (subject to review). Nominal loan growth was 27% in 9M15, considerably above the sector average of about 20%. However, loan-growth figures are inflated by the depreciation of the Turkish lira; net of exchange-rate effects growth was 14% in 9M15.

### Market Risk Relates Primarily to Interest-Rate Risk

Market risk at Kuveyt Turk is fairly low. It is calculated using the standardised approach; reported market risk amounted to a low 3.4% of RWA at end-9M15 (2014: 3.7%).

The bank faces currency risk due to the mismatch between assets and liabilities (FC-indexed loans are treated as FC loans) but open positions are hedged off balance sheet with derivatives. Counterparties are EU-based banks and large Turkish banks and derivative are marked-to-market daily. Consequently, at end-9M15 Kuveyt Turk's net on and off-balance-sheet long position was equal to a low 2.8% of FCC (2014: 2.9%).

However, the bank has interest-rate risk exposure due to the repricing of assets (since 32% of its deposit base is interest free) although the largely short-term amortising structure of the loan book (over 90% amortises monthly) limits this to some extent.

### Asset Quality

Figure 4

#### Key Asset Quality

(%)	9M15	2014	2013	2012
Growth of gross loans	26.7	28.3	40.3	14.7
Impaired loans/gross loans	2.5	2.2	2.2	2.4
Reserves for impaired loans/impaired loans	79.7	85.0	88.1	88.4
Impaired loans less reserves for impaired loans/ Fitch Core Capital	4.3	2.4	2.0	2.0
Loan impairment charges/average gross loans	1.1	1.0	1.1	1.2

Source: Kuveyt Turk Financial Statements, Fitch

The NPL ratio of the bank is fairly low and has remained relatively stable since 2011. The impaired loans ratio weakened only slightly in 9M15 (to 2.5%, end-2014: 2.2%) but at end-9M15 still outperformed the sector average of 2.9%. However, this excluded regulatory group 2 'Watch' loans (end-3Q15: equal to 4.9% of gross loans), which rose from 2.7% at end-2014 and from which new asset-quality problems could emanate. Just under half of group 2 loans had been restructured at end-3Q15 (total restructured loans amounted to 2.6% of loans). The bank wrote off a low 0.2% of average gross loans at end-9M15. Kuveyt Turk places much emphasis on loan recoveries and monitors loans from the time they become overdue. Furthermore, asset-quality problems should be quickly detected given the monthly amortising structure of over 90% of the loan book.

However, the level of NPLs could be flattered by recent rapid loan growth. Nominal NPL growth was rapid at 42% in 9M15 (2014: 26%, 2013: 34%); adjusted for write-offs and collections it stood at 48%. The NPL origination rate was 1.4% annualised in 9M15, up from 1% in 2014.

The fairly high level of FC and FC-indexed loans heightens credit risk but asset-quality ratios in these portfolios outperformed that of the local currency loan book at end-9M15.

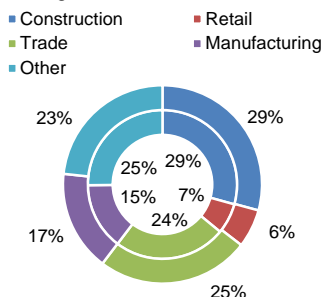
Reserves coverage of NPLs (end-9M15: 79.7%) is reasonable and slightly above the sector average.

Figure 5  
Segmental NPLs

Segment	NPL Ratio
Retail	0.4
SME	3.9
Corporate	2.8
Micro	9.0

Source: Fitch

Figure 6  
Kuveyt Turk NPL Distribution  
Outer ring: 1H15  
Inner ring: 2014



Source: KTKB, Fitch (1H15)

## Earnings and Profitability

Figure 7

### Key Earnings and Profitability Ratios

(%)	9M15	2014	2013	2012
Net interest income/average earning assets	5.0	4.9	5.0	5.5
Interest income on loans/avg. gross loans	9.3	9.5	9.5	11.3
Interest expense/avg. interest-bearing liabilities	3.2	3.3	3.2	4.2
Non-interest expense/gross revenues	53.1	54.8	53.2	51.7
Loans and securities impairment charges/ pre-impairment operating profit	31.1	28.6	30.4	31.1
Operating profit/average total assets	1.6	1.6	1.7	1.9
Operating profit/risk-weighted assets	2.2	2.1	2.0	2.3
Net income/average equity	14.7	13.7	15.2	16.1

Source: Kuveyt Turk Financial Statements, Fitch

ROE rose in 9M15 to a solid 14.7%, significantly above the sector average. Performance benefits from a solid net finance margin (thanks to the high level of zero-interest-bearing accounts) and reasonable cost efficiency, particularly for its size (cost/assets ratio of 2.6% at end-9M15). The bank reported a decline in funding costs in 9M15, which boosted its net interest margin (+10bp). Management attributes this uplift to the unexpected inflow of deposits from a troubled competitor bank (Bank Asya), which enabled it to reduce deposit costs.

The cost/income ratio is weaker due to a lack of economies of scale, and costs associated with branch expansion and the new German subsidiary. Loan impairment charges have remained relatively stable and absorbed a moderate 29% to 31% of annual pre-impairment profit in 2012-2014. However, NPL reserves cover has fallen.

Fitch expects ROE to remain above the sector average in the short term. However, Kuveyt Turk relies heavily on net finance income (79% of total revenues in 9M15) and pricing competition on loans is significant. The bank will also need to manage the credit risks associated with rapid loan growth.

## Capitalisation and Leverage

Figure 8

### Key Capitalisation and Leverage Ratios

(%)	9M15	2014	2013	2012
Fitch Core Capital/weighted risk	12.0	13.3	12.1	12.1
Tangible common equity/tangible assets	7.6	8.8	8.7	8.8
Tier 1 regulatory capital ratio	11.9	12.8	11.9	11.7
Total regulatory capital ratio	13.7	15.2	14.4	14.2
Internal capital generation	12.4	11.6	12.4	13.9

Source: Kuveyt Turk Financial Statements, Fitch

Kuveyt Turk's loan growth has consistently outstripped internal capital generation. Its capital ratios have remained adequate, supported by injections from shareholders totalling TRY360m in both 2013 and 2014; a further TRY1.3bn is planned in 2017. However, the FCC ratio fell sharply in 9M15 (-124bp) although this was mainly due to the depreciation of the Turkish lira. The total CAR also fell, to 13.7% at end-9M15, below its 14% internal target from 15.2%, at end-2014. However, this ratio had risen to 17.2% by end-2M16 as a result of the issuance in February 2016 of a USD350m Basel III-compliant Tier 2 sukuk.

