

Kuveyt Turk Katilim Bankasi A.S

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 Turk

	30 Sep 14	31 Dec 13
Total assets (USDm)	14,317	12,068
Total assets (TRYm)	32,658	25,780
Total equity (TRYm)	2,980	2,324
Operating profit (TRYm)	347	377
Published net income (TRYm)	288.2	307.9
Comprehensive income (TRYm)	319.4	295.8
Operating ROAA (%)	1.59	1.72
Operating ROAE (%)	17.51	18.57
Internal capital generation (%)	12.01	12.44
Fitch core capital/weighted risks (%)	13.34	12.12
Tier 1 regulatory capital ratio (%)	12.92	11.90

Key Rating Drivers

Parent Support Drives IDRs: Kuveyt Turk Katilim Bankasi A.S (Kuveyt Turk)'s Issuer Default Ratings (IDR), Support and National Long-Term Ratings are driven by potential support from the bank's majority shareholder, Kuwait Finance House (KFH, A+/Stable). Fitch Ratings views Kuveyt Turk as a strategically important subsidiary. The cost of supporting Kuveyt Turk is, in our opinion, still manageable for KFH. Kuveyt Turk represents around 24% of KFH's assets but contributes a higher 40% of consolidated group income.

IDRs Constrained: Fitch would normally rate a strategically important subsidiary a maximum of two notches below its parent's IDR. Wider notching between the IDRs of Kuveyt Turk and KFH reflects Country Ceiling constraints (applicable to the Foreign-Currency (FC) IDR) and Turkey's volatile environment, which could affect a foreign owner's commitment to a subsidiary during periods of high stress (Local-Currency IDR).

Modest Franchise, Ambitious Plans: Kuveyt Turk (2% share of banking sector assets) provides Islamic banking services, known locally as participation banking). This limits its product range but demand for such services is growing. Kuveyt Turk is one of Turkey's fastest growing banks. Its target is to rank amongst the country's 10 largest banks by end-2018, implying doubling its assets, which appears ambitious.

Good Asset Quality: Asset quality indicators are sound, with impaired loans and restructured/watch list loans respectively representing 2.2% and 3.8% of total loans at end-September 2014. Recoveries are regular and write-offs and impaired loan sales are not significant. Total impaired loan coverage was adequate at 78% at end-3Q14.

Loans Need Seasoning: Kuveyt Turk's underwriting standards need to be fully tested over a longer credit cycle in view of the rapidly expanding loan book (average annual loan growth between 2010 and 3Q14 was an annual 33%), high SME customer base (40% of total loans) and construction sector exposure (22% of on- and off- balance sheet exposures). FC loans (40% of lending at end-1H14) are also sensitive to exchange-rate volatility.

Healthy Liquidity, Adequate Capital: Kuveyt Turk's customer deposits, its main funding source, are diversified. Short-term market funding is increasing but refinancing risk is manageable. Liquid assets, equivalent to a satisfactory 20% of assets, fully cover 2015 debt repayments. Kuveyt Turk's capital ratios are adequate considering KFH's commitment to regularly inject new capital into the bank to support growth.

Reasonable Profitability: Kuveyt Turk's performance is underpinned by wide net financing margins, reflecting material SME loans and no major asset quality deterioration to date.

Rating Sensitivities

Parent Drives IDRs: A change in KFH's ability and/or willingness to support Kuveyt Turk could affect the latter's IDRs, National Rating and Support Rating. Kuveyt Turk's Long-Term IDRs are also sensitive to changes in Turkey's Country Ceiling and the operating environment in Turkey.

Limited VR Upside: An upgrade of the bank's VR is unlikely in the short-term, mainly because underwriting standards need to be tested more fully given rapid recent credit growth.

Related Research

[Kuwait Finance House \(February 2014\)](#)

[2015 Outlook: Turkish Banks \(December 2014\)](#)

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Presentation of Accounts

This rating report is based on audited end of year and intermediary unaudited accounts prepared according to Banking Regulation and Supervision Agency (BRSA) accounting standards.

Operating Environment

Slowing Economic Growth

Fitch expects GDP growth in Turkey for 2014 to reach around 2.7% (1H14 growth was 3.3%) and the outlook for 2015 is for continued growth (GDP up around 3.5%). Turkey's interest rates can be volatile, as is the exchange rate of the Turkish lira against major currencies. The current account deficit, though declining in 2H14, is still high and maintaining investor confidence in Turkey is key in order to continue to attract international investment.

Small, Though Expanding, Islamic Banking Segment

Islamic banks offer interest-free products for which there appears to be growing demand in Turkey. Islamic banking still represents a small share (under 6% of assets at end-June 2013) of Turkey's banking sector but the government is encouraging development of the sector, with a target that it should reach around 20% of sector assets by end-2023. Competition is expected to increase as large state-owned commercial banks enter the market in 2015.

Company Profile

Kuveyt Turk is a small bank (13th largest by total assets in Turkey), with small sector shares in loans (2%) and deposits (1.6%). Kuveyt Turk's target customers are SME companies. The bank operates out of 296 branches in Turkey at end-3Q14, one branch in Bahrain, a subsidiary in Dubai and a representative office in Germany. An application for opening a branch in Qatar has been made. Foreign branches serve mainly corporate customers and are a source of additional deposits. The bank's branch network is still narrower relative to other conventional similar sized banks; Kuveyt Turk plans to open 15 branches per year until 2018.

