

**KUVEYT TRK KATILIM BANKASI
ANONİM ŐİRKETİ AND ITS FINANCIAL SUBSIDIARIES**

**INDEPENDENT AUDITOR’S
REPORT, CONSOLIDATED FINANCIAL
STATEMENTS AND NOTES
FOR THE YEAR ENDED
31 DECEMBER 2015**

*Translated into English
from the Original Turkish Report*

**(CONVENIENCE TRANSLATION OF
INDEPENDENT AUDITOR’S REPORT ORIGINALLY ISSUED IN TURKISH)**

INDEPENDENT AUDITOR’S REPORT

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

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Kuveyt Türk Katılım Bankası A.Ş. (“the Bank”) and its consolidated subsidiaries (together will be referred as “the Group”), which comprise the consolidated balance sheet as at 31 December 2015, and the consolidated statement of income, consolidated statement of income and expense items accounted under shareholders' equity, consolidated statement of changes in shareholders' equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management’s Responsibility for the Consolidated Financial Statements

The Bank Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with “the Banking Regulation and Supervision Agency (“BRSA”) Accounting and Reporting Regulations” including the regulation on “The Procedures and Principles Regarding Banks’ Accounting Practices and Maintaining Documents” published in the Official Gazette dated 1 November 2006 with No. 26333, and other regulations on accounting records of banks published by the Banking Regulation and Supervision Board and circulars and pronouncements published by the BRSA and Turkish Accounting Standards for the matters not legislated by the aforementioned regulations, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the regulation on “Independent Auditing of Banks” published in the Official Gazette dated 2 April 2015 with No. 29314 and Independent Auditing Standards which is a part of Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority (“POA”). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Kuveyt Türk Katılım Bankası A.Ş. and its consolidated subsidiaries as at 31 December 2015, and of its their financial performance and its their cash flows for the year then ended in accordance with the BRSA Accounting and Reporting Regulations.

Report on Other Legal and Regulatory Requirements

In accordance with paragraph four of the Article 402 of the Turkish Commercial Code No. 6102 (“TCC”), nothing has come to our attention that may cause us to believe that the Bank’s set of accounts for the period 1 January-31 December 2015 does not comply with TCC and the provisions of the Bank’s articles of association in relation to financial reporting.

In accordance with paragraph four of the Article 402 of TCC, the Board of Directors provided us all the required information and documentation with respect to our audit.

Additional paragraph for English translation:

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

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

Müjde Şehsuvaroğlu
Partner
İstanbul, 4 March 2016

THE CONSOLIDATED FINANCIAL REPORT OF KUVEYT TÜRK KATILIM BANKASI A.Ş.

AS OF DECEMBER 31, 2015

Address of the head office : Büyükdere Cad. No:129/1 34394 Esentepe / İSTANBUL
Phone number : 0212 354 11 11
Facsimile number : 0212 354 12 12
Web page : www.kuveytturk.com.tr
E-mail address : kuveytturk@kuveytturk.com.tr

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

- GENERAL INFORMATION ABOUT THE PARENT BANK
- CONSOLIDATED FINANCIAL STATEMENTS OF THE PARENT BANK
- EXPLANATIONS ON ACCOUNTING POLICIES
- INFORMATION ON FINANCIAL STRUCTURE OF THE GROUP WHICH IS UNDER CONSOLIDATION
- FOOTNOTES AND EXPLANATIONS ON CONSOLIDATED FINANCIAL STATEMENTS
- OTHER EXPLANATIONS
- INDEPENDENT AUDITORS' REPORT

The subsidiaries, associates and jointly controlled entities, financial statements of which are consolidated within the framework of the reporting package are as follows:

	Subsidiaries	Associates	Jointly Controlled Entities
1.	Kuwait Turkish Participation Bank Dubai Ltd		Katılım Emeklilik ve Hayat A.Ş.
2.	KT Bank AG.		
3.	KT Portföy Yönetimi A.Ş.		
4.	KT Kira Sertifikaları Varlık Kiralama A.Ş.		
5.	KT Sukuk Varlık Kiralama A.Ş.		
6.	Körfez Gayrimenkul Yatırım Ortaklığı A.Ş.		

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

Hamad Abdulmohsen AL MARZOUQ Chairman of the Board of Directors	Adnan ERTEM Vice Chairman of BOD And Head of the Audit Committee	Ahmad S. AL KHARJI Member of the Audit Committee	Mohamad AL- MIDANI Member of the Audit Committee	Ufuk UYAN General Manager	Ahmet KARACA Chief Financial Officer	İsmail Hakkı YEŞİLYURT External Reporting Manager
--	---	---	---	---------------------------------	--	--

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

Name-Surname: İsmail Hakkı YEŞİLYURT
Position: External Reporting Manager
Telephone: 0212 354 12 84
Facsimile: 0212 354 11 03

Index

Section One General information

I.	History of the Parent Bank including its incorporation date, initial legal status and amendments to legal status	1
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	1
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 Assistant General Managers and Their Shareholding in the Bank	1
IV.	Information on qualified shareholders	2
V.	Summary information of the Bank's services and field of operations	2
VI.	Summary information of the Parent Bank's services and field of operations	2
VII.	Current or likely actual legal barriers to immediate transfer of equity or repayment of debts between Parent Bank and its subsidiaries	2

Section Two The consolidated financial statements

I.	Consolidated balance sheet (Statement of financial position)	3
II.	Consolidated statement of off-balance sheet commitments and contingencies	5
III.	Consolidated income statement (Statement of Income/ Loss)	6
IV.	Consolidated statement of profit and loss accounted under equity (Statement of Other Comprehensive Income and Loss)	7
V.	Consolidated statement of changes in shareholders' equity	8
VI.	Consolidated statement of cash flows statement	10
VII.	Consolidated Statement of Profit Distribution	11

Section Three Accounting principles

I.	Explanations on basis of presentation	12
II.	Explanations on strategy of using financial instruments and foreign currency transactions	13
III.	Information about the Parent Bank and its Consolidated Subsidiaries	13
IV.	Explanations on forward transactions and option contracts and derivative instruments	14
V.	Explanations on profit share income and expense	14
VI.	Explanations on fees and commission income and expenses	15
VII.	Explanations on financial assets	15
VIII.	Explanations on impairment of financial assets	16
IX.	Explanations on offsetting of financial assets and liabilities	17
X.	Explanations on sale and repurchase agreements and lending of securities	17
XI.	Explanations on assets held for sale and discontinued operations and related liabilities	17
XII.	Explanations on goodwill and other intangible assets	18
XIII.	Explanations on tangible assets	18
XIV.	Explanations on leasing transactions	18
XV.	Explanations on provisions and contingent liabilities	19
XVI.	Explanations on liabilities relating to employee benefits	19
XVII.	Explanations on taxation	20
XVIII.	Explanations on additional disclosures on borrowings	22
XIX.	Explanations on share certificates issued	23
XX.	Explanations on acceptances and availed drafts	23
XXI.	Explanations on government grants	23
XXII.	Explanations on segment reporting	23
XXIII.	Explanations on other matters	23
XXIV.	Additional paragraph for convenience translation	23

Section Four Information on financial structure

I.	Explanations on consolidated the capital adequacy standard ratio	24
II.	Explanations on consolidated credit risk	32
III.	Explanations on consolidated market risk	43
IV.	Explanations on consolidated currency risk	46
V.	Explanations on position risk of equity securities in banking book	48
VI.	Explanations on consolidated liquidity risk	49
VII.	Explanations on consolidated securitization positions	55
VIII.	Credit risk mitigation techniques	55
IX.	Explanations on risk management objectives and policies	57
X.	Explanations on the activities carried out on behalf and account of other persons	58
XI.	Explanations on business segments	59

Section Five Explanations and notes on the consolidated financial statements

I.	Explanations and notes related to assets	61
II.	Explanations and notes related to liabilities	80
III.	Explanations and notes related to off-balance sheet commitments	89
IV.	Explanations and disclosures related to income statement	92
V.	Statement of changes in shareholders' equity	96
VI.	Explanations and notes related to cash flow statement	96
VII.	Explanations and notes related to the risk group of the Bank	98
VIII.	Domestic, foreign and off-shore branches or equity investments, and foreign representative offices	99
IX.	Significant Events and Matters Arising Subsequent to Balance Sheet Date	99

Section Six Other Explanations and Disclosures

I.	Other matters which must be explained in terms of explicitly, interpretability and understandability of the balance sheet	100
----	---	-----

Section Seven Independent Auditors' Report

I.	Explanations on the independent auditors' report	100
II.	Notes and disclosures prepared by the independent auditors	100

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2015

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

SECTION ONE
GENERAL INFORMATION

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

Kuveyt Türk Katılım Bankası A.Ş. ("The Bank" or "The Parent 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.

The Bank's subsidiary, Kuveyt Turkish Participation Bank Dubai Ltd. which is 100% owned by the Bank was established in November, 2009. Main field of its operations are providing interest free corporate banking services, acting as investment intermediary, providing consulting services, performing asset management activities, performing investment activities and collecting funds through current and profit/loss sharing accounts in compliance with the regulation.

The Bank's subsidiary, KT Bank AG which is 100% owned by the Bank was established in April, 2015. Main field of its operations are providing interest free corporate banking services, acting as investment intermediary, providing consulting services, performing asset management activities, performing investment activities and collecting funds through current and profit/loss sharing accounts in compliance with the regulation.

The Parent Bank and consolidated financial subsidiaries are named as "Group" together.

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

As of 31 December 2015 , 62.24% of the Parent Bank's shares are owned by Kuwait Finance House located in Kuwait, 18.72% by Vakıflar Genel Müdürlüğü Mazbut Vakıfları, 9.00% by The Public Institution For Social Security in Kuwait and 9.00% by Islamic Development Bank whereas the remaining 1.04% of the shares are owned by other real persons and legal entities.

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

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

Chairman and members of the Board of Directors, members of auditing committee, general manager and assistant general managers own 0.11% of the Bank's share capital (31 December 2014 – 0.20%).

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2015

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

IV. Information on qualified shareholders:

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

As of 31 December 2015, the shares of parent shareholder of the Parent Bank, Kuwait Finance House ("KFH") are 51.45% publicly traded; 24.08% of KFH belongs to Kuwait Investment Authority and 10.48% belongs to Public Authority for Minors Affairs.

V. Summary information of the Bank's services and field of operations

The Parent Bank's field of operations includes corporate banking, international banking services, and retail banking and credit card services. The Parent Bank's core business is operating in accordance with the principles of interest-free banking as a participation bank by collecting funds through current and profit/loss sharing accounts, and lending such funds to its customers. As of 31 December 2015, the Group is operating through 362 domestic branches (31 December 2014 – 308) with 5,542 employees (31 December 2014 – 5,102). Summary of some of the Parent 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 Bank in line with the legislations.

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

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

None.

SECTION TWO

THE CONSOLIDATED FINANCIAL STATEMENTS

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2015
(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

I. CONSOLIDATED BALANCE SHEET-ASSETS (STATEMENT OF FINANCIAL POSITION)

		Audited Current Period 31.12.2015			Audited Prior Period 31.12.2014			
	Note	TL	FC	Total	TL	FC	Total	
I.	CASH AND BALANCES WITH THE CENTRAL BANK	(I-a)	662,376	6,950,238	7,612,614	594,034	5,990,609	6,584,643
II.	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (Net)	(I-b)	12,302	76,312	88,614	39,666	8,249	47,915
2.1	Held for trading financial assets		12,302	76,312	88,614	39,666	8,249	47,915
2.1.1	Public sector debt securities		100	-	100	-	-	-
2.1.2	Equity securities		-	-	-	-	-	-
2.1.3	Derivative financial assets held for trading		11,995	32,613	44,608	34,867	8,249	43,116
2.1.4	Other marketable securities		207	43,699	43,906	4,799	-	4,799
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)	10,342	3,619,174	3,629,516	42,706	2,633,815	2,676,521
IV.	MONEY MARKET PLACEMENTS		-	-	-	-	-	-
V.	FINANCIAL ASSETS AVAILABLE FOR SALE (Net)	(I-e)	1,573,904	781,195	2,355,099	1,593,418	609,897	2,203,315
5.1	Equity securities		9,571	55,244	64,815	9,936	44,059	53,995
5.2	Public sector debt securities		1,560,223	347,953	1,908,176	1,583,482	289,880	1,873,362
5.3	Other marketable securities		4,110	377,998	382,108	-	275,958	275,958
VI.	LOANS AND RECEIVABLES	(I-f)	21,565,734	4,423,307	25,989,041	18,276,411	2,379,883	20,656,294
6.1	Loans and receivables		21,441,275	4,421,858	25,863,133	18,204,434	2,379,883	20,584,317
6.1.1	Loans to risk group of the Bank		76,162	51,462	127,624	38,026	42,222	80,248
6.1.2	Public sector debt securities		-	-	-	-	-	-
6.1.3	Other		21,365,113	4,370,396	25,735,509	18,166,408	2,337,661	20,504,069
6.2	Non-performing loans		442,519	13,796	456,315	481,195	-	481,195
6.3	Specific provisions (-)		318,060	12,347	330,407	409,218	-	409,218
VII.	HELD TO MATURITY INVESTMENTS (Net)	(I-g)	-	-	-	-	-	-
VIII.	INVESTMENTS IN ASSOCIATES (Net)	(I-h)	-	-	-	-	-	-
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-i)	22,930	-	22,930	22,680	-	22,680
9.1	Unconsolidated financial subsidiaries		-	-	-	-	-	-
9.2	Unconsolidated non-financial subsidiaries		22,930	-	22,930	22,680	-	22,680
X.	ENTITIES UNDER COMMON CONTROL (JOINT VENT.) (Net)	(I-j)	8,378	-	8,378	5,605	-	5,605
10.1	Accounted for under equity method		8,378	-	8,378	5,605	-	5,605
10.2	Unconsolidated		-	-	-	-	-	-
10.2.1	Financial subsidiaries		-	-	-	-	-	-
10.2.2	Non-financial subsidiaries		-	-	-	-	-	-
XI.	FINANCE LEASE RECEIVABLES	(I-k)	947,273	235,587	1,182,860	592,059	118,527	710,586
11.1	Finance lease receivables		1,084,062	278,938	1,363,000	678,110	125,786	803,896
11.2	Operating lease receivables		-	-	-	-	-	-
11.3	Other		-	-	-	-	-	-
11.4	Unearned income (-)		136,789	43,351	180,140	86,051	7,259	93,310
XII.	DERIVATIVE FINANCIAL ASSETS FOR HEDGING PURPOSES	(I-l)	-	-	-	-	-	-
12.1	Fair value hedge		-	-	-	-	-	-
12.2	Cash flow hedge		-	-	-	-	-	-
12.3	Hedge of net investment risks in foreign operations		-	-	-	-	-	-
XIII.	TANGIBLE ASSETS (Net)	(I-m)	456,989	4,653	461,642	400,471	1,249	401,720
XIV.	INTANGIBLE ASSETS (Net)	(I-n)	78,136	41,204	119,340	67,285	2,995	70,280
14.1	Goodwill		-	-	-	-	-	-
14.2	Other		78,136	41,204	119,340	67,285	2,995	70,280
XV.	INVESTMENT PROPERTIES (Net)	(I-o)	-	-	-	-	-	-
XVI.	TAX ASSET	(I-p)	107,150	-	107,150	50,016	-	50,016
16.1	Current tax asset		-	-	-	-	-	-
16.2	Deferred tax asset		107,150	-	107,150	50,016	-	50,016
XVII.	ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)	(I-r)	32,640	-	32,640	31,316	-	31,316
17.1	Held for sale		32,640	-	32,640	31,316	-	31,316
17.2	Discontinued operations		-	-	-	-	-	-
XVIII.	OTHER ASSETS	(I-s)	379,304	105,868	485,172	341,864	116,802	458,666
TOTAL ASSETS			25,857,458	16,237,538	42,094,996	22,057,531	11,862,026	33,919,557

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2015
(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

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

			Audited Current period 31.12.2015			Audited Prior Period 31.12.2014		
		Note	TL	FC	Total	TL	FC	Total
I.	FUND COLLECTED	(II-a)	14,506,929	13,618,371	28,125,300	12,140,344	9,971,374	22,111,718
1.1	Funds from risk group of the Bank		76,312	131,124	207,436	130,654	127,789	258,443
1.2	Other		14,430,617	13,487,247	27,917,864	12,009,690	9,843,585	21,853,275
II.	DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	(II-b)	9,962	61,561	71,523	14,088	11,797	25,885
III.	FUNDS BORROWED	(II-c)	65,698	4,195,945	4,261,643	8,111	4,396,609	4,404,720
IV.	MONEY MARKET BALANCES		711,542	-	711,542	708,743	-	708,743
	MARKETABLE SECURITIES ISSUED (Net)	(II-d)	602,602	3,033,517	3,636,119	208,064	1,979,836	2,187,900
V.	SUNDRY CREDITORS	(II-e)	109,145	17,144	126,289	121,638	30,953	152,591
VII.	OTHER LIABILITIES	(II-e)	426,782	30,070	456,852	349,924	23,321	373,245
VIII.	FINANCE LEASE PAYABLES	(II-f)	-	131	131	-	331	331
8.1	Finance lease payables		-	145	145	-	345	345
8.2	Operating lease payables		-	-	-	-	-	-
8.3	Other		-	-	-	-	-	-
8.4	Deferred finance lease expenses (-)		-	14	14	-	14	14
IX.	DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING PURPOSES	(II-g)	-	98,650	98,650	-	-	-
9.1	Fair value hedge		-	-	-	-	-	-
9.2	Cash flow hedge		-	98,650	98,650	-	-	-
9.3	Hedge of net investment in foreign operations		-	-	-	-	-	-
X.	PROVISIONS	(II-h)	427,667	104,938	532,605	337,265	63,730	400,995
10.1	General loan loss provisions		261,944	72,174	334,118	200,563	40,213	240,776
10.2	Restructuring provisions		-	-	-	-	-	-
10.3	Reserve for employee benefits		106,460	410	106,870	92,807	264	93,071
10.4	Insurance technical reserves (net)		-	-	-	-	-	-
10.5	Other provisions		59,263	32,354	91,617	43,895	23,253	67,148
XI.	TAX LIABILITY	(II-i)	36,477	-	36,477	32,317	-	32,317
11.1	Current tax liability		36,477	-	36,477	32,317	-	32,317
11.2	Deferred tax liability		-	-	-	-	-	-
XII.	PAYABLES RELATED TO ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)	(II-j)	-	-	-	-	-	-
12.1	Held for sale		-	-	-	-	-	-
12.2	Discontinued operations		-	-	-	-	-	-
XIII.	SUBORDINATED LOANS	(II-k)	-	589,734	589,734	-	464,592	464,592
XIV.	SHAREHOLDERS' EQUITY	(II-l)	3,474,757	(26,626)	3,448,131	3,041,396	15,124	3,056,520
14.1	Paid-in capital		2,527,322	-	2,527,322	2,287,005	-	2,287,005
14.2	Capital reserves		(14,116)	(3,831)	(17,947)	27,817	340	28,157
14.2.1	Share premium		24,208	-	24,208	24,525	-	24,525
14.2.2	Share cancellation profits		-	-	-	-	-	-
14.2.3	Marketable securities revaluation reserve		9,225	(3,831)	5,394	20,729	340	21,069
14.2.4	Tangible assets revaluation reserve		-	-	-	-	-	-
14.2.5	Intangible assets revaluation reserve		-	-	-	-	-	-
14.2.6	Investment property revaluation reserve		-	-	-	-	-	-
	Bonus shares obtained from associates, subsidiaries and jointly controlled entities		-	-	-	-	-	-
14.2.7	Hedging funds (effective portion)		(32,633)	-	(32,633)	-	-	-
14.2.8	Value increase on assets held for resale		-	-	-	-	-	-
14.2.9	Other capital reserves		(14,916)	-	(14,916)	(17,437)	-	(17,437)
14.2.10	Profit reserves		503,247	(491)	502,756	360,816	-	360,816
14.3	Legal reserves		100,287	-	100,287	77,869	-	77,869
14.3.1	Status reserves		-	-	-	-	-	-
14.3.2	Extraordinary reserves		241,553	-	241,553	208,951	-	208,951
14.3.3	Other profit reserves		161,407	(491)	160,916	73,996	-	73,996
14.4	Profit or loss		446,046	(22,304)	423,742	353,390	14,784	368,174
14.4.1	Prior period income/(losses)		(17,060)	14,784	(2,276)	(14,908)	7,766	(7,142)
14.4.2	Current period income/(losses)		463,106	(37,088)	426,018	368,298	7,018	375,316
14.5	Minority shares	(II-m)	12,258	-	12,258	12,368	-	12,368
TOTAL LIABILITIES AND EQUITY			20,371,561	21,723,435	42,094,996	16,961,890	16,957,667	33,919,557

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
STATEMENT OF CONSOLIDATED OFF-BALANCE SHEET COMMITMENTS AND
CONTINGENCIES AS OF 31 DECEMBER 2015