Fitch considers Kuveyt Turk's capitalisation to be only moderate for its risk profile and growth targets, while it is also more highly leveraged than the sector average (end-3Q15: equity to assets ratio of 7.8% versus 10.9%). However, its capitalisation should be considered in light of solid pre-impairment profit (equal to 27% of average equity in 9M15) and low net NPLs/FCC ratio (end-9M15: 4.3%).

Participation banks are able to offset a portion of their risk-weighted assets thanks to the “profit sharing” concept whereby the assets are directly financed by profit-share accounts (Islamic deposits). Under the regulatory regime in Turkey these assets are weighted at 70% of their typical regulatory risk weighting due to the implicit transfer of risk

## Funding and Liquidity

Figure 9

### Key Funding and Liquidity Ratios

(%)	9M15	2014	2013	2012
Loans/customer deposits	97.4	99.9	102.7	97.6
Interbank assets/interbank liabilities	404.7	291.7	379.9	534.3
Customer deposits/total funding (excluding derivatives)	74.3	73.3	73.4	76.5

Source: Kuveyt Turk Financial Statements, Fitch

Kuveyt Turk is largely customer deposit funded (end-9M15: 74%) with granular retail deposits making up three quarters of the total. The top-20 depositors made up 7.5% of total deposits at end-9M15. The deposit base is contractually short term, as for the sector, and only 1% had a maturity of more than one year. However, at end-9M15 32% of deposits consisted of stable zero-interest-bearing current accounts.

Management aims to grow the deposit base broadly in line with loan growth and to reduce reliance on wholesale funding. Deposit growth in 9M15 was boosted by the collapse of its competitor Bank Asya. Kuveyt Turk's loans/deposits ratio is good and improved further in 9M15 (to 97%). This ratio is partly distorted by the depreciation of the Turkish lira as 50% of deposits are in FX, but 41% of loans are also in FC or FC-indexed.

Around 26% of total funding consists of wholesale funding. Of this, about a quarter (7% of total funding) consists mainly of senior and subordinated debt from KFH (end-2014: 8%; end-2013: 9%). Syndicated borrowing, Sukuk issues and bilateral funding from other Islamic banks make up the remainder. The bank does not plan to decrease its level of wholesale funding.

## Reasonable Liquidity

Liquidity is satisfactory, with foreign-currency liquid assets at end-1H15 fully covering short-term foreign currency wholesale funding falling due within one year. Fitch considers refinancing risk to be manageable in most scenarios given the bank's ownership structure and quite diversified wholesale funding.

As an Islamic bank, the range of liquid instruments in which Kuveyt Turk can invest is limited. Liquid assets consist mainly of cash/interbank placements and sukuk Turkish sovereign securities eligible for repo. Kuveyt Turk fully utilizes the ROM mechanism, using 60% for FX and 30% for Gold. Unencumbered Turkish government securities (please inform the amount of unencumbered TRY securities at end-9M15 TRY 428m), cash and central bank deposits covered 29% of total funding at end-9M15. Furthermore, monthly loan repayments are equal to a further 11% of the loan book (equal to 10% of customer deposits), which provides significant additional comfort. At 9M15, additional credit lines from KFH amounted to a further USD400m (4% of customer deposits).

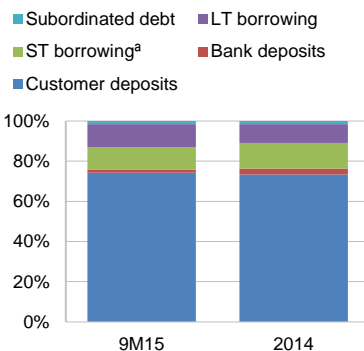
## Support

### IDR Based on Institutional Support

Kuveyt Turk has a Support Rating of '2' reflecting Fitch's view that there is a high probability of support from KFH if needed based on the bank's majority ownership, strategic importance and the record of support. The cost of support for KFH should be manageable given the bank's size relative to its parent (equal to about 26% of KFH's total assets at end-9M15).

Figure 10

### Breakdown of Non-Equity Funding



<sup>a</sup> Borrowing <1 year  
Source: Kuveyt Turk, Fitch

## Peer Analysis

The peer table below compares key financial ratios for Kuveyt Turk with Türkiye Finans Katılım Bankası A.Ş. (TFKB; BBB/Stable), which is a similar sized Turkish participation bank. It also has the ratios of Sekerbank T.A.Ş. (Sekerbank; BB-/Stable) and Anadolubank A.Ş. (Anadolubank; BB/Stable), two similar-sized and rated conventional banks. The two peers focus on SEM and corporate lending with Sekerbank having a higher portion of micro companies and consumer loans. These loans are inherently higher margin before being adjusted for the cost of risk.