Kuveyt Turk was incorporated in 1989 and is 62% owned by KFH, the second-largest bank in Kuwait (consolidated assets of USD59.4bn and equity of USD7.1bn at end-3Q14). The establishment process was initiated by the respective governments of Turkey and Kuwait to develop trade between the two countries. Kuwait state owns a direct 9% stake held through the Public Institution for Social Security state fund. The remaining shareholders include Islamic Development Bank (9%), General Directorate of Foundations, reflecting the interests of the Turkish sovereign (19%), and other shareholders (1%).

Kuveyt Turk is KFH's largest foreign subsidiary accounting for around 24% of the group's consolidated assets at end-3Q14. KFH is 49% owned by Kuwaiti government agencies. Its international operations include banking subsidiaries in Malaysia, Turkey and Bahrain.

Management

KFH does not have representatives in the executive management of Kuveyt Turk. Nonetheless, since 2014, the chairman of the board of directors of Kuveyt Turk is the chairman of KFH, while two additional board members (out of a total of nine) are KFH appointees. The other members include two Kuwaiti nationals, one member appointed by Islamic Development Bank and three members are Turkish nationals.

The board of directors is supported by audit and risk committees (established in 2011), comprising two independent members, appointed by KFH and the Turkish Foundations Directorate. A group manager (appointed in 2013 at KFH level) maintains regular contact with the bank's group risk and credit officers and the treasurer.

Related-party lending requires board approval. Traditionally modest, it increased notably in 1H13. At end-June 2013, the bank's largest risk was extended to companies which Fitch considers are related parties. Related-party loans declined to a moderate 12% of equity at end-1H14 and management does not expect this to increase.

The bank's long-term strategic plan is to become one of the 10 largest banks in Turkey by 2018, spurred by strong annual compounded growth of around 30%. Clear profitability targets

Related Criteria

Global Financial Institutions Rating Criteria
(January 2014)

are included in the bank's plan. The bank aims to boost retail lending (housing loans and credit cards) to support margins. In Fitch's opinion, performance targets are fairly tough.

Kuveyt Turk's growth plan is a challenging one. It requires substantial organisational improvements (including IT capabilities, segmentation, service models, product offerings, advanced underwriting, risk control systems, etc.), as well as alternative funding resources. Turkey's large banks are highly competitive and Kuveyt Turk's main long-term challenge will be to combine the attraction of its religious principles with sufficiently competitive pricing. To date, asset quality remains satisfactory. Fitch will continue to monitor the effects of rapid growth on Kuveyt Turk's credit profile.

Risk Appetite

Strong growth targets imply somewhat heightened risk appetite but, to date, growth has been reasonably well managed. Underwriting standards appear to be in line with those adopted by other similar-sized banks. The audit and risk committee oversees all risks and reports directly to the board of directors. The bank implements a regional hub model, with six offices spread across the country, each responsible for its own region and equipped with its own risk management departments. Kuveyt Turk has a generic model for assigning internal ratings to corporate clients, while retail and SME clients are assigned internal scores. The bank is in the process of calibrating, back testing and refining models and this should be completed in 2014. In the absence of sufficient historic statistical data, assumptions have not yet been validated for corporate and SME loans. Data history for retail lending is sufficiently robust, but retail loans do not make up a sizeable proportion of lending at Kuveyt Turk.

Kuveyt Turk defines SME borrowers as companies with annual turnover of TRY40m. SME loans accounted for sizeable 40% total loans (see Figure 1 below) at end-June 2014. Given rapid growth, many customers are relatively new to the bank. The bank's decision to reduce FC lending resulted in a decline in the SME portfolio (see figure 1). Apart from mortgages, the bank has negligible exposure to other types of consumer loans.

Figure 1

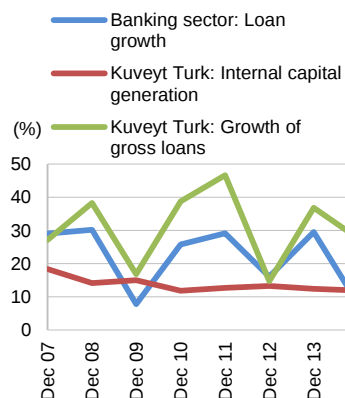
Loan Book Split

(%)	End-June 2014	2013	2012
Corporate & commercial loans	39	33	26
SME	40	48	55
Housing loans	17	15	15
Consumer loans	5	5	4
Total loans (%)	100	100	100

Source: Kuveyt Turk

Economic sector concentrations are not excessive (See figure 2). The most sizeable sectors include wholesale and retail trade, which is diversified across many sub-sectors, and the construction sector (56% of which was off-balance sheet). According to management, roughly half of construction off-balance sheet exposures, which comprise guarantees and commitments, are to state-funded projects. On-balance sheet construction exposures comprise mainly residential developments. House prices in major Turkish urban centres are rising quite rapidly but Kuveyt Turk advises that projects to which the bank is exposed are performing well. The share of FC loans (including those extended in Turkish lira but linked to FC rates) is, at around 40% of total loans roughly in line with the sector average. In 2014, Kuveyt Turk reached an agreement with state-owned Türkiye İhracat Kredi Bankası AS (Eximbank; BBB-/Stable), enabling its customers to access attractively priced export credit facilities. This should strengthen customer relationships.