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

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

	Note	Audited Current period 31.12.2015			Audited Prior period 31.12.2014		
		TL	FC	Total	TL	FC	Total
A. OFF BALANCE SHEET CONTINGENCIES AND COMMITMENTS (I+II+III)		33,843,259	16,526,496	50,369,755	38,792,854	10,502,775	49,295,629
I. GUARANTEES (III-a)		4,637,394	4,319,484	8,956,878	4,271,750	3,976,962	8,248,712
1.1 Letters of guarantees		4,607,569	2,732,647	7,340,216	4,253,808	2,640,164	6,893,972
1.1.1 Guarantees subject to state tender law		153,636	273	153,909	106,391	2,329	108,720
1.1.2 Guarantees given for foreign trade operations		569,151	276,734	845,885	983,511	364,016	1,347,527
1.1.3 Other letters of guarantee		3,884,782	2,455,640	6,340,422	3,163,906	2,273,819	5,437,725
1.2 Bank loans		7,656	76,452	84,108	4,033	55,757	59,790
1.2.1 Import letter of acceptances		7,656	76,452	84,108	4,033	55,757	59,790
1.2.2 Other bank acceptances		-	-	-	-	-	-
1.3 Letter of credits		177	1,029,087	1,029,264	1,220	921,310	922,530
1.3.1 Documentary letter of credits		78	315,930	316,008	227	357,189	357,416
1.3.2 Other letter of credits		99	713,157	713,256	993	564,121	565,114
1.4 Pre-financing given as guarantee		-	21,290	21,290	-	17,183	17,183
1.5 Endorsements		-	-	-	-	-	-
1.5.1 Endorsements to the Central Bank of Republic of Turkey		-	-	-	-	-	-
1.5.2 Other endorsements		-	-	-	-	-	-
1.6 Other guarantees		21,992	460,008	482,000	12,689	342,548	355,237
1.7 Other collaterals		-	-	-	-	-	-
II. COMMITMENTS (III-a)		27,214,987	481,365	27,696,352	31,156,909	752,846	31,909,755
2.1 Irrevocable commitments		2,311,549	481,365	2,792,914	1,846,773	752,846	2,599,619
2.1.1 Forward asset purchase commitments		231,210	481,365	712,575	272,742	752,846	1,025,588
2.1.2 Share capital commitment to associates and subsidiaries		-	-	-	-	-	-
2.1.3 Loan granting commitments		304,107	-	304,107	104,813	-	104,813
2.1.4 Securities underwriting commitments		-	-	-	-	-	-
2.1.5 Commitments for reserve deposit requirements		-	-	-	-	-	-
2.1.6 Payment commitment for checks		1,018,655	-	1,018,655	876,101	-	876,101
2.1.7 Tax and fund liabilities from export commitments		99	-	99	99	-	99
2.1.8 Commitments for credit card expenditure limits		739,721	-	739,721	575,870	-	575,870
2.1.9 Commitments for promotions related with credit cards and banking activities		-	-	-	-	-	-
2.1.10 Receivables from short sale commitments		-	-	-	-	-	-
2.1.11 Payables for short sale commitments		-	-	-	-	-	-
2.1.12 Other irrevocable commitments		17,757	-	17,757	17,148	-	17,148
2.2 Revocable commitments		24,903,438	-	24,903,438	29,310,136	-	29,310,136
2.2.1 Revocable loan granting commitments		24,903,438	-	24,903,438	29,310,136	-	29,310,136
2.2.2 Other revocable commitments		-	-	-	-	-	-
III. DERIVATIVE FINANCIAL INSTRUMENTS (III-b)		1,990,878	11,725,647	13,716,525	3,364,195	5,772,967	9,137,162
3.1 Derivative financial instruments for hedging purposes		-	1,172,816	1,172,816	-	-	-
3.1.1 Fair value hedge		-	-	-	-	-	-
3.1.2 Cash flow hedge		-	1,172,816	1,172,816	-	-	-
3.1.3 Hedge of net investment in foreign operations		-	-	-	-	-	-
3.2 Held for trading transactions		1,990,878	10,552,831	12,543,709	3,364,195	5,772,967	9,137,162
3.2.1 Forward foreign currency buy/sell transactions		1,139,111	2,027,716	3,166,827	3,361,606	4,882,317	8,243,923
3.2.1.1 Forward foreign currency transactions-buy		550,697	1,041,921	1,592,618	1,968,763	2,443,992	4,412,755
3.2.1.2 Forward foreign currency transactions-sell		588,414	985,795	1,574,209	1,392,843	2,438,325	3,831,168
3.2.2 Other forward buy/sell transactions		851,767	8,525,115	9,376,882	2,589	890,650	893,239
3.3 Other		-	-	-	-	-	-
B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)		168,473,267	89,309,104	257,782,371	129,010,642	73,881,498	202,892,140
IV. ITEMS HELD IN CUSTODY		5,545,140	1,330,898	6,876,038	4,547,108	1,069,432	5,616,540
4.1 Assets under management		1	-	1	-	-	-
4.2 Investment securities held in custody		-	-	-	-	-	-
4.3 Checks received for collection		4,698,688	482,005	5,180,693	3,902,750	433,156	4,335,906
4.4 Commercial notes received for collection		846,451	105,406	951,857	644,358	95,817	740,175
4.5 Other assets received for collection		-	-	-	-	-	-
4.6 Assets received for public offering		-	-	-	-	-	-
4.7 Other items under custody		-	-	-	-	-	-
4.8 Custodians		-	743,487	743,487	-	540,459	540,459
V. PLEDGED ITEMS		162,916,488	87,944,184	250,860,672	124,451,895	72,784,734	197,236,629
5.1 Marketable securities		351,154	53,770	404,924	287,604	22,609	310,213
5.2 Guarantee notes		101,988	1,174,760	1,276,748	102,015	938,496	1,040,511
5.3 Commodity		3,362,451	538,357	3,900,808	2,784,623	241,539	3,026,162
5.4 Warranty		-	-	-	-	-	-
5.5 Properties		71,286,808	618,846	71,905,654	56,170,230	531,266	56,701,496
5.6 Other pledged items		87,814,087	85,558,451	173,372,538	65,107,423	71,050,824	136,158,247
5.7 Pledged items-depository		-	-	-	-	-	-
VI. ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES		11,639	34,022	45,661	11,639	27,332	38,971
TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)		202,316,526	105,835,600	308,152,126	167,803,496	84,384,273	252,187,769

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
CONSOLIDATED INCOME STATEMENT FOR THE PERIOD ENDED
31 DECEMBER 2015

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

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

			Current Period Audited 01.01 – 31.12.2015	Prior Period Audited 01.01- 31.12.2014
		Note		
I.	PROFIT SHARE INCOME	(IV-a)	2,590,094	2,038,140
1.1	Profit share on loans		2,293,193	1,822,819
1.2	Profit share on reserve deposits		9,234	275
1.3	Profit share on banks		21,761	17,147
1.4	Profit share on money market placements		-	-
1.5	Profit share on marketable securities portfolio		165,423	130,875
1.5.1	Held-for-trading financial assets		-	361
1.5.2	Financial assets at fair value through profit and loss		316	-
1.5.3	Available-for-sale financial assets		165,107	130,514
1.5.4	Investments held-to-maturity		-	-
1.6	Finance lease income		78,646	45,668
1.7	Other profit share income		21,837	21,356
II.	PROFIT SHARE EXPENSE	(IV-b)	1,099,921	882,851
2.1	Expense on profit sharing accounts	(IV-d)	717,946	642,259
2.2	Profit share expense on funds borrowed		129,990	113,634
2.3	Profit share expense on money market borrowings		51,895	33,277
2.4	Expense on securities issued		200,090	92,537
2.5	Other profit share expense		-	1,144
III.	NET PROFIT SHARE INCOME (I - II)		1,490,173	1,155,289
IV.	NET FEES AND COMMISSIONS INCOME/EXPENSE		152,530	133,218
4.1	Fees and commissions received		261,354	231,825
4.1.1	Non-cash loans		82,053	74,754
4.1.2	Other	(IV-l)	179,301	157,071
4.2	Fees and commissions paid		108,824	98,607
4.2.1	Non-cash loans		200	169
4.2.2	Other	(IV-l)	108,624	98,438
V.	DIVIDEND INCOME	(IV-c)	-	-
VI.	NET TRADING INCOME	(IV-e)	203,777	147,655
6.1	Capital market transaction gains / (losses)		6,263	66
6.2	Gains/ (losses) from derivative financial instruments		42,448	27,697
6.3	Foreign exchange gains / (losses)		155,066	119,892
VII.	OTHER OPERATING INCOME	(IV-f)	144,022	112,119
VIII.	NET OPERATING INCOME (III+IV+V+VI+VII)		1,990,502	1,548,281
	PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES	(IV-g)		
IX.	(-)		441,083	273,856
X.	OTHER OPERATING EXPENSES (-)	(IV-h)	1,007,560	802,785
XI.	NET OPERATING INCOME/(LOSS) (VIII-IX-X)		541,859	471,640
XII.	AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER		-	-
XIII.	GAIN / (LOSS) ON EQUITY METHOD		(2,227)	(4,459)
XIV.	GAIN / (LOSS) ON NET MONETARY POSITION		-	-
	PROFIT/(LOSS) FROM CONTINUED OPERATIONS BEFORE	(IV-i)		
XV.	TAXES (XI+...+XIV)		539,632	467,181
XVI.	TAX CHARGE FOR CONTINUED OPERATIONS (±)	(IV-j)	(113,724)	(92,293)
16.1	Current income tax charge		(159,411)	(114,826)
16.2	Deferred tax charge / benefit		45,687	22,533
	NET PROFIT/(LOSS) FROM CONTINUED OPERATIONS	(IV-k)		
XVII.	(XV±XVI)		425,908	374,888
XVIII.	INCOME ON DISCONTINUED OPERATIONS	(IV-i)	-	-
18.1	Income on assets held for sale		-	-
	Income on sale of associates, subsidiaries and jointly controlled entities		-	-
18.2	(joint vent.)		-	-
18.3	Income on other discontinued operations		-	-
XIX.	LOSS FROM DISCONTINUED OPERATIONS (-)		-	-
19.1	Loss from assets held for sale		-	-
	Loss on sale of associates, subsidiaries and jointly controlled entities		-	-
19.2	(joint vent.)		-	-
19.3	Loss from other discontinued operations		-	-
	PROFIT / (LOSS) ON DISCONTINUED OPERATIONS BEFORE	(IV-i)		
XX.	TAXES (XVIII-XIX)		-	-
XXI.	TAX CHARGE FOR DISCONTINUED OPERATIONS (±)	(IV-j)	-	-
21.1	Current income tax charge		-	-
21.2	Deferred tax charge / benefit		-	-
	NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS	(IV-k)		
XXII.	(XX±XXI)		-	-
XXIII.	NET PROFIT/LOSS (XVII+XXII)	(IV-l)	425,908	374,888
23.1	Group's income/loss		426,018	375,316
23.2	Minority interest income/loss (-)		(110)	(428)
	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 CONSOLIDATED PROFIT AND LOSS ACCOUNTED FOR UNDER
EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2015

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

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

	Audited Current Period 01.01-31.12.2015	Audited Prior Period 01.01-31.12.2014
I. Additions to marketable securities revaluation differences from available for sale financial assets	(19,594)	23,805
II. Tangible assets revaluation differences	-	-
III. Intangible assets revaluation differences	-	-
IV. Currency translation differences for foreign currency transactions	50,413	7,568
V. Profit/loss from derivative financial instruments for cash flow hedge purposes (effective portion of fair value differences)	(16,230)	-
VI. Profit/loss from derivative financial instruments for hedge of net investment in foreign operations (effective portion of fair value differences)	(24,561)	-
VII. The effect of corrections of errors and changes in accounting policies	-	-
VIII. Other profit loss items accounted under equity as per Turkish accounting standards	3,151	(6,452)
IX. Deferred tax on valuation differences	11,447	(3,470)
X. Total net profit/loss accounted under equity (I+II+...+IX)	4,626	21,451
XI. Profit/loss	425,908	374,888
XI.1 Change in fair value of marketable securities (transfer to profit/loss)	(3,966)	-
XI.2 Reclassification of derivatives accounted for cash flow hedge purposes to income statement	-	-
XI.3 Reclassification of hedge of net investments in foreign operations to income statement	-	-
XI.4 Other	429,874	374,888
XII. Total profit/loss accounted for the period (X±XI)	430,534	396,339

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ

STATEMENT OF CONSOLIDATED CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2015

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

V. CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Audited	Note	Paid-in capital	Effect of inflation accounting on paid-in capital and other reserves	Share Premium	Share certificate cancellation profits	Legal reserves	Statutory reserves	Extraordinary reserve	Other reserve	Current period net income / (loss)	Prior period net income / (loss)	Marketable securities revaluation reserve	Tangible and intangible assets revaluation fund	Bonus shares from investments	Hedging reserves	Asset held for sale and disc.op. valuation fund	Total excluding minority interest	Minority interest	Total equity
Prior Period – (01.01-31.12.2014)																			
I.	Balances at beginning of the period	1,700,000	-	23,250	-	60,800	-	203,396	26,950	-	307,263	2,025	-	-	-	-	2,323,684	-	2,323,684
II.	Correction made as per TAS 8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1	Effect of corrections	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2	Effect of changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	Adjusted balances at beginning of the period (I-II)	1,700,000	-	23,250	-	60,800	-	203,396	26,950	-	307,263	2,025	-	-	-	-	2,323,684	-	2,323,684
IV.	Changes during the period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V.	Increase/decrease related to merger	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.	Marketable securities revaluation differences	-	-	-	-	-	-	-	-	-	-	19,044	-	-	-	-	19,044	-	19,044
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	-	-	-	-	-	-	-	7,568	-	-	-	-	-	-	-	7,568	-	7,568
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	-	-	1,275	-	-	-	-	-	-	(14,062)	-	-	-	-	-	(12,787)	12,796	9
XIV.	Capital increase	590,000	-	-	-	-	-	-	-	-	(230,000)	-	-	-	-	-	360,000	-	360,000
14.1	Cash	360,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	360,000	-	360,000
14.2	Internal sources	230,000	-	-	-	-	-	-	-	-	(230,000)	-	-	-	-	-	-	-	-
XV.	Share issue premium	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.	Share cancellation profits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII.	Inflation adjustment to paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVIII.	Other(*)	(2,995)	-	-	-	-	-	-	(5,161)	-	-	-	-	-	-	-	(8,156)	-	(8,156)
XIX.	Net income/(loss) for the period	-	-	-	-	-	-	-	-	375,316	-	-	-	-	-	-	375,316	(428)	374,888
XX.	Profit distribution(**)	-	-	-	-	17,069	-	5,555	27,202	-	(70,343)	-	-	-	-	-	(20,517)	-	(20,517)
20.1	Dividends distributed	-	-	-	-	-	-	-	-	-	(20,517)	-	-	-	-	-	(20,517)	-	(20,517)
20.2	Transfers to reserves	-	-	-	-	17,069	-	5,555	27,202	-	(49,826)	-	-	-	-	-	-	-	-
20.3	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balances at end of the period																			
(III+IV+V+.....+XVIII+XIX+XX)		(II-k)	2,287,005	-	24,525	-	77,869	-	208,951	56,559	375,316	(7,142)	21,069	-	-	-	3,044,152	12,368	3,056,520

(*)With the decision taken in the Ordinary General Assembly Meeting held on 27 March 2014, after the deduction of financial obligations from the net profit of the year 2013, the remaining net profit for the period amounting to TL 300,343 are classified as; extraordinary reserves amounting to TL 5,555, legal reserves amounting to TL 17,069 including first legal reserves amounting to TL 15,017 and II. legal reserves amounting to TL 2,052; dividends paid to shareholders and members of the Board of Directors amounting to TL 20,517 and other reserves amounting to TL 27,202 and non cash capital increase amounting to TL 230,000.

(**) It represents the Bank's acquisition of its own shares amounting to TL 2,995 as a result of the Bank's shareholders not using their right of preference according to the commitment made in the capital increase in the Bank; amount of TL 5,161 represents actuarial loss and tax effect of retirement payments.

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ

STATEMENT OF CONSOLIDATED CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2015

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

V. CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

			Effect of inflation accounting on paid-in capital and other capital reserves	Share Premium	Share certificate cancellation profits	Legal reserves	Statutory reserves	Extraordinary reserve	Other reserve	Current period net income / (loss)	Prior period net income / (loss)	Marketable securities revaluation reserve	Tangible and intangible assets revaluation fund	Bonus shares from investments	Hedging reserves	Asset held for sale and disc.op. valuation fund	Total excluding minority interest	Minority interest	Total equity	
Audited	Note	Paid-in capital																		
Prior Period – (01.01-31.12.2015)																				
I.	Balances at beginning of the period	2,287,005	-	24,525	-	77,869	-	208,951	56,559	-	368,174	21,069	-	-	-	-	3,044,152	12,368	3,056,520	
II.	Correction made as per TAS 8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2.1	Effect of corrections	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2.2	Effect of changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
III.	Adjusted balances at beginning of the period (I-II)	2,287,005	-	24,525	-	77,869	-	208,951	56,559	-	368,174	21,069	-	-	-	-	3,044,152	12,368	3,056,520	
Changes during the period																				
IV.	Increase/decrease related to merger	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
V.	Marketable securities revaluation differences	-	-	-	-	-	-	-	-	-	-	(15,675)	-	-	-	-	(15,675)	-	(15,675)	
VI.	Hedging funds (effective portion)	-	-	-	-	-	-	-	19,649	-	-	-	-	-	(32,633)	-	(12,984)	-	(12,984)	
6.1	Cash-flow hedge	-	-	-	-	-	-	-	-	-	-	-	-	-	(12,984)	-	(12,984)	-	(12,984)	
6.2	Hedge of net investment in foreign operations	-	-	-	-	-	-	-	19,649	-	-	-	-	-	(19,649)	-	-	-	-	
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	-	-	-	-	-	-	-	30,764	-	-	-	-	-	-	-	30,764	-	30,764	
XII.	Changes related to the reclassification of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XIII.	The effect of change in associate's equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XIV.	Capital increase	240,000	-	-	-	-	-	-	(127)	-	(239,873)	-	-	-	-	-	-	-	-	
14.1	Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
14.2	Internal sources	240,000	-	-	-	-	-	-	(127)	-	(239,873)	-	-	-	-	-	-	-	-	
XV.	Share issue premium	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XVI.	Share cancellation profits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XVII.	Inflation adjustment to paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XVIII.	Other(*)	317	-	(317)	-	-	-	-	2,521	-	-	-	-	-	-	-	2,521	-	2,521	
XIX.	Net income/(loss) for the period	-	-	-	-	-	-	-	-	426,018	-	-	-	-	-	-	426,018	(110)	425,908	
XX.	Profit distribution(**)	-	-	-	-	22,418	-	32,602	36,634	-	(130,577)	-	-	-	-	-	(38,923)	-	(38,923)	
20.1	Dividends distributed	-	-	-	-	-	-	36	-	-	(38,959)	-	-	-	-	-	(38,923)	-	(38,923)	
20.2	Transfers to reserves	-	-	-	-	22,418	-	32,566	36,634	-	(91,618)	-	-	-	-	-	-	-	-	
20.3	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Balances at end of the period																				
(III+IV+V+.....+XVIII+XIX+XX)		(II-k)	2,527,322	-	24,208	-	100,287	-	241,553	146,000	426,018	(2,276)	5,394	-	-	(32,633)	-	3,435,873	12,258	3,448,131

(*) In the Ordinary General Assembly Meeting dated 31 March 2015, the Bank decided on reserving primary reserves amount to TL 18,522; other reserves amount to TL 36,507 funded via retained profit from sales of real estates, cash dividend payments amount to TL 36,000; dividend to management amount to TL 2,959; funding capital increase from internal sources via remaining net income amount to TL 240,000 and in return distributing additional capitalized shares proportioned to shareholder's stake in share capital; secondary reserves amount to TL 3,896 and remaining amount to 32,566 to extraordinary legal reserves. In addition to this, the Bank has transferred dividend amounting to TL 36 that held by the Bank itself to the extraordinary reserves depending on the General Assembly Meeting decision.

(**) Amounting to TL 2,521 represents actuarial loss on reverse for employee benefits,net off its tax effect..

