

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

**INDEPENDENT AUDITOR’S
LIMITED REVIEW REPORT,
UNCONSOLIDATED FINANCIAL
STATEMENTS AND NOTES
FOR THE PERIOD ENDED
SEPTEMBER 30, 2012**

*Translated into English
from the Original Turkish Report*

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ

INDEPENDENT AUDITOR’S LIMITED REVIEW REPORT FOR THE PERIOD JANUARY 1 – SEPTEMBER 30, 2012

We have reviewed the accompanying balance sheet of Kuveyt Türk Katılım Bankası A.Ş. (The “Bank”) as of September 30, 2012, and the related statements of unconsolidated income, cash flows and changes in equity for the period then ended. These financial statements are the responsibility of the Bank’s management. As independent auditors our responsibility is to issue a report based on the review performed on these financial statements.

We conducted our review in accordance with the accounting rules and policies, and the accounting and auditing standards, set out as per the Banking Act No: 5411. Those standards require that we plan and perform the review to obtain limited assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to reviewing financial statements by applying analytical procedures, inquiring as to the integrity of the financial statements and making inquiries of management to obtain information, it is substantially less in scope than an audit and therefore provides a lesser assurance. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying financial statements are not presented fairly, in all material respects, the financial position, the results of its operations and its cash flows, of Kuveyt Türk Katılım Bankası A.Ş. for the period ended September 30, 2012 in accordance with the prevailing accounting principles and standards set out as per the Article No: 37 of the Banking Act No: 5411, and other regulations, communiqués and circulars in respect of accounting and financial reporting and pronouncements made by the Banking Regulation and Supervision Agency (“BRSA”).

Other matters

The financial statements of the Bank for the year ended December 31, 2011 have been audited by other auditors whose report, dated March 22, 2012, expressed unqualified opinion. The financial statements of the Bank for the period ended September 30, 2011 have been reviewed by other auditors. The auditors stated at their review report dated November 11, 2011 that nothing had come to their attention that caused them to believe that the consolidated financial statements were not presented fairly the financial position and the results of the Bank’s operations as of September 30, 2011.

Additional paragraph for English translation:

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

Istanbul, November 12, 2012

DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.

Member of **DELOITTE TOUCHE TOHMATSU LIMITED**

Müjde Şehsuvaroğlu

Partner

**THE UNCONSOLIDATED FINANCIAL REPORT OF KUVEYT TÜRK KATILIM BANKASI A.Ş.
FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2012**

Address of the Bank Headquarters : Büyükdere Cad. No: 129/1 34394 Esentepe / İSTANBUL
Bank's Phone and Facsimile Numbers : 0212 354 11 11 – 0212 354 12 12
Bank's Website : www.kuveytturk.com.tr
Electronic Mail Contact Info : kuveytturk@kuveytturk.com.tr

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

- General Information About the Bank
- Unconsolidated Financial Statements of the Bank
- Explanations on the Accounting Principles applied in the related period
- Information on Financial Structure of the Bank
- Explanatory Disclosures and Footnotes on Unconsolidated Financial Statements
- Other Explanations and Disclosures
- Independent Auditor's Limited Review Report

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

Mohammad S.A.I. Alomar Chairman of the Board of Directors	Adnan Ertem Chairman of the Audit Committee	Shaheen H. A. ALGHANEEM Member of the Audit Committee	Ufuk Uyan General Manager	Ahmet Karaca Assistant General Manager In Charge of Financial Reporting
İsmail Hakkı Yeşilyurt External Reporting Manager				

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

Name-Surname/Position: İsmail Hakkı Yeşilyurt / External Reporting Manager
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KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2012

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

SECTION ONE

GENERAL INFORMATION

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

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

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

As of September 30, 2012 and December 31, 2011, 62.24% of the Bank's shares are owned by Kuwait Finance House located in Kuwait, 18.72% by Vakıflar Genel Müdürlüğü Mazbut Vakıfları, 9.00% by The Public Institution For Social Security in Kuwait and 9.00% by Islamic Development Bank whereas the remaining 1.04% of the shares are owned by other real persons and legal entities.

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

Name	Title	Date of the assignment	Educational degree	Ownership Percentage %
Mohammad S.A.I. ALOMAR	Chairman of the BOD	19/07/2000	Bachelor	-
Abdullah TİVNİKLİ	Vice Chairman of the BOD	16/05/2001	Master	0.0834%
Dr. Adnan ERTEM	Member of BOD and Chairman of the Audit Committee	22/12/2010	Doctorate	-
Nadir ALPASLAN	Member of BOD	15/04/2011	Bachelor	-
Khaled Nasser Abdulaziz AL FOUZAN	Member of BOD	02/08/2006	Bachelor	-
Fawaz KH E AL SALEH	Member of BOD	20/10/2006	Bachelor	0.0133%
Mohammad Shujauddin AHMED	Member of BOD	17/05/2012	Bachelor	-
Shaheen H.A. AL GHANEM	Member of BOD and Member of Audit Committee	18/12/2006	Bachelor	-
Ufuk UYAN	Member of BOD and General Manager	10/05/1999	Master	0.0556%
Ahmet KARACA	Assistant General Manager and Chief Financial Officer	12/07/2006	Master	0.0189%
Ahmet Süleyman KARAKAYA	Assistant General Manager, Corporate and Commercial Banking	14/01/2003	Bachelor	0.0008%
Bilal SAYIN	Assistant General Manager, Lending	20/08/2003	Bachelor	0.0062%
İrfan YILMAZ(*)	Assistant General Manager, Retail Banking	27/10/2005	Bachelor	0.0092%
Dr. Ruşen Ahmet ALBAYRAK (**)	Assistant General Manager, Corporate and International Banking	05/05/2005	Doctorate	0.0061%
Nurettin KOLAÇ	Assistant General Manager, Legal and Risk Follow Up	20/04/2010	Bachelor	0.00053%
Asım ÖZGÖZÜKARA	Auditor	22/11/1988	Bachelor	-
Güven OBALI	Auditor	11/12/2007	Bachelor	-
Mikdat YETİM	Auditor	15/04/2010	Associate Degree	-

(*) Besides his duty as Assistant General Manager of Retail Banking; İrfan YILMAZ, has been assigned to Assistant General Manager of Banking Services Group from which Dr. Ruşen Ahmet ALBAYRAK has been resigned from.

(**) As of September 25, 2012, Dr. Ruşen Ahmet ALBAYRAK has been officially assigned for the duty which Murat Çetinkaya has been resigned and that he had been assigned as deputy since then.

Chairman and members of the Board of Directors, members of auditing committee, general manager and assistant general managers own 0.19% of the Bank's share capital (December 31, 2011 – 0.19%).

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2012

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

IV. Information on qualified shareholders:

Name / Commercial Name	Share amount (Nominal)	Shareholding percentage	Paid shares (Nominal)	Unpaid shares
Kuwait Finance House	684,654	62.24%	684,654	-
Vakıflar Genel Müdürlüğü Mazbut Vakıfları	205,912	18.72%	205,912	-
Total	890,566	80.96%	890,566	-

As of September 30, 2012, the shares parent shareholder of Bank, Kuwait Finance House (“KFH”) is 51.52% publicly traded; 24.08% of KFH belongs to Kuwait Investment Authority and 10.48% belongs to Public Authority for Minors Affairs.

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

The Bank’s field of operations includes corporate banking, international banking services, and retail banking and credit card services. The Bank’s core business is operating in accordance with the principles of interest-free banking as a participation bank by collecting funds through current and profit/loss sharing accounts, and lending such funds to its customers. As of September 30, 2012, the Bank is operating through 221 domestic branches (December 31, 2011 – 180) with 3,850 employees (December 31, 2011 – 3,326). Summary of some of the Bank’s operations described in the Articles of Association are as follows:

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

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

SECTION TWO

THE UNCONSOLIDATED FINANCIAL STATEMENTS

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
UNCONSOLIDATED BALANCE SHEET AS OF SEPTEMBER 30, 2012
(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

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

	Note	Reviewed Current period (30.09.2012)			Audited Prior period (31.12.2011)		
		TL	FC	Total	TL	FC	Total
I. CASH AND BALANCES WITH THE CENTRAL BANK	(I-a)	111,241	3,464,791	3,576,032	455,541	1,965,247	2,420,788
II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (Net)	(I-b)	46,148	34,182	80,330	73,338	13,882	87,220
2.1 Held for trading financial assets		46,148	34,182	80,330	73,338	13,882	87,220
2.1.1 Public sector debt securities		-	-	-	-	-	-
2.1.2 Equity securities		-	-	-	-	-	-
2.1.3 Derivative financial assets held for trading		23,795	34,182	57,977	60,983	13,882	74,865
2.1.4 Other marketable securities		22,353	-	22,353	12,355	-	12,355
2.2 Financial assets at fair value through profit and loss		-	-	-	-	-	-
2.2.1 Public sector debt securities		-	-	-	-	-	-
2.2.2 Equity securities		-	-	-	-	-	-
2.2.3 Loans		-	-	-	-	-	-
2.2.4 Other marketable securities		-	-	-	-	-	-
III. BANKS	(I-c)	202,657	1,495,932	1,698,589	51,119	1,201,470	1,252,589
IV. MONEY MARKET PLACEMENTS		-	-	-	-	-	-
V. FINANCIAL ASSETS AVAILABLE FOR SALE (Net)	(I-d)	8,227	132,192	140,419	6,542	-	6,542
5.1 Equity securities		8,227	-	8,227	6,542	-	6,542
5.2 Public sector debt securities		-	132,192	132,192	-	-	-
5.3 Other marketable securities		-	-	-	-	-	-
VI. LOANS AND RECEIVABLES	(I-e)	10,238,110	1,042,547	11,280,657	9,354,466	904,293	10,258,759
6.1 Loans and receivables		10,184,745	1,042,547	11,227,292	9,323,752	904,293	10,228,045
6.1.1 Loans to risk group of the Bank		32,774	51,020	83,794	30,289	56,483	86,772
6.1.2 Public sector debt securities		-	-	-	-	-	-
6.1.3 Other		10,151,971	991,527	11,143,498	9,293,463	847,810	10,141,273
6.2 Non-performing loans		272,802	-	272,802	209,428	-	209,428
6.3 Specific provisions (-)		219,437	-	219,437	178,714	-	178,714
VII. HELD TO MATURITY INVESTMENTS (Net)	(I-f)	-	-	-	-	-	-
VIII. INVESTMENTS IN ASSOCIATES (Net)	(I-g)	-	-	-	-	-	-
8.1 Accounted for under equity method		-	-	-	-	-	-
8.2 Unconsolidated associates		-	-	-	-	-	-
8.2.1 Financial associates		-	-	-	-	-	-
8.2.2 Non-financial associates		-	-	-	-	-	-
IX. INVESTMENTS IN SUBSIDIARIES (Net)	(I-h)	75,830	-	75,830	83,620	-	83,620
9.1 Unconsolidated financial subsidiaries		17,967	-	17,967	17,967	-	17,967
9.2 Unconsolidated non-financial subsidiaries		57,863	-	57,863	65,653	-	65,653
X. ENTITIES UNDER COMMON CONTROL (JOINT VENT.) (Net)	(I-i)	-	-	-	-	-	-
10.1 Accounted for under equity method		-	-	-	-	-	-
10.2 Unconsolidated		-	-	-	-	-	-
10.2.1 Financial subsidiaries		-	-	-	-	-	-
10.2.2 Non-financial subsidiaries		-	-	-	-	-	-
XI. FINANCE LEASE RECEIVABLES	(I-j)	161,605	-	161,605	132,872	-	132,872
11.1 Finance lease receivables		196,567	-	196,567	169,214	-	169,214
11.2 Operating lease receivables		-	-	-	-	-	-
11.3 Other		-	-	-	-	-	-
11.4 Unearned income (-)		34,962	-	34,962	36,342	-	36,342
XII. DERIVATIVE FINANCIAL ASSETS FOR HEDGING PURPOSES	(I-k)	-	-	-	-	-	-
12.1 Fair value hedge		-	-	-	-	-	-
12.2 Cash flow hedge		-	-	-	-	-	-
12.3 Hedge of net investment risks in foreign operations		-	-	-	-	-	-
XIII. TANGIBLE ASSETS (Net)		391,069	431	391,500	357,927	608	358,535
XIV. INTANGIBLE ASSETS (Net)		38,997	1	38,998	26,453	1	26,454
14.1 Goodwill		-	-	-	-	-	-
14.2 Other		38,997	1	38,998	26,453	1	26,454
XV. INVESTMENT PROPERTIES (Net)		-	-	-	-	-	-
XVI. TAX ASSET	(I-l)	22,326	-	22,326	32,827	-	32,827
16.1 Current tax asset		-	-	-	-	-	-
16.2 Deferred tax asset		22,326	-	22,326	32,827	-	32,827
XVII. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)		36,086	-	36,086	25,015	-	25,015
17.1 Held for sale		36,086	-	36,086	25,015	-	25,015
17.2 Discontinued operations		-	-	-	-	-	-
XVIII. OTHER ASSETS	(I-m)	120,780	58,225	179,005	144,214	68,157	212,371
TOTAL ASSETS		11,453,076	6,228,301	17,681,377	10,743,934	4,153,658	14,897,592

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
UNCONSOLIDATED BALANCE SHEET AS OF SEPTEMBER 30, 2012
(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