Figure 3
Loan Growth: KT vs. Banking Sector



Source: Kuveyt Turk

Figure 2
Sector Breakdown of on- and Off-Balance Sheet Risks (%)

Sector	End-June 2-14
Construction	22
Trade	21
Manufacturing	14
Other services	13
Consumer finance	13
Mining and related	5
Transport	4
Financial	3
Agriculture & fishing	1
Other	4
Total (%)	100

Source: Kuveyt Turk

The bank's main market risk relates to indirect repricing risk although in theory participation banks are not subject to interest rate risk. In practice, the bank adjusts its profit sharing ratio to ensure that profit share on deposit remains competitive with market rates. The local regulator imposes shocks on balance sheet items sensitive to profit share agreements, including deposits. For Turkish lira assets and liabilities, shocks of +5%/-4% are applied; for FC items, the shocks are +/- 2% and the resultant impact on equity is limited to 20%. The outcome of the stress test on the bank's equity at end-1H14 was 7%.

Open FC positions are usually hedged with forward transactions or swaps and aggregate net open FC positions are long and usually below 5% of equity and Fitch Core Capital (FCC).

Financial Profile

Asset Quality

Asset Quality is Reasonable; Loan Book Likely to be Unseasoned because of Rapid Growth

Figure 4
Asset Quality Metrics

(%)	3Q14	2013	2012	2011
Growth of gross loans	29.90	36.89	14.73	46.72
Impaired loans/gross loans	2.24	2.29	2.35	1.98
Reserves for impaired loans/impaird loans	78.28	88.08	88.37	85.33
Impaired loans less reserves for impaired loans/Fitch core capital	3.61	2.01	2.02	2.17
Loan impairment charges/average gross loans	0.74	1.08	1.16	1.19

Source: Kuveyt Turk, Fitch

Figure 5
Evolution of Impaired Loans and Reserve Cover (%)

(%)	3Q14	2013	2012	2011
Impaired loans/total loans – Kuveyt Turk	2.24	2.29	2.35	1.98
Impaired loans/total loans - sector average	2.90	2.80	2.60	3.60
Loan loss reserves/impaird loans – Kuveyt Turk	78.30	88.08	88.37	85.33
Loan loss reserves/impaird loans – sector average	72.8	76.30	75.20	79.40

Source: Kuveyt Turk/BRSA

Asset quality indicators at Kuveyt Turk are better than the average for the banking sector, although rapid loan growth means that loans are largely unseasoned and loan quality indicators may not yet be representative of trends going forward. Potentially higher risk long-term bullet repayment loans are low, representing 6% of gross loans at end-1H14. Borrower concentration is not high which is positive. The largest 20 on- and off-balance sheet exposures at end-June 2014 accounted for 10% of total commitments and 100% of the bank's FCC which is considered manageable. Loan loss cover ratios have fallen in line with the sector average, as illustrated in Figure 4 below:

The maturity profile of the loan book has remained broadly stable over recent years, with loans maturing within three months constituting between 10% and 15% of total loans and total loans maturing within one year representing around 45% of total lending. This is longer term than the average for Turkey's banking sector, reflecting the low share of retail loans extended by Kuveyt Turk.

Earnings and Profitability

Figure 6
Performance Measures

(%)	3Q14	2013	2012	2011
Net interest income/average earning assets	4.79	5.00	5.46	5.66
Non-interest expense/gross revenues	55.90	53.15	51.74	53.08
Loans and securities impairment charges/pre-impairment operating profit	23.71	30.43	31.12	30.18
Operating profit/average total assets	1.59	1.72	1.88	2.01
Operating profit/risk-weighted assets	2.12	2.02	2.28	2.27
Net income/average equity				

Source: Kuveyt Turk, Fitch

Kuveyt Turk's revenue base is concentrated, with the bulk of profit resulting from intermediation activity. Kuveyt Turk's profitability remains broadly in line with peers' (see Figure 11 below), although overall performance indicators declined considerably since 2009 due to tightening net financing margins and reducing fees and commissions reflecting regulatory changes and competition. Kuveyt Turk's margins are held up largely by more profitable SME lending.

Operating efficiency is somewhat weaker than the peer average but is considered adequate given a track record of rapid branch expansion (50 new branches were opened in 2014). Loan impairment charges as a proportion of pre-impairment operating profits were particularly low in 1H14, reflecting good recoveries.