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
CONSOLIDATED CASH FLOWS STATEMENT
FOR THE PERIOD ENDED 31 DECEMBER 2015

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

VI. CONSOLIDATED CASH FLOWS STATEMENT

		Audited	Audited
		Current period	Prior Period
	Note	01.01-31.12.2015	01.01-31.12.2014
A.	CASH FLOWS FROM BANKING OPERATIONS		
1.1	Operating profit before changes in operating assets and liabilities	1,080,406	548,500
1.1.1	Profit share income received	2,478,144	1,927,300
1.1.2	Profit share expense paid	(1,083,680)	(888,411)
1.1.3	Dividend received	-	-
1.1.4	Fees and commissions received	261,260	233,063
1.1.5	Other income	529,303	216,043
1.1.6	Collections from previously written off loans	19,525	27,600
1.1.7	Payments to personnel and service suppliers	(759,239)	(621,103)
1.1.8	Taxes paid	(191,143)	(131,118)
1.1.9	Others	(173,764)	(214,874)
1.2	Changes in operating assets and liabilities	1,272,173	(2,223,717)
1.2.1	Net (increase) decrease held for trading financial assets	(39,207)	2,218
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	791,331	(3,432,495)
1.2.4	Net (increase) decrease in loans	(6,020,635)	(4,775,797)
1.2.5	Net (increase) decrease in other assets	(26,968)	(56,726)
1.2.6	Net increase (decrease) in bank deposits	(28,432)	(94,939)
1.2.7	Net increase (decrease) in other deposits	6,029,642	5,187,081
1.2.8	Net increase (decrease) in funds borrowed	357,842	363,135
1.2.9	Net increase (decrease) in due payables	-	-
1.2.10	Net increase (decrease) in other liabilities	208,600	583,806
I.	Net cash provided from / (used in) banking operations	2,352,579	(1,675,217)
B.	CASH FLOWS FROM INVESTING ACTIVITIES		
II.	Net cash provided from / (used in) investing activities	(330,316)	(941,228)
2.1	Cash paid for purchase jointly controlled operations, associates and subsidiaries	(250)	(5,000)
2.2	Cash obtained from sale of jointly controlled operations, associates and subsidiaries	-	-
2.3	Fixed assets purchases	(103,336)	(244,278)
2.4	Fixed assets sales	12,101	159,904
2.5	Cash paid for purchase of financial assets available for sale	(1,177,093)	(1,219,862)
2.6	Cash obtained from sale of financial assets available for sale	1,017,089	382,820
2.7	Cash paid for purchase of investment securities	-	-
2.8	Cash obtained from sale of investment securities	-	-
2.9	Other	(78,827)	(14,812)
C.	CASH FLOWS FROM FINANCING ACTIVITIES		
III.	Net cash provided from / (used in) financing activities	871,317	1,617,126
3.1	Cash obtained from funds borrowed and securities issued	2,066,531	1,481,624
3.2	Cash used for repayment of funds borrowed and securities issued	(1,156,091)	(200,000)
3.3	Capital increase	-	357,005
3.4	Dividends paid	(38,923)	(20,517)
3.5	Payments for finance leases	(200)	(986)
3.6	Other	-	-
IV.	Effect of change in foreign exchange rate on cash and cash equivalents	(121,283)	17,076
V.	Net increase (decrease) in cash and cash equivalents (I + II + III + IV)	2,772,297	(982,243)
VI.	Cash and cash equivalents at the beginning of the period	2,004,817	2,987,060
VII.	Cash and cash equivalents at the end of the period	4,777,114	2,004,817

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
CONSOLIDATED STATEMENT OF PROFIT DISTRIBUTION
FOR THE PERIOD ENDED 31 DECEMBER 2015

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

VII. CONSOLIDATED STATEMENT OF PROFIT DISTRIBUTION

The Parent Bank	Current period 01.01- 31.12.2015 (*)	Prior period 01.01-31.12.2014
I. Distribution of current year profit		
1.1. Current period profit	553,476	462,739
1.2. Taxes and legal duties payable (-)	108,795	92,289
1.2.1. Corporate tax (income tax)	159,394	114,822
1.2.2. Withholding tax	-	-
1.2.3 Other taxes and duties (**)	(50,599)	(22,533)
A. Net profit for the period (1.1-1.2) (Not V-I-17-c)	444,681	370,450
1.3. Accumulated losses (-)	-	-
1.4. First legal reserves (-)	-	18,522
1.5. Other statutory reserves (-)	-	-
B.Net profit available for distribution [(A-(1.3+1.4+1.5)]	-	351,928
1.6. First dividend to shareholders (-)	-	36,000
1.6.1. To owners of ordinary shares	-	36,000
1.6.2. To owners of privileged shares	-	-
1.6.3. To owners of redeemed shares	-	-
1.6.4. To profit sharing bonds	-	-
1.6.5. To holders of profit and loss sharing certificates	-	-
1.7. Dividends to personnel(-)	-	-
1.8. Dividends to board of directors (-)	-	2,959
1.9. Second dividend to shareholders (-)	-	-
1.9.1. To owners of ordinary shares	-	-
1.9.2. To owners of privileged shares	-	-
1.9.3. To owners of redeemed shares	-	-
1.9.4. To profit sharing bonds	-	-
1.9.5. To holders of profit and loss sharing certificates	-	-
1.10. Second legal reserves (-)	-	3,896
1.11. Status reserves (-)	-	-
1.12. Extra ordinary reserves (***)	-	272,566
1.13. Other reserves	-	36,507
1.14. Special funds	-	-
II. Distribution of reserves		
2.1. Appropriated reserves	-	-
2.2. Second legal reserves (-)	-	-
2.3. Dividends to shareholders (-)	-	-
2.3.1. To owners of ordinary shares	-	-
2.3.2. To owners of privileged shares	-	-
2.3.3. To owners of redeemed shares	-	-
2.3.4. To profit sharing bonds	-	-
2.3.5. To holders of profit and loss sharing certificates	-	-
2.4. Dividends to personnel (-)	-	-
2.5. Dividends to board of directors (-)	-	-
III. Earnings per share		
3.1. To owners of ordinary shares	-	0.150
3.2 To owners of ordinary shares (%)	-	15.039
3.3. To owners of privileged shares	-	-
3.4. To owners of privileged shares (%)	-	-
IV. Dividend per share		
4.1. To owners of ordinary shares	-	0.015
4.2. To owners of ordinary shares (%)	-	1.461
4.3. To owners of privileged shares	-	-
4.4. To owners of privileged shares (%)	-	-

(*) The profit distribution of the Bank is decided at the General Assembly meeting which is not yet held as of the date of the preparation of these financial statements.

(**) Deferred tax benefit is presented under other tax and legal liabilities. Deferred tax benefit can not be included in the distributable profit, thus it is classified under extraordinary reserves.

(***) TL 239,873 of related amount is transferred to paid-in capital within capital increase scope.

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2015

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

SECTION THREE
ACCOUNTING PRINCIPLES

I. Explanations on basis of presentation

a. The preparation of the consolidated 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 Bank prepares its consolidated financial statements in accordance with “the Banking Regulation and Supervision Agency (“BRSA”) Accounting and Reporting Regulation” which includes the regulation on “The Procedures and Principles Regarding Banks’ Accounting Practices and Maintaining Documents” published in the Official Gazette dated 1 November 2006 with No. 26333, and other regulations on accounting records of banks published by the Banking Regulation and Supervision Board and circulars and pronouncements published by the BRSA and Turkish Accounting Standards published by the Public Oversight Accounting and Auditing Standards Authority for the matters not regulated by the aforementioned legislations.

b. Classifications

None.

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

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2015

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

I. Explanations on basis of presentation (continue)

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

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

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

The Group 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 foreign currency net investment in consolidated foreign subsidiaries is translated into Turkish Lira using the exchange rate prevailing at the balance sheet date for their assets and liabilities and average exchange rate for their income statement items. The currency translation gain arising from the consolidated subsidiaries’ foreign currency differences has been recorded in “Other Profit Reserves” under shareholders’ equity.

The Group’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 Group.

III. Information about the Parent Bank and its Consolidated Subsidiaries

The consolidated financial statements have been prepared in accordance with the “Turkish Accounting Standard for the Consolidated and Separate Financial Statements (“TAS 27”).

The subsidiaries included in consolidation and their places of incorporation, nature of activities and shareholding percentages are as follows:

Description	Address (City/Country)	Principal Activity	30 December 2015	31 December 2014	Consolidation Method
Kuwait Turkish Participation Bank Dubai Ltd.	Dubai/United Arab Emirates	Banking	%100.00	%100.00	Full consolidation
KT Bank AG	Frankfurt/Germany	Banking	%100.00	-	Full consolidation
KT Portföy Yönetimi A.Ş.	Istanbul/Turkey	Financial Institution	%100.00	-	Full consolidation
KT Kıra Sertifikaları Varlık Kiralama A.Ş.	Istanbul/Turkey	Financial Institution	%100.00	%100.00	Full consolidation
KT Sukuk Varlık Kiralama A.Ş.	Istanbul/Turkey	Financial Institution	%100.00	%100.00	Full consolidation
Körfez Gayrimenkul Yatırım Ortaklığı A.Ş.	Istanbul/Turkey	Financial Institution	%75.00	%75.00	Full consolidation
Katılım Emeklilik ve Hayat A.Ş.	Istanbul/Turkey	Financial Institution	%50.00	%50.00	Accounted for under equity method

The Parent Bank and its consolidated subsidiaries of the Parent Bank, all together, referred as “the Group”.

Consolidation principles of subsidiaries:

Subsidiaries are the entities controlled directly or indirectly by the Parent Bank. Subsidiaries are consolidated using the full consolidation method. Financial statements of related subsidiaries are consolidated from the date when the control is transferred to the Parent Bank.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2015

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

III. Information about the consolidated subsidiaries (continued)

Control is received as the Bank has more than half of the voting rights directly or indirectly through subsidiaries or not has majority but has privileged shares or has half of the voting rights with respect to agreements made with other shareholders or has authority to manage financial and operating policies of the company through a regulation or an agreement or has power to control the majority of votes at the board of directors or at executive organ containing these rights or has power to appoint or disposal majority of the members of the board of directors.

In the full consolidation method, 100% of subsidiaries' assets, liabilities, income, expense and off-balance sheet items are combined with the Parent Bank's assets, liabilities, and income, expense and off-balance sheet items. The carrying amount of the Group's investment in each subsidiary and the Group's portion of the cost value of the capital of each subsidiary are eliminated. Intragroup balances and intragroup transactions and resulting unrealized profits and losses are eliminated. Minority interests in the net income of consolidated subsidiaries are identified and adjusted against the income of the Group in order to arrive at the net income attributable to the Group and presented separately in the Group's income.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

The Group 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.

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2015

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

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

The Group performs effectiveness test at the beginning of the hedge accounting period and at each reporting period. The effectiveness tests are carried out using the “Dollar off-set model” and the hedge accounting is applied as long as the test results are between the range of 80%-125% of effectiveness. The hedge accounting is discontinued when the hedging instrument expires, is exercised, sold or no longer effective. When discontinuing fair value hedge accounting, the cumulative fair value changes in carrying value of the hedged item arising from the hedged risk are amortised to income statement over the life of the hedged item from that date of the hedge accounting is discontinued.

While discontinuing cash flow hedge accounting, the cumulative gains/losses recognised in shareholders’ equity and presented under hedging reserves are continued to be kept in this account. When the cash flows of hedged item are recognised in income statement, the gain/losses accounted for under shareholders’ equity, are recognised in income statement.

V. Explanations on profit share income and expense

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

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

VI. Explanations on fees and commission income and expenses

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

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

VII. Explanations on financial assets

The Group classifies and accounts for its financial assets as “Fair value through profit/loss”, “Available for sale”, and 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 Group has no financial assets at fair value through profit or loss.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2015

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

VII. Explanations on financial assets(continued)

b. Financial assets available for sale:

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

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

c. Loans and receivables:

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

d. Held to maturity financial assets:

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

VIII. Explanations on impairment of financial assets:

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

i) Loans and receivables:

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

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

ii) Financial assets held to maturity:

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2015

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

VIII. Explanations on impairment of financial assets(continued)

iii) Financial assets available for sale:

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

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

IX. Explanations on offsetting of financial assets and liabilities

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

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

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

As of 31 December 2015, the Group has repurchasing agreements amounting to TL 711,542 (31 December 2014 - TL 708,743).

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

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

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

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2015

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

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

Although the Group has assets acquired due to receivables and debtors' obligations to the Group, 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 Parent Bank has no discontinued operations.

XII. Explanations on goodwill and other intangible assets

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

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

There is no goodwill related to associates and subsidiaries.

XIII. Explanations on tangible assets

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

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

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

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

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

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

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

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.

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.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2015

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

XIV. Explanations on leasing transactions

Bank as a lessee

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

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

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

Bank as a lessor

The Parent Bank, as a participation bank, acts as a lessor in finance leasing transactions. The Group 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.

XV. Explanations on provisions and contingent liabilities

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

Provisions are recognized when the Group 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.

Provisions are recognized 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.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2015

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

XVI. Explanations on liabilities relating to employee benefits

a) Defined benefit plans:

In accordance with existing social legislation, the Group is required to make severance pay to each employee who has completed over one year of service with the Group and who retires or quits the employment to receive old age or disability benefits, to fulfil 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”)), and these liabilities are calculated by an independent actuary firm. Group is accounted all actuarial profit and loss under Statement of other Comprehensive Income

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

b) Defined contribution plans:

The Parent 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.

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2015

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

XVII. Explanations on taxation

Current tax

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

Withholding taxes is not applied to dividends distributed to companies resident in Turkey or companies who earn income in Turkey through their resident representatives in Turkey. With the Council of Minister's decision numbered 2009/14593 and 2009/14594 which are published in official gazette numbered 27130 and dated 3 February 2009, some deduction rates in 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.

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

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

Corporate tax rate is applied as 100% for real estates proceeds under the following circumstances and they are not required to be held under assets for two years:

- through the sale of real estates to asset leasing companies by companies for issuing leasing certificate;
- through the sale of real estates to financial leasing companies for leaseback and buy back at the end of lease agreement under the requirements set out in Financial Leasing, Factoring and Financing Companies Law No: 6361 issued on 21 November 2012; and
- through the transfer of real assets by asset leasing and financial leasing companies.

However, for real estates sales to third parties by asset leasing or financial leasing companies, except for circumstances where there is a failure in meeting contractual liabilities or liabilities to the company or lessees, the tax rate is applied by the seller considering the carrying amount of real estates in the company or in lessee prior to the transfer and total depreciation provided in the respective company.

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 instalment 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.

As of 31 December 2015, the tax rates applied in foreign countries where the Group operates is as follow:

Country	Tax Rate
Germany	15%
The United Arab Emirates	0%

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2015

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

XVII. Explanations on taxation(continued)

Deferred tax

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

XVIII. Explanations on additional disclosures on borrowings

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

There are no debt securities issued by the Group.

The Group has not issued convertible bonds.

Borrowing through the rent certificates (Sukuk)

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

In accordance with the letter received from BRSA, numbered B.02.1.BDK.0.06.00.00-045.01(3/8)-5397 and dated 13 March 2012 this transaction is accounted for as “sale and lease back” transaction in accordance with “TAS 17”. As a consequence of this accounting treatment, the net book value of the real estate property transferred and leased back increased from TL 61,195 to TL 248,734. The difference of TL 187,539 between the net book value of TL 61,195 before the aforementioned transaction and the net book value of TL 248,734 after the aforementioned transaction will be recognized as income in 5 years using the effective interest method and accounted for as deferred income under other liabilities. Current period TL 48,312 of the aforementioned deferred income is recognized as income in the income statement (31 December 2014 – TL36,507). The difference accounted as tangible assets mentioned above, will be recognized as expense by accounting under “other expenses” in the income statement during the period of lease.

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

The remaining part of the total funds of USD 350 million 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.

While preparing the consolidated financial statements as per TFRS explanation 27, the below eliminations and classifications have been performed to borrowings through the rent certificate (Sukuk) which is accounted at the stand alone financial statements as mentioned above .

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2015

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

XVIII. Explanations on additional disclosures on borrowings

The difference between the sales price and the net carrying value before the sale amounting to TL 47,057 (31 December 2014: TL 97,554) of the real estate property concerning rent certificate is eliminated from “Tangible Assets”, deferred income amounting to TL 51,006 (31 December 2014: TL 99,319) is eliminated from “Other Liabilities”, current period PL effect of deferred income from real estate property amounting to TL 48,312 (31 December 2014: 36,507) and amortization expense based on the revaluation of property amounting to TL 2,184 (31 December 2014: 2,185) and fixed asset impairment amounting to TL 46,128 (31 December 2014: TL 34,323) is eliminated from other operating expenses.

Net Investment Hedge

The Group enters into foreign currency risk arising from net investments in foreign affiliates are hedged with long-term foreign currency borrowings and the currency translation differences arising from the conversion of net investments in foreign affiliates and accounts long-term foreign currency borrowings into TL for other profit reserves and hedging reserves, respectively in equity.

XIX. Explanations on share certificates issued

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

XX. Explanations on acceptances and availed drafts

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

XXI. Explanations on government grants

There are no government grants received by the Group.

XXII. Explanations on segment reporting

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

Segment reporting is disclosed in Section Four, Note X.

XXIII. Explanations on other matters

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

XXIV. Additional paragraph for convenience translation

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2015

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

SECTION FOUR

INFORMATION ON FINANCIAL STRUCTURE

I. Explanations on consolidated capital adequacy standard ratio

Capital adequacy ratio is calculated within the scope of the “Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (the “Regulation”)”, “Communiqué on Credit Risk Mitigation Techniques” and “Communiqué on Calculation of Risk Weighted Amounts for Securitizations” published in the Official Gazette No: 29211 dated 6 September 2014 and the “Communiqué on Equities of Banks” published in the Official Gazette No: 28756 dated 5 September 2013.

For the calculation of the capital adequacy ratio, the accounting records prepared in compliance with the current legislation are used. Such accounting information is included in the calculation of credit and market risks subsequent to their designation as “trading book” and “banking book” according to the regulation. Trading books include in and off the balance sheet accounts and positions over which derivative financial instruments and speculative-purpose derivative instruments are followed up, the financial instruments and commodities held by the Bank for the purpose of performing purchase and sales transactions in order to benefit from the price differences expected or realized as short term and/or between the purchase and sales prices or the other price and rate of exchange changes and in order to protect from the risks or reduce such risks arising of the positions relevant to the mentioned financial instruments and commodities. The accounts other than the trading books are defined as banking books.

Banking books include Due from Central Bank, Due from Banks, Loans and Receivables, Leasing Receivables, Transactions and Other Assets items in the assets; and Funds Collected, Securities Issued, Borrowings, Subordinated Loans, Other Liabilities items in the liabilities. The derivative financial instruments and available-for-sale financial assets are followed up over the Trading Books.

Risk measurement methods used in the determination of the standard rate capital adequacy ratio by way of determination of the risk-weighted assets and non-cash loans according to the risk weight rates in the relevant regulation and inclusion within the capital adequacy standard rate calculations after calculation of the market risk and the operational risk in compliance with the relevant regulations. Credit risk is calculated by subjecting the risk-weighted assets and non-cash loans to the risk weight rates in the relevant legislation and application of the risk reduction techniques, and the standard method is used for the market risk and the basic indicator method is used for the operational risk.

Based on the Communiqué concerning “Measurement and Assessment of Capital Adequacy of Banks”, the capital adequacy ratio of the Bank is 14.23% (31 December 2014: 15.21%).

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2015

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

I. Explanations on consolidated capital adequacy standard ratio (continued)

Information for capital adequacy standard ratio:

Current Period	Risk Weights (*)								
Consolidated	0%	10%	20%	50%	75%	100%	150%	200%	250%
Value at Credit Risk	-	-	923,896	4,820,212	2,741,554	14,653,972	193,373	209,390	-
Exposure Categories	8,227,307	-	4,619,478	9,640,423	3,655,406	14,653,972	128,915	104,695	-
Conditional and unconditional receivables from central governments or central banks	5,583,711	-	-	8	-	-	-	-	-
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	-	-	4,592,939	571,185	-	201,085	203	-	-
Conditional and unconditional receivables from corporates	249,352	-	-	-	-	11,763,328	-	-	-
Conditional and unconditional retail receivables	90,251	-	-	-	3,655,406	1,911	-	-	-
Conditional and unconditional receivables secured by mortgages	26,979	-	-	9,060,240	-	1,579,873	-	-	-
Past due receivables	10	-	-	8,990	-	62,931	-	-	-
Receivables defined in high risk category by BRSA	104	-	-	-	-	-	128,712	104,695	-
Securities collateralized by mortgages	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-
Short-term receivables from banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-
Investments similar to collective investment funds	-	-	-	-	-	-	-	-	-
Other receivables	2,276,900	-	26,539	-	-	1,044,844	-	-	-

Current Period	Risk Weights (*)								
Parent Bank	0%	10%	20%	50%	75%	100%	150%	200%	250%
Value at Credit Risk	-	-	923,896	4,820,212	2,741,554	14,720,661	193,373	209,390	-
Exposure Categories	8,183,508	-	4,619,478	9,640,423	3,655,406	14,720,661	128,915	104,695	-
Conditional and unconditional receivables from central governments or central banks	5,583,711	-	-	8	-	-	-	-	-
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	-	-	4,592,939	571,185	-	201,085	203	-	-
Conditional and unconditional receivables from corporates	249,352	-	-	-	-	11,624,560	-	-	-
Conditional and unconditional retail receivables	90,251	-	-	-	3,655,406	1,911	-	-	-
Conditional and unconditional receivables secured by mortgages	26,979	-	-	9,060,240	-	1,579,873	-	-	-
Past due receivables	10	-	-	8,990	-	62,931	-	-	-
Receivables defined in high risk category by BRSA	104	-	-	-	-	-	128,712	104,695	-
Securities collateralized by mortgages	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-
Short-term receivables from banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-
Investments similar to collective investment funds	-	-	-	-	-	-	-	-	-
Other receivables	2,233,101	-	26,539	-	-	1,296,323	-	-	-

(*)1250% risk weight is not presented in the tables above, since the Group does not perform securitization

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2015

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

I. Explanations on consolidated capital adequacy standard ratio (continued)

Information for capital adequacy standard ratio: (continued)

Prior Period	Risk Weights (*)								
Consolidated	0%	10%	20%	50%	75%	100%	150%	200%	250%
Value at Credit Risk	-	-	309,918	4,734,088	2,765,218	11,710,610	129,443	210,198	10,065
Exposure Categories	7,129,751	-	1,549,592	9,468,175	3,686,958	11,710,610	86,295	105,099	4,026
Conditional and unconditional receivables from central governments or central banks	4,582,025	-	-	7	-	-	-	-	-
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	42,160	-	1,466,510	1,676,210	-	449,366	-	-	-
Conditional and unconditional receivables from corporates	301,845	-	-	-	-	8,884,040	-	-	-
Conditional and unconditional retail receivables	123,163	-	-	-	3,686,958	4,743	-	-	-
Conditional and unconditional receivables secured by mortgages	32,250	-	-	7,781,138	-	1,410,080	-	-	-
Past due receivables	8	-	-	10,820	-	20,849	-	-	-
Receivables defined in high risk category by BRSA	154	-	-	-	-	-	86,295	105,099	4,026
Securities collateralized by mortgages	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-
Short-term receivables from banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-
Investments similar to collective investment funds	-	-	-	-	-	-	-	-	-
Other receivables	2,048,146	-	83,082	-	-	941,532	-	-	-