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

	Note	Reviewed Current period (30.09.2012)			Audited Prior period (31.12.2011)		
		TL	FC	Total	TL	FC	Total
I. FUND COLLECTED	(II-a)	6,283,451	5,611,645	11,895,096	5,215,357	4,702,970	9,918,327
1.1 Funds from risk group of the Bank		40,806	123,404	164,210	48,936	99,112	148,048
1.2 Other		6,242,645	5,488,241	11,730,886	5,166,421	4,603,858	9,770,279
II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	(II-b)	6,619	21,516	28,135	8,566	29,699	38,265
III. FUNDS BORROWED	(II-c)	-	2,899,003	2,899,003	-	2,129,362	2,129,362
IV. MONEY MARKET BALANCES		-	-	-	-	-	-
V. MARKETABLE SECURITIES ISSUED (Net)		-	-	-	-	-	-
VI. SUNDRY CREDITORS	(II-d)	73,167	12,464	85,631	73,630	67,205	140,835
VII. OTHER LIABILITIES	(II-d)	305,784	23,673	329,457	373,735	18,977	392,712
VIII. FINANCE LEASE PAYABLES	(II-e)	-	250,027	250,027	-	263,487	263,487
8.1 Finance lease payables		-	315,732	315,732	-	337,595	337,595
8.2 Operating lease payables		-	-	-	-	-	-
8.3 Other		-	-	-	-	-	-
8.4 Deferred finance lease expenses (-)		-	65,705	65,705	-	74,108	74,108
IX. DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING PURPOSES	(II-f)	-	-	-	-	-	-
9.1 Fair value hedge		-	-	-	-	-	-
9.2 Cash flow hedge		-	-	-	-	-	-
9.3 Hedge of net investment in foreign operations		-	-	-	-	-	-
X. PROVISIONS	(II-g)	163,487	41,611	205,098	148,514	37,748	186,262
10.1 General loan loss provisions		108,184	23,272	131,456	94,936	15,452	110,388
10.2 Restructuring provisions		-	-	-	-	-	-
10.3 Reserve for employee benefits		32,790	388	33,178	37,259	290	37,549
10.4 Insurance technical reserves (net)		-	-	-	-	-	-
10.5 Other provisions		22,513	17,951	40,464	16,319	22,006	38,325
XI. TAX LIABILITY	(II-h)	16,777	-	16,777	3,683	-	3,683
11.1 Current tax liability		16,777	-	16,777	3,683	-	3,683
11.2 Deferred tax liability		-	-	-	-	-	-
XII. PAYABLES RELATED TO ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)	(II-i)	-	-	-	-	-	-
12.1 Held for sale		-	-	-	-	-	-
12.2 Discontinued operations		-	-	-	-	-	-
XIII. SUBORDINATED LOANS	(II-j)	-	356,561	356,561	-	386,681	386,681
XIV. SHAREHOLDERS' EQUITY	(II-k)	1,617,091	(1,499)	1,615,592	1,437,978	-	1,437,978
14.1 Paid-in capital		1,100,000	-	1,100,000	950,000	-	950,000
14.2 Capital reserves		23,250	(1,499)	21,751	23,250	-	23,250
14.2.1 Share premium		23,250	-	23,250	23,250	-	23,250
14.2.2 Share cancellation profits		-	-	-	-	-	-
14.2.3 Marketable securities revaluation reserve		-	(1,499)	(1,499)	-	-	-
14.2.4 Tangible assets revaluation reserve		-	-	-	-	-	-
14.2.5 Intangible assets revaluation reserve		-	-	-	-	-	-
14.2.6 Investment property revaluation reserve		-	-	-	-	-	-
14.2.7 Bonus shares obtained from associates, subsidiaries and jointly controlled entities		-	-	-	-	-	-
14.2.8 Hedging funds (effective portion)		-	-	-	-	-	-
14.2.9 Value increase on assets held for resale		-	-	-	-	-	-
14.2.10 Other capital reserves		-	-	-	-	-	-
14.3 Profit reserves		297,423	-	297,423	269,686	-	269,686
14.3.1 Legal reserves		46,405	-	46,405	34,923	-	34,923
14.3.2 Status reserves		-	-	-	-	-	-
14.3.3 Extraordinary reserves		246,279	-	246,279	233,253	-	233,253
14.3.4 Other profit reserves		4,739	-	4,739	1,510	-	1,510
14.4 Profit or loss		196,418	-	196,418	195,042	-	195,042
14.4.1 Prior period income/(losses)		-	-	-	-	-	-
14.4.2 Current period income/(losses)		196,418	-	196,418	195,042	-	195,042
14.5 Minority shares	(II-l)	-	-	-	-	-	-
TOTAL LIABILITIES AND EQUITY		8,466,376	9,215,001	17,681,377	7,261,463	7,636,129	14,897,592

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
STATEMENT OF UNCONSOLIDATED OFF-BALANCE SHEET COMMITMENTS AND
CONTINGENCIES AS OF SEPTEMBER 30, 2012

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

II. STATEMENT OF OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES

		Reviewed Current period (30.09.2012)			Audited Prior period (31.12.2011)		
	Notes	TL	FC	Total	TL	FC	Total
A.	OFF BALANCE SHEET CONTINGENCIES AND COMMITMENTS (I+II+III)	24,001,930	8,392,645	32,394,575	15,349,627	6,267,200	21,616,827
I.	GUARANTEES	3,246,421	2,760,963	6,007,384	2,636,162	2,405,516	5,041,678
1.1.	Letters of guarantees	3,245,621	1,662,207	4,907,828	2,636,162	1,719,813	4,355,975
1.1.1.	Guarantees subject to state tender law	154,130	5,472	159,602	99,269	11,197	110,466
1.1.2.	Guarantees given for foreign trade operations	96,354	1,503	97,857	71,723	1,494	73,217
1.1.3.	Other letters of guarantee	2,995,137	1,655,232	4,650,369	2,465,170	1,707,122	4,172,292
1.2.	Bank loans	-	71,693	71,693	-	59,492	59,492
1.2.1.	Import letter of acceptances	-	71,693	71,693	-	59,492	59,492
1.2.2.	Other bank acceptances	-	-	-	-	-	-
1.3.	Letter of credits	800	992,653	993,453	-	606,486	606,486
1.3.1.	Documentary letter of credits	-	409,369	409,369	-	229,993	229,993
1.3.2.	Other letter of credits	800	583,284	584,084	-	376,493	376,493
1.4.	Prefinancing given as guarantee	-	7,037	7,037	-	1,414	1,414
1.5.	Endorsements	-	-	-	-	-	-
1.5.1.	Endorsements to the Central Bank of Republic of Turkey	-	-	-	-	-	-
1.5.2.	Other endorsements	-	-	-	-	-	-
1.6.	Other guarantees	-	27,373	27,373	-	18,311	18,311
1.7.	Other collaterals	-	-	-	-	-	-
II.	COMMITMENTS	18,599,080	732,946	19,332,026	10,806,653	521,693	11,328,346
2.1.	Irrevocable commitments	1,431,732	732,946	2,164,678	1,107,948	521,693	1,629,641
2.1.1.	Forward asset purchase commitments	173,105	732,946	906,051	235,890	521,693	757,583
2.1.2.	Share capital commitment to associates and subsidiaries	-	-	-	1,000	-	1,000
2.1.3.	Loan granting commitments	45,242	-	45,242	24,951	-	24,951
2.1.4.	Securities underwriting commitments	-	-	-	-	-	-
2.1.5.	Commitments for reserve deposit requirements	-	-	-	-	-	-
2.1.6.	Payment commitment for checks	960,089	-	960,089	652,891	-	652,891
2.1.7.	Tax and fund liabilities from export commitments	106	-	106	106	-	106
2.1.8.	Commitments for credit card expenditure limits	253,190	-	253,190	193,110	-	193,110
2.1.9.	Commitments for promotions related with credit cards and banking activities	-	-	-	-	-	-
2.1.10.	Receivables from short sale commitments	-	-	-	-	-	-
2.1.11.	Payables for short sale commitments	-	-	-	-	-	-
2.1.12.	Other irrevocable commitments	-	-	-	-	-	-
2.2.	Revocable commitments	17,167,348	-	17,167,348	9,698,705	-	9,698,705
2.2.1.	Revocable loan granting commitments	17,167,348	-	17,167,348	9,698,705	-	9,698,705
2.2.2.	Other revocable commitments	-	-	-	-	-	-
III.	DERIVATIVE FINANCIAL INSTRUMENTS	2,156,429	4,898,736	7,055,165	1,906,812	3,339,991	5,246,803
3.1.	Derivative financial instruments for hedging purposes	-	-	-	-	-	-
3.1.1.	Fair value hedge	-	-	-	-	-	-
3.1.2.	Cash flow hedge	-	-	-	-	-	-
3.1.3.	Hedge of net investment in foreign operations	-	-	-	-	-	-
3.2.	Held for trading transactions	2,156,429	4,898,736	7,055,165	1,906,812	3,339,991	5,246,803
3.2.1.	Forward foreign currency buy/sell transactions	2,123,172	3,841,943	5,965,115	1,906,812	3,162,218	5,069,030
3.2.1.1.	Forward foreign currency transactions-buy	1,400,646	1,698,668	3,099,314	1,046,020	1,453,029	2,499,049
3.2.1.2.	Forward foreign currency transactions-sell	722,526	2,143,275	2,865,801	860,792	1,709,189	2,569,981
3.2.2.	Other forward buy/sell transactions	33,257	1,056,793	1,090,050	-	177,773	177,773
3.3.	Other	-	-	-	-	-	-
B.	CUSTODY AND PLEDGED ITEMS (IV+V+VI)	45,037,618	59,708,970	104,746,588	29,751,395	64,617,593	94,368,988
IV.	ITEMS HELD IN CUSTODY	3,134,672	519,546	3,654,218	2,488,099	325,130	2,813,229
4.1.	Assets under management	-	-	-	-	-	-
4.2.	Investment securities held in custody	26,295	-	26,295	4,162	-	4,162
4.3.	Checks received for collection	2,606,185	306,150	2,912,335	2,135,626	256,629	2,392,255
4.4.	Commercial notes received for collection	502,192	79,529	581,721	348,311	68,001	416,312
4.5.	Other assets received for collection	-	-	-	-	-	-
4.6.	Assets received for public offering	-	-	-	-	-	-
4.7.	Other items under custody	-	-	-	-	-	-
4.8.	Custodians	-	133,867	133,867	-	500	500
V.	PLEDGED ITEMS	41,891,270	59,168,333	101,059,603	27,255,887	64,271,439	91,527,326
5.1.	Marketable securities	62,529	17,375	79,904	62,529	18,588	81,117
5.2.	Guarantee notes	102,015	721,805	823,820	109,905	826,960	936,865
5.3.	Commodity	2,213,683	83,526	2,297,209	1,953,255	39,429	1,992,684
5.4.	Warranty	-	-	-	-	-	-
5.5.	Properties	25,280,108	625,446	25,905,554	20,260,793	653,017	20,913,810
5.6.	Other pledged items	14,232,935	57,720,181	71,953,116	4,869,405	62,733,445	67,602,850
5.7.	Pledged items-depository	-	-	-	-	-	-
VI.	ACCEPTED INDEPENDET GUARANTEES AND WARRANTIES	11,676	21,091	32,767	7,409	21,024	28,433
TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)		69,039,548	68,101,615	137,141,163	45,101,022	70,884,793	115,985,815

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
UNCONSOLIDATED INCOME STATEMENT FOR THE PERIOD ENDED
SEPTEMBER 30, 2012

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

III. INCOME STATEMENT (STATEMENT OF INCOME / LOSS)

			Reviewed 01.01 - 30.09.2012	Reviewed 01.01- 30.09.2011	Reviewed 01.07 - 30.09.2012	Reviewed 01.07- 30.09.2011
	Notes					
I.	PROFIT SHARE INCOME	(IV-a)	952,721	680,987	329,991	254,737
1.1	Profit share on loans		922,834	655,041	317,785	245,109
1.2	Profit share on reserve deposits		-	-	-	-
1.3	Profit share on banks		8,270	12,900	3,626	4,557
1.4	Profit share on money market placements		-	-	-	-
1.5	Profit share on marketable securities portfolio		41	-	41	-
1.5.1	Held-for-trading financial assets		-	-	-	-
1.5.2	Financial assets at fair value through profit and loss		-	-	-	-
1.5.3	Available-for-sale financial assets		41	-	41	-
1.5.4	Investments held-to-maturity		-	-	-	-
1.6	Finance lease income		8,393	5,363	3,155	1,970
1.7	Other profit share income		13,183	7,683	5,384	3,101
II.	PROFIT SHARE EXPENSE	(IV-b)	440,454	296,234	158,505	106,682
2.1	Expense on profit sharing accounts		344,293	270,862	122,630	95,746
2.2	Profit share expense on funds borrowed		85,694	25,372	32,317	10,936
2.3	Profit share expense on money market borrowings		-	-	-	-
2.4	Expense on securities issued		-	-	-	-
2.5	Other profit share expense		10,467	-	3,558	-
III.	NET PROFIT SHARE INCOME (I - II)		512,267	384,753	171,486	148,055
IV.	NET FEES AND COMMISSIONS INCOME/EXPENSE		54,340	49,773	17,664	16,295
4.1	Fees and commissions received		96,689	73,626	32,603	25,958
4.1.1	Non-cash loans		44,583	36,518	15,113	12,788
4.1.2	Other	(IV-l)	52,106	37,108	17,490	13,170
4.2	Fees and commissions paid		42,349	23,853	14,939	9,663
4.2.1	Non-cash loans		33	9	20	1
4.2.2	Other	(IV-l)	42,316	23,844	14,919	9,662
V.	DIVIDEND INCOME	(IV-c)	-	-	-	-
VI.	NET TRADING INCOME	(IV-d)	74,457	91,112	21,666	44,973
6.1	Capital market transaction gains / (losses)		1,575	670	2,242	287
6.2	Gains/ (losses) from derivative financial instruments		10,987	14,987	2,411	7,271
6.3	Foreign exchange gains / (losses)		61,895	75,455	17,013	37,415
VII.	OTHER OPERATING INCOME	(IV-e)	91,885	59,416	28,323	13,742
VIII.	NET OPERATING INCOME (III+IV+V+VI+VII)		732,949	585,054	239,139	223,065
IX.	PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)	(IV-f)	136,320	112,261	36,087	32,976
X.	OTHER OPERATING EXPENSES (-)	(IV-g)	355,025	269,592	136,105	104,047
XI.	NET OPERATING INCOME/(LOSS) (VIII-IX-X)		241,604	203,201	66,947	86,042
XII.	AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER		-	-	-	-
XIII.	GAIN / (LOSS) ON EQUITY METHOD		-	-	-	-
XIV.	GAIN / (LOSS) ON NET MONETARY POSITION		-	-	-	-
XV.	PROFIT/(LOSS) FROM CONTINUED OPERATIONS BEFORE TAXES (XI+...+XIV)	(IV-h)	241,604	203,201	66,947	86,042
XVI.	TAX CHARGE FOR CONTINUED OPERATIONS (±)	(IV-i)	(45,186)	(42,686)	(10,144)	(18,877)
16.1	Current income tax charge		(34,685)	(71,087)	(16,777)	(48,251)
16.2	Deferred tax charge / benefit		(10,501)	28,401	(6,633)	29,374
XVII.	NET PROFIT/(LOSS) FROM CONTINUED OPERATIONS (XV±XVI)		196,418	160,515	56,803	67,165
XVIII.	INCOME ON DISCONTINUED OPERATIONS		-	-	-	-
18.1	Income on assets held for sale		-	-	-	-
18.2	Income on sale of associates, subsidiaries and jointly controlled entities (joint vent.)		-	-	-	-
18.3	Income on other discontinued operations		-	-	-	-
XIX.	LOSS FROM DISCONTINUED OPERATIONS (-)		-	-	-	-
19.1	Loss from assets held for sale		-	-	-	-
19.2	Loss on sale of associates, subsidiaries and jointly controlled entities (joint vent.)		-	-	-	-
19.3	Loss from other discontinued operations		-	-	-	-
XX.	PROFIT / (LOSS) ON DISCONTINUED OPERATIONS BEFORE TAXES (XVIII-XIX)		-	-	-	-
XXI.	TAX CHARGE FOR DISCONTINUED OPERATIONS (±)	(IV-j)	-	-	-	-
21.1	Current income tax charge		-	-	-	-
21.2	Deferred tax charge / benefit		-	-	-	-
XXII.	NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XX±XXI)		-	-	-	-
XXIII.	NET PROFIT/LOSS (XVII+XXII)	(IV-k)	196,418	160,515	56,803	67,165
23.1	Group's income/loss		196,418	160,515	56,803	67,165
23.2	Minority interest income/loss (-)		-	-	-	-
	Earnings per share income/loss (full TL)		-	-	-	-