Capitalisation and Leverage

Figure 7
Capital and Leverage Ratios

(%)	3Q14	2013	2012	2011
Fitch core capital/weighted risk	13.34	12.12	12.05	13.10
Tangible common equity/tangible assets	8.94	8.71	8.78	9.63
Tier 1 regulatory capital ratio	12.92	11.90	11.70	12.76
Internal capital generation	12.01	12.44	13.91	12.68

Source: Kuveyt Turk, Fitch

Kuveyt Turk's FCC/weighted risks ratio is considered to be adequate in the light of KFH's commitment to provide frequent capital injections which support growth (TRY360m was injected in 1H14). The bank's regulatory total capital ratio is higher because it includes a USD200m Tier 2 subordinated instrument.

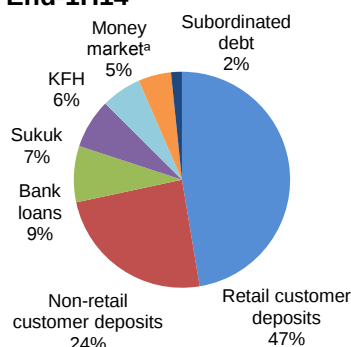
Funding and Liquidity

Figure 8
Funding Dependencies

(%)	3Q14	2013	2012	2011
Loans/customer deposits	102.58	100.24	97.57	108.03
Customer deposits/total funding (excluding derivatives)	73.76	73.35	76.54	77.23

Source: Kuveyt Turk, Fitch

Figure 9
Total Funding by Type at End-1H14



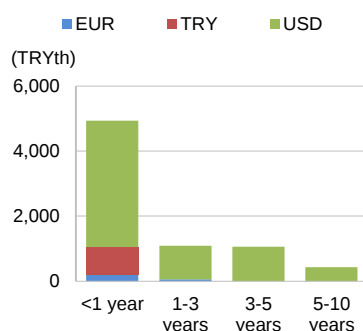
^a Over half is repurchase agreements in TRY

Source: Kuveyt Turk, Fitch

Kuveyt Turk's customer deposits, mainly retail, are well diversified. The top 20 deposits represented a low 7% of total deposits at end-1H14, of which 42% were covered by the deposit protection scheme, highlighting the fragmented nature of the bank's deposit base. The Bahrain branch attracts higher value Gulf-based deposits which regularly account for between 15% and 20% of total deposits at the bank. The stability of the deposit base has been tested several times during previous economic cycles; a high proportion of depositors, particularly within the non-retail segment, are drawn to the bank due to religious principles. A large portion of customer deposits consists of profit share (savings) deposits where remuneration is linked to levels of reported profitability. The stability of such deposits is sensitive to performance trends at Kuveyt Turk and to remuneration rates offered by conventional banks. Market funding (26% of total funding at end-3Q14) includes a sizeable portion of short-term instruments (see Figure 5) and increasingly denominated in FC. Kuveyt Turk has issued public medium-term sukuk bonds (USD500m was raised in 2014) which provide both diversification and maturity lengthening. Domestic issuance is also increasing but the term of lira bonds is generally short-term (3 months – 6 months).

Figure 10

Market Funding Composition by Currency and Maturity



Source: Kuveyt Turk

Market funding is also diversified, although the investor base is narrower for participation banks in Turkey than for conventional banks. Funding from the parent is in the form of subordinated loans and short-term borrowings (equivalent to TRY1.6bn, USD745m); this is not material, representing 9% of total non-equity funding at end-1H14. More recently, the bank has accessed repo funding, backed by its public sector sukuks.

The ability of participation banks to access interbank and central bank liquidity, if required, is limited because their investment options are narrow, reducing the availability of instruments which can be pledged. The Turkish state issued sukuks for the first time in 2013; this has provided participation banks with greater flexibility, as sukuks can be readily pledged at Turkey's central bank to obtain liquidity. All lending at participation banks is structured with monthly instalment repayments; missed payments can be easily detected and act as an early warning signal for potential credit stress. Such information can feed into liquidity stress indicators, triggering corrective action.

Figure 11

Key Financial Highlights – Peer Comparison

	Kuveyt Turk		Türkiye Finans		Anadolubank A.S.		Sekerbank T.A.S.	
	1H14	Dec 13	1H14	Dec 13	1H14	Dec 13	1H14	Dec 13
Total assets (TRYm)	30,409	25,780	30,009	25,127	10,594	9,023	20,875	19,676
Total equity (TRYm)	2,877	2,324	2,731	2,522	1,304	1,164	2,209	2,118
Risk adj. NIM	4.2	3.9	3.6	4.0	3.5	4.8	4.3	5.6
Cost/income	56.5	52.1	51.1	48.3	44.5	58.2	62.2	67.4
Cost/avr assets	2.8	2.8	2.6	2.6	3.0	3.4	4.0	4.5
LICs/pre-impairment op. profit	22.3	33.3	35.8	33.4	28.6	33.4	54.8	24.6
Net income/avr total equity	14.2	15.2	13.1	13.9	17.0	8.4	8.0	11.1
Net income/avr total assets	1.3	1.4	1.3	1.5	2.1	1.3	0.8	1.3
FCC/RWA	13.6	12.1	11.9	12.7	13.2	13.9	10.7	10.8
Tangible common equity/tangible assets	9.2	8.7	8.9	9.8	12.3	12.9	10.3	10.6
Tier 1 regulatory capital ratio	13.3	11.9	11.8	12.3	13.1	14.4	10.2	10.0
Growth of gross loans	16.2	36.9	16.8	39.6	12.7	21.9	3.2	35.7
NPLs/gross loans	2.3	2.3	2.6	2.4	4.5	2.8	5.5	5.0
Loan loss reserves/NPL	80.8	88.1	70.6	73.4	68.2	100.0	61.0	53.3
Net NPLs/FCC	3.1	2.0	5.8	4.7	7.9	0.0	15.2	16.6
LICs/avr gross loans	0.7	1.1	1.2	1.0	1.6	1.1	1.9	0.6
Loans/customer deposits	101.8	100.2	123.7	125.8	108.7	113.8	117.4	121.2
Customer deposits/total funding (excluding derivatives)	71.6	73.4	66.5	70.3	76.2	75.7	72.6	71.5
IDRs/outlook	BBB/Stable		BBB/Stable		BB/Stable		BB-/Negative	
VR	bb-		bb-		bb		bb-	