Prior Period	Risk Weights (*)								
Parent Bank	0%	10%	20%	50%	75%	100%	150%	200%	250%
Value at Credit Risk	-	-	308,313	4,734,088	2,765,218	11,797,797	129,443	210,198	10,065
Exposure Categories	7,129,750	-	1,541,567	9,468,175	3,686,958	11,797,797	86,295	105,099	4,026
Conditional and unconditional receivables from central governments or central banks	4,582,025	-	-	7	-	-	-	-	-
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	42,160	-	1,458,485	1,676,210	-	448,404	-	-	-
Conditional and unconditional receivables from corporates	301,845	-	-	-	-	8,785,997	-	-	-
Conditional and unconditional retail receivables	123,163	-	-	-	3,686,958	4,743	-	-	-
Conditional and unconditional receivables secured by mortgages	32,250	-	-	7,781,138	-	1,410,080	-	-	-
Past due receivables	8	-	-	10,820	-	20,849	-	-	-
Receivables defined in high risk category by BRSA	154	-	-	-	-	-	86,295	105,099	4,026
Securities collateralized by mortgages	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-
Short-term receivables from banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-
Investments similar to collective investment funds	-	-	-	-	-	-	-	-	-
Other receivables	2,048,145	-	83,082	-	-	1,127,724	-	-	-

(*)1250% risk weight is not presented in the tables above.since the Group does not perform securitization

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2015

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

I. Explanations on consolidated capital adequacy standard ratio (continued)

Information for capital adequacy standard ratio: (continued)

Summary of the capital adequacy standard ratio of the Group:

	Parent Bank	Consolidated	Parent Bank	Consolidated
	Current period	Current period	Prior period	Prior period
Capital Requirement for Credit Risk (Amount Subject to Credit Risk *0.08) (CRCR)	1,888,727	1,883,392	1,596,410	1,589,563
Capital Requirement for Market Risk (MRCR)	60,431	64,332	61,290	66,749
Capital Requirement for Operational Risk (ORCR)	184,640	181,917	147,418	145,729
Shareholders' Equity	3,796,691	3,788,700	3,404,564	3,425,830
Owners' Equity /((CRCR+MRCR+ORCR)*12.5*100)	14.23	14.23	15.09	15.21
Principal Capital/((CRCR+MRCR+ORCR)*12.5*100)	11.89	11.88	12.68	12.79
Core Capital /((CRCR+MRCR+ORCR)*12.5*100)	12.30	12.40	13.10	13.22

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2015

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

I. Explanations on consolidated capital adequacy standard ratio (continued)

Components of shareholders' equity:

	Current Period
TIER 1 CAPITAL	3,298,662
Paid-in Capital to be Entitled for Compensation after All Creditors	2,527,322
Share Premium	24,208
Share Cancellation Profits	-
Reserves	414,536
Other Comprehensive Income According to TAS	97,445
Profit	423,742
Current Period Profit	426,018
Prior Period Profit	(2,276)
General Reserves for Possible Losses	-
Bonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Current Period's Profit	-
Tier 1 Capital Before Deductions	3,487,253
Deductions from Tier 1 Capital	
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-)	51,380
Leasehold Improvements on Operational Leases (-)	46,615
Goodwill and Other Intangible Assets and Related Deferred Taxes (-)	45,347
Net Deferred Tax Asset/Liability (-)	45,249
Shares Obtained against Article 56, Paragraph 4 of the Banking Law (-)	-
Direct and Indirect Investments of the Bank on its own Tier I Capital (-)	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-
Mortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital (-)	-
Net Deferred Tax Assets arising from Temporary Differences Exceeding the 10% Threshold of Tier I Capital (-)	-
Amount Exceeding the 15% Threshold of Tier I Capital as per the Article 2, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital not deducted from Tier I Capital (-)	-
Mortgage Servicing Rights not deducted (-)	-
Excess Amount arising from Deferred Tax Assets from Temporary Differences (-)	-
Other items to be Defined by the BRSA (-)	-
Deductions from Tier I Capital in cases where there are no adequate Additional Tier I or Tier II Capitals (-)	-
Total Deductions from Tier I Capital	188,591
Total Tier 1 Capital	3,298,662
ADDITIONAL CORE CAPITAL	
Preferred Stock not included in Tier I Capital in cases where there are no adequate Additional Tier I or Tier II Capitals (-)	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained after 1.1.2014)	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained before 1.1.2014)	-
Additional Core Capital before Deductions	-
Deductions from Additional Core Capital	
Direct and Indirect Investments of the Bank on its own Additional Core Capital (-)	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital (-)	-
Other items to be Defined by the BRSA (-)	-
Deductions from Additional Core Capital in cases where there are no adequate Tier II Capital (-)	-
Total Deductions from Additional Core Capital	-
Total Additional Core Capital	-
Deductions from Core Capital	135,894
Goodwill and Other Intangible Assets and Related Deferred Taxes not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	71,604
Net Deferred Tax Asset/Liability not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	64,290
Total Core Capital	3,162,768

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2015

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

I. Explanations on capital adequacy standard ratio (continued)

Components of shareholders' equity: (continued)

	Current Period
TIER II CAPITAL	659,168
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained after 1.1.2014)	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained before 1.1.2014)	417,402
Pledged Assets of the Shareholders to be used for the Bank's Capital Increases	-
General Provisions	241,766
Tier II Capital Before Deductions	659,168
Deductions from Tier II Capital	
Direct and Indirect Investments of the Bank on its own Tier II Capital (-)	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Core Capital and Tier II Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of Tier I Capital (-)	-
Other items to be Defined by the BRSA (-)	-
Total Deductions from Tier II Capital	-
Total Tier II Capital	659,168
CAPITAL	3,821,936
Loans Granted against the Articles 50 and 51 of the Banking Law (-)	-
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years (-)	4,334
Loans to Banks, Financial Institutions (domestic/foreign) or Qualified Shareholders in the form of Subordinated Debts or Debt Instruments Purchased from Such Parties and Qualified as Subordinated Debts (-)	-
Deductions as per the Article 20, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-
Other items to be Defined by the BRSA (-)	28,902
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Tier I Capital, Additional Core Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where The Bank Owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Additional Core Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital, of the Net Deferred Tax Assets arising from Temporary Differences and of the Mortgage Servicing Rights not deducted from Tier I Capital as per the Temporary Article 2, Clause 2, Paragraph (1) and (2) and Temporary Article 2, Clause 1 of the Regulation (-)	-
EQUITY	3,788,700
Amounts lower than Excesses as per Deduction Rules	-
Remaining Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital	-
Remaining Total of Net Long Positions of the Investments in Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% or less of the Tier I Capital	-
Remaining Mortgage Servicing Rights	-
Net Deferred Tax Assets arising from Temporary Differences	-

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2015

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

I. Explanations on consolidated capital adequacy standard ratio (continued)

Components of shareholders' equity:

	Prior Period
TIER 1 CAPITAL	2,977,619
Paid-in Capital to be Entitled for Compensation after All Creditors	2,287,005
Share Premium	24,525
Share Cancellation Profits	-
Reserves	309,103
Other Comprehensive Income According to TAS	72,782
Profit	368,174
Current Period Profit	375,316
Prior Period Profit	(7,142)
General Reserves for Possible Losses	-
Bonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Current Period's Profit	-
Tier 1 Capital Before Deductions	3,061,589
Deductions from Tier 1 Capital	
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-)	17,437
Leasehold Improvements on Operational Leases (-)	42,477
Goodwill and Other Intangible Assets and Related Deferred Taxes (-)	14,056
Net Deferred Tax Asset/Liability (-)	10,003
Shares Obtained against Article 56, Paragraph 4 of the Banking Law (-)	-
Direct and Indirect Investments of the Bank on its own Tier I Capital (-)	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-
Mortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital (-)	-
Net Deferred Tax Assets arising from Temporary Differences Exceeding the 10% Threshold of Tier I Capital (-)	-
Amount Exceeding the 15% Threshold of Tier I Capital as per the Article 2, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital not deducted from Tier I Capital (-)	-
Mortgage Servicing Rights not deducted (-)	-
Excess Amount arising from Deferred Tax Assets from Temporary Differences (-)	-
Other items to be Defined by the BRSA (-)	-
Deductions from Tier I Capital in cases where there are no adequate Additional Tier I or Tier II Capitals (-)	-
Total Deductions from Tier I Capital	83,973
Total Tier 1 Capital	2,977,616
ADDITIONAL CORE CAPITAL	
Preferred Stock not included in Tier 1 Capital in cases where there are no adequate Additional Tier I or Tier II Capitals (-)	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained after 1.1.2014)	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained before 1.1.2014)	-
Additional Core Capital before Deductions	-
Deductions from Additional Core Capital	
Direct and Indirect Investments of the Bank on its own Additional Core Capital (-)	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital (-)	-
Other items to be Defined by the BRSA (-)	-
Deductions from Additional Core Capital in cases where there are no adequate Tier II Capital (-)	-
Total Deductions from Additional Core Capital	-
Total Additional Core Capital	-
Deductions from Core Capital	96,236
Goodwill and Other Intangible Assets and Related Deferred Taxes not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	56,223
Net Deferred Tax Asset/Liability not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	40,013
Total Core Capital	2,881,380

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2015

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

I. Explanations on consolidated capital adequacy standard ratio (continued)

Components of shareholders' equity: (continued)

	Prior Period
TIER II CAPITAL	563,835
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained after 1.1.2014)	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained before 1.1.2014)	384,909
Pledged Assets of the Shareholders to be used for the Bank's Capital Increases	-
General Provisions	178,926
Tier II Capital Before Deductions	563,835
Deductions from Tier II Capital	
Direct and Indirect Investments of the Bank on its own Tier II Capital (-)	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Core Capital and Tier II Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of Tier I Capital (-)	-
Other items to be Defined by the BRSA (-)	-
Total Deductions from Tier II Capital	-
Total Tier II Capital	563,835
CAPITAL	3,445,215
Loans Granted against the Articles 50 and 51 of the Banking Law (-)	-
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years (-)	3,495
Loans to Banks, Financial Institutions (domestic/foreign) or Qualified Shareholders in the form of Subordinated Debts or Debt Instruments Purchased from Such Parties and Qualified as Subordinated Debts (-)	-
Deductions as per the Article 20, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-
Other items to be Defined by the BRSA (-)	15,890
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Tier I Capital, Additional Core Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where The Bank Owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Additional Core Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital, of the Net Deferred Tax Assets arising from Temporary Differences and of the Mortgage Servicing Rights not deducted from Tier I Capital as per the Temporary Article 2, Clause 2, Paragraph (1) and (2) and Temporary Article 2, Clause 1 of the Regulation (-)	-
EQUITY	3,425,830
Amounts lower than Excesses as per Deduction Rules	-
Remaining Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital	-
Remaining Total of Net Long Positions of the Investments in Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% or less of the Tier I Capital	-
Remaining Mortgage Servicing Rights	-
Net Deferred Tax Assets arising from Temporary Differences	-

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2015

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

I. Explanations on capital adequacy standard ratio (continued)

Approaches for assessment of adequacy of internal capital requirements for current and future activities

Internal evaluation process is established for continuously evaluating and maintaining the types, components and distribution of the adequate level of capital in order to provide for various risks exposed to or to be exposed to. The final purpose of the evaluation process of the internal capital requirement, is to define and evaluate all the risks included or not in the calculations of the legal capital requirements, within the frame of the activities of the bank, and to provide the availability of adequate capital in order to cover for these risks and the application of the risk management techniques. The results obtained in this evaluation process by taking into consideration, the Group's growth strategy, assets-liabilities structure, funding sources, liquidity position, foreign currency position, the effects of the price and market fluctuations on the capital, which are among the variables of the economy, aim to provide the continuity of the mentioned capital adequacy level at the determined level in compliance with the Group's risk profile and risk appetite.

Within this scope, capital structure is reviewed as based on the frame of the activities and risks exposed to, and the internal capital requirement, probable to occur within the direction of targets and strategies of the Group is evaluated. This evaluation includes profit share risk, concentration risk, liquidation risk, reputation risk, residual risk, country risk and strategic risk arising of the banking books as well as market, credit and operational risks. Capital requirement internal evaluation is evaluated to be a developing process and the development areas for the future period are determined and plans are prepared.

II. Explanations on Consolidated Credit Risk

Credit risk means the risks and damages to arise as a result of partial or complete non-fulfilment of the obligations timely by non-compliance of the counter party with the requirements of the agreement concluded with the Group.

With regards to the credit risk, the debtor or the group of debtors is subjected to risk limitation. The upper limit of the rate of the credits granted to the companies in one sector to the total credits is determined annually by the Board of Directors and is updated as required.

The credit risk which the Group is exposed to outside of Turkey is followed up by the Board of Directors within the frame of the determined limits according to countries and regions. Within this scope, the total risk which the Group is exposed in the foreign country or region, the total of the credit risk taken by the banks residing abroad and/or their branches in Turkey, the total risks of the credits granted to the people residing abroad or with foreign nationality, the risk total taken over the corporate customers and/or banks to which the partners residing in Turkey but of which the principal shareholder or shareholders reside in another country, had given guarantee and in required cases, the risk total taken by the Group in Turkey should be followed up.

The risks and limits arising from the treasury transactions and customer based commercial transactions are followed up daily. Moreover, the review of the limits allocated as based on the ratings of the correspondent banks and the maximum risk that the Group can take within its equity; are also performed daily. The risk limits relevant to the transactions performed daily are determined and the risk intensity relevant to the off balance sheet transactions are being followed up.

As provided for in the Principles and Procedures for the Determination of the Quality of Loans and Other Receivables and Reserves to be provided for these Loans, the credit worthiness of the debtors of the loans and the other receivables are followed up at regular intervals, in case of early determination of a probable repayment problem, the credit limits are redefined and additional guarantees are received and in order to sustain the profitability of the Bank. The account statement documents are received as defined in the legislation, during the loan generation process. The guarantees are received within the frame of the relevant legislation, by consideration of the quality of the credit and the financial structure of the company and as based on the credit committee decision.

The loans which do not exceed the passed due limits to be classified as Third Group loans defined in the Principles and Procedures for the Determination of the Quality of Loans and Other Receivables and Reserves to be provided for these Loans, are classified as "past due" loans; all the loans and receivables classified in the third, fourth and fifth groups indicated in the same Regulation are accepted to be "impaired loans".

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2015

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

II. Explanations on Consolidated Credit risk (continued)

The positions in the form of futures, options agreements and similar agreements are not held.

Non-cash loans which are liquidated are subject to the same risk weight with the overdue loans as stated in the communique on Principles and Procedures for the Determination of the Quality of Loans and Other Receivables and Reserves to be provided for These Loans. The rescheduled and restructured loans are followed up in compliance with the methods determined in the relevant legislation.

Foreign trade financing and inter-banks loan transactions are performed by a wide network of correspondents. The country risks, limits, correspondent risks and limits are regularly evaluated within this scope.

There is no material credit risk concentration when evaluated together with the financial activities of the other financial institutes.

The Group's largest 100 and 200 cash loan customers represent 22% and 29% of the total cash loan portfolio, respectively.

The Group's largest 100 and 200 non-cash loan customers represent 44% and 53% of the total non-cash loan portfolio, respectively.

The Group's largest 100 and 200 cash and non-cash loan customers represent 28% and 35% of the total cash and non-cash loan portfolio, respectively.

The general provision for credit risk amounts to TL 334,118 (31 December 2014: TL 240,776).

Exposure Categories (Current Period)	Period end Risk Amount(*)	Average Risk Amount(**)
Conditional and unconditional exposures to central governments or central banks	5,583,719	5,227,570
Conditional and unconditional exposures to regional governments or local authorities	-	-
Conditional and unconditional exposures to administrative bodies and noncommercial Undertakings	-	-
Conditional and unconditional exposures to multilateral development banks	-	-
Conditional and unconditional exposures to international organizations	-	-
Conditional and unconditional exposures to banks and brokerage houses	5,365,412	3,767,649
Conditional and unconditional exposures to corporates	12,012,680	10,825,888
Conditional and unconditional retail exposures	3,747,568	3,701,252
Conditional and unconditional exposures secured by real estate property	10,667,092	10,611,895
Past due items	71,931	68,270
Items in regulatory high-risk categories	233,511	230,667
Exposures in the form of bonds secured by mortgages	-	-
Securitization positions	-	-
Short term exposures to banks, brokerage houses and corporates	-	-
Exposures in the form of collective investment undertakings	-	-
Other items	3,348,283	3,437,139
Total	41,030,196	37,870,330

(*) Includes total risk amount before the effect of credit risk mitigation but after credit conversions.

(**) Average risk amounts are the arithmetical average of the amounts in monthly reports prepared starting from the date of publication of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2015

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

II. Explanations on Consolidated Credit risk (continued)

Exposure Categories (Prior Period)	Period end Risk Amount(*)	Average Risk Amount(**)
Conditional and unconditional exposures to central governments or central banks	4,582,032	3,926,431
Conditional and unconditional exposures to regional governments or local Authorities	-	-
Conditional and unconditional exposures to administrative bodies and noncommercial Undertakings	-	-
Conditional and unconditional exposures to multilateral development banks	-	-
Conditional and unconditional exposures to international organizations	-	-
Conditional and unconditional exposures to banks and brokerage houses	3,634,246	3,370,207
Conditional and unconditional exposures to corporates	9,185,885	8,773,894
Conditional and unconditional retail exposures	3,814,864	3,569,352
Conditional and unconditional exposures secured by real estate property	9,223,468	7,763,296
Past due items	31,677	44,707
Items in regulatory high-risk categories	195,574	142,908
Exposures in the form of bonds secured by mortgages	-	-
Securitization positions	-	-
Short term exposures to banks, brokerage houses and corporates	-	-
Exposures in the form of collective investment undertakings	-	-
Other items	3,072,759	2,464,981
Total	33,740,505	30,055,776

(*) Includes total risk amount before the effect of credit risk mitigation but after credit conversions.

(**) Average risk amounts are the arithmetical average of the amounts in monthly reports prepared starting from the date (6 September 2014) of publication of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2015

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

II. Explanations on Credit Risk (Continued)

Profile of significant exposures in major regions:

Current Period (*)	Conditional and unconditional exposures to central governments or central banks	Conditional and unconditional exposures to banks and brokerage houses	Conditional and unconditional exposures to corporates	Conditional and unconditional exposures to retail exposures	Conditional and unconditional exposures secured by real estate property	Past due items	Items in regulatory high-risk categories	Other	Total
Domestic	5,583,719	1,885,746	11,796,218	3,731,554	10,600,110	71,931	233,511	-	33,902,789
European Union (EU)	-	1,420,697	22,400	3,294	11,439	-	-	-	1,457,830
OECD Countries(**)	-	540,571	-	459	4,650	-	-	-	545,680
Off-Shore Banking Regions	-	73,398	74,365	2,467	2,898	-	-	-	153,128
USA, Canada	-	646,719	-	504	2,726	-	-	-	649,949
Other Countries	-	798,281	119,697	9,290	45,269	-	-	-	972,537
Associates, Subsidiaries and Joint –Ventures	-	-	-	-	-	-	-	22,930	22,930
Unallocated Assets/Liabilities(***)	-	-	-	-	-	-	-	3,325,353	3,325,353
Total	5,583,719	5,365,412	12,012,680	3,747,568	10,667,092	71,931	233,511	3,348,283	41,030,196

Prior Period (*)	Conditional and unconditional exposures to central governments or central banks	Conditional and unconditional exposures to banks and brokerage houses	Conditional and unconditional exposures to corporates	Conditional and unconditional exposures to retail exposures	Conditional and unconditional exposures secured by real estate property	Past due items	Items in regulatory high-risk categories	Other	Total
Domestic	4,582,032	1,932,260	8,988,958	3,800,118	9,127,168	31,675	195,574	-	28,657,785
European Union (EU)	-	460,649	26,747	1,638	9,274	1	-	-	498,309
OECD Countries(**)	-	122,461	9,598	345	2,585	-	-	-	134,989
Off-Shore Banking Regions	-	143,017	55,167	2,907	6,701	-	-	-	207,792
USA, Canada	-	382,573	-	100	418	-	-	-	383,091
Other Countries	-	593,286	105,415	9,756	77,322	1	-	-	785,780
Associates, Subsidiaries and Joint –Ventures	-	-	-	-	-	-	-	28,285	28,285
Unallocated Assets/Liabilities(***)	-	-	-	-	-	-	-	3,044,474	3,044,474
Total	4,582,032	3,634,246	9,185,885	3,814,864	9,223,468	31,677	195,574	3,072,759	33,740,505

(*) Includes risk amounts before the effect of credit risk mitigation but after the credit conversions.

(**) Includes OECD countries other than EU countries, USA and Canada.