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
STATEMENTS OF UNCONSOLIDATED PROFIT AND LOSS ACCOUNTED FOR UNDER
EQUITY FOR THE PERIOD ENDED SEPTEMBER 30, 2012

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

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

		Reviewed	Reviewed
		Current period	Prior period
Statement of income and expenses accounted under equity		(01.01-30.09.2012)	(01.01-30.09.2011)
I.	Additions to marketable securities revaluation differences from available for sale financial assets	(1,499)	-
II.	Tangible assets revaluation differences	-	-
III.	Intangible assets revaluation differences	-	-
IV.	Currency translation differences for foreign currency transactions	-	-
V.	Profit/loss from derivative financial instruments	-	-
VI.	for cash flow hedge purposes (effective portion of fair value differences)	-	-
VII.	Profit/loss from derivative financial instruments for hedge of net investment in foreign operations (effective portion of fair value differences)	-	-
VIII.	The effect of corrections of errors and changes in accounting policies	-	-
IX.	Other profit loss items accounted under equity as per Turkish accounting standards	-	-
X.	Deferred tax on valuation differences	-	-
XI.	Total net profit/loss accounted under equity (I+II+...+IX)	-	-
XI.1	Profit/loss	-	-
XI.2	Change in fair value of marketable securities (transfer to profit/loss)	-	-
XI.3	Reclassification of derivatives accounted for cash flow hedge purposes to income statement	-	-
XI.4	Reclassification of hedge of net investments in foreign operations to income statement	-	-
XI.4	Other	-	-
XII.	Total profit/loss accounted for the period (X±XI)	(1,499)	-

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ

STATEMENT OF UNCONSOLIDATED CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIOD ENDED SEPTEMBER 30, 2012

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

V. STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Reviewed	Note	Paid-in capital	Effect of inflation accounting on paid-in capital and other capital reserves	Share premium	Share certificate cancellation profits	Legal reserves	Statutory reserves	Extraordinary reserve	Other reserve	Current period net income / (loss)	Prior period net income / (loss)	Marketable securities revaluation reserve	Tangible and intangible assets revaluation fund	Bonus shares from investments	Hedging reserves	Asset held for sale and disc.op. valuation fund	Total excluding minority interest	Minority interest	Total equity
Current period (01.01-30.09.2012)																			
I.	Beginning balance	950,000	-	23,250	-	34,923	-	233,253	1,510	-	195,042	-	-	-	-	-	1,437,978	-	1,437,978
II.	Changes in period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	Increase/decrease related to merger	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IV.	Marketable securities revaluation differences	-	-	-	-	-	-	-	-	-	-	(1,499)	-	-	-	-	(1,499)	-	(1,499)
IV.1.	Hedging funds (effective portion)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.1.	Cash-flow hedge	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.2.	Hedge of net investment in foreign operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V.	Tangible assets revaluation differences	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.	Intangible assets revaluation differences	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Bonus shares obtained from associates, subsidiaries and jointly controlled operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Foreign exchange differences	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	Changes related to the disposal of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Changes related to the reclassification of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	The effect of change in associate's equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII.	Capital increase	150,000	-	-	-	-	-	-	-	-	(150,000)	-	-	-	-	-	-	-	-
12.1.	Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2.	Internal sources	150,000	-	-	-	-	-	-	-	-	(150,000)	-	-	-	-	-	-	-	-
XIII.	Share issue premium	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV.	Share cancellation profits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV.	Inflation adjustment to paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII.	Net income/(loss) for the period	-	-	-	-	-	-	-	-	196,418	-	-	-	-	-	-	196,418	-	196,418
XVIII.	Profit distribution	-	-	-	-	11,482	-	13,026	3,229	-	(45,042)	-	-	-	-	-	(17,305)	-	(17,305)
18.1.	Dividends distributed	-	-	-	-	-	-	-	-	-	(17,305)	-	-	-	-	-	(17,305)	-	(17,305)
18.2.	Transfers to reserves	-	-	-	-	11,482	-	13,026	3,229	-	(27,737)	-	-	-	-	-	-	-	-
18.3.	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing balance (I+II+III+...+XVI+XVII+XVIII)		(II-k)	1,100,000	-	23,250	-	46,405	-	246,279	4,739	196,418	-	(1,499)	-	-	-	1,615,592	-	1,615,592

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ

STATEMENT OF UNCONSOLIDATED CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIOD ENDED SEPTEMBER 30, 2012

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

V. STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Reviewed	Note	Paid-in capital	Effect of inflation accounting on paid-in capital and other capital reserves	Share Premium	Share certificate cancellation profits	Legal reserves	Statutory reserves	Extraordinary reserve	Other reserve	Current period net income / (loss)	Prior period net income / (loss)	Marketable securities revaluation reserve	Tangible and intangible assets revaluation fund	Bonus shares from investments	Hedging reserves	Asset held for sale and disc.op. valuation fund	Total excluding minority interest	Minority interest	Total equity
I. Previous period (01.01-30.09.2011)																			
Beginning balance 31.12.2010		850,000	-	23,250	-	25,565	-	196,712	1,510	159,648	-	-	-	-	-	-	1,256,685	-	1,256,685
II. Corrections concerning TAS 8		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Effect of Errors Corrected		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Effect of Changes in Accounting Policies		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. New Balance (I+II)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in period		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IV. Increase/decrease related to merger		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V. Marketable securities revaluation differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI. Hedging funds (effective portion)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6.1 Cash-flow hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6.2 Hedge of net investment in foreign operations		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Tangible assets revaluation differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Intangible assets revaluation differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Bonus shares obtained from associates, subsidiaries and jointly controlled operations		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Foreign exchange differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI. Changes related to the disposal of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII. Changes related to the reclassification of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII. The effect of change in associate's equity		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV. Capital increase		100,000	-	-	-	-	-	-	-	-	(100,000)	-	-	-	-	-	-	-	-
14.1 Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14.2 Internal sources		100,000	-	-	-	-	-	-	-	-	(100,000)	-	-	-	-	-	-	-	-
XV. Share issue premium		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI. Share cancellation profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII. Inflation adjustment to paid-in capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVIII. Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIX. Net income/(loss) for the period		-	-	-	-	-	-	-	-	160,515	-	-	-	-	-	-	160,515	-	160,515
XX. Profit distribution		-	-	-	-	9,358	-	36,541	-	(159,648)	100,000	-	-	-	-	-	(13,749)	-	(13,749)
20.1 Dividends distributed		-	-	-	-	-	-	-	-	-	(13,749)	-	-	-	-	-	(13,749)	-	(13,749)
20.2 Transfers to reserves		-	-	-	-	9,358	-	36,541	-	-	(45,899)	-	-	-	-	-	-	-	-
20.3 Other		-	-	-	-	-	-	-	-	(159,648)	159,648	-	-	-	-	-	-	-	-
Closing balance (I+II+III+...+XVI+XVII+XX)	(II-k)	950,000	-	23,250	-	34,923	-	233,253	1,510	160,515	-	-	-	-	-	-	1,403,451	-	1,403,451

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
CASH FLOW STATEMENT FOR THE PERIOD ENDED SEPTEMBER 30, 2012
(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

VI. CASH FLOWS STATEMENT

		Reviewed	Reviewed
		Current period	Prior period
		01.01.2012 – 30.09.2012	01.01.2011 – 30.09.2011
Note			
A.	CASH FLOWS FROM BANKING OPERATIONS		
1.1	Operating profit before changes in operating assets and liabilities	322,466	412,484
1.1.1	Profit share income received	930,785	647,568
1.1.2	Profit share expense paid	(418,353)	(279,355)
1.1.3	Dividend received	-	-
1.1.4	Fees and commissions received	95,897	73,304
1.1.5	Other income	57,153	55,642
1.1.6	Collections from previously written off loans	37,652	44,197
1.1.7	Payments to personnel and service suppliers	(269,873)	(137,587)
1.1.8	Taxes paid	(37,997)	(43,500)
1.1.9	Others	(72,798)	52,215
1.2	Changes in operating assets and liabilities	419,322	(635,398)
1.2.1	Net (increase) decrease held for trading financial assets	(9,998)	176,717
1.2.2	Net (increase) decrease in financial assets at fair value through profit or loss	-	-
1.2.3	Net (increase) decrease in due from banks and other financial institutions	(1,070,628)	(695,916)
1.2.4	Net (increase) decrease in loans	(1,152,176)	(2,078,090)
1.2.5	Net (increase) decrease in other assets	9,591	(165,766)
1.2.6	Net increase (decrease) in bank deposits	(15,646)	-
1.2.7	Net increase (decrease) in other deposits	1,984,185	2,081,642
1.2.8	Net increase (decrease) in funds borrowed	754,657	69,010
1.2.9	Net increase (decrease) in due payables	-	-
1.2.10	Net increase (decrease) in other liabilities	(80,663)	(22,995)
I.	Net cash provided from / (used in) banking operations	741,788	(222,914)
B.	CASH FLOWS FROM INVESTING ACTIVITIES		
II.	Net cash provided from / (used in) investing activities	(214,980)	(60,020)
2.1	Cash paid for purchase jointly controlled operations, associates and subsidiaries	-	(33,600)
2.2	Cash obtained from sale of jointly controlled operations, associates and subsidiaries	-	-
2.3	Fixed assets purchases	(97,167)	(62,953)
2.4	Fixed assets sales	21,786	38,527
2.5	Cash paid for purchase of financial assets available for sale	(133,877)	(1,994)
2.6	Cash obtained from sale of financial assets available for sale	-	-
2.7	Cash paid for purchase of investment securities	-	-
2.8	Cash obtained from sale of investment securities	-	-
2.9	Other	(5,722)	-
C.	CASH FLOWS FROM FINANCING ACTIVITIES		
III.	Net cash provided from / (used in) financing activities	(17,305)	831,575
3.1	Cash obtained from funds borrowed and securities issued	-	1,110,983
3.2	Cash used for repayment of funds borrowed and securities issued	-	(265,659)
3.3	Capital increase	-	-
3.4	Dividends paid	(17,305)	(13,749)
3.5	Payments for finance leases	-	-
3.6	Other	-	-
IV.	Effect of change in foreign exchange rate on cash and cash equivalents	20,014	(11,470)
V.	Net increase (decrease) in cash and cash equivalents (I + II + III + IV)	529,517	537,171
VI.	Cash and cash equivalents at the beginning of the period	1,356,263	1,332,074
VII.	Cash and cash equivalents at the end of the period	1,885,780	1,869,245

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SECTION THREE
ACCOUNTING PRINCIPLES

I. Explanations on basis of presentation

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

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

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

b. Classification

The Bank has classified TL 419,149 amount of precious metal, presented under Cash and Balances with the Central Bank, to “Banks” as of December 31, 2011 in order to be in consistent with the current period presentation.

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

Accounting policies and valuation methods used in the preparation of financial statements have been applied as specified in the related communiqués, pronouncements and regulations of TAS and BRSA. The accounting policies adopted in the preparation of the year-end financial statements are consistent with those adopted in the preparation of the financial statements as of December 31, 2011.

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

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

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

I. Explanations on basis of presentation (continued)

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

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

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

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

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

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

The foreign currency exchange differences resulting from the translation of debt securities issued and monetary financial instruments into Turkish Lira are included in the income statement. There are no foreign currency differences capitalized by the Bank.

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

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

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

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

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

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

IV. Explanations on profit share income and expense

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

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

V. Explanations on fees and commission income and expenses

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

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

VI. Explanations on financial assets

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

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

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

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

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

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

b. Financial assets available for sale:

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

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

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VI. Explanations on financial assets (continued)

c. Loans and receivables:

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

d. Held to maturity financial assets:

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

VII. Explanations on impairment of financial assets:

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

i) Loans and receivables:

If there is objective evidence that the loans might not be collected, the Bank reclassifies such loans to III., IV. and V. groups and provides impairment reserve in accordance with the Communiqué of "Principles and Procedures for the Determination of the Quality of Loans and Other Receivables and Reserves to be provided for these Loans" published on November 1, 2006 in the Official Gazette numbered 26333 and "Communiqué for the amendment of the Communiqué of "Principles and Procedures for the Determination of the Quality of Loans and Other Receivables and Reserves to be provided for these Loans" published on September 21, 2012 in the Official Gazette numbered 28418. For the loans with poor financial position and/or payment capability, the Bank can provide a specific impairment reserve in excess of the amounts calculated using the minimum required rates for the related group.

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

In the case where there is evidence for the possibility of uncollectibility of loans, the Bank classifies related loans and receivables in non-performing loans and provides specific and general provision, in accordance with the Communiqué dated November 1, 2006, published on the Official Gazette No: 26333 and revised with the Communiqué dated March 6, 2010, published on the Official Gazette No: 27513 and the Communiqué dated September 21, 2012, published on the Official Gazette No: 28418 "Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves". In addition, the Bank provides general provision calculation as per regulations published in the Official Gazette No: 27968 dated June 18, 2011, Official Gazette No: 27947 dated May, 28 2011, Official Gazette No: 28158 dated December 30, 2011 and Official Gazette No: 28418 dated September 21, 2012.