Source: Fitch

Kuveyt Turk's highly liquid assets (including balances with the central bank but excluding restricted accounts, short term receivables from banks and Treasury sukuk) equalled a satisfactory 20% of total assets at end-1H14 (19% at end-2013) and covered a substantial 26% of customer deposits. At the same time, liquid assets were sufficient to fully cover market funding payments falling due in 2014 and 2015.

Peer Analysis

The peer table below compares key financial ratios for Kuveyt Turk with its closest rated peer, Türkiye Finans and smaller privately-owned conventional Turkish banks. The banks in the peer group focus on SME and corporate lending. Sekerbank's loan book contains a larger share of small and micro company exposures and consumer loans. It therefore benefits from the highest margins before cost of risk is taken into account.

Kuveyt Turk Katilim Bankasi A.S
Income Statement

	30 Sep 2014			31 Dec 2013		31 Dec 2012		31 Dec 2011	
	9 Months - 3rd Quarter	9 Months - 3rd Quarter	As % of	Year End	As % of	Year End	As % of	Year End	As % of
	USDm	TRYth		TRYth		TRYth		TRYth	
	Unqualified	Unqualified	Earning Assets	Unqualified	Earning Assets	Unqualified	Earning Assets	Unqualified	Earning Assets
1. Interest Income on Loans	591.7	1,349,565.0	7.02	1,357,662.0	6.69	1,261,808.0	8.92	937,723.0	8.22
2. Other Interest Income	51.5	117,493.0	0.61	92,556.0	0.46	39,074.0	0.28	29,898.0	0.26
3. Dividend Income	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
4. Gross Interest and Dividend Income	643.2	1,467,058.0	7.63	1,450,218.0	7.15	1,300,882.0	9.20	967,621.0	8.48
5. Interest Expense on Customer Deposits	210.9	481,091.0	2.50	447,306.0	2.20	466,274.0	3.30	369,511.0	3.24
6. Other Interest Expense	73.1	166,679.0	0.87	163,430.0	0.81	132,903.0	0.94	55,259.0	0.48
7. Total Interest Expense	284.0	647,770.0	3.37	610,736.0	3.01	599,177.0	4.24	424,770.0	3.72
8. Net Interest Income	359.2	819,288.0	4.26	839,482.0	4.14	701,705.0	4.96	542,851.0	4.76
9. Net Gains (Losses) on Trading and Derivatives	47.7	108,773.0	0.57	172,251.0	0.85	103,645.0	0.73	99,793.0	0.87
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	39.9	91,036.0	0.47	85,708.0	0.42	75,234.0	0.53	64,705.0	0.57
14. Other Operating Income	5.0	11,477.0	0.06	60,690.0	0.30	55,022.0	0.39	42,100.0	0.37
15. Total Non-Interest Operating Income	92.6	211,286.0	1.10	318,649.0	1.57	233,901.0	1.65	206,598.0	1.81
16. Personnel Expenses	137.7	314,076.0	1.63	340,304.0	1.68	264,154.0	1.87	210,094.0	1.84
17. Other Operating Expenses	114.9	262,049.0	1.36	275,285.0	1.36	219,904.0	1.56	187,700.0	1.65
18. Total Non-Interest Expenses	252.6	576,125.0	2.99	615,589.0	3.03	484,058.0	3.42	397,794.0	3.49
19. Equity-accounted Profit/ Loss - Operating	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
20. Pre-Impairment Operating Profit	199.2	454,449.0	2.36	542,542.0	2.67	451,548.0	3.19	351,655.0	3.08
21. Loan Impairment Charge	45.8	104,400.0	0.54	154,082.0	0.76	129,784.0	0.92	106,147.0	0.93
22. Securities and Other Credit Impairment Charges	1.5	3,365.0	0.02	10,993.0	0.05	10,731.0	0.08	n.a.	-
23. Operating Profit	152.0	346,684.0	1.80	377,467.0	1.86	311,033.0	2.20	245,508.0	2.15
24. Equity-accounted Profit/ Loss - Non-operating	(1.2)	(2,647.0)	(0.01)	(436.0)	(0.00)	0.0	0.00	0.0	0.00
25. Non-recurring Income	5.4	12,241.0	0.06	n.a.	-	n.a.	-	n.a.	-
26. Non-recurring Expense	n.a.	n.a.	-	n.a.	-	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	n.a.	n.a.	-	(241.0)	(0.00)	0.0	0.00	(2,181.0)	(0.02)
29. Pre-tax Profit	156.2	356,278.0	1.85	376,790.0	1.86	311,033.0	2.20	243,327.0	2.13
30. Tax expense	29.9	68,102.0	0.35	68,867.0	0.34	59,100.0	0.42	50,414.0	0.44
31. Profit/Loss from Discontinued Operations	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
32. Net Income	126.3	288,176.0	1.50	307,923.0	1.52	251,933.0	1.78	192,913.0	1.69
33. Change in Value of AFS Investments	11.0	25,134.0	0.13	(8,114.0)	(0.04)	13,208.0	0.09	0.0	0.00
34. Revaluation of Fixed Assets	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
35. Currency Translation Differences	2.7	6,101.0	0.03	11,329.0	0.06	0.0	0.00	0.0	0.00
36. Remaining OCI Gains/(losses)	n.a.	n.a.	-	(15,345.0)	(0.08)	0.0	0.00	0.0	0.00
37. Fitch Comprehensive Income	140.0	319,411.0	1.66	295,793.0	1.46	265,141.0	1.88	192,913.0	1.69
38. Memo: Profit Allocation to Non-controlling Interests	n.a.	n.a.	-	n.a.	-	0.0	0.00	0.0	0.00
39. Memo: Net Income after Allocation to Non-controlling Interests	126.3	288,176.0	1.50	307,923.0	1.52	251,933.0	1.78	192,913.0	1.69
40. Memo: Common Dividends Related to the Period	9.0	20,517.0	0.11	18,871.0	0.09	17,305.0	0.12	10,275.0	0.09
41. Memo: Preferred Dividends Related to the Period	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-