(***) Includes assets and liability items that can not be allocated on a consistent basis.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2015

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

II. Explanations on Consolidated Credit Risk (continued)

Risk profile by sectors or counterparties

Current Period(*)	Conditional and unconditional receivables from central governments or central banks	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	Conditional and unconditional receivables from Corporates	Conditional and unconditional retail receivables	Conditional and unconditional receivables secured by Mortgages	Past due receivables	Receivables defined in high risk category by BRSA	Securities collateralized by mortgages	Securitization positions	Short-term receivables from banks, brokerage houses and corporates	Investments similar to collective investment funds	Other receivables	TL	FC	Total
Agriculture	-	-	-	-	-	-	163,156	59,929	83,186	1,105	752	-	-	-	-	-	241,067	67,061	308,128
Farming and																			
Stockbreeding	-	-	-	-	-	-	95,367	28,890	28,078	604	8	-	-	-	-	-	105,159	47,788	152,947
Forestry	-	-	-	-	-	-	57,913	29,227	48,637	501	631	-	-	-	-	-	117,824	19,085	136,909
Fishery	-	-	-	-	-	-	9,876	1,812	6,471	-	113	-	-	-	-	-	18,084	188	18,272
Manufacturing	-	-	-	-	-	-	4,565,303	739,792	1,628,640	11,550	9,808	-	-	-	-	-	6,244,404	710,689	6,955,093
Mining and Quarrying	-	-	-	-	-	-	685,113	134,966	227,699	2,043	1,978	-	-	-	-	-	898,944	152,855	1,051,799
Production	-	-	-	-	-	-	2,694,470	564,640	1,345,270	9,157	7,795	-	-	-	-	-	4,187,951	433,381	4,621,332
Electricity, Gas and																			
Water	-	-	-	-	-	-	1,185,720	40,186	55,671	350	35	-	-	-	-	-	1,157,509	124,453	1,281,962
Construction	-	-	-	-	-	-	2,509,989	548,594	2,051,488	21,538	(4,400)	-	-	-	-	-	4,647,207	480,002	5,127,209
Services	5,583,719	-	-	-	-	-	5,365,412	3,989,798	2,713,481	28,147	16,190	-	-	-	-	-	7,821,919	11,142,759	18,964,678
Wholesale and Retail																			
Trade	-	-	-	-	-	-	2,311,621	830,720	1,749,812	17,208	10,641	-	-	-	-	-	4,466,247	453,755	4,920,002
Accommodation and																			
Dining	-	-	-	-	-	-	75,400	40,595	147,345	264	449	-	-	-	-	-	232,415	31,638	264,053
Transportation and																			
Telecom.	-	-	-	-	-	-	825,255	213,161	251,186	6,288	3,604	-	-	-	-	-	1,197,235	102,259	1,299,494
Financial Institutions	5,583,719	-	-	-	-	-	5,365,412	54,490	28,233	-	-	-	-	-	-	-	632,503	10,401,607	11,034,110
Real Estate and Rental																			
Services	-	-	-	-	-	-	320,008	28,068	278,134	2,679	273	-	-	-	-	-	558,275	70,887	629,162
Professional Services	-	-	-	-	-	-	62	452	343	-	-	-	-	-	-	-	839	18	857
Educational Services	-	-	-	-	-	-	71,113	12,944	67,073	92	171	-	-	-	-	-	148,423	2,970	151,393
Health and Social																			
Services	-	-	-	-	-	-	331,849	139,735	191,355	1,616	1,052	-	-	-	-	-	585,982	79,625	665,607
Others	-	-	-	-	-	-	784,434	1,131,322	4,190,297	9,591	211,161	-	-	-	-	-	3,348,283	7,206,117	2,468,971
Total	5,583,719	-	-	-	-	-	5,365,412	12,012,680	3,747,568	10,667,092	71,931	233,511	-	-	-	-	3,348,283	26,160,714	14,869,482
																			41,030,196

(*) Includes risk amounts before the effect of credit risk mitigation but after the credit conversions.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2015

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

II. Explanations on Consolidated Credit Risk (continued)

Risk profile by sectors or counterparties (continued)

Prior Period	Conditional and unconditional receivables from central governments or central banks	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	Conditional and unconditional receivables from Corporates	Conditional and unconditional retail receivables	Conditional and unconditional receivables secured by Mortgages	Past due receivables	Receivables defined in high risk category by BRSA	Securities collateralized by mortgages	Securitization positions	Short-term receivables from banks, brokerage houses and corporates	Investments similar to collective investment funds	Other receivables	TL	FC	Total
Agriculture	-	-	-	-	-	-	150,263	75,434	75,572	523	210	-	-	-	-	-	245,113	56,889	302,002
Farming and																			
Stockbreeding	-	-	-	-	-	-	115,285	38,877	37,247	283	95	-	-	-	-	-	159,213	32,574	191,787
Forestry	-	-	-	-	-	-	28,367	34,893	30,881	211	85	-	-	-	-	-	75,429	19,008	94,437
Fishery	-	-	-	-	-	-	6,611	1,664	7,444	29	30	-	-	-	-	-	10,471	5,307	15,778
Manufacturing	-	-	-	-	-	-	3,379,355	775,414	1,549,900	6,292	3,439	-	-	-	-	-	2,603,093	3,111,307	5,714,400
Mining and Quarrying	-	-	-	-	-	-	541,795	134,156	246,538	1,752	502	-	-	-	-	-	453,393	471,350	924,743
Production	-	-	-	-	-	-	2,066,479	606,602	1,274,065	4,330	2,540	-	-	-	-	-	1,926,521	2,027,495	3,954,016
Electricity, Gas and																			
Water	-	-	-	-	-	-	771,081	34,656	29,297	210	397	-	-	-	-	-	223,179	612,462	835,641
Construction	-	-	-	-	-	-	2,035,441	526,946	1,737,137	4,955	2,094	-	-	-	-	-	2,588,526	1,718,047	4,306,573
Services	4,582,032	-	-	-	-	-	3,634,246	2,945,873	1,346,444	2,354,536	15,110	10,041	-	-	-	-	4,092,855	10,795,427	14,888,282
Wholesale and Retail																			
Trade	-	-	-	-	-	-	1,645,110	866,143	1,562,134	12,684	6,260	-	-	-	-	-	2,315,706	1,776,625	4,092,331
Accommodation and																			
Dining	-	-	-	-	-	-	53,063	38,208	131,339	51	401	-	-	-	-	-	121,421	101,641	223,062
Transportation and																			
Telecom.	-	-	-	-	-	-	679,831	252,451	264,335	1,372	2,513	-	-	-	-	-	571,987	628,515	1,200,502
Financial Institutions	4,582,032	-	-	-	-	-	3,634,246	31,004	20,782	-	-	-	-	-	-	-	531,293	7,740,110	8,271,403
Real Estate and Rental																			
Services	-	-	-	-	-	-	259,308	31,180	162,289	96	84	-	-	-	-	-	85,836	367,121	452,957
Professional Services	-	-	-	-	-	-	66	353	638	-	2	-	-	-	-	-	937	122	1,059
Educational Services	-	-	-	-	-	-	48,390	13,050	34,384	225	46	-	-	-	-	-	67,919	28,176	96,095
Health and Social																			
Services	-	-	-	-	-	-	229,101	141,720	178,635	682	735	-	-	-	-	-	397,756	153,117	550,873
Others	-	-	-	-	-	-	674,953	1,090,626	3,506,323	4,797	179,790	-	-	-	-	-	3,072,759	6,034,493	2,494,755
Total	4,582,032	-	-	-	-	-	3,634,246	9,185,885	3,814,864	9,223,468	31,677	195,574	-	-	-	-	3,072,759	15,564,080	18,176,425
																			33,740,505

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2015

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

II. Explanations on Consolidated Credit Risk (continued)

Analysis of maturity-bearing exposures according to remaining maturities:

Exposure Categories (*) – Current Period	Term to Maturity				
	1 month	1–3 months	3–6 months	6–12 months	Over 1 year
Conditional and unconditional exposures to central governments or central banks	-	-	-	-	-
Conditional and unconditional exposures to regional governments or local authorities	-	-	-	-	-
Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	-	-	-	-	-
Conditional and unconditional exposures to multilateral development banks	-	-	-	-	-
Conditional and unconditional exposures to international organizations	-	-	-	-	-
Conditional and unconditional exposures to banks and brokerage houses	1,656,109	10,676	7,051	58	62,003
Conditional and unconditional exposures to corporates	2,595,049	799,666	1,176,863	1,914,405	5,447,755
Conditional and unconditional retail exposures	309,999	276,831	459,285	680,940	1,749,110
Conditional and unconditional exposures secured by real estate property	290,258	375,670	656,172	1,334,167	8,010,825
Past due items	-	-	-	-	-
Items in regulatory high-risk categories	11,879	841	1,721	2,076	216,994
Items in regulatory high-risk categories	-	-	-	-	-
Securitization positions	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-
Exposures in the form of collective investment undertakings	-	-	-	-	-
Other items	63,483	-	7,455	-	-
Total	4,926,777	1,463,684	2,308,547	3,931,646	15,486,687

(*) Includes risk amounts before the effect of credit risk mitigation but after the credit conversions.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2015

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

II. Explanations on Consolidated Credit Risk (continued)

Analysis of maturity-bearing exposures according to remaining maturities: (continued)

Exposure Categories (*) - Prior Period	Term to Maturity				
	1 month	1-3 months	3-6 months	6-12 months	Over 1 year
Conditional and unconditional exposures to central governments or central banks	-	-	-	-	-
Conditional and unconditional exposures to regional governments or local authorities	-	-	-	-	-
Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	-	-	-	-	-
Conditional and unconditional exposures to multilateral development banks	-	-	-	-	-
Conditional and unconditional exposures to international organizations	-	-	-	-	-
Conditional and unconditional exposures to banks and brokerage houses	640,466	229,701	-	156	95,426
Conditional and unconditional exposures to corporates	2,073,548	937,731	1,023,135	1,640,102	3,430,326
Conditional and unconditional retail exposures	342,292	354,146	467,336	723,749	1,685,665
Conditional and unconditional exposures secured by real estate property	276,196	360,747	660,652	1,211,441	6,714,432
Past due items	-	-	-	-	-
Items in regulatory high-risk categories	10,231	1,547	1,816	2,195	179,785
Items in regulatory high-risk categories	-	-	-	-	-
Securitization positions	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-
Exposures in the form of collective investment undertakings	-	-	-	-	-
Other items	-	-	-	-	-
Total	3,342,733	1,883,872	2,152,939	3,577,643	12,105,634

(*) Includes risk amounts before the effect of credit risk mitigation but after the credit conversions.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2015

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

II. Explanations on Consolidated Credit Risk (continued)

Exposure Categories

In compliance with the 7th article of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks, determination of the risk weights is performed based on the credit ratings provided by the rating companies.

The ratings of an international credit rating institution are used for Banks and Corporate Receivables and being limited to the receivables in which the counter party resides abroad. The receivables from the banks are examined under two different receivable classes based on the remaining term. If the remaining term is 3 months or less, these are classified as "Short Term Receivables from Banks and Brokerage Houses" and if more than 3 months, as "Receivables from Banks and Brokerage Houses". The banks and institutions residing in the country are evaluated without rating.

The ratings provided by the international rating institution are used while determining the class of risk weighted asset. The ratings of the credit rating institution are used for Banks and Corporate Receivables class, being limited to the receivables, in which the counter party resides abroad.

"Credit Quality Levels" corresponding to the ratings of the credit rating institution are presented in the following table.

Credit Quality Grade	Fitch Risk Rating	Exposure Categories			
		Exposures from Banks and Brokerage Houses			Exposures to Corporates
		Exposures to Central Governments or Central Banks	Exposures with Remaining Maturities Less Than 3 Months	Exposures with Remaining Maturities More Than 3 Months	
1	AAA AA+ AA AA-	%0	%20	%20	%20
2	A+ A A-	%20	%20	%50	%50
3	BBB+ BBB BBB-	%50	%20	%50	%100
4	BB+ BB BB-	%100	%50	%100	%100
5	B+ B B-	%100	%50	%100	%150
6	CCC+ CCC CCC- CC C D	%150	%150	%150	%150
Unrated	Unrated	%100	%20 (*)	%50 (*)	%100

(*) This is used under the condition of not being less than the implemented one in the centralized management of the Bank's located country.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2015

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

II. Explanations on Consolidated Credit Risk (continued)

Exposures by risk weights:

Current Period										Deductions from
Risk Weights	%0	% 10	%20	%50	%75	%100	%150	%200	%250	Equity
Exposures before Credit										
Risk Mitigation	7,860,611	-	4,619,478	9,640,423	3,745,657	14,930,313	129,019	104,695	-	-
Exposures after Credit Risk										
Mitigation	8,227,307	-	4,619,478	9,640,423	3,655,406	14,653,972	128,915	104,695	-	-
Prior Period										Deductions from
Risk Weights	%0	% 10	%20	%50	%75	%100	%150	%200	%250	Equity
Exposures before Credit Risk										
Mitigation	6,672,331	-	1,549,592	9,468,178	3,810,121	12,044,709	86,449	105,099	4,026	-
Exposures after Credit Risk										
Mitigation	7,129,750	-	1,549,592	9,468,175	3,686,958	11,710,610	86,295	105,099	4,026	-

Information by major sectors and type of counterparties

Impaired Loans; are the credits that either overdue more than 90 days as of the reporting date or are treated as impaired due to their creditworthiness. For such credits, “specific provisions” are allocated as per the Provisioning Regulation.

Past Due Loans; are the credits that overdue up to 90 days but not impaired. For such credits, “general provisions” are allocated as per the Provisioning Regulation.

Current Period	Credits		Provisions	
	Impaired Credits	Past due Credits	Impaired Credits	Past due Credits
Agriculture	6,600	5,595	239	5,166
Farming and Stockbreeding	2,942	2,269	90	2,067
Forestry	3,096	2,238	101	2,567
Fishery	562	1,088	48	532
Manufacturing	98,473	255,518	10,558	75,743
Mining and Quarrying	12,073	47,454	2,159	9,212
Production	86,085	198,159	8,004	66,437
Electricity, Gas and Water	315	9,905	395	94
Construction	66,057	346,333	13,421	49,253
Services	150,694	421,770	16,898	100,763
Wholesale and Retail Trade	114,725	297,211	12,799	79,192
Accommodation and Dining	3,208	16,451	581	2,240
Transportation and Telecommunication	18,316	64,514	2,005	10,197
Financial Institutions	-	2,007	53	-
Real Estate and Rental Services.	2,360	14,114	585	902
Professional Services	-	-	-	-
Educational Services	101	243	9	49
Health and Social Services	11,984	27,230	866	8,183
Others	134,491	189,335	4,526	99,482
Total	456,315	1,218,551	45,642	330,407

(*) The general provision amount is presented for past due loans.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2015

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

II. Explanations on Consolidated Credit Risk (continued)

Information by major sectors and type of counterparties (continued)

Prior Period	Credits		Provisions	
	Impaired Credits	Past due Credits	Impaired Credits	Past due Credits
Agriculture	5,737	4,006	137	4,722
Farming and Stockbreeding	2,444	949	32	1,913
Forestry	2,888	3,029	104	2,475
Fishery	405	28	1	334
Manufacturing	107,238	119,078	4,560	93,959
Mining and Quarrying	27,414	35,805	1,423	24,327
Production	70,796	80,401	3,029	61,428
Electricity, Gas and Water	9,028	2,872	108	8,204
Construction	141,315	181,739	7,847	131,659
Services	166,666	157,359	5,355	131,528
Wholesale and Retail Trade	118,244	74,545	2,885	91,687
Accommodation and Dining	4,166	7,678	264	3,531
Transportation and Telecommunication	32,686	59,618	1,810	27,313
Financial Institutions	8	-	-	8
Real Estate and Rental Services.	1,629	2,206	56	1,399
Professional Services	4	44	1	2
Educational Services	865	1,059	22	475
Health and Social Services	9,064	12,209	317	7,113
Others	60,239	137,736	3,026	47,350
Total	481,195	599,918	20,925	409,218

(*) The general provision amount is presented for past due loans.

Movements in value adjustments and provisions

Current Period	Opening Balance	Provision for Period	Provision Reversals	Other Adjustments(*)	Closing Balance
Specific Provisions	409,218	337,621	(83,247)	(333,185)	330,407
General Provisions	240,776	93,342	-	-	334,118

Prior Period	Opening Balance	Provision for Period	Provision Reversals	Other Adjustments(*)	Closing Balance
Specific Provisions	336,183	206,098	(84,700)	(48,363)	409,218
General Provisions	174,251	66,525	-	-	240,776

(*) Represents written-off loans.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2015

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

II. Explanations on Consolidated Credit Risk (continued)

Information of Cash and Noncash Loans according to Parent Bank Risk Rating System

The bank calculates the probability of delinquency and internal rating notes for the portfolio of business loans based on statistical methods in Turkish Commercial Code. Ratings which are calculated since 1 February 2014 are shown the table below as of 31 December 2015

	Cash Loans	Non-Cash Loans	Total
High Quality	31%	64%	39%
Medium Quality	22%	13%	20%
Average	17%	10%	15%
Below Average	3%	1%	3%
Unrated	27%	12%	23%

III. Explanations on consolidated market risk

The Group has established market risk operations 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. 29057 dated 11 July 2014.

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 Parent 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”. The following table indicates the details of the market risk calculation as of 31 December 2015, in accordance with the Market Risk Calculation principles pursuant to the Part 2 of the Second Section of the “Regulation on Measurement and Assessment of Capital Adequacy of Banks” published in the Official Gazette No. 29211 on 6 September 2014.

a. Information related to consolidated market risk:

	Current Period	Prior Period
(I) Capital Obligation against General Market Risk - Standard Method	34,721	17,511
(II) Capital Obligation against Specific Risk - Standard Method	17,631	31,583
Capital Requirement against Specific Risks of Securitization Positions– Standard Method	-	-
(III) Capital Obligation against Currency Risk - Standard Method	4,451	10,311
(IV) Capital Obligation against Commodity Risk - Standard Method	4,151	5,012
(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	3,378	2,332
(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)	64,332	66,749
(X) Value-At-Market Risk (12.5 x VIII) or (12.5 x IX)	804,150	834,363

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2015

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

III. Explanations on consolidated market risk (continued)

b. Monthly average values at market risk

	Current Period		
	Average	Highest	Lowest
Profit Share Risk	46,355	61,155	29,897
Equity-Shares Position Risk	785	1,862	34
Currency Position Risk	10,379	17,651	4,451
Commodity Risk	4,406	5,600	2,834
Clearing Risk	-	-	-
Option Market Risk	-	-	-
Counterparty Credit Risk	2,807	4,071	1,248
Total Value at Risk	64,732	90,339	38,464

	Prior Period (*)		
	Average	Highest	Lowest
Profit Share Risk	28,332	48,327	14,097
Equity-Shares Position Risk	768	1,596	540
Currency Position Risk	10,435	13,495	7,144
Commodity Risk	4,649	5,452	4,063
Clearing Risk	-	-	-
Option Market Risk	-	-	-
Counterparty Credit Risk	1,701	2,332	1,462
Total Value at Risk	45,885	71,202	27,306

Consolidated Quantitative information on counterparty risk

In counterparty credit risk calculations, the fair value methodology is used according to the Appendix-2 of the "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks". In case of derivative transactions, the total of replacement costs and potential credit risks is considered as the exposure amount. The replacement costs are calculated valuing the contracts at their fair values and the potential credit risks are calculated multiplying the contract amounts with the credit conversion factors set in the appendix of the regulation.

	Current Period	Prior Period
Interest-Rate Contracts	-	-
Foreign-Exchange-Rate Contracts	86,306	44,127
Commodity Contracts	3,635	5,103
Equity-Shares Related Contracts	-	-
Other	-	-
Gross Positive Fair Values	895	862
Netting Benefits	-	-
Net Current Exposure Amount	-	-
Collaterals Received	-	-
Net Derivative Position	90,836	50,092

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2015

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

III. Explanations on consolidated market risk (continued)

Information on Consolidated Operational Risk

"Basic Indicator Method" is used in operational risk calculation of the Group. The sum that is the basis for the operational risk is calculated by the use of the gross revenues of the Group for the last 3 years, 2014, 2013 and 2012 in compliance with "Third Section "Calculation of the Operational Risk" of The Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks published in the Official Gazette numbered 29111 and dated 6 September 2014. The annual gross revenue is calculated by addition of the net fees and commission revenues, dividend income obtained other than subsidiaries and affiliates, the trading gain/loss(net) and other operating income to the net profit share income and by deduction of the gain/loss from the sale of the assets accounted other than the trading book, extraordinary income, the operational expenses for the support services taken from the main shareholder of the bank, subsidiary of the bank or subsidiary of the shareholder of the bank performing the calculation or the institutions which are subject to the relevant Regulation or the equivalent arrangements and the operational expenses for the support service taken from a bank and the amounts compensated from insurance. TL 181,917 corresponding to the 8% of TL 2,273,965 used in the calculation of the operational risk within the scope of "Capital adequacy standard rate" indicated in the disclosure I of this section, represents the operational risk which might be exposed to. TL 181,917 also defines the minimum capital sum which is required in order to eliminate the mentioned risk.