Figure 11  
Peer Comparison Table

	TFKB		Kuveyt Turk		Sekerbank		Anadolubank	
	3Q15	2014	3Q15	2014	3Q15	2014	3Q15	2014
<b>Interest ratios</b>								
1. Interest income on loans/average gross loans	9.19	9.42	9.26	9.55	12.47	13.36	10.26	10.64
2. Interest expense on customer deposits/average customer deposits	4.27	4.53	2.79	3.33	6.73	6.96	6.37	6.56
3. Interest income/average earning assets	9.12	9.23	8.66	8.62	12.03	12.96	9.94	9.97
4. Interest expense/average interest-bearing liabilities	4.4	4.33	3.18	3.34	6.35	6.62	5.41	5.45
5. Net interest income/average earning assets	4.53	4.68	4.98	4.88	5.57	6.17	4.65	4.71
6. Net int. inc less loan impairment charges/av. Earning assets	3.15	4.05	4.08	4.09	4.14	5.24	4.15	3.85
7. Net interest inc less preferred stock dividend/average earning assets	4.53	4.68	4.98	4.88	5.57	6.17	4.65	4.71
<b>Other operating profitability ratios</b>								
1. Non-interest income/gross revenues	14.51	16.92	21.40	21.06	15.70	20.26	11.21	31.52
2. Non-interest expense/gross revenues	51.28	54.36	53.10	54.84	72.26	63.83	56.50	47.44
3. Non-interest expense/average assets	2.22	2.45	2.59	2.67	3.97	4.09	2.53	2.81
4. Pre-impairment op. profit/average equity	24.06	21.85	27.18	24.21	14.23	21.62	16.72	25.76
5. Pre-impairment op. profit/average total assets	2.11	2.06	2.28	2.20	1.52	2.32	1.95	3.11
6. Loans and securities impairment charges/pre-impairment op. Profit	61.13	29.46	31.12	28.60	78.05	36.97	22.74	33.61
7. Operating profit/average equity	9.35	15.42	18.72	17.29	3.12	13.63	12.92	17.10
8. Operating profit/average total assets	0.82	1.45	1.57	1.57	0.33	1.46	1.51	2.07
9. Operating profit /risk weighted assets	0.97	1.68	2.22	2.09	0.35	1.50	1.62	2.26
<b>Other profitability ratios</b>								
1. Net income/average total equity	7.36	12.09	14.66	13.73	3.51	11.00	10.54	13.36
2. Net income/average total assets	0.65	1.14	1.23	1.25	0.38	1.18	1.23	1.61
3. Fitch comprehensive income/average total equity	3.22	14.56	14.69	14.52	3.51	12.49	15.65	15.30
4. Fitch comprehensive income/average total assets	0.28	1.37	1.23	1.32	0.38	1.34	1.82	1.85
5. Taxes/pre-tax profit	21.19	21.41	21.29	19.76	(19.43)	19.28	18.42	20.62
6. Net income/risk weighted assets	0.77	1.32	1.74	1.66	0.39	1.21	1.32	1.76
<b>Capitalization</b>								
1. Fitch Core Capital/risk weighted assets	10.28	12.22	12.02	13.26	10.41	11.55	12.98	13.97
3. Tangible common equity/tangible assets	8.17	9.19	7.57	8.69	9.61	10.83	11.41	11.99
4. Tier 1 regulatory capital ratio	10.14	11.98	11.92	12.79	10.66	11.48	12.88	13.89
5. Total regulatory capital ratio	13.04	12.47	13.73	15.21	12.55	14.11	13.44	14.48
6. Core Tier 1 regulatory capital ratio	10.39	12.24	11.5	n.a.	10.4	n.a.	n.a.	n.a.
7. Equity/total assets	8.29	9.41	7.82	9.01	10.01	11.13	11.43	12.01
8. Cash dividends paid & declared/net income	n.a.	n.a.	n.a.	5.47	n.a.	0.03	n.a.	n.a.
9. Internal capital generation	7.32	10.62	13.97	11.59	3.51	9.99	10.16	12.57
<b>Loan quality</b>								
1. Growth of total assets	16.24	33.28	26.92	31.58	12.63	13.20	12.44	25.28
2. Growth of gross loans	16.67	33.06	26.67	27.76	10.58	10.07	10.32	19.61
3. Impaired loans/gross loans	3.9	2.41	2.46	2.21	5.27	5.34	3.31	3.25
4. Reserves for impaired loans/gross loans	2.31	1.49	1.96	1.88	2.86	3.30	2.56	2.46
5. Reserves for impaired loans/impairment	59.27	61.75	79.72	85.04	54.15	61.75	77.31	75.59
6. Impaired loans less reserves for impaired loans/Fitch core capital	14.47	7.37	4.25	2.41	18.48	14.08	4.37	4.48
7. Impaired loans less reserves for impaired loans/equity	14.23	7.25	4.11	2.35	17.33	13.42	4.35	4.46
8. Loan impairment charges/average gross loans	1.54	0.7	1.06	0.96	1.65	1.07	0.63	1.08
9. Net charge-offs/average gross loans	0.09	0.57	0.17	0.25	1.68	0.18	n.a.	1.41
10. Impaired loans + foreclosed assets/gross loans + foreclosed assets	3.91	2.41	2.61	2.35	5.27	5.34	3.49	3.39
<b>Funding and liquidity</b>								
1. Loans/customer deposits	135.11	132.24	97.43	99.42	132.16	128.71	105.03	105.28
2. Interbank assets/interbank liabilities	80.97	55.2	404.69	291.68	9.21	14.55	264.93	148.99
3. Customer deposits/total funding (excluding derivatives)	65.13	65.76	74.33	73.31	63.73	67.63	75.94	77.13