Exchange rate

USD1 = TRY2.28100

USD1 = TRY2.13620

USD1 = TRY1.78190

USD1 = TRY1.91110

Balance Sheet

Exchange rate	USD1 = TRY 2.28100	USD1 = TRY 2.13620	USD1 = TRY 1.78190	USD1 = TRY 1.91110
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Kuveyt Turk Katilim Bankasi A.S

Summary Analytics

	30 Sep 2014	31 Dec 2013	31 Dec 2012	31 Dec 2011
	9 Months - 3rd Quarter	Year End	Year End	Year End
A. Interest Ratios				
1. Interest Income on Loans/ Average Gross Loans	9.51	9.54	11.27	10.53
2. Interest Expense on Customer Deposits/ Average Customer Deposits	3.46	3.10	4.53	4.39
3. Interest Income/ Average Earning Assets	8.57	8.64	10.13	10.10
4. Interest Expense/ Average Interest-bearing Liabilities	3.39	3.19	4.23	4.09
5. Net Interest Income/ Average Earning Assets	4.79	5.00	5.46	5.66
6. Net Int. Inc Less Loan Impairment Charges/ Av. Earning Assets	4.18	4.08	4.45	4.56
7. Net Interest Inc Less Preferred Stock Dividend/ Average Earning Assets	4.79	5.00	5.46	5.66
B. Other Operating Profitability Ratios				
1. Non-Interest Income/ Gross Revenues	20.50	27.51	25.00	27.57
2. Non-Interest Expense/ Gross Revenues	55.90	53.15	51.74	53.08
3. Non-Interest Expense/ Average Assets	2.65	2.81	2.93	3.26
4. Pre-impairment Op. Profit/ Average Equity	22.95	26.69	28.85	26.07
5. Pre-impairment Op. Profit/ Average Total Assets	2.09	2.48	2.73	2.88
6. Loans and securities impairment charges/ Pre-impairment Op. Profit	23.71	30.43	31.12	30.18
7. Operating Profit/ Average Equity	17.51	18.57	19.87	18.20
8. Operating Profit/ Average Total Assets	1.59	1.72	1.88	2.01
9. Taxes/ Pre-tax Profit	19.11	18.28	19.00	20.72
10. Pre-Impairment Operating Profit / Risk Weighted Assets	2.78	2.90	3.31	3.26
11. Operating Profit / Risk Weighted Assets	2.12	2.02	2.28	2.27
C. Other Profitability Ratios				
1. Net Income/ Average Total Equity	14.55	15.15	16.10	14.30
2. Net Income/ Average Total Assets	1.32	1.41	1.52	1.58
3. Fitch Comprehensive Income/ Average Total Equity	16.13	14.55	16.94	14.30
4. Fitch Comprehensive Income/ Average Total Assets	1.47	1.35	1.60	1.58
5. Net Income/ Av. Total Assets plus Av. Managed Securitized Assets	n.a.	n.a.	1.52	1.58
6. Net Income/ Risk Weighted Assets	1.76	1.65	1.85	1.79
7. Fitch Comprehensive Income/ Risk Weighted Assets	1.95	1.58	1.94	1.79
D. Capitalization				
1. Fitch Core Capital/ Risk Weighted Assets	13.34	12.12	12.05	13.10
2. Fitch Eligible Capital/ Risk Weighted Assets	n.a.	n.a.	n.a.	n.a.
3. Tangible Common Equity/ Tangible Assets	8.94	8.71	8.78	9.63
4. Tier 1 Regulatory Capital Ratio	12.92	11.90	11.70	12.76
5. Total Regulatory Capital Ratio	15.25	14.43	14.16	16.28
6. Core Tier 1 Regulatory Capital Ratio	n.a.	n.a.	n.a.	n.a.
7. Equity/ Total Assets	9.12	9.01	9.00	9.79
8. Cash Dividends Paid & Declared/ Net Income	7.12	6.13	6.87	5.33
9. Cash Dividend Paid & Declared/ Fitch Comprehensive Income	6.42	6.38	6.53	5.33
10. Cash Dividends & Share Repurchase/Net Income	n.a.	n.a.	n.a.	n.a.
11. Internal Capital Generation	12.01	12.44	13.91	12.68
E. Loan Quality				
1. Growth of Total Assets	26.68	37.51	27.41	51.27
2. Growth of Gross Loans	29.90	36.89	14.73	46.72
3. Impaired Loans/ Gross Loans	2.24	2.29	2.35	1.98
4. Reserves for Impaired Loans/ Gross Loans	1.75	2.02	2.07	1.69
5. Reserves for Impaired Loans/ Impaired Loans	78.28	88.08	88.37	85.33
6. Impaired loans less Reserves for Impaired Loans/ Fitch Core Capital	3.61	2.01	2.02	2.17
7. Impaired Loans less Reserves for Impaired Loans/ Equity	3.53	1.96	1.97	2.13
8. Loan Impairment Charges/ Average Gross Loans	0.74	1.08	1.16	1.19
9. Net Charge-offs/ Average Gross Loans	0.17	0.28	0.26	0.51
10. Impaired Loans + Foreclosed Assets/ Gross Loans + Foreclosed Assets	2.43	2.46	2.59	2.21
F. Funding				
1. Loans/ Customer Deposits	102.58	100.24	97.57	108.03
2. Interbank Assets/ Interbank Liabilities	582.65	379.86	534.33	743.79
3. Customer Deposits/ Total Funding (excluding derivatives)	73.76	73.35	76.54	77.23