Current Period	31/12/2012 Amount	31/12/2013 Amount	31/12/2014 Amount	Total/ No. of Years of Positive Gross	Rate (%)	Total
Gross Income	951,730	1,192,861	1,493,752	1,212,781	15	181,917
Value at Operational Risk (Total*12.5)						2,273,963

Prior Period	31/12/2011 Amount	31/12/2012 Amount	31/12/2013 Amount	Total/ No. of Years of Positive Gross	Rate (%)	Total
Gross Income	769,979	951,730	1,192,861	971,523	15	145,729
Value at Operational Risk (Total*12.5)						1,821,606

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2015

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

IV. Explanations on consolidated currency risk

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

As of 31 December 2015, the Bank carries a net foreign currency long position of TL 103,175 (31 December 2014 – TL 85,943 long position) comprising TL 1,002,481 balance sheet long position (31 December 2014 - TL 707,558 long position) and TL 899,306 off balance sheet short position (31 December 2014 - TL 621,615 short position).

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

	24/12/2015	25/12/2015	28/12/2015	29/12/2015	30/12/2015	Balance sheet evaluation rate
USD	2.9262	2.9187	2.9123	2.9157	2.9084	2.9076
EURO	3.1969	3.1968	3.1904	3.2006	3.1921	3.1776
GBP	4.3425	4.3414	4.3439	4.3417	4.3141	4.3007
CHF	2.9495	2.9510	2.9425	2.9445	2.9368	2.9278
JPY	0.0241	0.0242	0.0242	0.0241	0.0241	0.0241

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

	Monthly average FC purchase rate
USD	2.9154
EURO	3.1658
GBP	4.3640
CHF	2.9168
JPY	0.0239

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2015

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

IV. Explanations on consolidated currency risk (continued)

Currency risk of the Group:

	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 (****)	1,084,978	4,302,711	1,562,549	6,950,238
Banks	1,525,663	1,849,471	244,040	3,619,174
Financial assets at fair value through profit and loss	-	43,699	-	43,699
Money market placements	-	-	-	-
Available-for-sale financial assets (**)	-	781,909	-	781,909
Loans and finance lease receivables (*)	2,908,816	7,949,763	154,011	11,012,590
Subsidiaries, associates and joint ventures (**)	-	-	-	-
Held-to-maturity investments	-	-	-	-
Derivative financial assets for hedging purposes	-	-	-	-
Tangible assets	4,173	480	-	4,653
Intangible assets	41,204	-	-	41,204
Other assets	13,987	87,141	3,397	104,525
Total assets	5,578,821	15,015,174	1,963,997	22,557,992
Liabilities				
Current account and funds collected from Banks via participation accounts	-	71,341	100,624	171,965
Current and profit sharing accounts FC (****)	2,718,712	9,361,540	1,366,154	13,446,406
Money market borrowings	-	-	-	-
Funds provided from other financial institutions	165,498	4,029,416	590,896	4,785,810
Marketable securities issued	-	3,033,517	-	3,033,517
Miscellaneous payables	5,418	8,706	3,020	17,144
Derivative financial liabilities for hedging purposes	-	-	-	-
Other liabilities	17,923	65,865	16,881	100,669
Total liabilities	2,907,551	16,570,385	2,077,575	21,555,511
Net balance sheet position	2,671,270	(1,555,211)	(113,578)	1,002,481
Net off-balance sheet position	(2,627,455)	1,632,270	95,879	(899,306)
Financial derivative assets	431,591	4,183,696	1,038,566	5,653,853
Financial derivative liabilities	3,059,046	2,551,426	942,687	6,553,159
Non-cash loans (***)	1,391,637	2,607,875	319,972	4,319,484
Prior period				
Total assets	2,748,845	12,117,268	2,756,089	17,622,202
Total liabilities	2,582,434	12,299,886	2,032,324	16,914,644
Net balance sheet position	166,411	(182,618)	723,765	707,558
Net off-balance sheet position	(150,334)	257,303	(728,584)	(621,615)
Financial derivative assets	384,078	2,376,794	191,227	2,952,099
Financial derivative liabilities	534,412	2,119,491	919,811	3,573,714
Non-cash loans (***)	1,157,680	2,409,009	410,273	3,976,962

(*) Includes foreign currency indexed loans amounting to TL 6,353,696 (31 December 2014 – TL 5,767,979) followed as TL on the balance sheet.

(**) Includes TL 714 (31 December 2014 – TL 714) foreign currency denominated available for sale financial assets followed as Turkish Lira within TL 2,355,099 Turkish Lira denominated available for sale financial assets on the balance sheet.

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

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

(*****) Other liabilities amount includes general provision for FX Indexed Loans in amount of TL 30,490. Company share of general provision for loans amount of TL 64,747 and provision for impairment of securities that fair value difference are translated into profit/loss amount of TL 82 are not included in currency risk.

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 : 32,613 TL (31 December 2014 – 8,249 TL)
- Prepaid expenses: 1,343 TL (31 December 2014 - 268 TL)
- Derivative financial liabilities held for trading: 61,561 TL (31 December 2014 – 11,797 TL)
- The general provision for the bank's share: (3,831)TL (31 December 2014 - 340 TL)
- Derivative financial liabilities for hedging purposes TL 98,650 (31 December 2014 – TL 0)

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

- Forward foreign currency purchase transactions: 257,398 TL (31 December 2014 – TL 344,189)
- Forward foreign currency sale transactions: 223,967 TL (31 December 2014 – TL 408,657)
- Future purchase transactions: 340,409 TL (31 December 2014 – TL 163,918)
- Future sale transactions 832,407 TL (31 December 2014 –TL 726,732)

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2015

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

IV. Explanation on consolidated currency risk (continued)

Currency risk sensitivity:

The group is mainly exposed to foreign currency risk in EURO and USD.

The following table shows the group's sensitivity to 10% change both USD and EURO exchange rate.

	% changes on foreign currency	Effects on profit/loss		Effects on equity	
		Current period	Prior period	Current period	Prior period
USD	10%	7,706	7,469	7,323	7,503
EURO	10%	4,382	1,608	4,382	1,608
Gold	10%	33,967	(340)	33,967	(340)

V. 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 Group'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:

Current Period Equity Securities (shares)	Carrying Value	Comparison	
		Fair Value	Market Value
1 Securities Available-for-Sale (*)	64,815	-	-
Quoted Securities	-	-	-
2 Investments in Associates	-	-	-
Quoted Securities	-	-	-
3 Investment in Subsidiaries(*)	22,930	-	-
Quoted Securities	-	-	-
4 Other	8,378	-	-
Quoted Securities	-	-	-

Prior Period Equity Securities (shares)	Carrying Value	Comparison	
		Fair Value	Market Value
1 Securities Available-for-Sale (*)	53,995	-	-
Quoted Securities	-	-	-
2 Investments in Associates	-	-	-
Quoted Securities	-	-	-
3 Investment in Subsidiaries(*)	22,680	-	-
Quoted Securities	-	-	-
4 Securities Available-for-Sale	5,605	-	-
Quoted Securities	-	-	-

(*)Valuation of Equity shares investments are followed up at cost value because its fair value cannot be reliably measured.

c) Realized gains/losses, revaluation surpluses and unrealized gains/losses on equity securities and results included in core and supplementary capitals:

None (31December 2014: None).

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2015

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

VI. Explanations on consolidated 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 Group diversifies funding sources (customer funds and funds borrowed from abroad) and keeps a certain level of assets as cash and cash equivalents.

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

The liquidity position of the Group's assets and liabilities within framework of the monitoring and evaluation of the liquidity ratio is calculated on a weekly basis. Rates during the period are as follows:

First Maturity Bracket (Weekly)			
Current Period	Average (%)	Highest (%)	Lowest (%)
FC	277.31	413.59	210.95
TL+FC	193.90	241.06	168.22
Second Maturity Bracket (Monthly)			
	Average (%)	Highest (%)	Lowest (%)
FC	173.10	250.87	150.82
TL+FC	139.00	225.19	125.11
First Maturity Bracket (Weekly)			
Prior Period	Average (%)	Highest (%)	Lowest (%)
FC	266.41	342.01	173.07
TL+FC	204.12	244.92	155.10
Second Maturity Bracket (Monthly)			
	Average (%)	Highest (%)	Lowest (%)
FC	172.37	201.73	136.55
TL+FC	141.64	154.41	121.83

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2015

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

VI. Explanations on consolidated liquidity risk (consolidated)

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	2,476,100	5,136,514	-	-	-	-	-	7,612,614
Banks	3,584,365	29,263	15,888	-	-	-	-	3,629,516
Financial assets at fair value through profit and loss	-	16,229	4,099	24,280	43,799	-	207	88,614
Money market placements	-	-	-	-	-	-	-	-
Available-for-sale financial assets	-	879,399	521,187	73,131	713,999	96,921	70,462	2,355,099
Loans (*)	-	4,429,509	3,929,930	8,714,791	8,745,978	1,225,785	125,908	27,171,901
Held-to-maturity investments	-	-	-	-	-	-	-	-
Other assets (**)	92,259	314,473	124,244	-	107,150	-	599,126	1,237,252
Total assets	6,152,724	10,805,387	4,595,348	8,812,202	9,610,926	1,322,706	795,703	42,094,996
Liabilities								
Current account and funds collected from banks via participation accounts	136,736	4,739	1,616	37,353	-	-	-	180,444
Current and profit sharing accounts	9,152,393	14,646,539	3,163,252	972,114	10,558	-	-	27,944,856
Funds provided from other financial institutions	-	603,326	794,345	2,727,429	136,682	589,726	-	4,851,508
Money market borrowings	-	711,542	-	-	-	-	-	711,542
Marketable securities issued	-	-	-	618,868	3,017,251	-	-	3,636,119
Miscellaneous payables	83,861	41,590	838	-	-	-	-	126,289
Other liabilities (**)	-	424,326	40,036	47,236	98,649	-	4,033,991	4,644,238
Total liabilities	9,372,990	16,432,062	4,000,087	4,403,000	3,263,140	589,726	4,033,991	42,094,996
Net liquidity gap	(3,220,266)	(5,626,675)	595,261	4,409,202	6,347,786	732,980	(3,238,288)	-
Prior period								
Total assets	5,113,253	8,152,763	3,418,869	7,672,557	7,961,361	961,114	639,640	33,919,557
Total liabilities	6,765,242	11,613,802	5,266,427	3,097,248	3,215,500	470,325	3,491,013	33,919,557
Net liquidity gap	(1,651,989)	(3,461,039)	(1,847,558)	4,575,309	4,745,861	490,789	(2,851,373)	-

(*) 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.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2015

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

VI. Explanations on consolidated liquidity risk (continued)

Analysis of financial liabilities by remaining contractual maturities:

The following table is prepared before the Group's liabilities are undiscounted and based on the earliest date to the payment. Adjustment column shows the items that give rise to probable cash exit according to contractual terms at later period. The items that is mentioned is included the maturity analysis however it is not included the balance sheet value of financial liabilities at the balance sheet.

	Up to 1 month	1-3 month	3-12 month	1-5 years	Above 5 years	Total	Adjustments	Balance Sheet Value
31 December 2015								
Collective Fundings	23,940,407	3,164,868	1,009,467	10,558	-	28,125,300	-	28,125,300
Marketable Securities Issued	174,672	273,397	1,399,511	2,428,656	-	4,276,236	(640,117)	3,636,119
Other								
Fundings	435,315	549,475	3,190,541	141,723	613,859	4,930,913	(79,536)	4,851,377
Borrowings from								
Leasings	-	-	165	-	-	165	(34)	131
Money market balances	712,538	-	-	-	-	712,538	(996)	711,542
Total	25,262,932	3,987,740	5,599,684	2,580,937	613,859	38,045,152	- 720,683	37,324,469

31 December 2014

Collective Fundings	16,316,795	4,542,421	1,144,865	107,637	-	22,111,718	-	22,111,718
Marketable Securities Issued	-	-	107,532	2,228,222	-	2,335,754	(147,854)	2,187,900
Other								
Fundings	849,840	705,025	2,017,811	1,286,718	515,717	5,375,111	(505,799)	4,869,312
Borrowings from								
Leasings	-	-	-	885	-	885	(554)	331
Money market balance	709,392	-	-	-	-	709,392	(649)	708,743
Total	17,876,027	5,247,446	3,270,208	3,623,462	515,717	30,532,860	- 654,856	29,878,004

Maturity analysis for guarantees and contingencies:

	Demand	Up to 1 month	1-3 month	3-12 month	1-5 years	Above 5 years	Unallocated	Total
31 December 2015								
Letters of Guarantee	3,299,553	121,122	515,800	1,665,444	1,612,979	125,318	-	7,340,216
Bills of Exchange and Bank								
Acceptances	84,108	-	-	-	-	-	-	84,108
Letters of Credit	1,018,404	-	233	3,763	6,864	-	-	1,029,264
Other guarantees	332,410	1,208	21,352	3,024	124,006	-	-	482,000
Pre-financings given as guarantee	21,290	-	-	-	-	-	-	21,290
Total	4,755,765	122,330	537,385	1,672,231	1,743,849	125,318	-	8,956,878

31 December 2014

Letters of Guarantee	2,734,885	129,826	598,342	1,779,622	1,484,363	166,934	-	6,893,972
Bills of Exchange and Bank								
Acceptances	59,308	-	-	482	-	-	-	59,790
Letters of Credit	778,955	16,702	28,656	50,881	17,147	30,189	-	922,530
Other guarantees	196,398	529	3,452	-	140,945	13,913	-	355,237
Pre-financings given as guarantee	10,006	97	1,159	-	-	5,921	-	17,183
Total	3,779,552	147,154	631,609	1,830,985	1,642,455	216,957	-	8,248,712

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2015

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

VI. Explanations on consolidated liquidity risk (continued)

Contractual maturity analysis of derivative instruments:

31 December 2015	Up to 1 month	1-3 month	3-12 month	1-5 years	5 years and over	Total
Derivatives financial assets held for trading						
Foreign exchange derivatives:						
Cash inflows	4,263,483	998,257	994,142	291	-	6,256,173
Cash outflows	4,272,317	998,665	1,016,231	323	-	6,287,536
Hedging purposes financial assets						
Foreign exchange derivatives						
Cash inflows	-	-	-	542,440	-	542,440
Cash outflows	-	-	-	630,376	-	630,376
Total Cash Inflow	4,263,483	998,257	994,142	542,731	-	6,798,613
Total Cash Outflow	4,272,317	998,665	1,016,231	630,699	-	6,917,912
31 December 2014						
	Up to 1 month	1-3 month	3-12 month	1-5 years	5 years and over	Total
Derivatives financial assets held for trading						
Foreign exchange derivatives:						
Cash inflows	4,033,436	280,216	176,782	86,239	-	4,576,673
Cash outflows	4,013,904	279,003	173,459	94,123	-	4,560,489
Hedging purposes financial assets						
Foreign exchange derivatives						
Cash inflows	-	-	-	-	-	-
Cash outflows	-	-	-	-	-	-
Total Cash Inflow	4,033,436	280,216	176,782	86,239	-	4,576,673
Total Cash Outflow	4,013,904	279,003	173,459	94,123	-	4,560,489

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2015

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

VI. Explanations on consolidated liquidity risk (continued)

Liquidity Coverage Ratio

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

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

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

	Highest	Date	Lowest	Date	Average
TL+FC	318.35	27.03.2015	166.26	02.01.2015	227.12
FC	991.79	11.12.2015	181.55	02.01.2015	565.20

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2015

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

VI. Explanations on consolidated liquidity risk (continued)

Leverage ratio

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

On-balance sheet assets		Current Period(*)
1	On-balance sheet items (excluding derivative financial instruments and credit derivatives but including collateral)	42,431,360
2	(Assets deducted in determining Tier 1 capital)	(237,229)
3	Total on-balance sheet risks (sum of lines 1 and 2)	42,194,131
Derivative financial instruments and credit derivatives		
4	Replacement cost associated with all derivative instruments and credit derivatives	-
5	Add-on amounts for PFE associated with all derivative instruments and credit derivatives	99,214
6	Total risks of derivative financial instruments and credit derivatives (sum of lines 4 to 5)	99,214
Securities or commodity financing transactions (SCFT)		
7	Risks from SCFT assets (Excluding balance sheet items)	673,233
8	Risks from brokerage activities related exposures	-
9	Total risks related with securities or commodity financing transactions (sum of lines 7 to 8)	673,233
Other off-balance sheet transactions		
10	Gross notional amounts of off-balance sheet transactions	37,198,861
11	(Adjustments for conversion to credit equivalent amounts)	(22,663,134)
12	Total risks of off-balance sheet items (sum of lines 10 and 11)	14,535,727
Capital and total risks		
13	Tier 1 capital	3,214,404
14	Total risk amount (3, 6, 9 and 12 th line totals)	57,502,305
Leverage ratio		
15	Leverage ratio	5.59

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2015

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

VII. Explanations on consolidated securitization positions

None (31 December 2014 – None).

VIII. Credit risk mitigation techniques

The Parent Bank applies the Comprehensive Financial Collateral Techniques explained in “Credit Risk Mitigation Techniques Communiqué” published in Official Gazette No. 28337 as of 28 June 2012.

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 at least every year whereas housing real estates are revised at least 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	5,583,719	-	-	-
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	5,932,236	-	-	-
Conditional and unconditional receivables from Corporates	40,486,181	249,352	-	-
Conditional and unconditional retail receivables	5,495,960	90,251	-	-
Conditional and unconditional receivables secured by Mortgages	11,004,351	26,979	-	-
Past due receivables	71,931	10	-	-
Receivables defined in high risk category by BRSA	233,511	104	-	-
Securities collateralized by mortgages	-	-	-	-
Securitization positions	-	-	-	-
Short-term receivables from banks, brokerage houses and corporates	-	-	-	-
Investments similar to collective investment funds	-	-	-	-
Other receivables	3,348,283	-	-	-
Total	72,156,172	366,696	-	-

(*) Includes total risk amounts before the effect of credit risk mitigation but after credit conversions.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2015

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

VIII. Credit risk mitigation techniques (continued)

Exposure Categories (Prior Period)	Amount(*)	Financial Collaterals	Other/Physical Collaterals	Guaranties and Credit Derivatives
Conditional and unconditional receivables from central governments or central banks	4,582,032	-	-	-
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	4,408,157	-	-	-
Conditional and unconditional receivables from Corporates	38,401,224	301,845	-	-
Conditional and unconditional retail receivables	8,805,862	123,163	-	-
Conditional and unconditional receivables secured by Mortgages	9,565,417	32,250	-	-
Past due receivables	31,677	8	-	-
Receivables defined in high risk category by BRSA	195,574	154	-	-
Securities collateralized by mortgages	-	-	-	-
Securitization positions	-	-	-	-
Short-term receivables from banks, brokerage houses and corporates	-	-	-	-
Investments similar to collective investment funds	-	-	-	-
Other receivables	3,072,759	-	-	-
Total	69,062,702	457,420	-	-

(*) Includes total risk amounts before the effect of credit risk mitigation but after credit conversions.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2015

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

IX. 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 Parent 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 Parent 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 Information Technologies (“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 analysing 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 modelling 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.

Fair values of financial assets and liabilities

The table summarizes the book value and fair value of the financial assets and liabilities that were not accounted by the values in Group's financial statements. Book value is the sum of the acquisition value and accumulated profit share accruals.

	Book Value		Fair Value	
	Current period	Prior period	Current period	Prior period
Financial Assets				
Banks	3,629,516	2,676,521	3,629,516	2,676,521
Financial assets available for sale	2,355,099	2,203,315	2,355,099	2,203,315
Loans and lease receivables	27,045,993	21,294,903	27,704,683	21,246,149
Financial Liabilities				
Current account and funds collected from banks via participation accounts.	180,444	208,876	180,444	208,876
Other current and profit sharing accounts	27,944,856	21,902,842	27,944,856	21,902,842
Funds provided from other financial institutions	711,542	4,869,643	711,542	4,999,650
Money market balances	4,851,508	708,743	4,959,310	708,743
Marketable Securities issued	3,636,119	2,187,900	3,666,725	2,184,850
Miscellaneous payables	126,289	152,591	126,289	152,591

The estimated fair value of the loans is calculated by discounting future cash flows by using current market rates of profit share. The fair value of financial assets and liabilities carried at amortized cost other than loans, and funds provided from other financial institutions approximates to their book values since they are short term in nature and their effective profit share rates are similar with current effective profit rates.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2015

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

IX. Explanations on risk management objectives and policies (continued)

Hierarchy of valuation techniques which establishes basis for fair value calculation of financial assets and liabilities

Level 1: Quoted prices in active markets for identical assets and liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable market information for the assets or liability, either directly or indirectly.

Level 3: Inputs for the asset or liability that is not based on observable market information.

Fair value hierarchy of the financial assets and liabilities carried at fair value according to the foregoing principles as of 31 December 2015 and 31 December 2014 are given in the table below:

Current Period	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets held for trading	44,006	44,608	-	88,614
Forward transactions	-	15,836	-	15,836
Swap transactions	-	28,772	-	28,772
Government debt securities	100	-	-	100
Other marketable securities	43,906	-	-	43,906
Available-for-sale financial assets	2,355,099	-	-	2,355,099
Equity securities	64,815	-	-	64,815
Government debt securities	1,908,176	-	-	1,908,176
Other marketable securities	382,108	-	-	382,108
Financial liabilities				
Financial liabilities held for trading	-	71,523	-	71,523
Forward transactions	-	13,739	-	13,739
Swap transactions	-	57,784	-	57,784
Prior Period	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets held for trading	4,799	43,116	-	47,915
Forward transactions	-	21,584	-	21,584
Swap transactions	-	21,532	-	21,532
Other marketable securities	4,799	-	-	4,799
Available-for-sale financial assets	2,203,315	-	-	2,203,315
Government debt securities	1,873,362	-	-	1,873,362
Other marketable securities	275,958	-	-	275,958
Financial liabilities				
Financial liabilities held for trading	-	25,885	-	25,885
Forward transactions	-	14,614	-	14,614
Swap transactions	-	11,271	-	11,271

No transfers have taken place between Level 1 and Level 2 for the current year.