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VII. Explanations on impairment of financial assets (continued)

ii) Financial assets held to maturity:

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

iii) Financial assets available for sale:

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

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

VIII. Explanations on offsetting of financial assets and liabilities

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

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

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

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

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

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

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X. Explanations on assets held for sale and discontinued operations and related liabilities (continued)

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

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

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

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

XI. Explanations on goodwill and other intangible assets

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

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

There is no goodwill related to associates and subsidiaries.

XII. Explanations on tangible assets

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

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

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

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

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

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XII. Explanations on tangible assets (continued)

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

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

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

XIII. Explanations on leasing transactions

Bank as a lessee

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

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

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

Bank as a lessor

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

XIV. Explanations on provisions and contingent liabilities

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

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

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

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

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XV. Explanations on liabilities relating to employee benefits

a) Defined benefit plans:

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

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

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

b) Defined contribution plans:

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

c) Short term benefits to employees:

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

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

XVI. Explanations on taxation

Current tax

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

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

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

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

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

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XVI. Explanations on taxation (continued)

Deferred tax

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

XVII. Explanations on additional disclosures on borrowings

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

There are no debt securities issued by the Bank.

The Bank has not issued convertible bonds.

Borrowing through the rent certificates (Sukuk)

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

In accordance with the letter received from BRSA, numbered B.02.1.BDK.0.06.00.00-045.01(3/8)-5397 and dated March 13, 2012 this transaction is accounted for as “sale and lease back” transaction in accordance with TAS 17. As a consequence of this accounting treatment, the net book value of the real estate property transferred and leased back increased from TL 61,195 to TL 248,734. The difference of TL 187,539 between the net book value of TL 61,195 before the aforementioned transaction and the net book value of TL 248,734 after the aforementioned transaction will be recognized as income in 5 years using the effective interest method and accounted for as deferred income under other liabilities. As of September 30, 2012, TL 15,079 of the aforementioned deferred income is recognized as income in the income statement.

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

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

XVIII. Explanations on share certificates issued

The Bank’s paid in capital increased by TL 150,000 from 2011 net profit (TL 195,042), after distributing TL 27,737 as reserves and TL 17,305 as dividend.

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XIX. Explanations on acceptances and availed drafts

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

XX. Explanations on government grants

There are no government grants received by the Bank.

XXI. Explanations on segment reporting

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

Segment reporting is disclosed in Section Four, Note X.

XXII. Explanations on other matters

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

XXIII. Additional paragraph for convenience translation

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

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SECTION FOUR

INFORMATION ON FINANCIAL STRUCTURE

I. Explanations on capital adequacy standard ratio

Capital adequacy ratio is calculated in accordance with the “The Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks” published in the Official Gazette No: 26333, dated November 1, 2006 and “The Regulation on Amendments to the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks” published in the Official Gazette No: 26669, 26824, 27320, 27968 and 28337 dated October 10, 2007, March 22, 2008, August 15, 2009, June 18, 2011 and June 28, 2012 respectively. For the calculation of the capital adequacy ratio, the accounting records prepared in compliance with the current legislation are used. The calculation of Capital Adequacy Ratio includes the methods used in determining the Capital Adequacy Ratio, determination of risk weighted assets and non-cash loans in line with the relevant banking regulation and measuring the market risk and operational risk ratio in line with the same regulation. Moreover, market risk value is calculated in accordance with the “The Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks” and factored into capital adequacy ratio. Based on the “Measurement and Assessment of Capital Adequacy of Banks”, the capital adequacy ratio of the Bank is 14.04% (December 31, 2011 – 16.02%).

Information for capital adequacy standard ratio:

	0%	10%	20%	50%	75%	100%	150%	200%	1250%
Value at Credit Risk	3,758,889	-	1,054,396	4,294,685	2,396,337	7,375,435	41,065	9,540	-
Exposure Categories									
Conditional and unconditional receivables from central governments or central banks	1,631,547	-	-	-	-	-	-	-	-
Conditional and unconditional receivables from regional or local governments	-	-	-	-	-	-	-	-	-
Conditional and unconditional receivables from administrative units and non-commercial enterprises	-	-	-	-	-	-	-	-	-
Conditional and unconditional receivables from multilateral development banks	-	-	-	-	-	-	-	-	-
Conditional and unconditional receivables from international organizations	-	-	-	-	-	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	56,133	-	1,017,130	361,634	-	444,828	-	-	-
Conditional and unconditional receivables from corporates	135,465	-	-	-	-	5,219,540	-	-	-
Conditional and unconditional retail receivables	59,300	-	-	-	2,396,337	331,659	-	-	-
Conditional and unconditional receivables secured by mortgages	17,018	-	-	3,926,502	-	608,165	-	-	-
Past due receivables	1	-	-	6,549	-	6,341	-	-	-
Receivables defined in high risk category by BRSA	152	-	-	-	-	-	41,065	9,540	-
Securities collateralized by mortgages	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-
Short-term receivables from banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-
Investments similar to collective investment funds	-	-	-	-	-	-	-	-	-
Other receivables	1,859,273	-	37,266	-	-	764,902	-	-	-

Summary of the capital adequacy standard ratio of the Bank :

	Current Period
Capital Requirement for Credit Risk (Amount Subject to Credit Risk *0.08) (CRCR)	928,927
Capital Requirement for Market Risk (MRCR)	43,355
Capital Requirement for Operational Risk (ORCR) (*)	95,383
Shareholders' Equity	1,873,772
Shareholders' Equity / ((TRWA + ASMR + ASOR) *12.5) *100	14.04

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Components of shareholders' equity:

	Current Period
Core capital	
Nominal capital	1,100,000
Capital commitments (-)	-
Inflation indexation difference on paid-in capital subordinated to all other receivables in case of the liquidation of the Bank	-
Share premium	23,250
Share cancellations profits	-
Legal Reserves	297,423
Inflation Adjustments to Legal Reserves	-
Profit	196,418
Current Period's Profit 154.321	196,418
Prior Periods' Profit	-
Provision for Possible Losses (up to 25% of Core Capital)	-
Income on Sale of Equity Shares and Real Estates	-
Primary subordinated loans up to 15% of the core capital	-
Loss (in excess of Reserves) (-)	-
Current Period's Losses -	-
Prior Periods' Losses	-
Leasehold Improvements on Operational Leases (-)	(30,842)
Prepaid Expenses (-) (*)	-
Intangible Assets (-)	(38,998)
Deferred Tax Asset in excess of 10% of Core Capital (-)	-
Excess amount in the Article 56, Clause 3 of the Banking Law (-)	-
Total core capital	1,547,251
Supplementary capital	
General provisions	89,212
45% of the revaluation reserve for movable fixed assets	-
45% of the of revaluation reserve for properties	-
Bonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Current Period's Profit	-
Primary subordinated loans excluded in the calculation of the core capital	-
Secondary subordinated loans	282,945
45 % of Securities Value Increase Fund	(1,499)
Inflation Adjustments to Other Capital and Profit Reserves and Prior Periods' Profit / Loss	-
Total supplementary capital	370,658
Capital	1,917,909
Deductions from the capital	44,137
Shareholdings of banks and financial institutions (Domestic, Foreign) in which the Bank has investments of ten percent or more	-
Shareholdings of banks and financial institutions (Domestic, Foreign) in which the Bank has investments less than ten percent total of which exceed ten percent of Bank's Core and Supplementary Capital	-
Loans to Banks, Financial Institutions (domestic/foreign) or Qualified Shareholders in the form of Secondary Subordinated Debts and Debt Instruments purchased from such parties qualified as Primary or Secondary Subordinated Debts	-
Loan granted to Customer against the Articles 50 and 51 of the Banking Law	-
The net book value of properties exceeding fifty percent of equity and properties held for sale and properties and commodity to be disposed, acquired in exchange of loans and receivables according to the Article 57 of the Banking Law and have not been disposed yet after 5 years from foreclosure	1,940
Securitization Positions to be Deducted from Equity	-
Other	42,197
Total shareholder's equity	1,873,772

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

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II. Explanations on market risk

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

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

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

The capital which should be kept against general market risk and specifics risks, is calculated and monthly reported in accordance with the “Marketing risk measurement process with standard method” which is the third chapter of “Calculation of Marketing Risk Amount” of the “Communiqué on the “Measurement and Assessment of Capital Adequacy of Banks”. As of September 30, 2012, the details of market risk calculated in accordance with the mentioned method are as follows:

a. Information related to market risk:

	Total
(I) Capital Obligation against General Market Risk - Standard Method	12,871
(II) Capital Obligation against Specific Risk - Standard Method	6,180
Capital Requirement against Specific Risks of Securitization Positions– Standard Method	-
(III) Capital Obligation against Currency Risk - Standard Method	7,417
(IV) Capital Obligation against Commodity Risk - Standard Method	15,370
(V) Capital Obligation against Settlement Risk - Standard Method	-
(VI) Total Capital Obligation against Market Risks of Options – Standard	-
(VII) Capital Requirement against Counterparty Credit Risks - Standard Method	1,517
(VIII) Total Capital Obligation against Market Risks of Banks applying Risk Measurement Models	-
(IX) Total Capital Obligation against Market Risk (I+II+III+IV+V+VI+VII)	43,355
(X) Value-At-Market Risk (12.5 x VIII) or (12.5 x IX)	541,938

III. Explanations on currency risk

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

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

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III. Explanations on currency risk (continued)

As of September 30, 2012, the Bank carries a net foreign currency long position of TL 17,485 (December 31, 2011 – TL 4,884 long position) comprising TL 783,536 balance sheet long position (December 31, 2011 - TL 234 short position) and TL 766,051 off balance sheet short position (December 31, 2011 - TL 5,118 long position).

The announced current foreign exchange buying rates of the Bank as of September 30, 2012 and the previous five working days are as follows (Full TL):

	24.09.2012	25.09.2012	26.09.2012	27.09.2012	28.09.2012	Balance sheet evaluation rate
USD	1.7866	1.7915	1.7859	1.7852	1.782	1.782
EURO	2.3213	2.3145	2.3074	2.2964	2.2929	2.2929
GBP	2.9043	2.9035	2.8991	2.8864	2.8851	2.8851
CHF	1.9141	1.9101	1.9047	1.8963	1.8937	1.8937
100 JPY	2.281	2.292	2.292	2.293	2.29	2.29

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

	Monthly average FC purchase rate
USD	1.7966
EUR	2.3029
GBP	2.8865
CHF	1.9033
100 JPY	2.2937

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III. Explanations on currency risk (continued) :

Currency risk of the Bank:

	EURO	USD	Other FC	Total
Current period				
Assets				
Cash (cash in vault, effectives, money in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey (****)	275,403	1,048,731	2,140,657	3,464,791
Banks	33,877	1,138,914	323,141	1,495,932
Financial assets at fair value through profit and loss	-	-	-	-
Money market placements	-	-	-	-
Available-for-sale financial assets (**)	-	132,906	-	132,906
Loans and finance lease receivables (*)	1,045,438	3,589,886	161,475	4,796,799
Subsidiaries, associates and joint ventures (**)	-	17,917	-	17,917
Held-to-maturity investments	-	-	-	-
Derivative financial assets for hedging purposes	-	-	-	-
Tangible assets	383	48	-	431
Intangible assets	-	1	-	1
Other assets	4,665	49,226	4,312	58,203
Total assets	1,359,766	5,977,629	2,629,585	9,966,980
Liabilities				
Current account and funds collected from Banks via participation accounts	378	27,782	93,243	121,403
Current and profit sharing accounts FC	1,138,632	2,326,119	2,025,491	5,490,242
Money market borrowings	-	-	-	-
Funds provided from other financial institutions	163,451	3,342,140	-	3,505,591
Marketable securities issued	-	-	-	-
Miscellaneous payables	144	7,003	5,317	12,464
Derivative financial liabilities for hedging purposes	-	-	-	-
Other liabilities	15,799	37,121	783	53,703
Total liabilities	1,318,404	5,740,165	2,124,834	9,183,403
Net balance sheet position	41,362	237,423	504,581	783,536
Net off-balance sheet position	(35,126)	(209,334)	(521,486)	(766,051)
Financial derivative assets	284,029	1,637,555	511,231	2,432,815
Financial derivative liabilities	319,155	1,846,889	1,032,822	3,198,866
Non-cash loans (***)	761,267	1,848,466	151,230	2,760,963
Prior period				
Total assets	1,046,663	4,650,024	1,894,520	7,591,207
Total liabilities	1,095,147	4,455,713	2,040,581	7,591,441
Net balance sheet position	(48,484)	194,311	(145,150)	(234)
Net off-balance sheet position	48,043	(189,210)	146,285	5,118
Financial derivative assets	493,855	1,208,237	231,309	1,933,401
Financial derivative liabilities	445,812	1,397,447	85,024	1,928,283
Non-cash loans (***)	585,755	1,422,316	397,445	2,405,516

(*) Includes foreign currency indexed loans amounting to TL 3,754,252 (December 31, 2011 – TL 3,432,816) followed as TL on the balance sheet.

(**) Includes TL 714 (December 31, 2011 – TL 714) of foreign currency denominated available for sale financial assets, which are followed in Turkish Lira as TL 8,227 on the balance sheet and TL 17,917 (December 31, 2011 – TL 17,917) of foreign currency denominated subsidiaries, which are followed in Turkish Lira as TL 75,830 on the balance sheet.

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

(****) Precious metals are included in "Other FC" column.