Kuveyt Turk Katilim Bankasi A.S Reference Data

	30 Sep 2014			31 Dec 2013		31 Dec 2012		31 Dec 2011	
	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
A. Off-Balance Sheet Items									
1. Managed Securitised Assets Reported Off-Balance Sheet	n.a.	n.a.	-	n.a.	-	0.0	0.00	0.0	0.00
2. Other off-balance sheet exposure to securitizations	n.a.	n.a.	-	n.a.	-	0.0	0.00	0.0	0.00
3. Guarantees	3,111.5	7,097,278.0	21.73	7,380,162.0	28.63	5,208,668.0	27.78	4,355,975.0	29.60
4. Acceptances and documentary credits reported off-balance sheet	527.4	1,203,017.0	3.68	1,274,864.0	4.95	1,091,784.0	5.82	685,703.0	4.66
5. Committed Credit Lines	1,349.7	3,078,682.0	9.43	24,445,194.0	94.82	1,606,271.0	8.57	1,629,641.0	11.08
6. Other Contingent Liabilities	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
7. Total Business Volume	19,306.0	44,036,886.0	134.84	58,879,772.0	228.40	26,654,005.0	142.18	21,385,674.0	145.34
8. Memo: Risk Weighted Assets	9,578.7	21,849,125.0	66.90	18,713,777.0	72.59	13,634,569.0	72.73	10,793,167.0	73.35
9. Fitch Adjustments to Risk Weighted Assets	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
10. Fitch Adjusted Risk Weighted Assets	9,578.7	21,849,125.0	66.90	18,713,777.0	72.59	13,634,569.0	72.73	10,793,167.0	73.35
B. Average Balance Sheet									
Average Loans	8,291.3	18,912,553.0	57.91	14,226,926.0	55.19	11,199,929.0	59.74	8,905,807.0	60.52
Average Earning Assets	10,034.5	22,888,597.0	70.09	16,789,483.0	65.13	12,841,694.0	68.50	9,584,002.0	65.13
Average Assets	12,764.4	29,115,535.0	89.15	21,889,479.0	84.91	16,544,595.0	88.25	12,220,827.0	83.05
Average Managed Securitised Assets (OBS)	n.a.	n.a.	-	n.a.	-	0.0	0.00	0.0	0.00
Average Interest-Bearing Liabilities	11,196.7	25,539,743.0	78.20	19,119,123.0	74.16	14,163,931.0	75.55	10,384,844.0	70.58
Average Common equity	1,149.8	2,622,614.0	8.03	2,027,096.0	7.86	1,562,904.0	8.34	1,348,701.0	9.17
Average Equity	1,160.8	2,647,700.0	8.11	2,032,799.0	7.89	1,565,245.0	8.35	1,348,701.0	9.17
Average Customer Deposits	8,159.5	18,611,848.0	56.99	14,418,018.0	55.93	10,303,174.0	54.96	8,418,326.0	57.21
C. Maturities									
Asset Maturities:									
Loans & Advances < 3 months	2,906.6	6,630,055.0	20.30	n.a.	-	4,045,164.0	21.58	3,106,731.0	21.11
Loans & Advances 3 - 12 Months	3,095.1	7,060,035.0	21.62	n.a.	-	4,256,661.0	22.71	3,799,680.0	25.82
Loans and Advances 1 - 5 Years	2,878.3	6,565,444.0	20.10	n.a.	-	3,243,920.0	17.30	3,218,679.0	21.87
Loans & Advances > 5 years	427.5	975,173.0	2.99	n.a.	-	321,606.0	1.72	257,765.0	1.75
Debt Securities < 3 Months	428.9	978,210.0	3.00	99,220.0	0.38	46,475.0	0.25	74,338.0	0.51
Debt Securities 3 - 12 Months	151.1	344,717.0	1.06	18,752.0	0.07	2,143.0	0.01	12,882.0	0.09
Debt Securities 1 - 5 Years	293.6	669,764.0	2.05	1,268,959.0	4.92	404,984.0	2.16	6,542.0	0.04
Debt Securities > 5 Years	10.2	23,154.0	0.07	51,558.0	0.20	136,075.0	0.73	0.0	0.00
Loans & Advances to Banks < 3 Months	1,048.3	2,391,144.0	7.32	2,464,089.0	9.56	633,024.0	3.38	n.a.	-
Loans & Advances to Banks 3 - 12 Months	n.a.	n.a.	-	10,248.0	0.04	2,143.0	0.01	n.a.	-