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

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2015

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

XI. Explanations on business segments

The Group operates in Retail and Enterprise Banking, Commercial Banking, Corporate and International Banking sectors.

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 and Enterprise Banking; there are main activities: fund collection, commercial installment loan, enterprise loan, non-cash loans, consumer financing and credit cards. The Bank serves in the range of products of profit share accounts creation, banking services, Trade Finance, Checks, POS services, Credit Cards, ATM services, Online Banking and Mobile Banking in these fields.

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

Specific balance sheet and income statement items according to segments:

Current Period 1 January – 31 December 2015	Retail and enterprise banking	Commercial banking	Corporate and international banking	Unallocated	Group's total operation
Operating income	1,313,514	1,741,511	144,222	-	3,199,247
Operating expenses	919,979	317,548	413,083	1,006,778	2,657,388
Transfers between segments	497,042	(623,328)	126,286	-	-
Net operating income(loss)	890,577	800,635	(142,575)	(1,006,778)	541,859
Income from associates	-	-	-	(2,227)	(2,227)
Income before tax	890,577	800,635	(142,575)	(1,009,005)	539,632
Tax charge	-	-	-	113,724	113,724
Net income for the period	890,577	800,635	(142,575)	(1,122,729)	425,908
Current Period 31 December 2015					
Segment assets	9,347,138	17,310,032	14,200,574	-	40,857,744
Associates, subsidiaries and joint ventures	-	-	-	31,308	31,308
Undistributed assets	-	-	-	1,205,944	1,205,944
Total assets	9,347,138	17,310,032	14,200,574	1,237,252	42,094,996
Segment liabilities	20,903,234	7,227,938	9,363,470	-	37,494,642
Undistributed liabilities	-	-	-	1,152,223	1,152,223
Shareholders' equity	-	-	-	3,448,131	3,448,131
Total liabilities	20,903,234	7,227,938	9,363,470	4,600,354	42,094,996

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2015

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

XI. Explanations on business segments (continued)

Prior Period 1 January - 31 December 2014	Retail and enterprise banking	Commercial banking	Corporate and international banking	Unallocated	Bank's total operation
Operating income	1,032,880	1,406,446	90,413	-	2,529,739
Operating expenses	749,790	227,692	278,057	802,560	2,058,099
Transfers between segments	333,842	(313,430)	(20,412)	-	-
Net operating income(loss)	616,932	865,324	(208,056)	(802,560)	471,640
Income from associates	-	-	-	(4,459)	(4,459)
Income before tax	616,932	865,324	(208,056)	(807,019)	467,181
Tax charge	-	-	-	92,293	92,293
Net income for the period	616,932	865,324	(208,056)	(899,312)	374,888
Segment assets					
Associates, subsidiaries and joint ventures	7,593,054	13,580,282	11,705,938	-	32,879,274
Undistributed assets	-	-	-	28,285	28,285
Total assets	7,593,054	13,580,282	11,705,938	1,040,283	33,919,557
Segment liabilities	16,549,369	5,554,255	7,800,265	-	29,903,889
Undistributed liabilities	-	-	-	959,148	959,148
Shareholders' equity	-	-	-	3,056,520	3,056,520
Total liabilities	16,549,369	5,554,255	7,800,265	4,015,668	33,919,557

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2015

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

SECTION FIVE

EXPLANATIONS AND NOTES ON THE CONSOLIDATED 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	433,762	1,323,504	302,472	454,266
The Central Bank of Republic of Turkey	220,583	5,136,523	287,882	4,155,476
Other (*)	8,031	490,211	3,680	1,380,867
Total	662,376	6,950,238	594,034	5,990,609

(*) As of 31 December 2015, precious metal account amounting to TL 471,703 (31 December 2014 - TL 1,301,465) and money in transit TL 26,539 are presented in this line. (31 December 2014 – TL 83,082)

2. Balances with the Central Bank of Turkey:

	Current period		Prior period	
	TL	FC	TL	FC
Unrestricted demand deposit	215,802	9	287,742	7
Unrestricted time deposit	-	-	-	-
Restricted time deposit	4,781	5,136,514	140	4,155,469
Total	220,583	5,136,523	287,882	4,155,476

In accordance with the “Communiqué Regarding the Reserve Requirements no. 2013/15, the Bank is required to maintain reserves in CBRT for TL and foreign currency liabilities. The reserve requirements can be maintained as TL, USD, EUR and standard gold. CBRT started paying interest on reserve balances held in USD starting from May 2015 and held in TL starting from November 2014. The reserve rates for TL liabilities vary between 5% and 11.5% for TL deposits and other liabilities according to their maturities as of 31 December 2015 (31 December 2014: 5% and 11.5% for all TL liabilities). The reserve rates for foreign currency liabilities vary between 5% and 25% for deposit and other foreign currency liabilities according to their maturities as of 31 December 2015 (31 December 2014: 6% and 13% for all foreign currency liabilities).

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

- As of 31 December 2015, there are no financial assets at fair value through profit and loss subject to repurchase transactions, given as a collateral or blocked (31 December 2014 – 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	10,574	5,262	15,292	6,292
Swap transactions	1,421	27,351	19,575	1,957
Futures transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
Total	11,995	32,613	34,867	8,249

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2015

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

I. Explanations and notes related to assets (continued)

c. Information on Banks:

	Current period		Prior period	
	TL	FC	TL	FC
Banks	10,341	3,619,175	42,706	2,633,815
Domestic	10,291	1,765,435	42,435	1,814,572
Foreign	50	1,853,740	271	819,243
Branches and head office abroad	-	-	-	-
Total	10,341	3,619,175	42,706	2,633,815

d. Information on foreign bank accounts::

	Current period		Prior period	
	Unrestricted Amount	Restricted Amount	Unrestricted Amount	Restricted Amount
EU Countries	1,005,193	-	269,602	-
USA and Canada	647,305	-	382,563	-
OECD Countries(*)	21,339	-	38,404	-
Off-shore Banking Regions	419	-	404	-
Other	179,534	-	128,541	-
Total	1,853,790	-	819,514	-

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

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

	Current Period	Prior Period
Debt Securities	2,293,359	2,151,578
Quoted on stock exchange	2,293,359	2,151,578
Not quoted on stock exchange	-	-
Share certificates	70,463	53,995
Quoted on stock exchange	4,933	-
Not quoted on stock exchange	65,530	53,995
Impairment provision (-)	(8,723)	(2,258)
Total	2,355,099	2,203,315

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2015

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

I. Explanations and notes related to assets (continued)

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

The details of the Rent Certificates which are in Bank's Portfolio "Financial Assets Available for-Sale" are presented below as of 31 December 2015.

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

REFERENCE	CURRENCY	COUPON FREQUENCY	ISSUER	PURCHASE DATE	MATURITY DATE	COST VALUE	RATE
XS1325093877	USD	3	IILMH	25/11/2015	24/02/2016	145,380	3.08
XS1307862513	USD	3	IILMH	15/10/2015	19/01/2016	87,228	0.25
XS1082151868	USD	6	ALBARAKA TURK	30/06/2014	30/06/2019	116,304	6.25

- b) The Bank purchased the rent certificates ("sukuk") as details given table below from private entities that are stated under "Other Securities" in given financial statements.

REFERENCE	CURRENCY	COUPON FREQUENCY	ISSUER	PURCHASE DATE	MATURITY DATE	COST VALUE	RATE
TRD170216T17	TRY	6	T.C. HAZİNE	19/02/2014	17/02/2016	358,270	10.6
TRD150217T18	TRY	6	T.C. HAZİNE	18/02/2015	15/02/2017	463,344	7.80
TRD280916T17	TRY	6	T.C. HAZİNE	01/10/2014	28/09/2016	357,420	9.68
TRD160817T11	TRY	6	T.C. HAZİNE	19/08/2015	16/08/2017	318,481	9.96
XS0831353361	USD	6	T.C. HAZİNE	26/09/2012	26/03/2018	223,324	2.80
XS1141043296	USD	6	T.C. HAZİNE	25/11/2014	25/11/2024	68,893	4.48

f. Information on loans and receivables:

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

	Current period		Prior period	
	Cash	Non-Cash	Cash	Non-Cash
Direct Loans Granted to Shareholders	1,014	13,543	580	13,638
Corporate Shareholders	-	13,543	-	13,638
Real Person Shareholders	1,014	-	580	-
Indirect Loans Granted to Shareholders	126,600	600	79,663	283
Loans Granted to Employees	11,943	3	8,553	6
Total	139,557	14,146	88,796	13,927

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2015

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

I. Explanations and notes related to assets (continued)

f. Information on loans and receivables (continued)

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

Current Period	Performing Loans and Other Receivables			Loans and Other Receivables under Follow-Up		
	Loans and Other Receivables (Total)	Loans and Receivables with Revised Contract Terms		Loans and Other Receivables (Total)	Loans and Receivables with Revised Contract Terms	
Cash Loans		Extension of Repayment Plan	Other		Extension of Repayment Plan	Other
Loans	24,278,196	347,322	-	499,331	715,135	-
Financing commodity against document	-	-	-	-	-	-
Exports Loan	22,796	-	-	247	-	-
Imports Loans	1,034,926	-	-	1,981	-	-
Enterprise Loans	15,585,317	287,782	-	329,471	705,718	-
Consumer Loans	4,742,925	5,853	-	126,684	7,896	-
Credit Cards	246,452	-	-	5,967	-	-
Precious Metal Loans	149,169	-	-	2,598	-	-
Loans Given to Financial Sector	195,951	-	-	-	-	-
Loans Extended Abroad	291,164	53,687	-	14,339	1,521	-
Other	2,009,496	-	-	18,044	-	-
Other Receivables	19,064	-	-	4,085	-	-
Total	24,297,260	347,322	-	503,416	715,135	-

Prior Period	Performing Loans and Other Receivables			Loans and Other Receivables under Follow-Up		
	Loans and Other Receivables (Total)	Loans and Receivables with Revised Contract Terms		Loans and Other Receivables (Total)	Loans and Receivables with Revised Contract Terms	
Cash Loans		Extension of Repayment Plan	Other		Extension of Repayment Plan	Other
Loans	19,745,819	234,553	-	309,452	287,721	-
Financing commodity against document	16,944	-	-	-	-	-
Exports Loan	5,980	-	-	-	-	-
Imports Loans	1,206,270	-	-	2,452	-	-
Enterprise Loans	11,740,513	225,201	-	197,433	280,206	-
Consumer Loans	3,947,201	6,423	-	100,741	6,332	-
Credit Cards	195,307	-	-	4,738	54	-
Precious Metal Loans	171,743	-	-	-	-	-
Loans Given to Financial Sector	543,070	-	-	-	-	-
Loans Extended Abroad	310,205	2,610	-	-	1,129	-
Other	1,608,586	319	-	4,088	-	-
Other Receivables	4,027	-	-	2,745	-	-
Total	19,749,846	234,553	-	312,197	287,721	-

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2015

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

I. Explanations and notes related to assets (continued)

f. Information on loans and receivables (continued)

2. Information on first and second category loans and other receivables including restructured or rescheduled loans (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 1 November 2006 and numbered 26333, information related to the restructuring (after publish date of the aforementioned Communiqué) of the standard loans and loans and other receivables under close monitoring with respect to the payment schedules and terms is as follows (average maturities are taken into the account):

Number of Extensions for Repayment Plan		
Current Period	Performing Loans and Other Receivables	Performing Loans and Other Receivables
1 or 2 times	347,322	715,135
3,4 or 5 times	-	-
Over 5 times	-	-
Total	347,322	715,135

Extension Periods for Repayment Plan Changes	Performing Loans and Other Receivables	Loans and Other Receivables under Follow-Up
0 - 6 months	3,386	16,447
6 - 12 months	17,113	50,730
1 - 2 years	67,989	231,651
2 - 5 years	133,004	415,379
5 years and over	125,830	928
Total	347,322	715,135

Prior Period	Number of Extensions for Repayment Plan	
	Performing Loans and Other Receivables	Loans and Other Receivables under Follow-Up
1 or 2 times	234,553	287,721
3,4 or 5 times	-	-
Over 5 times	-	-
Total	234,553	287,721

Extension Periods for Repayment Plan Changes	Performing Loans and Other Receivables	Loans and Other Receivables under Follow-Up
0 - 6 months	1,360	976
6 - 12 months	5,294	39,818
1 - 2 years	45,628	108,503
2 - 5 years	98,897	131,896
5 years and over	83,374	6,528
Total	234,553	287,721

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2015

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

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

f. Information on loans and receivables: (continued)

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

Current Period	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	6,533,399	13,522	81,700	25,134
Loans	6,514,335	13,522	77,615	25,134
Other receivables	19,064	-	4,085	-
Medium and long-term loans and other receivables (*)	17,763,861	333,800	421,716	690,001
Loans	17,763,861	333,800	421,716	690,001
Other receivables	-	-	-	-
Total	24,297,260	347,322	503,416	715,135

Prior Period	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	5,727,187	10,205	35,628	2,375
Loans	5,723,160	10,205	32,883	2,375
Other receivables	4,027	-	2,745	-
Medium and long-term loans and other receivables (*)	14,022,659	224,348	276,569	285,346
Loans	14,022,659	224,348	276,569	285,346
Other receivables	-	-	-	-
Total	19,749,846	234,553	312,197	287,721

(*) Loans with original maturities more than one year are classified as "Medium and Long Term Loans".

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2015

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

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

f. Information on loans and receivables: (continued)

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

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2015

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

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

f. Information on loans and receivables: (continued)

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

Prior Period	Short term	Medium and long term	Total
Consumer Loans-TL	82,009	3,811,850	3,893,859
Housing Loans	4,649	3,631,205	3,635,854
Vehicle Loans	4,248	156,841	161,089
Consumer Loans	71,035	18,441	89,476
Other	2,077	5,363	7,440
Consumer Loans-FC Indexed	-	14,387	14,387
Housing Loans	-	12,774	12,774
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	1,613	1,613
Consumer Loans-FC	-	148,138	148,138
Housing Loans	-	46,759	46,759
Vehicle Loans	-	78	78
Consumer Loans	-	-	-
Other	-	101,301	101,301
Retail Credit Cards-TL	109,741	5,035	114,776
With Installment	28,660	5,034	33,694
Without Installment	81,081	1	81,082
Retail Credit Cards-FC	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Personnel Loans-TL	1,754	2,559	4,313
Housing Loans	-	996	996
Vehicle Loans	134	1,315	1,449
Consumer Loans	1,620	248	1,868
Other	-	-	-
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	4,777	110	4,887
With Installment	1,567	110	1,677
Without Installment	3,210	-	3,210
Personnel Credit Cards-FC	-	-	-
Installment based	-	-	-
Without-installment	-	-	-
Overdraft Account-TL (Real Person)	-	-	-
Overdraft Account-FC (Real Person)	-	-	-
Total	198,281	3,982,079	4,180,360

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2015

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

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

f. Information on loans and receivables: (continued)

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

Current Period	Short term	Medium and long term	Total
Commercial Installment Loans-TL	101,510	3,178,876	3,280,386
Business Premises Loans	3,143	760,710	763,853
Vehicle Loans	55,812	772,597	828,409
Consumer Loans	42,303	1,633,848	1,676,151
Other	252	11,721	11,973
Commercial Installment Loans-FC Indexed	22,962	1,616,759	1,639,721
Business Premises Loans	1,222	423,948	425,170
Vehicle Loans	4,632	347,961	352,593
Consumer Loans	7,829	765,312	773,141
Other	9,279	79,538	88,817
Commercial Installment Loans-FC	-	148,328	148,328
Business Premises Loans	-	129,225	129,225
Vehicle Loans	-	16,169	16,169
Consumer Loans	-	-	-
Other	-	2,934	2,934
Corporate Credit Cards-TL	103,920	-	103,920
With Installment	14,186	-	14,186
Without Installment	89,734	-	89,734
Corporate Credit Cards-FC	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Overdraft Account-TL (Legal Entity)	-	-	-
Overdraft Account-FC (Legal Entity)	-	-	-
Total	228,392	4,943,963	5,172,355
Prior Period	Short term	Medium and long term	Total
Commercial Installment Loans-TL	96,723	2,653,296	2,750,019
Business Premises Loans	3,006	616,276	619,282
Vehicle Loans	41,998	706,132	748,130
Consumer Loans	-	121,436	121,436
Other	51,719	1,209,452	1,261,171
Commercial Installment Loans-FC Indexed	25,651	1,342,007	1,367,658
Business Premises Loans	1,480	370,873	372,353
Vehicle Loans	2,882	278,942	281,824
Consumer Loans	-	-	-
Other	21,289	692,192	713,481
Commercial Installment Loans-FC	102	478,865	478,967
Business Premises Loans	-	69,799	69,799
Vehicle Loans	-	2,166	2,166
Consumer Loans	-	-	-
Other	102	406,900	407,002
Corporate Credit Cards-TL	80,382	54	80,436
With Installment	11,289	-	11,289
Without Installment	69,093	54	69,147
Corporate Credit Cards-FC	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Overdraft Account-TL (Legal Entity)	-	-	-
Overdraft Account-FC (Legal Entity)	-	-	-
Total	202,858	4,474,222	4,677,080

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2015

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

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

f. Information on loans and receivables: (continued)

6. Allocation of loans by customers:

	Current period	Prior period
Public	22,957	65,835
Private	25,840,176	20,518,482
Total	25,863,133	20,584,317

7. Breakdown of domestic and foreign loans:

	Current period	Prior period
Domestic loans	25,502,422	20,270,373
Foreign loans	360,711	313,944
Total	25,863,133	20,584,317

8. Loans granted to subsidiaries and associates:

	Current period	Prior period
Loans granted directly to subsidiaries and associates	10	5
Loans granted indirectly to subsidiaries and associates	-	-
Total	10	5

9. Specific provisions for loans:

	Current period	Prior period
Specific provisions		
Loans and receivables with limited collectability	67,565	25,044
Loans and receivables with doubtful collectability	104,178	84,119
Uncollectible loans and receivables	158,664	300,055
Total	330,407	409,218

10. 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	1,961	-	-
Rescheduled loans and other receivables	-	-	-

Prior period

(Gross amounts before specific provision)

Restructured loans and other receivables	-	-	-
Rescheduled loans and other receivables	-	-	-

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2015

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

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

f. Information on loans and receivables: (continued)

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

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

	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-31.12.2014	49,969	116,325	314,901
Additions in the current period (+)	95,011	100,850	145,679
Transfers from other categories of non-performing loans(+)	-	1,066	75,170
Transfers to other categories of non-performing loans (-)	26,967	49,266	3
Collections in the current period (-)	5,049	7,757	20,429
Write offs (-)	40	1,046	332,099
Corporate and commercial loans	13	89	191,820
Retail loans	11	203	126,218
Credit Cards	16	754	14,061
Other	-	-	-
Ending balance of the current period	112,924	160,172	183,219
Specific provisions (-)	67,565	104,178	158,664
Net balance at the balance sheet	45,359	55,994	24,555

(iii). Information on non-performing loans granted as foreign currency:

	Group III	Group IV	Group V
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Current Period			
Ending balance of the current period	-	-	13,796
Specific provisions (-)	-	-	(12,347)
Prior Period			
Dönem Sonu Bakiyesi	-	-	-
Specific provisions (-)	-	-	-

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2015

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

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

f. Information on loans and receivables: (continued)

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

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

	Group III: Loans and receivables with limited collectability	Group IV: Loans and receivables with doubtful collectability	Group V: Uncollectible loans and receivables
Current period (Net)	45,359	55,994	24,555
Loans granted to real persons and legal entities (Gross)	112,924	160,172	183,219
Specific provision (-)	67,565	104,178	158,664
Loans to real persons and legal entities (Net)	45,359	55,994	24,555
Banks (Gross)	-	-	-
Specific provision (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	-	-	-
Specific provision (-)	-	-	-
Other loans and receivables (Net)	-	-	-
Prior period (Net)	24,925	32,206	14,846
Loans to real persons and legal entities (Gross)	49,969	116,325	314,901
Specific provision (-)	25,044	84,119	300,055
Loans to real persons and legal entities (Net)	24,925	32,206	14,846
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.

(v). Aging analysis of past due but not impaired financial assets per classes of financial instruments is as follows:

Current period – 31 December 2015	Less than 30 days	31-60 days	61-90 days	More than 91 days	Total
Loans and receivables					
Corporate loans	695,566	204,218	178,290	-	1,078,074
Retail loans	26,109	69,528	38,873	-	134,510
Credit cards	4,337	1,154	476	-	5,967
Total	726,012	274,900	217,639	-	1,218,551

Prior Period – 31 December 2014	Less than 30 days	31-60 days	61-90 days	More than 91 days	Total
Loans and receivables					
Corporate loans	266,004	117,078	104,971	-	488,053
Retail loans	32,398	44,882	29,793	-	107,073
Credit cards	3,587	836	369	-	4,792
Total	301,989	162,796	135,133	-	599,918

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2015

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

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

f. Information on loans and receivables: (continued)

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

Loans and other receivables, which were deemed uncollectible according to the “Principles and Procedures for the Determination of the Quality of Loans and Other Receivables and Reserves to be provided for these Loans” published in the Official Gazette No. 26333 dated 1 November 2006 and for which a full impairment provision has been made, are written-off per the decision of the Bank top management. Within 2015, non-performing loans amounting to TL 333,185 have been written-off (31 December 2014 – TL 48,363).