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

- Derivative financial assets held for trading : TL 34,182 (December 31, 2011 – TL 13,882)
- Prepaid expenses : TL 22 (December 31, 2011 – TL 16)
- Derivative financial liabilities held for trading : TL 21,516 (December 31, 2011 – TL 29,699)

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

- Forward foreign currency purchase transactions: TL 301,199 (December 31, 2011 - TL 338,718)
- Forward foreign currency sale transactions: TL 431,747 (December 31, 2011 - TL 182,975)
- Future precious metal purchase transactions: TL 432,948 (December 31, 2011 - TL 141,654)
- Future precious metal sale transactions: TL 623,844 (December 31, 2011 – TL 36,119)

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IV. Explanations on position risk of equity securities in banking book

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

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

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

	Equity Securities (shares)	Comparison		
		Carrying Value	Fair Value	Market Value
1	Securities Available-for-Sale		-	-
	Quoted Securities	8,227		-
2	Investments in Associates	-	-	-
	Quoted Securities	-	-	-
3	Investment in Subsidiaries	75,830	-	-
	Quoted Securities	-	-	-

c) Realized gains or losses of share investments, revaluation surpluses and unrealized gains or losses with information about their included amounts in core and supplementary capitals:

	Portfolio	Gains/Losses in Current Period	Revaluation Surpluses		Unrealized Gains and Losses		
			Total	Amount under Supplementary Capital	Total	Amount under Core Capital	Amount under Supplementary Capital
1	Private Equity Investments	-	-	-	-	-	-
2	Quoted Shares	-	-	-	-	-	-
3	Other Shares	-	-	-	-	-	-
4	Total	-	-	-	-	-	-

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V. Explanations on liquidity risk

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

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

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

Presentation of assets and liabilities according to their remaining maturities:

	Demand	Up to 1 month	1-3 Months	3-12 months	1-5 years	Over 5 years	Unallocated (*)	Total
Current period								
Assets								
Cash (cash in vault, effectives, cash in transit, Cheques purchased) and balances with the Central Bank of the Republic of Turkey	1,966,985	1,609,047	-	-	-	-	-	3,576,032
Banks	990,027	-	-	706,780	1,782	-	-	1,698,589
Financial assets at fair value through profit and loss	22,353	19,031	32,904	6,042	-	-	-	80,330
Money market placements	-	-	-	-	-	-	-	-
Available-for-sale financial assets	-	-	-	-	-	132,192	8,227	140,419
Loans (*)	-	1,657,810	2,051,941	4,232,827	3,161,813	284,506	53,365	11,442,262
Held-to-maturity investments	-	-	-	-	-	-	-	-
Other assets (**)	2,950	174,083	811	227	22,326	-	543,348	743,745
Total assets	2,982,315	3,459,971	2,085,656	4,945,876	3,185,921	416,698	604,940	17,681,377
Liabilities								
Current account and funds collected from banks via participation accounts	120,658	1,988	25,208	-	-	-	-	147,854
Current and profit sharing accounts	2,912,876	269,875	6,728,030	1,219,955	616,506	-	-	11,747,242
Funds provided from other financial institutions	-	405,621	104,609	1,625,412	1,013,388	356,561	-	3,505,591
Money market borrowings	-	-	-	-	-	-	-	-
Marketable securities issued	-	-	-	-	-	-	-	-
Miscellaneous payables	64,797	20,834	-	-	-	-	-	85,631
Other liabilities (*)	-	336,075	35,295	2,999	-	-	1,820,690	2,195,059
Total liabilities	3,098,331	1,034,393	6,893,142	2,848,366	1,629,894	356,561	1,820,690	17,681,377
Net liquidity gap	(116,016)	2,425,578	(4,807,486)	2,097,510	1,556,027	60,137	(1,215,750)	-
Prior period								
Total assets	2,507,386	2,733,615	1,796,043	3,950,835	3,118,634	257,765	533,314	14,897,592
Total liabilities	2,992,159	2,990,875	3,559,353	1,722,525	947,978	1,060,462	1,624,240	14,897,592
Net liquidity gap	(484,773)	(257,260)	(1,763,310)	2,228,310	2,170,656	(802,697)	(1,090,926)	-

(*) This line also includes receivables from leasing transactions.

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

VI. Explanations on securitization positions

None.

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VII. Credit risk mitigation techniques:

There is no balance sheet and off-balance sheet offsetting.

Credit risk mitigation techniques used by the Bank in terms of credit facility are listed as follows:

- Financial Collaterals (Cash, Deposit Pledges, Gold)
- Guarantees
- Real Estate Mortgage

Financial collaterals are evaluated on a daily basis.

For loans that are amounting over TL 3,000 or loans amounting to over 5% of the equity, real estate valuation should be repeated minimum every 3 year by the rating companies authorized from the Banking Regulation and Supervision Agency or Capital Markets Boards of Turkey.

Volatility in real estate market is closely followed by the Bank; values of real estate for commercial real estates are revised every year whereas housing real estates are revised in every 3 year.

Exposure Categories	Amount	Financial Collaterals	Other/Physical Collaterals	Guaranties and Credit Derivatives
Conditional and unconditional receivables from central governments or central banks	1,631,547	-	-	-
Conditional and unconditional receivables from regional or local governments	-	-	-	-
Conditional and unconditional receivables from administrative units and non-commercial enterprises	-	-	-	-
Conditional and unconditional receivables from multilateral development banks	-	-	-	-
Conditional and unconditional receivables from international organizations	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	1,879,725	-	-	-
Conditional and unconditional receivables from Corporates	5,355,005	135,465	-	-
Conditional and unconditional retail receivables	2,787,296	59,300	-	-
Conditional and unconditional receivables secured by Mortgages	4,551,685	17,018	-	-
Past due receivables	12,891	1	-	-
Receivables defined in high risk category by BRSA	50,757	152	-	-
Securities collateralized by mortgages	-	-	-	-
Securitization positions	-	-	-	-
Short-term receivables from banks, brokerage houses and corporates	-	-	-	-
Investments similar to collective investment funds	-	-	-	-
Other receivables	2,661,441	-	-	-
		-	-	-
Total	18,930,347	211,936	-	-

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VIII. Explanations on risk management objectives and policies

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

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

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

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

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

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

X. Explanations on business segments

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

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

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

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

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X. Explanations on business segments (continued)

Specific balance sheet and income statement items according to segments:

Current Period January 1 - September 30, 2012	Retail banking	Corporate and commercial banking	Treasury, investment banking and international banking	Unallocated	Bank's total operation
Operating income	484,503	693,225	38,024	-	1,215,752
Operating expenses	310,629	223,382	100,286	339,851	974,148
Transfers between segments	182,871	(131,497)	(51,374)	-	-
Net operating income(loss)	356,745	338,346	(113,636)	(339,851)	241,604
Income from associates	-	-	-	-	-
Income (loss) before tax	356,745	338,346	(113,636)	(339,851)	241,604
Provision for taxation	-	-	-	(45,186)	(45,186)
Net income for the period	356,745	338,346	(113,636)	(385,037)	196,418
Current Period					
30 September 2012					
Segment assets	3,843,701	7,598,561	5,495,370	-	16,937,632
Associates, subsidiaries and joint ventures	-	-	-	75,830	75,830
Undistributed assets	-	-	-	667,915	667,915
Total assets	3,843,701	7,598,561	5,495,370	743,745	17,681,377
Segment liabilities	8,395,647	3,499,449	3,533,726	-	15,428,822
Undistributed liabilities	-	-	-	636,963	636,963
Shareholders' equity	-	-	-	1,615,592	1,615,592
Total liabilities	8,395,647	3,499,449	3,533,726	2,252,555	17,681,377
Prior Period					
January 1- September 30, 2011					
Operating income	323,157	494,760	63,371	-	881,288
Operating expenses	239,797	156,398	25,380	256,512	678,087
Transfers between segments	129,943	(89,896)	(18,266)	(21,781)	-
Net operating income(loss)	213,303	248,466	19,725	(278,293)	203,201
Income from associates	-	-	-	-	-
Income (loss) before tax	213,303	248,466	19,725	(278,293)	203,201
Provision for taxation	-	-	-	(42,686)	(42,686)
Net income for the period	213,303	248,466	19,725	(320,979)	160,515
Prior Period					
31 December 2011					
Segment assets	3,452,310	6,939,321	3,767,139	-	14,158,770
Associates, subsidiaries and joint ventures	-	-	-	83,620	83,620
Undistributed assets	-	-	-	655,202	655,202
Total assets	3,452,310	6,939,321	3,767,139	738,822	14,897,592
Segment liabilities	7,076,224	2,842,103	2,144,014	-	12,062,341
Undistributed liabilities	-	-	-	1,397,273	1,397,273
Shareholders' equity	-	-	-	1,437,978	1,437,978
Total liabilities	7,076,224	2,842,103	2,144,014	2,835,251	14,897,592

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SECTION FIVE

EXPLANATIONS AND NOTES ON THE UNCONSOLIDATED FINANCIAL STATEMENTS

I. Explanations and notes related to assets:

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

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

	Current period		Prior period	
	TL	FC	TL	FC
Cash/foreign currency	107,146	191,142	105,855	64,972
The Central Bank of Republic of Turkey	3,776	1,609,047	349,686	924,366
Other (*)	319	1,664,602	-	975,909
Total	111,241	3,464,791	455,541	1,965,247

(*) As of September 30, 2012, precious metal account amounting to TL 1,627,656 (December 31, 2011 - TL 975,130) and money in transit amounting to TL 37,266 (December 31, 2011 - TL 779) are presented in this line.

2. Balances with the Central Bank of Turkey:

	Current period		Prior period	
	TL	FC	TL	FC
Unrestricted demand deposit	3,776	-	349,686	1,531
Unrestricted time deposit	-	-	-	-
Restricted time deposit	-	1,609,047	-	922,835
Total	3,776	1,609,047	349,686	924,366

The Bank maintains required reserves in TL for TL liabilities and in USD and/or Euro for foreign currency liabilities in accordance with the “Communiqué on Reserve Requirements no. 2005/1”, published by the Central Bank of the Republic of Turkey. As per the “Amendment to the Communiqué on Reserve Requirements no.2012/9”, published in the Official Gazette No.28387, dated August 17, 2012, up to 60% of the required reserve for TL liabilities can be maintained in USD or Euro over the amount calculated by multiplying the amount that corresponds to the first bracket of 40% with the coefficient “1.1”, the amount that corresponds to the second bracket of 5% with the coefficient “1.4”, the amount that corresponds to the third bracket of 5% with the coefficient “1.7”, the amount that corresponds to the fourth bracket of 5% with the coefficient “1.9”, the amount that corresponds to the fifth bracket of 5% with the coefficient “2”; and up to 30% of the required reserve for TL liabilities can be maintained in Gold over the amount calculated by multiplying the amount that corresponds to the first bracket of 20% with the coefficient “1”, the amount that corresponds to the second bracket of 5% with the coefficient “1.5”, the amount that corresponds to the third bracket of 5% with the coefficient “2”. With this amendment, up to 60% of required reserves for TL liabilities can be maintained as USD and/or Euro, and up to 30% can be maintained as standard gold. Up to total amount of required reserves for precious metal deposit accounts of required reserves for foreign currency liabilities can be maintained as standard gold, while, 0% of required reserves for foreign currency liabilities other than precious metal deposit accounts can be maintained as standard gold.

The reserve rates for TL liabilities vary between 5% and 11% for TL deposits and other liabilities according to their maturities as of September 30, 2012 (December 31, 2011 – 5% and 11% for all TL liabilities). The reserve rates for foreign currency liabilities vary between 6% and 11% for deposit and other foreign currency liabilities according to their maturities as of September 30, 2012 (December 31, 2011 – 6% and 11% for all FC liabilities).

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

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

- As of September 30, 2012, there are no financial assets at fair value through profit and loss subject to repurchase transactions, given as a collateral or blocked (December 31, 2011 – None).
- Positive Differences Related to Derivative Financial Assets Held-for-Trading:

Derivative financial assets held-for-trading	Current period		Prior period	
	TL	FC	TL	FC
Forward transactions	19,813	28,816	56,119	13,573
Swap transactions	3,982	5,366	4,864	309
Futures transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
Total	23,795	34,182	60,983	13,882

c. Information on Banks:

1. Information on Banks:

	Current period		Prior period	
	TL	FC	TL	FC
Banks	202,657	1,495,932	51,119	1,201,470
Domestic	12,143	550,928	50,401	346,683
Foreign	190,514	945,004	718	854,787
Branches and head office abroad	-	-	-	-
Total	202,657	1,495,932	51,119	1,201,470

2. Information on foreign bank accounts:

	Current period		Prior period	
	Unrestricted Amount	Restricted Amount	Unrestricted Amount	Restricted Amount
EU Countries	864,384	-	659,639	-
USA and Canada	87,713	-	84,838	-
OECD Countries (*)	1,185	-	21,815	-
Off-shore Banking Regions	44,894	-	709	-
Other	137,342	-	88,504	-
Total	1,135,518	-	855,505	-

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

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

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

- There are no financial assets available for sale subject to repurchase transactions, given as a guarantee or blocked (December 31, 2011 – None).
- Information on Financial Assets Available-for-Sale:

	Current period	Prior period
Debt Securities	133,691	-
Quoted on stock exchange	133,691	-
Not quoted on stock exchange	-	-
Share certificates	8,227	6,542
Quoted on stock exchange	-	-
Not quoted on stock exchange	8,227	6,542
Impairment provision	(1,499)	-
Total	140,419	6,542

e. Information on loans and receivables:

- All types of loans and advances given to shareholders and employees of the Bank:

	Current period		Prior period	
	Cash	Non-Cash	Cash	Non-Cash
Direct Loans Granted to Shareholders	990	543	94	298
Corporate Shareholders	-	543	6	-
Real Person Shareholders	990	-	88	298
Indirect Loans Granted to Shareholders	82,804	13,153	86,678	2,919
Loans Granted to Employees	4,725	6	3,772	17
Total	88,519	13,702	90,544	3,234

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

Performing Loans and Other Receivables				Loans and Other Receivables under Follow-Up		
Cash Loans	Loans and Other Receivables	Loans and Receivables with Revised Contract Terms		Loans and Other Receivables (Total)	Loans and Receivables with Revised Contract Terms	
	(Total)					
		Extension of Repayment Plan	Other		Extension of Repayment Plan	Other
Loans	10,749,432	129,044	-	477,860	206,169	-
Exports Loan	56,674	173	-	-	-	-
Imports Loans	976,450	-	-	5,562	-	-
Working Capital Loans	6,511,732	123,337	-	397,505	199,117	-
Consumer Loans	1,705,162	2,968	-	62,267	7,052	-
Credit Cards	130,218	-	-	2,279	-	-
Precious Metal Loans	157,686	-	-	1,701	-	-
Loans to Financial Sector	11	-	-	-	-	-
Loans Extended Abroad	183,306	968	-	1	-	-
Other	1,022,017	1,598	-	6,019	-	-
Other Receivables	6,176	-	-	2,526	-	-
Total	10,749,432	129,044	-	477,860	206,169	-

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

e. Information on loans and receivables: (continued)

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

	No. of Extensions for Repayment Plan of Loans and Other Receivables	
	Performing Loans and Other Receivables	Loans and Other Receivables under Follow-Up
1 or 2 times	-	190,203
3,4 or 5 times	-	-
Over 5 times	-	-