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.	-
Liability Maturities:									
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	8,522.3	19,439,408.0	59.52	14,284,279.0	55.41	11,095,837.0	59.19	8,346,607.0	56.72
Other Deposits 3 - 12 Months	586.4	1,337,595.0	4.10	1,635,510.0	6.34	978,067.0	5.22	944,651.0	6.42
Other Deposits 1 - 5 Years	92.9	211,909.0	0.65	676,820.0	2.63	381,831.0	2.04	512,139.0	3.48
Other Deposits > 5 Years	n.a.	n.a.	-	0.0	0.00	n.a.	-	0.0	0.00
Deposits from Banks < 3 Months	182.7	416,790.0	1.28	607,787.0	2.36	205,235.0	1.09	113,422.0	0.77
Deposits from Banks 3 - 12 Months	19.1	43,466.0	0.13	0.0	0.00	91,187.0	0.49	0.0	0.00
Deposits from Banks 1 - 5 Years	12.0	27,306.0	0.08	43,601.0	0.17	0.0	0.00	0.0	0.00
Deposits from Banks > 5 Years	n.a.	n.a.	-	0.0	0.00	0.0	0.00	0.0	0.00
Senior Debt Maturing < 3 months	615.8	1,404,698.0	4.30	n.a.	-	n.a.	-	n.a.	-
Senior Debt Maturing 3-12 Months	1,139.2	2,598,527.0	7.96	n.a.	-	n.a.	-	n.a.	-
Senior Debt Maturing 1 - 5 Years	990.1	2,258,469.0	6.92	n.a.	-	n.a.	-	n.a.	-
Senior Debt Maturing > 5 Years	206.5	471,114.0	1.44	n.a.	-	n.a.	-	n.a.	-
Total Senior Debt on Balance Sheet	2,951.7	6,732,808.0	20.62	n.a.	-	n.a.	-	n.a.	-
Fair Value Portion of Senior Debt	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Covered Bonds	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	206.5	471,114.0	1.44	433,080.0	1.68	361,661.0	1.93	386,681.0	2.63
Fair Value Portion of Subordinated Debt	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
D. Equity Reconciliation									
1. Equity	1,306.3	2,979,592.0	9.12	2,323,684.0	9.01	1,686,762.0	9.00	1,440,429.0	9.79
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	n.a.	n.a.	-	2,323,684.0	9.01	1,686,762.0	9.00	1,440,429.0	9.79
E. Fitch Eligible Capital Reconciliation									
1. Total Equity as reported (including non-controlling interests)	1,306.3	2,979,592.0	9.12	2,323,684.0	9.01	1,686,762.0	9.00	1,440,429.0	9.79
2. Fair value effect incl in own debt/borrowings at fv on the B/S- CC only	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
3. Non-loss-absorbing non-controlling interests	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
4. Goodwill	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
5. Other intangibles	28.6	65,272.0	0.20	55,698.0	0.22	43,652.0	0.23	26,454.0	0.18
6. Deferred tax assets deduction	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
7. Net asset value of insurance subsidiaries	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
8. First loss tranches of off-balance sheet securitizations	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
9. Fitch Core Capital	1,277.7	2,914,320.0	8.92	2,267,986.0	8.80	1,643,110.0	8.76	1,413,975.0	9.61
10. Eligible weighted Hybrid capital	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
11. Government held Hybrid Capital	n.a.	n.a.	-	0.0	0.00	0.0	0.00	0.0	0.00
12. Fitch Eligible Capital	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-

Exchange Rate USD1 = TRY2.28100 USD1 = TRY2.13620 USD1 = TRY1.78190 USD1 = TRY1.91110

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