Source: Fitch



**Kuveyt Türk Katılım Bankası A.Ş.**  
Income Statement

	30 Sep 2015			31 Dec 2014		31 Dec 2013		31 Dec 2012	
	9 Months - 3rd Quarter	9 Months - 3rd Quarter	As % of	Year End	As % of	Year End	As % of	Year End	As % of
	USDm	TRYm	Earning Assets	TRYm	Earning Assets	TRYm	Earning Assets	TRYm	Earning Assets
	Unaudited	Unaudited		Unqualified		Unqualified		Unqualified	
1. Interest Income on Loans	571.2	1,739,915.00	7.3	1,868,487.00	7.1	1,357,662.00	6.6	1,261,808.00	8.9
2. Other Interest Income	52.4	159,465.00	0.7	169,653.00	0.6	92,556.00	0.5	39,074.00	0.3
3. Dividend Income	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
4. Gross Interest and Dividend Income	623.5	1,899,380.00	7.9	2,038,140.00	7.7	1,450,218.00	7.0	1,300,882.00	9.2
5. Interest Expense on Customer Deposits	171.0	520,885.00	2.2	642,259.00	2.4	447,306.00	2.2	466,274.00	3.3
6. Other Interest Expense	93.9	285,966.00	1.2	240,592.00	0.9	163,430.00	0.8	132,903.00	0.9
7. Total Interest Expense	264.9	806,851.00	3.4	882,851.00	3.3	610,736.00	3.0	599,177.00	4.2
8. Net Interest Income	358.7	1,092,529.00	4.6	1,155,289.00	4.4	839,482.00	4.1	701,705.00	5.0
9. Net Gains (Losses) on Trading and Derivatives	53.6	163,226.00	0.7	147,655.00	0.6	172,251.00	0.8	103,645.00	0.7
10. Net Gains (Losses) on Other Securities	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
11. Net Gains (Losses) on Assets at FV through Income Statement	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
12. Net Insurance Income	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
13. Net Fees and Commissions	36.3	110,573.00	0.5	133,218.00	0.5	115,668.00	0.6	75,234.00	0.5
14. Other Operating Income	7.8	23,732.00	0.1	27,264.00	0.1	30,730.00	0.2	55,022.00	0.4
15. Total Non-Interest Operating Income	97.7	297,531.00	1.2	308,137.00	1.2	318,649.00	1.5	233,901.00	1.7
16. Personnel Expenses	129.1	393,216.00	1.6	440,445.00	1.7	340,137.00	1.6	264,154.00	1.9
17. Other Operating Expenses	113.2	344,919.00	1.4	362,115.00	1.4	275,452.00	1.3	219,904.00	1.6
18. Total Non-Interest Expenses	242.3	738,135.00	3.1	802,560.00	3.0	615,589.00	3.0	484,058.00	3.4
19. Equity-accounted Profit/ Loss - Operating	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
20. Pre-Impairment Operating Profit	214.0	651,925.00	2.7	660,866.00	2.5	542,542.00	2.6	451,548.00	3.2
21. Loan Impairment Charge	64.9	197,685.00	0.8	187,783.00	0.7	154,083.00	0.7	129,784.00	0.9
22. Securities and Other Credit Impairment Charges	1.7	5,190.00	0.0	1,218.00	0.0	10,992.00	0.1	10,731.00	0.1
23. Operating Profit	147.4	449,050.00	1.9	471,865.00	1.8	377,467.00	1.8	311,033.00	2.2
24. Equity-accounted Profit/ Loss - Non-operating	(0.7)	(2,149.00)	(0.0)	(4,459.00)	(0.0)	(436.00)	0.0	0.00	0.0
25. Non-recurring Income	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
26. Non-recurring Expense	0.0	0.00	0.0	0.00	0.0	n.a.	-	n.a.	-
27. Change in Fair Value of Own Debt	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
28. Other Non-operating Income and Expenses	(0.1)	(215.00)	0.0	(225.00)	0.0	(241.00)	0.0	0.00	0.0
29. Pre-tax Profit	146.6	446,686.00	1.9	467,181.00	1.8	376,790.00	1.8	311,033.00	2.2
30. Tax expense	31.2	95,121.00	0.4	92,293.00	0.4	68,867.00	0.3	59,100.00	0.4
31. Profit/Loss from Discontinued Operations	n.a.	n.a.	-	n.a.	-	0.00	0.0	0.00	0.0
32. Net Income	115.4	351,565.00	1.5	374,888.00	1.4	307,923.00	1.5	251,933.00	1.8
33. Change in Value of AFS Investments	(3.2)	(9,719.00)	(0.0)	23,805.00	0.1	(13,978.00)	(0.1)	13,208.00	0.1
34. Revaluation of Fixed Assets	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00	0.0
35. Currency Translation Differences	20.8	63,449.00	0.3	7,568.00	0.0	11,329.00	0.1	0.00	0.0
36. Remaining OCI Gains/(losses)	(17.4)	(52,884.00)	(0.2)	(9,922.00)	(0.0)	(9,481.00)	(0.1)	0.00	0.0
37. Fitch Comprehensive Income	115.7	352,411.00	1.5	396,339.00	1.5	295,793.00	1.4	265,141.00	1.9
38. Memo: Profit Allocation to Non-controlling Interests	0.0	(66.00)	0.0	(428.00)	0.0	n.a.	-	0.00	0.0
39. Memo: Net Income after Allocation to Non-controlling Interests	115.4	351,631.00	1.5	375,316.00	1.4	307,923.00	1.5	251,933.00	1.8
40. Memo: Common Dividends Relating to the Period	12.8	38,959.00	0.2	20,517.00	0.1	18,871.00	0.1	17,305.00	0.1
41. Memo: Preferred Dividends Related to the Period	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-