Extension Periods for Repayment Plan changes	Performing Loans and Other Receivables	Loans and Other Receivables under Follow-Up
0 - 6 months	-	24,885
6 - 12 months	-	37,699
1 – 2 years	-	97,439
2 - 5 years	-	30,180
5 years and over	-	-

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

	Performing Loans and Other Receivables		Loans and other receivables under Follow-Up	
	Loans and other receivables	Loans and Receivables with Revised Contract Terms	Loans and other receivables	Loans and Receivables with Revised Contract Terms
Cash loans				
Short-term loans and other receivables	3,739,240	1,364	63,447	23,979
Loans	3,733,064	1,364	60,921	23,979
Other receivables	6,176	-	2,526	-
Medium and long-term loans and other receivables (*)	6,881,148	127,680	208,244	182,190
Loans	6,881,148	127,680	208,244	182,190
Other receivables	-	-	-	-
Total	10,620,388	129,044	271,691	206,169

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

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

e. Information on loans and receivables: (continued)

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

	Short term	Medium and long term	Total
Consumer Loans-TL	6,276	1,703,192	1,709,468
Housing Loans	2,145	1,577,704	1,579,849
Vehicle Loans	2,466	116,556	119,022
Consumer Loans	1,635	7,403	9,038
Other	30	1,529	1,559
Consumer Loans-FC Indexed	-	31,420	31,420
Housing Loans	-	30,970	30,970
Vehicle Loans	-	108	108
Consumer Loans	-	105	105
Other	-	237	237
Consumer Loans-FC	-	24,980	24,980
Housing Loans	-	24,913	24,913
Vehicle Loans	-	66	66
Consumer Loans	-	-	-
Other	-	1	1
Retail Credit Cards-TL	57,381	21,000	78,381
With Installment	11,731	21,000	32,731
Without Installment	45,650	-	45,650
Retail Credit Cards-FC	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Personnel Loans-TL	45	1,516	1,561
Housing Loans	-	361	361
Vehicle Loans	28	649	677
Consumer Loans	17	500	517
Other	-	6	6
Personnel Loans-FC Indexed	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Loans-FC	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Credit Cards-TL	3,258	308	3,566
With Installment	1,334	308	1,642
Without Installment	1,924	-	1,924
Personnel Credit Cards-FC	-	-	-
Installment based	-	-	-
Without-installment	-	-	-
Overdraft Account-TL (Real Person)	-	-	-
Overdraft Account-FC (Real Person)	-	-	-
Total	66,960	1,782,416	1,849,376

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

e. Information on loans and receivables: (continued)

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

	Short term	Medium and long term	Total
Commercial Installment Loans-TL	44,153	1,274,626	1,318,779
Business Loans	2,383	219,950	222,333
Vehicle Loans	25,517	604,444	629,961
Consumer Loans	-	35,101	35,101
Other	16,253	415,131	431,384
Commercial Installment Loans-FC Indexed	16,780	598,833	615,613
Business Loans	1,546	125,307	126,853
Vehicle Loans	4,131	194,276	198,407
Consumer Loans	-	-	-
Other	11,103	279,250	290,353
Commercial Installment Loans-FC	1,041	133,041	134,082
Business Loans	-	36,657	36,657
Vehicle Loans	1,041	1,428	2,469
Consumer Loans	-	-	-
Other	-	94,956	94,956
Corporate Credit Cards-TL	50,542	8	50,550
With Installment	5,571	8	5,579
Without Installment	44,971	-	44,971
Corporate Credit Cards-FC	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Overdraft Account-TL (Legal Entity)	-	-	-
Overdraft Account-FC (Legal Entity)	-	-	-
Total	112,516	2,006,508	2,119,024

6. Breakdown of domestic and foreign loans:

	Current period	Prior period
Domestic loans	11,043,991	10,088,372
Foreign loans	183,301	139,673
Total	11,227,292	10,228,045

7. Loans granted to subsidiaries and associates:

	Current period	Prior period
Loans granted directly to subsidiaries and associates	66,276	1,907
Loans granted indirectly to subsidiaries and associates	-	-
Total	66,276	1,907

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

f. Information on loans and receivables: (continued)

8. Specific provisions for loans:

	Current period	Prior period
Specific provisions		
Loans and receivables with limited collectability	12,929	20,538
Loans and receivables with doubtful collectability	64,485	24,279
Uncollectible loans and receivables	142,023	133,897
Total	219,437	178,714

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

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

	Group III	Group IV	Group V
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables

Current period

(Gross amounts before specific provision)

Restructured loans and other receivables	7,499	22,985	47,055
Rescheduled loans and other receivables	-	-	-

Prior period

(Gross amounts before specific provision)

Restructured loans and other receivables	11,440	9,540	44,268
Rescheduled loans and other receivables	-	-	-

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

	Group III	Group IV	Group V
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Ending balance of prior period	28,016	29,201	152,211
Additions in the current period (+)	43,490	78,401	8,511
Transfers from other categories of non-performing loans(+)	-	14,299	33,407
Transfers to other categories of non-performing loans (-)	25,484	22,222	-
Collections in the current period (-)	2,280	15,372	20,000
Disposals in the current period (-)	77	4,094	18
Write offs (-)	-	-	25,187
Corporate and commercial loans	-	-	18,594
Retail loans	-	-	5,963
Credit Cards	-	-	630
Other	-	-	-
Ending balance of the current period	43,665	80,213	148,924
Specific provisions (-)	12,929	64,485	142,023
Net balance at the balance sheet	30,736	15,728	6,901

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

e. Information on loans and receivables: (continued)

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

(iii). Information on non-performing loans granted as foreign currency: None (December 31, 2011 – None).

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

	Group III:	Group IV:	Group V:
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Current period (Net)	30,736	15,728	6,901
Loans granted to real persons and legal entities (Gross)	43,665	80,213	148,924
Specific provision (-)	12,929	64,485	142,023
Loans to real persons and legal entities (Net)	30,736	15,728	6,901
Banks (Gross)	-	-	-
Specific provision (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	-	-	-
Specific provision (-)	-	-	-
Other loans and receivables (Net)	-	-	-
Prior period (Net)	7,478	4,922	18,314
Loans to real persons and legal entities (Gross)	28,016	29,201	152,211
Specific provision (-)	20,538	24,279	133,897
Loans to real persons and legal entities (Net)	7,478	4,922	18,314
Banks (Gross)	-	-	-
Specific provision (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	-	-	-
Specific provision (-)	-	-	-
Other loans and receivables (Net)	-	-	-

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

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

Loans and other receivables, which were deemed uncollectible according to the “Principles and Procedures for the Determination of the Quality of Loans and Other Receivables and Reserves to be provided for these Loans” published in the Official Gazette No. 26333 dated November 01, 2006 and for which a full impairment provision has been made, are written-off per the decision of the Bank top management. Within 2012, non-performing loans amounting to TL 25,187 have been written-off (December 31, 2011 – TL 45,833).

11. Information on the write-off policy:

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

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

None (December 31, 2011 – None).

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

g. Information on investment in associates (Net):

1. The 1.67% ownership of Kredi Garanti Fonu A.Ş. of TL 4,000 (December 31, 2011 – TL 3,000), 8.99% ownership of Islamic International Rating Agency of TL 714 (December 31, 2011 – TL 714), and 6.99% ownership of Neova Sigorta A.Ş. of TL 3,332 (December 31, 2011 – TL 2,800) and TL 181 amount of swift shares (December 31, 2011 – TL 28) are classified as financial assets available for sale since the Bank's ownership in these institutions is less than 10% and the Bank does not have a significant influence on these institutions.
2. Information about investments in unconsolidated associates: None (December 31, 2011 – None).
3. Information related to consolidated associates: None (December 31, 2011 – None).

h. Information on subsidiaries (Net):

1. Although the Bank has control power over the management and capital of its non-financial subsidiaries, these subsidiaries do not confirm to the definition of financial subsidiary in accordance with "Regulation related to the Preparation of Consolidated Financial Statements by Banks" published in the Official Gazette No. 26340 dated November 8, 2006; hence they have not been consolidated. The Bank has reflected its subsidiaries at restated cost less any provision for impairment in its financial statements until December 31, 2004.
2. Information on subsidiaries:

Title	Address (City/ Country)	Bank's share percentage, if different-voting Percentage (%)	Bank's risk group share Percentage (%)
Kuwait Turkish Participation on Bank Dubai Ltd. (*)	Dubai/United Arab Emirates	100%	100%
Körfez Tatil Beldesi Turistik Tesisler ve Devremülk İşletmeciliği San.ve Tic. A.Ş. (**)	Istanbul/Turkey	99.9%	99.9%
Körfez Gayrimenkul Yatırım Ortaklığı A.Ş. (**) (***)	Istanbul/ Turkey	99.9%	99.9%
KT Sukuk Varlık Kiralama A.Ş. (**)	Istanbul/ Turkey	100%	100%

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

Total assets	Equity	Total fixed assets	Profit share income	Income from marketable securities	Current period income/loss	Prior period income/loss	Fair Value
42,753	22,156	324	3,624		690	(50)	-
22,229	22,179	3,717	500		(124)	382	-
76,920	49,528	59,644	474		(1,512)	973	-
638,953	55	-	2	-	6	-	-

(*) As of September 30, 2012, financial figures for this entity in the table above are based on the financial information prepared in accordance with the local regulations of the country in which this entity operates.

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

(***) The previous name of the company is Körfez Gayrimenkul İnşaat Taahhüt Turizm Sanayi ve Anonim Şirketi. On December 29, 2011 the company completed its conversion to real estate investment trust company and registered as Körfez Gayrimenkul Yatırım Ortaklığı Anonim Şirketi.

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

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

Movement for subsidiaries:

	Current period	Prior period
Balance at the beginning of the year	83,620	57,170
Movements during the year	-	-
Purchases (*) (**)	-	15,411
Transfers from subsidiaries	-	-
Bonus shares	-	-
Dividends from current year income	-	-
Sales (*)	-	(15,361)
Revaluation increase	-	-
Impairment (*)	(7,790)	(7,200)
Capital commitment payments (***)	-	33,600
Balance at the end of the year	75,830	83,620
Capital commitments (***)	-	-
Share percentage at the end of the year (%)	-	-

(*) The Bank sold 99.99% of equity shares of Körfez Gayrimenkul, to Kuwait based Hayat Investment Company for USD 10,613,100 (TL 15,729) and TL 2,450 on November 23, 2009. However, the Bank has bought back 99.99% of Körfez Gayrimenkul A.S. from Hayat Investment Company under the same conditions; (USD 10,572,000 (TL 16,840) and TL 2,450) on June 10, 2010. Consecutively, Körfez Gayrimenkul has been classified back to "Subsidiaries" account and additional TL 9,978 impairment has been booked.

There has been an impairment provision for Körfez Tatil Beldesi Turistik Tesisler ve Devremülk İşletmeciliği San.ve Tic. A.Ş. in 2012 for an amount of TL 7,790 (2011: TL 7,200).

(**) The Bank bought 25% share of the joint venture, called Körfez İnşaat İş Ortaklığı, which was established by one of its non-financial subsidiary Körfez Gayrimenkul İnşaat Taahhüt Turizm Sanayi ve Ticaret A.Ş. and a third party company who have 75% and 25% stakes, respectively. The Bank bought the 25% stake of the third party company in Körfez İnşaat İş Ortaklığı for a total consideration of TL 22,589 in exchange of releasing the debt of the third party company to the bank amounting to TL 15,888 and taking over the debt of the third party company to Körfez İnşaat İş Ortaklığı amounting to TL 6,701. The purchase price was determined based on the expected discounted future cash flows of Körfez İnşaat İş Ortaklığı. Afterwards the Bank transferred 8% of the joint venture shares, amounting to TL 7,229, to Körfez Gayrimenkul İnşaat Taahhüt Turizm Sanayi ve Ticaret A.Ş. in exchange of release of its debt to Körfez İnşaat İş Ortaklığı amounting to TL 6,701 and for a cash consideration amounting to TL 528. The Bank transferred the remaining 17% equity stake in Körfez İnşaat İş Ortaklığı to Körfez Gayrimenkul İnşaat Taahhüt Turizm Sanayi ve Ticaret A.Ş. on September 23, 2011 for an amount of TL 15,361. Additionally, the Bank established Sukuk Varlık Kiralama A.Ş. as a subsidiary on September 23, 2011 and paid its capital commitment amounting TL 50.

Sectoral information on consolidated subsidiaries and the related carrying amounts:

	Current period	Prior period
Banks	17,917	17,917
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	-	-
Finance Companies	-	-
Other Financial Subsidiaries	50	50

Subsidiaries that are quoted on the stock exchange: None (December 31, 2011 – None).

3. Information on capital adequacies of major subsidiaries:

The Bank does not have any major subsidiary.

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

i. Information on joint ventures (business partnerships) (Net): None (December 31, 2011 – None).

j. Information on finance lease receivables (Net):

1. Presentation of remaining maturities of net finance leases:

	Current period		Prior period	
	Gross	Net	Gross	Net
Less than 1 year	88,304	73,812	56,397	43,177
1 to 4 years	106,931	86,585	108,287	85,897
More than 4 years	1,332	1,208	4,530	3,798
Total	196,567	161,605	169,214	132,872

2. Net investments in finance leases:

	Current period	Prior period
Gross receivable from finance leases	196,567	169,214
Unearned finance lease income (-)	(34,962)	(36,342)
Cancelled amounts (-)	-	-
Net receivable from finance leases	161,605	132,872

3. Information on finance lease contracts:

The Bank determines the settlements of the financial lease agreements in accordance with related legislations. Payment terms and amounts may be rearranged with additional agreements upon customers' requests. On the agreements, the Bank gives the customer the option to buy the related property. According to the Financial Lease Law, if a customer does not fulfill its obligations, the Bank sends a notice to the customer and informs them that if the obligations are not fulfilled within 60 days the financial lease agreement will be terminated. If the customer does not fulfill its obligations in 60 days, the Bank takes legal action against the customer. Non performing finance lease receivables amounting to TL 2,433 are included in the non-performing loans (December 31, 2011 – TL 5,242).

Impairment provision amounting to TL 2,043 (December 31, 2011 – TL 4,994) for financial lease receivables are included under the specific provision account under loans in the balance sheet.

k. Information on derivative financial assets for hedging purposes:

None (December 31, 2011 – None).

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

l. Information on deferred tax asset:

In accordance with the related regulations deferred tax asset calculated as of September 30, 2012 is TL 32,473 (December 31, 2011 – TL 43,575) and deferred tax liability is TL 10,147 (December 31, 2011 – TL 10,748).