Exchange rate

USD1 = TRY3.04610

USD1 = TRY2.32100

USD1 = TRY2.13620

USD1 = TRY1.78190

## Kuveyt Turk Katilim Bankasi A.S

## Balance Sheet

	30 Sep 2015			31 Dec 2014		31 Dec 2013		31 Dec 2012	
	9 Months - 3rd Quarter	9 Months - 3rd Quarter	As % of	Year End	As % of	Year End	As % of	Year End	As % of
	USDm	TRYth	Assets	TRYth	Assets	TRYth	Assets	TRYth	Assets
<b>Assets</b>									
<b>A. Loans</b>									
1. Residential Mortgage Loans	1,411.1	4,298,426.00	10.0	3,696,383.00	10.9	2,437,998.00	9.5	1,800,006.00	9.6
2. Other Mortgage Loans	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Other Consumer/ Retail Loans	183.6	559,240.00	1.3	483,977.00	1.4	343,683.00	1.3	218,472.00	1.2
4. Corporate & Commercial Loans	6,833.0	20,813,923.00	48.4	16,403,957.00	48.4	13,473,052.00	52.3	9,665,724.00	51.6
5. Other Loans	666.4	2,029,997.00	4.7	1,285,091.00	3.8	790,108.00	3.1	468,488.00	2.5
6. Less: Reserves for Impaired Loans	178.3	543,098.00	1.3	409,218.00	1.2	336,183.00	1.3	252,158.00	1.4
<b>7. Net Loans</b>	<b>8,915.8</b>	<b>27,158,488</b>	<b>63.1</b>	<b>21,460,190</b>	<b>63.3</b>	<b>16,708,658</b>	<b>64.8</b>	<b>11,900,532</b>	<b>63.5</b>
<b>8. Gross Loans</b>	<b>9,094.1</b>	<b>27,701,586</b>	<b>64.4</b>	<b>21,869,408</b>	<b>64.5</b>	<b>17,044,841</b>	<b>66.1</b>	<b>12,152,690</b>	<b>64.8</b>
9. Memo: Impaired Loans included above	223.6	681,249.00	1.6	481,195.00	1.4	381,676.00	1.5	285,339.00	1.5
10. Memo: Loans at Fair Value included above	n.a.	n.a.	-	n.a.	-	0.00	0.0	0.00	0.0
<b>B. Other Earning Assets</b>									
1. Loans and Advances to Banks	721.7	2,198,475.00	5.1	2,676,521.00	7.9	2,474,337.00	9.6	1,583,872.00	8.5
2. Reverse Repos and Cash Collateral	n.a.	n.a.	-	n.a.	-	0.00	0.0	0.00	0.0
3. Trading Securities and at FV through Income	1.2	3,559.00	0.0	4,799.00	0.0	7,016.00	0.0	9,727.00	0.1
4. Derivatives	29.5	90,003.00	0.2	43,116.00	0.1	107,776.00	0.4	38,891.00	0.2
5. Available for Sale Securities	825.9	2,515,923.00	5.8	2,203,315.00	6.5	1,323,697.00	5.1	549,496.00	2.9
6. Held to Maturity Securities	n.a.	n.a.	-	n.a.	-	0.00	0.0	0.00	0.0
7. Equity Investments in Associates	10.2	31,136.00	0.1	28,285.00	0.1	77,917.00	0.3	57,863.00	0.3
8. Other Securities	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
<b>9. Total Securities</b>	<b>866.9</b>	<b>2,640,621.00</b>	<b>6.1</b>	<b>2,279,515.00</b>	<b>6.7</b>	<b>1,516,406.00</b>	<b>5.9</b>	<b>655,977.00</b>	<b>3.5</b>
10. Memo: Government Securities included Above	651.2	1,983,754.00	4.6	1,873,362.00	5.5	1,268,712.00	4.9	541,059.00	2.9
11. Memo: Total Securities Pledged	169.3	515,831.00	1.2	310,213.00	0.9	235,017.00	0.9	79,909.00	0.4
12. Investments in Property	0.0	53.00	0.0	n.a.	-	0.00	0.0	0.00	0.0
13. Insurance Assets	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
14. Other Earning Assets	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
<b>15. Total Earning Assets</b>	<b>10,504.5</b>	<b>31,997,637.00</b>	<b>74.3</b>	<b>26,416,226.00</b>	<b>77.9</b>	<b>20,699,401.00</b>	<b>80.3</b>	<b>14,140,381.00</b>	<b>75.4</b>
<b>C. Non-Earning Assets</b>									
1. Cash and Due From Banks	3,231.4	9,843,107.00	22.9	6,584,643.00	19.4	4,313,610.00	16.7	3,987,583.00	21.3
2. Memo: Mandatory Reserves included above	n.a.	n.a.	-	n.a.	-	n.a.	-	1,853,649.00	9.9
3. Foreclosed Real Estate	14.1	43,100.00	0.1	31,316.00	0.1	28,999.00	0.1	30,004.00	0.2
4. Fixed Assets	146.7	446,743.00	1.0	401,720.00	1.2	335,768.00	1.3	238,730.00	1.3
5. Goodwill	n.a.	n.a.	-	n.a.	-	0.00	0.0	0.00	0.0
6. Other Intangibles	38.3	116,640.00	0.3	70,280.00	0.2	55,698.00	0.2	43,652.00	0.2
7. Current Tax Assets	n.a.	n.a.	-	n.a.	-	0.00	0.0	0.00	0.0
8. Deferred Tax Assets	31.1	94,697.00	0.2	50,016.00	0.2	30,953.00	0.1	20,804.00	0.1
9. Discontinued Operations	n.a.	n.a.	-	n.a.	-	0.00	0.0	0.00	0.0
10. Other Assets	166.5	507,295.00	1.2	365,356.00	1.1	315,123.00	1.2	286,128.00	1.5
<b>11. Total Assets</b>	<b>14,132.6</b>	<b>43,049,219.00</b>	<b>100.0</b>	<b>33,919,557.00</b>	<b>100.0</b>	<b>25,779,552.00</b>	<b>100.0</b>	<b>18,747,282.00</b>	<b>100.0</b>
<b>Liabilities and Equity</b>									
<b>D. Interest-Bearing Liabilities</b>									
1. Customer Deposits - Current	2,955.0	9,001,313.00	20.9	6,450,657.00	19.0	4,138,044.00	16.1	0.00	0.0
2. Customer Deposits - Savings	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Customer Deposits - Term	6,379.1	19,431,364.00	45.1	15,452,185.00	45.6	12,458,565.00	48.3	12,455,735.00	66.4
<b>4. Total Customer Deposits</b>	<b>9,334.1</b>	<b>28,432,677.00</b>	<b>66.1</b>	<b>21,902,842.00</b>	<b>64.6</b>	<b>16,596,609.00</b>	<b>64.4</b>	<b>12,455,735.00</b>	<b>66.4</b>
5. Deposits from Banks	178.3	543,247.00	1.3	917,619.00	2.7	651,388.00	2.5	296,422.00	158.0%
6. Repos and Cash Collateral	n.a.	n.a.	-	n.a.	-	0.00	0.0	0.00	0.0
7. Commercial Paper and Short-term Borrowings	1,396.3	4,253,213.00	9.9	3,819,800.00	11.3	3,525,631.00	13.7	2,344,690.00	12.5
<b>8. Total Money Market and Short-term Funding</b>	<b>10,908.7</b>	<b>33,229,137.00</b>	<b>77.2</b>	<b>26,640,261.00</b>	<b>78.5</b>	<b>20,773,628.00</b>	<b>80.6</b>	<b>15,096,847.00</b>	<b>80.5</b>
9. Senior Unsecured Debt (original maturity > 1 year)	1,449.2	4,414,381.00	10.3	2,772,820.00	8.2	1,420,788.00	5.5	814,659.00	4.4
10. Subordinated Borrowing	199.8	608,752.00	1.4	464,592.00	1.4	433,080.00	1.7	361,661.00	1.9
11. Covered Bonds	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
12. Other Long-term Funding	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
<b>13. Total LT Funding (original maturity &gt; 1 year)</b>	<b>1,649.0</b>	<b>5,023,133.00</b>	<b>11.7</b>	<b>3,237,412.00</b>	<b>9.5</b>	<b>1,853,868.00</b>	<b>7.2</b>	<b>1,176,320.00</b>	<b>6.3</b>
14. Derivatives	67.5	205,502.00	0.5	25,885.00	0.1	58,948.00	0.2	7,393.00	0.040
15. Trading Liabilities	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
<b>16. Total Funding</b>	<b>12,625.2</b>	<b>38,457,772.00</b>	<b>89.3</b>	<b>29,903,558.00</b>	<b>88.2</b>	<b>22,686,444.00</b>	<b>88.0</b>	<b>16,280,560.00</b>	<b>86.8</b>
<b>E. Non-Interest Bearing Liabilities</b>									
1. Fair Value Portion of Debt	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
2. Credit impairment reserves	102.0	310,632.00	0.7	240,776.00	0.7	174,251.00	0.7	138,118.00	0.7
3. Reserves for Pensions and Other	52.8	160,829.00	0.4	160,219.00	0.5	136,063.00	0.5	82,749.00	0.4
4. Current Tax Liabilities	16.2	49,292.00	0.1	32,317.00	0.1	20,096.00	0.1	15,694.00	0.1
5. Deferred Tax Liabilities	n.a.	n.a.	-	n.a.	-	0.00	0.0	0.00	0.0
6. Other Deferred Liabilities	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
7. Discontinued Operations	n.a.	n.a.	-	n.a.	-	0.00	0.0	0.00	0.0
8. Insurance Liabilities	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
9. Other Liabilities	231.6	705,580.00	1.6	526,167.00	1.6	439,014.00	1.7	543,399.00	2.9
<b>10. Total Liabilities</b>	<b>13,027.8</b>	<b>39,684,105.00</b>	<b>92.2</b>	<b>30,863,037.00</b>	<b>91.0</b>	<b>23,455,868.00</b>	<b>91.0</b>	<b>17,060,520.00</b>	<b>91.0</b>
<b>F. Hybrid Capital</b>									
1. Pref. Shares and Hybrid Capital accounted for as Debt	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
2. Pref. Shares and Hybrid Capital accounted for as Equity	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
<b>G. Equity</b>									
1. Common Equity	1,115.9	3,399,241.00	7.9	3,023,083.00	8.9	2,321,659.00	9.0	1,673,554.00	8.9
2. Non-controlling Interest	4.0	12,302.00	0.0	12,368.00	0.0	0.00	0.0	0.00	0.0
3. Securities Revaluation Reserves	3.1	9,378.00	0.0	21,069.00	0.1	2,025.00	0.0	13,208.00	0.1
4. Foreign Exchange Revaluation Reserves	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
5. Fixed Asset Revaluations and Other Accumulated OCI	-18.3	-55,807.00	-0.1	n.a.	-	0.00	0.0	0.00	0.0
<b>6. Total Equity</b>	<b>1,104.7</b>	<b>3,365,114.00</b>	<b>7.8</b>	<b>3,056,520.00</b>	<b>9.0</b>	<b>2,323,684.00</b>	<b>9.0</b>	<b>1,686,762.00</b>	<b>9.0</b>
<b>7. Total Liabilities and Equity</b>	<b>14,132.6</b>	<b>43,049,219.00</b>	<b>100.0</b>	<b>33,919,557.00</b>	<b>100.0</b>	<b>25,779,552.00</b>	<b>100.0</b>	<b>18,747,282.00</b>	<b>100.0</b>
8. Memo: Fitch Core Capital	1,066.4	3,248,474.00	7.6	2,986,240.00	8.8	2,267,986.00	8.8	1,643,110.00	8.8
9. Memo: Fitch Eligible Capital	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-