	Current period	Prior period
Reserve for employee benefits	4,404	807
Retirement pay liability	2,232	1,839
Deferred income	17,724	16,712
Impairment provision for subsidiaries, fixed assets and assets held for sale	3,225	1,703
Precious metals valuation difference	4,812	21,610
Other	76	904
Deferred tax asset	32,473	43,575
Financial lease adjustments	(42)	(369)
Difference between carrying value and tax base of tangible assets	(2,538)	(2,117)
Accruals of derivative financial instruments held for trading(net)	(5,604)	(6,020)
Other	(1,963)	(2,242)
Deferred tax liability	(10,147)	(10,748)
Deferred tax asset, (net)	22,326	32,827

Deferred tax asset movement table:

	Current period	Prior period
As of January 1	32,827	8,471
Deferred tax expense/(income)	(10,501)	28,401
Deferred tax accounted under shareholders' equity	-	-
Deferred tax asset	22,326	36,872

m. Information on other assets:

As of balance sheet date, the Bank's other assets amount to TL 179,005 (December 31, 2011 - TL 212,371). Other assets balance does not exceed 10% of the total assets on the balance sheet excluding off balance sheet commitments.

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SECTION FIVE

II. Explanations and notes related to liabilities

a. Information on funds collected:

1. Information on maturity structure of funds collected:

i. Current period:

	Demand	Up to 1 Month	Up to 3 Months	Up to 6 months	Up to 9 months	Up to 1 year	1 year and over	Accumulated profit sharing accounts	Total
I. Real persons current accounts-TL	666,865	-	-	-	-	-	-	-	666,865
II. Real persons profit sharing accounts TL	-	786,475	2,566,733	184,648	-	93,132	507,261	-	4,138,249
III. Other current accounts-TL	763,855	-	-	-	-	-	-	-	763,855
Public sector	23,304	-	-	-	-	-	-	-	23,304
Commercial sector	709,697	-	-	-	-	-	-	-	709,697
Other institutions	16,334	-	-	-	-	-	-	-	16,334
Commercial and other institutions	-	-	-	-	-	-	-	-	-
Banks and participation banks	14,520	-	-	-	-	-	-	-	14,520
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	-	-	-	-	-	-	-	-	-
Foreign banks	470	-	-	-	-	-	-	-	470
Participation banks	14,050	-	-	-	-	-	-	-	14,050
Others	-	-	-	-	-	-	-	-	-
IV. Profit sharing accounts-TL	-	64,375	488,083	26,028	-	64,419	71,577	-	714,482
Public sector	-	65	1,042	2,691	-	6,554	251	-	10,603
Commercial sector	-	58,460	452,948	23,008	-	57,502	69,842	-	661,760
Other institutions	-	5,850	21,287	329	-	251	1,484	-	29,201
Commercial and other institutions	-	-	927	-	-	112	-	-	1,039
Banks and participation banks	-	-	11,879	-	-	-	-	-	11,879
V. Real persons current accounts-FC	379,552	-	-	-	-	-	-	-	379,552
VI. Real persons profit sharing accounts-FC	-	340,080	974,389	114,189	-	89,302	168,474	-	1,686,434
VII. Other current accounts-FC	648,774	-	-	-	-	-	-	-	648,774
Commercial residents in Turkey	473,530	-	-	-	-	-	-	-	473,530
Commercial residents in Abroad	69,106	-	-	-	-	-	-	-	69,106
Banks and participation banks	106,138	-	-	-	-	-	-	-	106,138
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	-	-	-	-	-	-	-	-	-
Foreign banks	104,561	-	-	-	-	-	-	-	104,561
Participation banks	1,577	-	-	-	-	-	-	-	1,577
Others	-	-	-	-	-	-	-	-	-
VIII. Profit sharing accounts- FC	-	66,614	539,750	180,701	-	2,976	96,771	-	886,812
Public sector	-	-	-	-	-	-	-	-	-
Commercial sector	-	27,895	517,914	176,292	-	2,918	75,125	-	800,144
Other institutions	-	25,800	3,283	990	-	58	3,050	-	33,181
Commercial and other institutions	-	12,897	3,283	3,419	-	-	18,596	-	38,195
Banks and participation banks	-	22	15,270	-	-	-	-	-	15,292
IX. Precious metal funds	574,481	-	1,326,131	46,221	-	63,240	-	-	2,010,073
X. Profit sharing accounts special funds - TL	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
XI. Profit sharing accounts special funds - FC	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
Total	3,033,527	1,257,544	5,895,086	551,787	-	313,069	844,083	-	11,895,096

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

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VI. Explanations and notes related to liabilities (continued)

a. Information on funds collected: (continued)

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

ii.. Prior period

	Demand	Up to 1 month	Up to 3 Months	Up to 6 months	Up to 9 months	Up to 1 year	1 year and over	Accumulated profit sharing accounts	Total
I. Real persons current accounts-TL	524,181	-	-	-	-	-	-	-	524,181
II. Real persons profit sharing accounts-TL	-	927,121	1,578,060	92,563	-	100,057	669,077	-	3,366,878
III. Other current accounts-TL	769,639	-	-	-	-	-	-	-	769,639
Public sector	16,604	-	-	-	-	-	-	-	16,604
Commercial sector	729,256	-	-	-	-	-	-	-	729,256
Other institutions	13,555	-	-	-	-	-	-	-	13,555
Commercial and other institutions	-	-	-	-	-	-	-	-	-
Banks and participation banks	10,224	-	-	-	-	-	-	-	10,224
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	-	-	-	-	-	-	-	-	-
Foreign banks	10,163	-	-	-	-	-	-	-	10,163
Participation banks	61	-	-	-	-	-	-	-	61
Others	-	-	-	-	-	-	-	-	-
IV. Profit sharing accounts-TL	-	88,170	314,972	24,261	-	33,285	93,972	-	554,660
Public sector	-	6	1,046	-	-	5,024	251	-	6,327
Commercial sector	-	82,864	276,957	23,292	-	27,986	91,450	-	502,549
Other institutions	-	5,300	35,728	969	-	166	2,271	-	44,434
Commercial and other institutions	-	-	391	-	-	109	-	-	500
Banks and participation banks	-	-	850	-	-	-	-	-	850
V. Real persons current accounts-FC	291,084	-	-	-	-	-	-	-	291,084
VI. Real persons profit sharing accounts-FC	-	455,054	604,593	64,865	-	92,625	178,362	-	1,395,499
VII. Other current accounts-FC	558,413	-	-	-	-	-	-	-	558,413
Commercial residents in Turkey	393,842	-	-	-	-	-	-	-	393,842
Commercial residents in Abroad	70,362	-	-	-	-	-	-	-	70,362
Banks and participation banks	94,209	-	-	-	-	-	-	-	94,209
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	-	-	-	-	-	-	-	-	-
Foreign banks	88,280	-	-	-	-	-	-	-	88,280
Participation banks	5,929	-	-	-	-	-	-	-	5,929
Others	-	-	-	-	-	-	-	-	-
VIII. Profit sharing accounts- FC	-	64,785	332,851	49,239	-	5,506	73,005	-	525,386
Public sector	-	-	-	-	-	-	-	-	-
Commercial sector	-	44,547	321,506	10,579	-	5,427	62,784	-	444,843
Other institutions	-	16,082	2,024	37,056	-	79	-	-	55,241
Commercial and other institutions	-	4,132	1,206	1,604	-	-	10,221	-	17,163
Banks and participation banks	-	24	8,115	-	-	-	-	-	8,139
IX. Precious metal funds	727,254	-	1,121,175	26,047	-	58,111	-	-	1,932,587
X. Profit sharing accounts special funds - TL	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
XI. Profit sharing accounts special funds - FC	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
Total	2,870,571	1,535,130	3,951,651	256,975	-	289,584	1,014,416	-	9,918,327

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II. Explanations and notes related to liabilities (continued)

a. Information on funds collected: (continued)

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

	Under the guarantee of saving deposit insurance		Exceeding the limit of saving Deposit	
	Current period	Prior period	Current period	Prior period
Real persons current and profit sharing accounts that are not subject to commercial activities				
TL accounts	2,358,186	1,868,101	2,422,770	2,001,560
FC accounts	1,840,714	1,625,816	2,123,819	1,864,836
Foreign branches' deposits under foreign authorities' insurance	-	-	-	-
Off-shore banking regions' under foreign authorities' insurance	-	-	-	-

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

1. If the headquarters of the Bank is abroad and the deposit account in its Turkish branch is in the scope of the insurance policy in the country of the headquarter of the Bank is founded, it should be explained:

The headquarters of the Bank is in Turkey.

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

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

	Current period	Prior period
Foreign branches' profit sharing accounts and other accounts	-	-
Profit sharing accounts and other accounts of controlling shareholders and profit sharing accounts of their mother, father, spouse, children in care	-	-
Profit sharing account and other accounts of President and Members of Board of Directors, CEO and Vice Presidents and profit sharing accounts of their mother, father, spouse and children in care	1,634	1,037
Profit sharing account and other accounts in scope of the property holdings derived from crime defined in article 282 of Turkish Criminal Law No:5237 dated September 26, 2004	-	-
Profit sharing accounts in participation banks which are established in Turkey in order to engage in off-shore banking activities solely	169	-

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II. Explanations and notes related to liabilities (continued)

b. Information on derivative financial liabilities held for trading:

Derivative financial liabilities held for trading:

	Current period		Prior period	
	TL	FC	TL	FC
Forward transactions	6,565	18,418	8,152	8,450
Swap transactions	54	3,098	414	21,249
Futures transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
Total	6,619	21,516	8,566	29,699

c. Information on funds borrowed:

1. Information on banks and other financial institutions:

	Current period		Prior period	
	TL	FC	TL	FC
Loans from The Central Bank of the Republic of Turkey	-	-	-	-
From Domestic Banks and Institutions	-	379,797	-	410,294
From Foreign Banks, Institutions and Funds	-	2,519,206	-	1,719,068
Total	-	2,899,003	-	2,129,362

2. Information on maturity structure of borrowings:

	Current period		Prior period	
	TL	FC	TL	FC
Short-term	-	2,136,947	-	1,283,229
Medium and Long-Term	-	762,056	-	846,133
Total	-	2,899,003	-	2,129,362

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

As explained in Section Three Note XVII, On October 31, 2011 the Bank issued 5-year rent certificate (sukuk) amounting USD 350 million with a profit share rate of 5.875%. The remaining part of the transferred KT Sukuk Varlık Kiralama A.Ş. USD 350,000,000 out of the sale and leaseback transaction amounting to USD 213,130 thousand is booked in funds borrowed.

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

All of the borrowings consist of foreign currency loans and majorly they are formed by the transactions with the off-shore financial institutions.

There is no risk concentration of the Bank's current and profit sharing accounts.

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II. Explanations and notes related to liabilities (continued)

d. Information on other liabilities and miscellaneous payables:

As of September 30, 2012, other liabilities amount to TL 329,457 (December 31, 2011 - TL 392,712), sundry creditors amount to TL 85,631(December 31, 2011 - TL 140,835), both of them do not exceed 10% of the balance sheet total.

e. Information on finance lease payables (net):

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

As of September 30, 2012, finance lease payables details of the transaction of issuing certificate of rent (sukuk) is explained under section three and disclosure XVII, with the permission of BRSA's decision numbered B.02.1.BDK.0.06.00.00-045.01(3/8)-5397 and as of March 13, 2012, it is accounted as sale and leaseback transaction in accordance with TAS 17.

i. Information on the changes in agreements and new obligations originating from these changes: None (December 31, 2011 – None).

ii. Information on Financial Lease Obligations

	Current period		Prior period	
	Gross	Net	Gross	Net
Less than 1 year	-	-	-	-
Between 1-4 years	-	-	-	-
More than 4 years	315,732	250,027	337,595	263,487
Total	315,732	250,027	337,595	263,487

iii. Information on Operational Leases:

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

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

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

iv. Information on sale and leaseback transactions:

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

f. Information on hedging derivative financial liabilities: None (December 31, 2011 – None).

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II. Explanations and notes related to liabilities (continued)

g. Information on provisions:

1. Information on general provisions:

	Current period	Prior Period
General Provisions	131,456	110,388
For Loans and Receivables in Group I (Total)	100,559	87,959
Profit Sharing Accounts' Share	36,351	31,699
The Bank's Share	64,208	56,260
Other	-	-
Additional Provision for Loans and Receivables with Extended Maturities	-	-
Profit Sharing Accounts' Share	-	-
The Bank's Share	-	-
Other	-	-
Loans and Receivables in Group II (Total)	10,812	7,522
Profit Sharing Accounts' Share	793	710
The Bank's Share	511	1,528
Other	-	-
Additional Provision for Loans and Receivables with Extended Maturities	9,508	5,284
Profit Sharing Accounts' Share	5,100	1,696
The Bank's Share	4,408	3,588
Other	-	-
Provisions for Non Cash Loans	13,520	10,976
Other	6,565	3,931

2. Information on provisions related with foreign currency evaluation difference of foreign currency indexed loans: As of September 30, 2012, effect of decrease in exchange rates on foreign currency indexed loans amounting to TL 42,832 (December 31, 2011 – TL 1,515) and TL 4,762 for leasing receivables (December 31, 2011 – TL 0) is offset against loans and receivables.

3. Information on other provisions:

	Current period	Prior period
General provisions for possible risks	-	-
Provisions for non- liquidated non cash loans (*)	16,657	18,457
Provisions for cheque books (*)	6,288	5,246
Provisions from equity/profit sharing accounts	14,875	13,762
Other	2,644	860
Total	40,464	38,325

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

4. Information on provisions for employee benefits:

Provisions for employee benefits consist of reserve for employee termination benefits amounting to TL 11,159 (December 31, 2011 – TL 9,192), vacation pay liability amounting to TL 1,937 (December 31, 2011 – TL 0), performance premium amounting to TL 19,679 (December 31, 2011 – TL 28,357) and retirement bonuses on payment of TL 403 (December 31, 2011 – TL 0).

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

The amount payable consists of one month's salary limited to a maximum of TL 3,034 (December 31, 2011 – TL 2,732) for each year of service. The liability is not funded, as there is no funding requirement.