USD1 = TRY3.04610

USD1 = TRY2.32100

USD1 = TRY2.13620

USD1 = TRY1.78190

## Kuveyt Turk Katilim Bankasi A.S

## Summary Analytics

	30 Sep 2015	31 Dec 2014	31 Dec 2013	31 Dec 2012
	9 Months - 3rd Quarter	Year End	Year End	Year End
<b>A. Interest Ratios</b>				
1. Interest Income on Loans/ Average Gross Loans	9.26	9.54	9.51	11.27
2. Interest Expense on Customer Deposits/ Average Customer Deposits	2.79	3.33	3.10	4.28
3. Interest Income/ Average Earning Assets	8.66	8.61	8.54	10.13
4. Interest Expense/ Average Interest-bearing Liabilities	3.18	3.34	3.19	4.23
5. Net Interest Income/ Average Earning Assets	4.98	4.88	4.95	5.46
6. Net Int. Inc Less Loan Impairment Charges/ Av. Earning Assets	4.08	4.09	4.04	4.45
7. Net Interest Inc Less Preferred Stock Dividend/ Average Earning Assets	4.98	4.88	4.95	5.46
<b>B. Other Operating Profitability Ratios</b>				
1. Non-Interest Income/ Gross Revenues	21.40	21.06	27.51	25.00
2. Non-Interest Expense/ Gross Revenues	53.10	54.84	53.15	51.74
3. Non-Interest Expense/ Average Assets	2.59	2.67	2.81	2.93
4. Pre-impairment Op. Profit/ Average Equity	27.18	24.21	26.69	28.85
5. Pre-impairment Op. Profit/ Average Total Assets	2.28	2.20	2.48	2.73
6. Loans and securities impairment charges/ Pre-impairment Op. Profit	31.12	28.60	30.43	31.12
7. Operating Profit/ Average Equity	18.72	17.29	18.57	19.87
8. Operating Profit/ Average Total Assets	1.57	1.57	1.72	1.88
9. Operating Profit / Risk Weighted Assets	2.22	2.09	2.02	2.28
<b>C. Other Profitability Ratios</b>				
1. Net Income/ Average Total Equity	14.66	13.73	15.15	16.10
2. Net Income/ Average Total Assets	1.23	1.25	1.41	1.52
3. Fitch Comprehensive Income/ Average Total Equity	14.69	14.52	14.55	16.94
4. Fitch Comprehensive Income/ Average Total Assets	1.23	1.32	1.35	1.60
5. Taxes/ Pre-tax Profit	21.29	19.76	18.28	19.00
6. Net Income/ Risk Weighted Assets	1.74	1.66	1.65	1.85
<b>D. Capitalization</b>				
1. Fitch Core Capital/ Risk Weighted Assets	12.02	13.26	12.12	12.05
2. Fitch Eligible Capital/ Risk Weighted Assets	n.a.	n.a.	n.a.	n.a.
3. Tangible Common Equity/ Tangible Assets	7.57	8.82	8.71	8.78
4. Tier 1 Regulatory Capital Ratio	11.92	12.79	11.90	11.70
5. Total Regulatory Capital Ratio	13.73	15.21	14.43	14.16
6. Core Tier 1 Regulatory Capital Ratio	11.5	13.2	n.a.	n.a.
7. Equity/ Total Assets	7.82	9.01	9.01	9.00
8. Cash Dividends Paid & Declared/ Net Income	11.08	5.47	6.13	6.87
9. Internal Capital Generation	12.42	11.59	12.44	13.91
<b>E. Loan Quality</b>				
1. Growth of Total Assets	26.92	31.58	37.51	27.41
2. Growth of Gross Loans	26.67	28.31	40.26	14.73
3. Impaired Loans/ Gross Loans	2.46	2.20	2.24	2.35
4. Reserves for Impaired Loans/ Gross Loans	1.96	1.87	1.97	2.07
5. Reserves for Impaired Loans/ Impaired Loans	79.72	85.04	88.08	88.37
6. Impaired loans less Reserves for Impaired Loans/ Fitch Core Capital	4.25	2.41	2.01	2.02
7. Impaired Loans less Reserves for Impaired Loans/ Equity	4.11	2.35	1.96	1.97
8. Loan Impairment Charges/ Average Gross Loans	1.06	0.96	1.08	1.16
9. Net Charge-offs/ Average Gross Loans	0.17	0.25	0.28	0.26
10. Impaired Loans + Foreclosed Assets/ Gross Loans + Foreclosed Assets	2.61	2.34	2.41	2.59
<b>F. Funding and Liquidity</b>				
1. Loans/ Customer Deposits	97.43	99.85	102.70	97.57
2. Interbank Assets/ Interbank Liabilities	404.69	291.68	379.86	534.33
3. Customer Deposits/ Total Funding (excluding derivatives)	74.33	73.31	73.35	76.54
4. Liquidity Coverage Ratio	n.a.	n.a.	n.a.	n.a.
5. Net Stable Funding Ratio	n.a.	n.a.	n.a.	n.a.