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II. Explanations and notes related to liabilities (continued)

g. Information on provisions (continued)

4. Information on provisions for employee benefits (continued)

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

	Current period	Prior period
Discount rate (%)	9.8	9.8
Estimated increase rate of salary ceiling (%)	5.2	5.2

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

	Current period	Prior period
Balance at the beginning of the period	9,192	7,080
Provisions recognized during the period	3,180	2,619
Paid during the period	(1,213)	(1,268)
Balances at the end of the period	11,159	8,431

h. Explanations on tax liability:

1. Explanations on current tax liability:

- i. Information on tax provisions: As of September 30, 2012, the Bank has current tax liability after deducting temporary taxes paid during the period from the provision for corporate income tax amounting to TL 16,777.

	Current period	Prior period
Provision for corporate income tax	34,685	74,770
Prepaid taxes	(17,908)	(71,087)
Total (*)	16,777	3,683

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

ii. Information on taxes payable (*):

	Current period	Prior period
Taxation of marketable securities	6,032	5,268
Taxation of immovable property	543	382
Banking Insurance Transaction Tax (BITT)	5,706	7,128
Foreign Exchange Transaction Tax	-	-
Value Added Tax Payable	743	298
Income tax deducted from wages	3,000	2,457
Other	664	543
Total	16,688	16,076

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II. Explanations and notes related to liabilities (continued)

h. Explanations on tax liability (continued)

1. Explanations on current tax liability (continued)

iii. Information on premiums (*):

	Current period	Prior period
Social Security Premiums-Employee	1,865	1,439
Social Security Premiums-Employer	1,841	1,427
Unemployment insurance-Employee	134	103
Unemployment insurance-Employer	306	237
Total	4,146	3,206

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

iv. Information on deferred tax liability: None (December 31, 2011 - None).

i. **Information on payables related to assets held for sale:** None (December 31, 2011 – None).

j. Information on subordinated loans:

	Current Period		Prior Period	
	TL	FC	TL	FC
From Domestic Banks	-	-	-	-
From Other Domestic Institutions	-	-	-	-
From Foreign Banks	-	356,561	-	386,681
From Other Foreign Institutions	-	-	-	-
Total	-	356,561	-	386,681

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

k. Information on shareholders' equity:

1. Presentation of paid-in capital:

	Current period	Prior period
Common stock	1,100,000	950,000
Preferred stock	-	-

2. Amount of Paid-in Capital, Disclosure on whether the Bank Applies the Registered Share Capital System, and, if so, the Ceiling Amount of the Registered Share Capital: Registered capital system is not applied in the Bank.

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II. Explanations and notes related to liabilities (continued)

k. Information on shareholders' equity (continued)

3. Information on the share capital increases during the period and their sources; other information on increased capital shares in the current period:

Date of Increase	Amount of Increase	Cash	Profit Reserves Subject to Increase
April 19, 2012	150,000	-	150,000

4. Information on share capital increases from capital reserves during the current period: None (December 31, 2011 – None).
5. Information on capital commitments, the purpose and the sources until the end of the fiscal year and the subsequent interim period: There is no capital commitment.
6. Possible effect of estimations made for the Bank's revenues, profitability and liquidity on equity considering prior period indicators and uncertainties:
Based on the evaluation made considering the Bank's prior and current period indicators related to net profit share and commission income, it is observed that the Bank continues its operations profitably.
7. Summary of privileges given to shares representing the capital: None.
8. Information on marketable securities value increase fund: None (December 31, 2011 – None).

l. Information on minority shares: None (December 31, 2011 – None)

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

a. Explanations on off-balance sheet accounts:

1. Type and amount of irrevocable commitments: Commitment for credit card limits, as of September 30, 2012 is TL 253,190 (December 31, 2011 – TL 193,110); payment commitments for cheque books are TL 960,089 (December 31, 2011 – TL 652,891)
2. Type and amount of probable losses and obligations arising from off-balance sheet items:
- i. Non-cash loans including guarantees, bank acceptances, collaterals and others that are accepted as financial commitments and other letter of credits:
As of September 30, 2012, the Bank has guarantees and surety ships constituting of TL 4,907,828 (December 31, 2011 – TL 4,355,975) letters of guarantee; TL 71,693 (December 31, 2011 – TL 59,492) acceptances and TL 993,453 (December 31, 2011 – TL 606,486) letters of credit.
- ii. Revocable, irrevocable guarantees and other similar commitments and contingencies : There are no other than those explained in 2.i)
3. (i). Total amount of non-cash loans:

	Current period	Prior period
Non-cash loans given against cash loans	-	-
With original maturity of 1 year or less	-	-
With original maturity of more than 1 year	-	-
Other non-cash loans	6,007,384	5,041,678
Total	6,007,384	5,041,678

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IV. Explanations and disclosures related to the income statement

a. Information on profit share income:

1. Information on profit share received from loans:

	Current period		Prior period	
	TL	FC	TL	FC
Profit share on loans	881,902	40,932	630,560	24,481
Short term loans	308,255	6,377	188,086	3,841
Medium and long term loans	571,472	34,555	436,556	20,640
Profit share on non-performing loans	2,175	-	5,918	-
Premiums received from resource utilization support fund	-	-	-	-

i. Information on profit share received from banks:

	Current period		Prior period	
	TL	FC	TL	FC
The Central Bank of the Republic of Turkey	-	-	-	-
Domestic Banks	-	-	-	-
Foreign Banks	6,766	1,504	12,362	538
Branches and head office abroad	-	-	-	-
Total	6,766	1,504	12,362	538

ii. Information on profit share income from securities portfolio:

Sukuk (rent certificate) issued by T.R Undersecretariat of the Treasury as of September 26, 2012, has been purchased amounting to USD 75 million with maturity of March 26, 2018. The Sukuk will pay semiannual profit share annual 2.8% profit share. As of September 30, 2012, the Bank has obtained a profit share of TL 41 from this operation (September 30, 2011: None).

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

	Current period	Prior period
Profit share income received from associates and subsidiaries	91	100

b. Information on profit share expenses:

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

	Current period		Prior period	
	TL	FC	TL	FC
Banks	-	47,426	-	18,303
The Central Bank of the Republic of Turkey	-	-	-	-
Domestic banks	-	-	-	-
Foreign banks	-	47,426	-	18,303
Branches and head office abroad	-	-	-	-
Other Institutions	-	38,268	-	7,069
Total	-	85,694	-	25,372

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

b. Information on profit share expenses (continued)

ii. Profit share expense given to associates and subsidiaries:

	Current period	Prior period
Profit share expenses given to associates and subsidiaries	17,600	2,577

iii. Profit share expense paid to securities issued: None (September 30, 2011: None).

c. Information on dividend income: None (September 30, 2011: None).

d. Information on trading income/loss (Net):

	Current period	Prior period
Income	5,544,358	4,532,777
Gain on capital market transactions	3,149	1,790
Gain on derivative financial instruments	103,362	414,758
Foreign exchange gains	5,437,847	4,116,229
Losses (-)	5,469,901	4,441,665
Losses on capital market transactions	1,574	1,120
Losses on derivative financial instruments	92,375	399,771
Foreign exchange losses	5,375,952	4,040,774

e. Information on other operating income:

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

	Current period	Prior period
Reversal of prior period provisions	42,928	30,676
Income from sale of assets	25,301	8,637
Expertise fees	5,768	5,383
Income from EFT and money transfers	5,382	3,987
Income from checkbooks	2,792	2,661
Income from bounced check provisions	1,840	1,821
Income from check provisions	1,386	1,290
Lease income	1,120	948
Other Income	5,368	4,013
Total	91,885	59,416

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

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

	Current period	Prior period
Specific provisions for loans and other receivables	105,462	76,650
III. group loans and receivables	11,176	1,201
IV. group loans and receivables	54,186	11,032
V. group loans and receivables	40,100	64,417
Doubtful commissions, fees and other receivables	-	-
General provision expenses	21,068	29,319
Provision expenses for possible losses	-	-
Impairment provision of marketable securities	-	-
Financial Assets at fair value through profit and loss	-	-
Investment securities available for sale	-	-
Impairment provision of associates, subsidiaries, joint ventures and held to maturity investments	7,790	8
Associates	-	-
Subsidiaries	7,790	8
Joint ventures	-	-
Held to maturity investments	-	-
Other	2,000	6,284
Total	136,320	112,261

g. Information on other operating expenses:

	Current period	Prior period
Personnel expenses	192,622	149,266
Provision for retirement pay liability	1,966	1,351
Depreciation expenses of fixed assets	19,695	15,324
Depreciation expenses of intangible assets	4,288	3,169
Depreciation expenses of assets held for sale	541	352
Other operating expenses	72,880	58,829
Rent expenses	31,231	22,019
Maintenance expenses	9,856	8,019
Advertisement expenses	10,957	7,225
Communication expenses	7,950	6,963
Heating, electricity and water expenses	4,232	3,455
Cleaning expenses	1,422	4,552
Vehicle expenses	2,297	1,844
Stationery expenses	2,289	1,440
Other expenses	2,646	2,034
Losses on sales of assets	247	163
Deposit insurance fund expenses	15,174	13,080
Other	47,612	29,381
Personnel expenses		
Total	355,025	269,592

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

Income before tax amounts to TL 241,604 increased by 18.09% as compared to the prior period (September 30, 2011 – TL 203,201). Income before tax includes TL 512,267 (September 30, 2011 – TL 384,753) net profit share income and TL 54,340 (September 30, 2011 – TL 49,773) net fees and commission income. Other operating expense amount is TL 335,025 (September 30, 2011 – TL 269,592).

i. Information on tax provision for continued and discontinued operations:

As of September 30, 2012, deferred tax expense of the Bank is TL 10,051 (September 30, 2011 – TL 28,401) and current tax provision expense is TL 34,685 (September 30, 2011 – TL 71,087).

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

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

k. Information on net income/loss:

- i. The nature and amount of certain income and expense items from ordinary operations is disclosed if the disclosure for nature, amount and repetition rate of such items is required for a complete understanding of the Bank's performance for the period: As of September 30, 2012, net profit share income is TL 512,267 (September 30, 2011 – TL 384,753), net fees and commission income is TL 54,340 (September 30, 2011 – TL 49,773).
- ii. Effect of changes in accounting estimates on income statement for the current and, if any for subsequent periods: None (September 30, 2011 – None).
- iii. Profit/Loss attributable to minority interest: None (September 30, 2011 – None).

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

As of September 30, 2012, other fees and commissions received is TL 52,106 (September 30, 2011 – TL 37,108), TL 9,570 of this amount is related with credit card fees and commissions (September 30, 2011 – TL 6,173) and TL 16,273 of this amount is related with POS machine commissions (September 30, 2011 – TL 9,622).

As of September 30, 2012, other fees and commissions given is TL 42,316 (September 30, 2011 – TL 23,844), TL 19,973 (September 30, 2011 – TL 10,630) of this amount is related with POS clearing commissions and installation expenses, TL 3,945 (September 30, 2011 – TL 2,777) of this amount is related with fees and commissions paid for credit cards.

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V. Explanations and notes related to cash flow statement

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

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

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

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

	Current period	Prior period
Cash	1,356,263	1,332,074
Cash in TL/foreign currency, others	170,827	121,570
Demand deposits at banks	1,185,436	1,210,504
Cash equivalents	-	-
Interbank money markets	-	-
Time deposits at banks	-	-
Marketable securities	-	-
Total cash and cash equivalents	1,356,263	1,332,074

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

	Current period	Prior period
Cash	1,885,780	1,869,245
Cash in TL/foreign currency, others	298,287	158,479
Demand deposits at banks	1,587,493	1,710,766
Cash equivalents	-	-
Interbank money markets	-	-
Time deposits at banks	-	-
Marketable securities	-	-
Total cash and cash equivalents	1,885,780	1,869,245

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

c. Effects of the changes in foreign currency rates on cash and cash equivalents:

Effect of the changes in foreign currency rates on cash and cash equivalents has been calculated approximately TL 20,014 as of September 30, 2012 (September 30, 2011 – TL 11,470).

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

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

1. Current period:

Risk group of the Bank (*)	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the Bank		Other real or legal persons included in the risk group	
	Cash	Non-Cash	Cash	Cash	Cash	Non-Cash
Loans and other receivables						
Balance at beginning of period	1,907	30	147	298	87,387	2,919
Balance at end of period	66,276	1,812	990	543	83,607	13,153
Profit share and commission income	91	-	58	-	3,088	-

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

Within the amounts above, the Bank has TL 66,276 in its associates, subsidiaries and joint ventures (December 31, 2011: TL 1,907), in its direct and indirect shareholders - TL(December 31, 2011: TL 53), TL 803 amount of "Foreign Banks" in other real or legal persons included in the risk group (December 31, 2011: TL 709).

1. Prior period:

Risk group of the Bank (*)	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the Bank		Other real or legal persons included in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Balance at beginning of period	72,720	61	186	314	110,359	5,097
Balance at end of period	1,907	30	147	298	87,387	2,919
Profit share and commission income	101	-	10	-	5,028	-

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

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

Risk group of the Bank (*)	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the bank		Other real or legal persons included in the risk group	
	Current period	Prior period	Current period	Prior period	Current period	Prior period
Current and profit sharing accounts						
Balance at the beginning of period	29,949	5,160	22,759	159,873	95,340	33,436
Balance at the end of period	55,555	29,949	20,586	22,759	113,119	95,340
Profit share expense	1,330	1,494	999	6,594	384	452

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

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

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

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

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

Risk group of the Bank	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the bank		Other real or legal persons included in the risk group	
	Current period	Prior period	Current period	Prior period	Current period	Prior period
Loans Received						
Balance at beginning of period	410,294	-	953,854	282,345	436,600	157,434
Balance at end of period	389,051	410,294	1,915,375	953,854	196,986	436,600
Profit share expense	16,270	1,083	40,865	5,654	9,307	2,417

b. Information on remunerations provided to top management:

As of September 30, 2012, the Bank has paid TL 8,931 to top management (September 30, 2011 - TL 6,830).

VII. Explanations and notes related to subsequent events

Sukuk amounting to TL 386,820 dated October 1, 2014, (rent certificate) issued by T.R Undersecretariat of the Treasury as of October 3, 2012 has been purchased with semiannual profit share payment and 7.4% annual profit share.

SECTION SIX

OTHER EXPLANATIONS AND DISCLOSURES

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

SECTION SEVEN

LIMITED REVIEW REPORT

I- Explanations on the limited review report:

The unconsolidated financial statements as of and for the nine months period then ended September 30, 2012 have been reviewed by DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (Member of Deloitte Touche Tohmatsu Limited) and the independent auditors' limited review report dated November 12, 2012 is presented preceding the financial statements.

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