## Kuveyt Turk Katilim Bankasi A.S

## Reference Data

	30 Sep 2015		As % of	31 Dec 2014		As % of	31 Dec 2013		As % of	31 Dec 2012	
	9 Months - 3rd Quarter	9 Months - 3rd Quarter		Year End	Year End		Year End	Year End		Year End	Year End
	USDm	TRYth	Assets	TRYth	Assets	Assets	TRYth	Assets	Assets	TRYth	Assets
<b>A. Off-Balance Sheet Items</b>											
1. Managed Securitized Assets Reported Off-Balance Sheet	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	0.00	0.0
2. Other off-balance sheet exposure to securitizations	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	0.00	0.0
3. Guarantees	2,634.0	8,023,560.00	18.6	7,266,392.00	21.4	7,380,162.00	28.6	5,208,668.00	27.8		
4. Acceptances and documentary credits reported off-balance sheet	390.5	1,189,452.00	2.8	982,320.00	2.9	1,274,864.00	5.0	1,091,784.00	5.8		
5. Committed Credit Lines	9,491.5	28,912,107.00	67.2	31,909,755.00	94.1	24,445,194.00	94.8	20,208,578.00	107.8		
6. Other Contingent Liabilities	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-		
7. Total Assets under Management	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-		
<b>B. Average Balance Sheet</b>											
Average Loans	8,223.7	25,050,145.00	58.2	19,585,610.00	57.7	14,274,576.00	55.4	11,199,929.00	59.7		
Average Earning Assets	9,630.6	29,335,759.00	68.1	23,675,809.00	69.8	16,974,518.00	65.8	12,841,694.00	68.5		
Average Assets	12,532.9	38,176,317.00	88.7	30,076,339.00	88.7	21,889,479.00	84.9	16,544,595.00	88.3		
Average Managed Securitized Assets (OBS)	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-		
Average Interest-Bearing Liabilities	11,127.7	33,896,052.00	78.7	26,412,506.00	77.9	19,119,123.00	74.2	14,163,931.00	75.6		
Average Common equity	1,047.9	3,192,054.00	7.4	2,702,708.00	8.0	2,027,096.00	7.9	1,562,904.00	8.3		
Average Equity	1,052.6	3,206,454.00	7.5	2,729,464.00	8.1	2,032,299.00	7.9	1,565,245.00	8.4		
Average Customer Deposits	8,189.5	24,946,004.00	58.0	19,270,046.00	56.8	14,418,018.00	55.9	10,903,903.00	58.2		
<b>C. Maturities</b>											
<b>Asset Maturities:</b>											
Loans & Advances < 3 months	3,097.2	9,434,231.00	21.9	5,896,723.00	17.4	11,789,465.00	45.7	4,045,164.00	21.6		
Loans & Advances 3 - 12 Months	2,761.6	8,412,108.00	19.5	7,363,433.00	21.7	2,124,104.00	8.2	4,256,661.00	22.7		
Loans and Advances 1 - 5 Years	2,625.4	7,997,383.00	18.6	7,115,856.00	21.0	2,396,951.00	9.3	3,243,920.00	17.3		
Loans & Advances > 5 years	374.8	1,141,703.00	2.7	990,868.00	2.9	398,138.00	1.5	321,606.00	1.7		
Debt Securities < 3 Months	296.1	901,885.00	2.1	1,050,401.00	3.1	99,220.00	0.4	46,475.00	0.3		
Debt Securities 3 - 12 Months	127.0	386,872.00	0.9	309,124.00	0.9	18,752.00	0.1	2,143.00	0.0		
Debt Securities 1 - 5 Years	368.8	1,123,502.00	2.6	795,489.00	2.4	1,268,959.00	4.9	404,984.00	2.2		
Debt Securities > 5 Years	64.7	197,226.00	0.5	96,216.00	0.3	51,558.00	0.2	136,075.00	0.7		
Loans & Advances to Banks < 3 Months	721.7	2,198,475.00	5.1	2,676,521.00	7.9	2,464,089.00	9.6	633,024.00	3.4		
Loans & Advances to Banks 3 - 12 Months	n.a.	n.a.	-	n.a.	-	10,248.00	0.0	2,143.00	0.0		
Loans & Advances to Banks 1 - 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-		
Loans & Advances to Banks > 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-		
<b>Liability Maturities:</b>											
Retail Deposits < 3 months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-		
Retail Deposits 3 - 12 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-		
Retail Deposits 1 - 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-		
Retail Deposits > 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-		
Other Deposits < 3 Months	8,290.5	25,253,793.00	58.7	20,653,144.00	60.9	14,284,279.00	55.4	11,095,837.00	59.2		
Other Deposits 3 - 12 Months	759.8	2,314,530.00	5.4	1,142,061.00	3.4	1,635,510.00	6.3	978,067.00	5.2		
Other Deposits 1 - 5 Years	283.8	864,354.00	2.0	107,637.00	0.3	676,820.00	2.6	381,831.00	2.0		
Other Deposits > 5 Years	n.a.	n.a.	-	n.a.	-	0.00	0.0	n.a.	-		
Deposits from Banks < 3 Months	164.4	500,882.00	1.2	914,815.00	2.7	607,787.00	2.4	205,235.00	1.1		
Deposits from Banks 3 - 12 Months	n.a.	n.a.	-	2,804.00	0.0	0.00	0.0	91,187.00	0.5		
Deposits from Banks 1 - 5 Years	13.9	42,365.00	0.1	n.a.	-	43,601.00	0.2	0.00	0.0		
Deposits from Banks > 5 Years	n.a.	n.a.	-	n.a.	-	0.00	0.0	0.00	0.0		
Senior Debt Maturing < 3 months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-		
Senior Debt Maturing 3-12 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-		
Senior Debt Maturing 1- 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-		
Senior Debt Maturing > 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-		
Total Senior Debt on Balance Sheet	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-		
Fair Value Portion of Senior Debt	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-		
Subordinated Debt Maturing < 3 months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-		
Subordinated Debt Maturing 3-12 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-		
Subordinated Debt Maturing 1- 5 Year	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-		
Subordinated Debt Maturing > 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-		
Total Subordinated Debt on Balance Sheet	199.8	608,752.00	1.4	464,592.00	1.4	433,080.00	1.7	361,661.00	1.9		
Fair Value Portion of Subordinated Debt	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-		
<b>D. Risk Weighted Assets</b>											
1. Risk Weighted Assets	8,873.7	27,030,125.00	62.8	22,525,513.00	66.4	18,713,777.00	72.6	13,634,569.00	72.7		
2. Fitch Adjustments to Risk Weighted Assets	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-		
3. Fitch Adjusted Risk Weighted Assets	8,873.7	27,030,125.00	62.8	22,525,513.00	66.4	18,713,777.00	72.6	13,634,569.00	72.7		
<b>E. Equity Reconciliation</b>											
1. Equity	1,104.7	3,365,114.00	7.8	3,056,520.00	9.0	2,323,684.00	9.0	1,686,762.00	9.0		
2. Add: Pref. Shares and Hybrid Capital accounted for as Equity	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-		
3. Add: Other Adjustments	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-		
4. Published Equity	1,104.7	3,365,114.00	7.8	3,056,520.00	9.0	2,323,684.00	9.0	1,686,762.00	9.0		
<b>F. Fitch Eligible Capital Reconciliation</b>											
1. Total Equity as reported (including non-controlling interests)	1,104.7	3,365,114.00	7.8	3,056,520.00	9.0	2,323,684.00	9.0	1,686,762.00	9.0		
2. Fair value effect incl in own debt/borrowings at fv on the B/S- CC only	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00	0.0		
3. Non-loss-absorbing non-controlling interests	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00	0.0		
4. Goodwill	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00	0.0		
5. Other intangibles	38.3	116,640.00	0.3	70,280.00	0.2	55,698.00	0.2	43,652.00	0.2		
6. Deferred tax assets deduction	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00	0.0		
7. Net asset value of insurance subsidiaries	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00	0.0		
8. First loss tranches of off-balance sheet securitizations	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00	0.0		
<b>9. Fitch Core Capital</b>	<b>1,066.4</b>	<b>3,248,474.00</b>	<b>7.6</b>	<b>2,986,240.00</b>	<b>8.8</b>	<b>2,267,986.00</b>	<b>8.8</b>	<b>1,643,110.00</b>	<b>8.8</b>		
10. Eligible weighted Hybrid capital	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-		
11. Government held Hybrid Capital	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00	0.0		
<b>12. Fitch Eligible Capital</b>	<b>n.a.</b>	<b>n.a.</b>	<b>-</b>	<b>n.a.</b>	<b>-</b>	<b>n.a.</b>	<b>-</b>	<b>n.a.</b>	<b>-</b>		

Exchange Rate

USD1 = TRY3.04610

USD1 = TRY2.32100

USD1 = TRY2.13620

USD1 = TRY1.78190



## Annex 1

Figure 12

**FX Liquidity Position - Consolidated Group Data**

(Please see some notes below for guidance)

<b>FC liquid assets - excludes all loans, even overdrafts</b>	<b>Short-term (&lt;1 year)</b>	<b>Long-term (&gt;1 year)</b>	<b>End-Jun-2015 Total</b>
Cash	2,046	0	2,046
Placements in foreign banks	1,447	0	1,447
<b>Total FC liquid foreign assets</b>	<b>3,493</b>	<b>0</b>	<b>3,493</b>
Mandatory reserves on LC liabilities (total under ROM)	692	0	692
Unpledged FC government securities	0	248	248
<b>Total FC liquid domestic assets</b>	<b>692</b>	<b>248</b>	<b>940</b>
FC swap contracts maturing in 12 months	4,008	0	4,008
<b>Total FC liquid assets</b>	<b>8,193</b>	<b>248</b>	<b>8,442</b>
			0
Placements in Turkish banks	1,280	0	1,280
Unpledged non-government securities	242	110	352
Securities sold under repos or pledged as collateral	107	0	107
Other placements with CBRT (mainly mandatory reserves on FC liabilities)	3,073	827	3,900
Loans (excluding FX-indexed loans)	1,637	2,267	3,903
Other			0
<b>Total other FC assets</b>	<b>6,339</b>	<b>3,204</b>	<b>9,543</b>
Payables to foreign banks	2,810	976	3,786
Repo funding	0	0	0
Securities issued (excluding subordinated debt)	0	2,659	2,659
Subordinated liabilities	0	538	538
FC swap contracts maturing in 12 months	3,846	0	3,846
<b>Total non-customer foreign FC liabilities</b>	<b>6,656</b>	<b>4,173</b>	<b>10,829</b>
			0
Payables to CBRT	0	0	0
Payables to domestic banks	30	79	109
Customer deposits	12,987	2	12,989
Other	0	0	0
<b>Total FC domestic liabilities</b>	<b>13,017</b>	<b>81</b>	<b>13,098</b>
			0
<b>Total FC liabilities</b>	<b>19,672</b>	<b>4,254</b>	<b>23,927</b>
<b>ST FC liquid assets/ST (non-customer) FC liabilities (%)</b>	<b>123.1</b>		
<b>LT FC assets/LT (non-customer) FC liabilities (%)</b>		<b>5.9</b>	
<b>Total FC liquid assets/total FC liabilities (non-customer) (%)</b>			<b>78.0</b>
<b>Total FC assets - total FC liabilities</b>	<b>-5,140</b>	<b>-802</b>	<b>-5,942</b>

Source: Fitch

The ratings above were solicited by, or on behalf of, the issuer, and therefore, Fitch has been compensated for the provision of the ratings.

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