12. 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.

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

None (31 December 2014 – None).

h. Information on investment in associates (Net):

1. The 1.75% ownership of Kredi Garanti Fonu A.Ş. of TL 4,210 (31 December 2014 – TL 4,210), 8.36% ownership of Islamic International Rating Agency of TL 714 (31 December 2014 – TL 714), and 6.99% ownership of Neova Sigorta A.Ş. of TL 4,956 (31 December 2014 – 3,752) and 0.06% ownership of Swift of TL 390 (31 December 2014 – TL 181) and 0.0035% ownership of Borsa İstanbul A.Ş. of TL 15 (31 December 2014 – TL 15) are classified as financial assets available for sale since the Bank’s ownership in these institutions is less than 10% and the Bank does not have a significant influence on these institutions.
2. Information about investments in unconsolidated associates: None (31 December 2014 – None).
3. Information related to consolidated associates: None (31 December 2014 – None).

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2015

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

I. Explanations and notes related to assets (continued)

i. Information on investment in associates (Net):

- 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 8 November 2006; hence these subsidiaries have not been consolidated. The Bank has reflected its subsidiaries at restated cost less any provision for impairment in its financial statements until 31 December 2004.
- Information on subsidiaries:

Title	Address (City/ Country)	Bank's share percentage, if different-voting Percentage (%)	Bank's risk group share Percentage (%)
Kuwait Turkish Participation Bank Dubai Ltd. (*)	Dubai/United Arab Emirates	% 100	% 100
KT Bank AG (*)	Frankfurt/Germany	% 100	% 100
KT Portföy Yönetimi A.Ş.	İstanbul/Turkey	% 100	% 100
KT Kira Sertifikaları Varlık Kiralama A.Ş.	İstanbul/Turkey	% 100	% 100
KT Sukuk Varlık Kiralama A.Ş. (**)	İstanbul/Turkey	% 100	% 100
Körfez Gayrimenkul Yatırım Ortaklığı A.Ş.	İstanbul/Turkey	% 75.00	% 97.61
Körfez Tatil Beldesi Turistik Tesisler ve Devremülk İşletmeciliği San.ve Tic. A.Ş. (**)	İstanbul/Turkey	% 99.99	% 99.99
Architect Bilişim Sistemleri ve Pazarlama Tic. A.Ş	İstanbul/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 profit/loss	Prior period profit /loss	Fair value
168,794	157,299	385	22,430	-	(296)	7,018	-
165,430	142,992	4,173	1,993	-	(36,770)	-	-
4,370	4,141	-	-	-	(1)	-	-
2,624,468	105,276	-	-	-	44	35	-
1,027,441	142	-	-	-	35	27	-
103,237	49,032	49,000	-	-	(439)	(262)	-
22,298	22,239	2	-	10	633	(876)	-
250	250	-	-	-	-	-	-

(*) Financial statements as at December 31, 2015 are in line with the Turkish legal legislations.

(**) These figures are shown per financial statements prepared in accordance with Turkish Commercial Code as at December 31, 2015.

Movement for subsidiaries

	Current period	Prior period
Balance at the beginning of the year	22,680	72,853
Movements during the year	-	-
Purchases (*)	250	-
Transfers from subsidiaries	-	(50,173)
Bonus shares	-	-
Dividends from current year income	-	-
Sales	-	-
Revaluation increase	-	-
(Impairment)/reversal of impairment	-	-
Capital commitment payments (**)	-	-
Balance at the end of the year	22,930	22,680
Capital commitments	-	-
Share percentage at the end of the year (%)	-	-

(*) Purchase is the capital payments Architect Bilişim Sistemleri amounting to TL 250.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2015

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

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

i. Information on subsidiaries : (continued)

3. Information on consolidated subsidiaries:

Description	Address (City/ Country)	Bank's share percentage- If different voting percentage (%)	Bank's risk group share percentage (%)
1. Kuwait Turkish Participation Bank Dubai Ltd. (*)	Dubai/BAE	% 100	% 100
2. KT Bank AG (*)	Frankfurt/Germany	% 100	% 100
3. KT Portföy Yönetimi A.Ş.	İstanbul/Turkey	% 100	% 100
4. KT Kira Sertifikaları Varlık Kiralama A.Ş.	İstanbul/Turkey	% 100	% 100
5. KT Sukuk Varlık Kiralama A.Ş. (**)	İstanbul/Turkey	% 100	% 100
6. Körfez Gayrimenkul Yatırım Ortaklığı A.Ş.	İstanbul/Turkey	% 75.00	% 97.61

(*) Financial figures as of 31 December 2015 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.

(**) The special purpose entity, Kuveyt Turk Sukuk Limited was established at 24 August 2010 which is not a subsidiary of the Bank. Since the Bank has 100% control power on the subsidiary it is included in the scope of consolidation.

Sectoral information on consolidated subsidiaries and the related carrying amounts:

	Current Period	Prior Period
Banks	221,109	95,402
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	-	-
Finance Companies	-	-
Other Financial Subsidiaries	55,273	50,273

Subsidiaries that are quoted on the stock exchange: None (31 December 2014 – None).

4. Information on capital adequacies of major subsidiaries:

The Bank does not have any major subsidiary.

5. Accounting method of the reasonable justification of unconsolidated in subsidiaries that booked on the unconsolidated financial statements:

Subsidiaries are carried by cost value after deduction of impairments since necessary requirements for consolidation is not met.

j. Information on joint ventures (business partnerships) (Net):

	Bank's share percentage	Total assets	Equity	Total fixed assets	Current period profit/loss	Prior period profit/loss
Katılım Emeklilik ve Hayat A.Ş. (*) (**)	% 50	261,443	14,295	1,954	(4,454)	(11,147)

(*) As of 31 December 2015, financial figures for this entity in the table above are based on the financial information prepared in accordance with the local regulations

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2015

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

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

k. 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	1,008,185	850,194	402,826	361,685
1 to 4 years	305,026	285,153	357,656	309,384
More than 4 years	49,789	47,513	43,414	39,517
Total	1,363,000	1,182,860	803,896	710,586

2. Net investments in finance leases:

	Current period	Prior period
Gross receivable from finance leases	1,363,000	803,896
Unearned finance lease income (-)	(180,140)	(93,310)
Cancelled amounts (-)	-	-
Net receivable from finance leases	1,182,860	710,586

3. Information on finance lease contracts:

The Group determines the settlements of the financial lease agreements in accordance with related legislations. Payment terms and amounts may be rearranged with additional agreements upon customers' requests. On the agreements, the Bank gives the customer the option to buy the related property. According to the Financial Lease Law, if a customer does not fulfill its obligations, the Bank sends a notice to the customer and the Bank takes legal action against the customer if necessary. Non performing finance lease receivables amounting to TL 3,506 are included in the non-performing loans in the balance sheet (31 December 2014– TL 8,429).

Impairment provision amounting to TL 2,941 (31 December 2014– TL 8,163) for financial lease receivables are included under the specific provision account under loans in the balance sheet.

I. Information on derivative financial assets for hedging purposes:

None (31 December 2014 – None).

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2015

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

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

m. Explanations on Tangible Assets (Net):

	Real Estates	Leased Tangible Assets	Vehicles	Other Tangible Assets (*)	Total
End of Prior Period: 31 December 2014					
Cost	165,057	78,447	1,075	322,693	567,272
Accumulated Depreciation (-)	7,031	14,133	870	143,518	165,552
Net Book Value	158,026	64,314	205	179,175	401,720
End of Current Period: 31 December 2015					
Net book value at beginning of period	158,026	64,314	205	179,175	401,720
Additions	11,745	1,220	48	90,323	103,336
Disposals (-)	7,813	-	-	4,288	12,101
Transfers to assets held for sale (-)	-	-	-	-	-
Transfer from assets held for sale	-	-	-	12,386	12,386
Impairment/Reversal of Impairment Losses	-	-	-	-	-
Depreciation Expense (-)	5,029	3,482	37	35,151	43,699
FX difference	-	-	-	-	-
Reverse of Impairment Provision	-	-	-	-	-
Cost at period end	168,989	79,667	1,123	421,114	670,893
Accumulated depreciation end of period (-)	12,060	17,615	907	178,669	209,251
Closing net book value	156,929	62,052	216	242,445	461,642
End of Prior Period: 31 December 2013					
Cost	123,758	76,676	1,027	264,364	465,825
Accumulated Depreciation (-)	2,580	10,828	806	115,843	130,057
Net Book Value	121,178	65,848	221	148,521	335,768
End of Current Period: 31 December 2014					
Net book value at beginning of period	121,178	65,848	221	148,521	335,768
Additions	198,653	1,776	48	43,801	244,278
Disposals (-)	157,354	5	-	2,545	159,904
Transfers to assets held for sale (-)	-	-	-	-	-
Transfer from assets held for sale	-	-	-	17,303	17,303
Impairment/Reversal of Impairment Losses	-	-	-	230	230
Depreciation Expense (-)	4,451	3,305	64	27,675	35,495
FX difference	-	-	-	-	-
Reverse of Impairment Provision	-	-	-	-	-
Cost at period end	165,057	78,447	1,075	322,693	567,272
Accumulated depreciation end of period (-)	7,031	14,133	870	143,518	165,552
Closing net book value	158,026	64,314	205	179,175	401,720

(*) TL 36,872 (31 December 2014-TL 28,446) includes the amount of real estates to be disposed off.

n. Explanations on Intangible Assets:

1. Cost and Accumulated Amortization Balances at beginning and end of period:

	End of Period	Beginning of Period
Cost	193,432	114,727
Accumulated Amortization	(74,092)	(44,447)
Total (net)	119,340	70,280

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2015

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

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

n. Explanations on Intangible Assets: (Continued)

2. Movements of intangible assets

	Current Period	Prior Period
Opening balance	70,280	55,698
Additions	86,933	32,018
Disposals (-), net	8,153	208
Depreciation amount (-)	29,720	17,228
Closing net book value	119,340	70,280

Intangible assets include computer software and program licenses which are taken for banking systems.

o. Investment property:

None.

p. Information on deferred tax asset:

In accordance with the related regulations deferred tax asset as of 31 December 2015 is TL 117,108 (31 December 2014 – TL 65,177) and deferred tax liability is TL 9,958 (31 December 2014 – TL 15,161).

	Current Period	Prior Period
Reserve for employee benefits	11,646	10,172
Retirement pay liability	9,642	8,383
Deferred income	27,131	24,356
Impairment provision for subsidiaries, fixed assets and assets held for sale	21,827	-
Precious metals valuation difference	26,223	16,562
Other	14,440	5,148
	6,199	556
Deferred tax asset	117,108	65,177
Difference between carrying value and tax base of tangible assets	(6,852)	(5,896)
Accruals of derivative financial instruments held for trading(net)	-	(3,313)
Valuation differences from available for sale financial assets	(482)	(5,182)
Other	(2,624)	(770)
Deferred tax liability	(9,958)	(15,161)
Deferred tax asset, (net)	107,150	50,016

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2015

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

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

p. Information on deferred tax asset: (continued)

Table of deferred tax asset movement:

	Current period	Prior period
As of January 1	50,016	30,953
Deferred tax income	45,687	22,533
Deferred tax accounted under shareholders' equity	11,447	(3,470)
Deferred tax asset	107,150	50,016

q. Assets held for sale and assets of discontinued operations

Tangible assets which are obtained through receivables of the Bank and which the Bank plans to sell within to sell one year has been published in the web site are valued with the lower of the net book value and fair value as is required by the Communiqué of "Principles and Procedures on Bank's Disposal of Precious Metals and Asset Held For Sale" published on 1 November 2006 in the Official Gazette No. 26333 in the unconsolidated financial statements.

	Current Period	Prior Period
Opening balance	31,316	28,999
Additions	13,956	35,741
Transfer from tangible assets	-	-
Disposals (-), net	246	16,121
Transfer to tangible assets	12,386	17,303
Depreciation amount (-)	-	-
Impairment losses provision (-)	-	-
Closing net book value	32,640	31,316

r. Information on other assets:

As of balance sheet date, the Group's other assets amount to TL 485,172 (31 December 2014 - TL 458,666). Other assets balance does not exceed 10% of the total assets on the balance sheet excluding off balance sheet commitments.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2015

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

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	2,647,535	-	-	-	-	-	-	-	2,647,535
II. Real persons profit sharing accounts TL	-	2,725,707	4,697,143	545,322	-	212,632	218,604	-	8,399,408
III. Other current accounts-TL	1,914,837	-	-	-	-	-	-	-	1,914,837
Public sector	66,484	-	-	-	-	-	-	-	66,484
Commercial sector	1,814,603	-	-	-	-	-	-	-	1,814,603
Other institutions	24,319	-	-	-	-	-	-	-	24,319
Commercial and other institutions	-	-	-	-	-	-	-	-	-
Banks and participation banks	9,431	-	-	-	-	-	-	-	9,431
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	1,202	-	-	-	-	-	-	-	1,202
Foreign banks	4,831	-	-	-	-	-	-	-	4,831
Participation banks	398	-	-	-	-	-	-	-	398
Others	3,000	-	-	-	-	-	-	-	3,000
IV. Profit sharing accounts-TL	-	285,158	1,016,935	50,342	-	107,013	78,509	-	1,537,957
Public sector	-	43	22,580	5,000	-	19	-	-	27,642
Commercial sector	-	261,501	941,747	38,593	-	103,772	78,126	-	1,423,739
Other institutions	-	23,614	50,911	6,749	-	3,222	383	-	84,879
Commercial and other institutions	-	-	1,685	-	-	-	-	-	1,685
Banks and participation banks	-	-	12	-	-	-	-	-	12
V. Real persons current accounts-FC	2,802,853	-	-	-	-	-	-	-	2,802,853
VI. Real persons profit sharing accounts-FC	-	1,647,358	3,055,045	607,343	-	393,923	169,584	-	5,873,253
VII. Other current accounts-FC	1,337,905	-	-	-	-	-	-	-	1,337,905
Commercial residents in Turkey	1,169,549	-	-	-	-	-	-	-	1,169,549
Commercial residents in Abroad	141,076	-	-	-	-	-	-	-	141,076
Banks and participation banks	27,280	-	-	-	-	-	-	-	27,280
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	4,215	-	-	-	-	-	-	-	4,215
Foreign banks	21,767	-	-	-	-	-	-	-	21,767
Participation banks	1,298	-	-	-	-	-	-	-	1,298
Others	-	-	-	-	-	-	-	-	-
VIII. Profit sharing accounts- FC	-	312,332	1,514,105	67,155	-	69,741	294,886	-	2,258,219
Public sector	-	-	15	-	-	-	-	-	15
Commercial sector	-	213,720	1,414,812	47,301	-	52,321	254,832	-	1,982,986
Other institutions	-	72,423	56,230	348	-	353	-	-	129,354
Commercial and other institutions	-	26,189	39,467	19,506	-	17,006	-	-	102,168
Banks and participation banks	-	-	3,581	-	-	61	40,054	-	43,696
IX. Precious metal funds	585,999	-	679,839	47,987	-	32,316	-	-	1,346,141
X. Profit sharing accounts special funds - TL	-	-	-	-	-	-	7,192	-	7,192
Residents in Turkey	-	-	-	-	-	-	7,192	-	7,192
Residents Abroad	-	-	-	-	-	-	-	-	-
XI. Profit sharing accounts special funds - FC	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
Total	9,289,129	4,970,555	10,963,067	1,318,149	-	815,625	768,775	-	28,125,300

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2015

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

II. Explanations and notes related to liabilities (continued)

a. Information on funds collected: (continued)

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

ii. Prior period:

	Demand	Up to 1 month	Up to 3 Months	Up to 6 months	Up to 9 months	Up to 1 year	1 year and over	Accumulated profit sharing accounts	Total
I. Real persons current accounts-TL	1,909,330	-	-	-	-	-	-	-	1,909,330
II. Real persons profit sharing accounts-TL	-	2,343,300	3,926,130	583,822	-	194,654	275,644	-	7,323,550
III. Other current accounts-TL	1,580,643	-	-	-	-	-	-	-	1,580,643
Public sector	67,748	-	-	-	-	-	-	-	67,748
Commercial sector	1,486,386	-	-	-	-	-	-	-	1,486,386
Other institutions	18,950	-	-	-	-	-	-	-	18,950
Commercial and other institutions	-	-	-	-	-	-	-	-	-
Banks and participation banks	7,559	-	-	-	-	-	-	-	7,559
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	1,199	-	-	-	-	-	-	-	1,199
Foreign banks	3,201	-	-	-	-	-	-	-	3,201
Participation banks	159	-	-	-	-	-	-	-	159
Others	3,000	-	-	-	-	-	-	-	3,000
IV. Profit sharing accounts-TL	-	331,993	690,747	114,080	-	103,014	79,049	-	1,318,883
Public sector	-	134	648	41	-	15,858	6,596	-	23,277
Commercial sector	-	287,626	646,097	104,051	-	85,775	70,465	-	1,194,014
Other institutions	-	22,099	43,563	9,988	-	1,381	380	-	77,411
Commercial and other institutions	-	22,134	427	-	-	-	1,608	-	24,169
Banks and participation banks	-	-	12	-	-	-	-	-	12
V. Real persons current accounts-FC	1,438,232	-	-	-	-	-	-	-	1,438,232
VI. Real persons profit sharing accounts-FC	-	1,185,998	2,043,002	519,895	-	263,869	206,998	-	4,219,762
VII. Other current accounts-FC	1,111,935	-	-	-	-	-	-	-	1,111,935
Commercial residents in Turkey	884,542	-	-	-	-	-	-	-	884,542
Commercial residents in Abroad	38,604	-	-	-	-	-	-	-	38,604
Banks and participation banks	188,789	-	-	-	-	-	-	-	188,789
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	46,308	-	-	-	-	-	-	-	46,308
Foreign banks	142,265	-	-	-	-	-	-	-	142,265
Participation banks	216	-	-	-	-	-	-	-	216
Others	-	-	-	-	-	-	-	-	-
VIII. Profit sharing accounts- FC	-	307,840	708,582	77,939	-	117,813	224,396	-	1,436,570
Public sector	-	-	-	-	-	-	-	-	-
Commercial sector	-	187,119	610,552	47,623	-	89,629	162,261	-	1,097,184
Other institutions	-	74,757	17,089	2,391	-	348	3,079	-	97,664
Commercial and other institutions	-	43,006	78,232	27,925	-	27,836	52,207	-	229,206
Banks and participation banks	-	2,958	2,709	-	-	-	6,849	-	12,516
IX. Precious metal funds	606,865	-	1,056,799	61,744	-	39,467	-	-	1,764,875
X. Profit sharing accounts special funds - TL	-	-	-	-	-	3,209	4,729	-	7,938
Residents in Turkey	-	-	-	-	-	3,209	4,729	-	7,938
Residents Abroad	-	-	-	-	-	-	-	-	-
XI. Profit sharing accounts special funds - FC	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
Total	6,647,005	4,169,131	8,425,260	1,357,480	-	722,026	790,816	-	22,111,718

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2015

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

II. Explanations and notes related to liabilities (continued)

a. Information on funds collected: (continued)

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

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

	Under the guarantee of saving deposit insurance		Exceeding the limit of saving Deposit	
	Current period	Prior period	Current period	Prior period
Real persons current and profit sharing accounts that are not subject to commercial activities				
TL accounts	7,234,693	5,738,367	3,775,703	3,463,278
FC accounts	4,001,565	3,321,617	5,831,455	3,973,599
Foreign branches' deposits under foreign authorities' insurance	-	-	-	-
Off-shore banking regions' under foreign authorities' insurance	-	-	-	-

Funds collected by Participation Banks (except for foreign branches) through current and profit share accounts which are opened by real persons and denominated in Turkish Lira or foreign currency with a limit of maximum of TL 100 (including both capital and profit shares) for each person is under the guarantee of Saving Deposit Insurance Fund in accordance with the Banking Law No. 5411 published on the Official Gazette no.25983 dated 1 November 2005.

i. 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 Parent 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	2,887	4,174
Profit sharing account and other accounts in scope of the property holdings derived from crime defined in article 282 of Turkish Criminal Law No:5237 dated 26 September 2004	-	-
Profit sharing accounts in participation banks which are established in Turkey in order to engage in off-shore banking activities solely	291	226

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2015

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

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	9,669	4,070	12,537	2,077
Swap transactions	293	57,491	1,551	9,720
Futures transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
Total	9,962	61,561	14,088	11,797

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	10,490	155,108	-	16,507
From Foreign Banks, Institutions and Funds	55,208	4,040,837	8,111	4,380,102
Total	65,698	4,195,945	8,111	4,396,609

2. Information on maturity structure of borrowings:

	Current period		Prior period	
	TL	FC	TL	FC
Short-term	65,698	4,059,263	8,111	3,571,161
Medium and Long-Term	-	136,682	-	825,448
Total	65,698	4,195,945	8,111	4,396,609

Details of significant transactions that are accounted under Funds Borrowed are stated in table below.

Current Period:

Type	Customer	Opening Date	Maturity	Currency	Rate (Yearly)	Principal	Profit Share
Syndicated	EMIRATES NBD BANK PJSC (HEAD OFFICE) – DUBAI	29/12/2014	29/12/2016	EUR	1.08%	30,000,000	657,291
Syndicated	EMIRATES NBD BANK PJSC (HEAD OFFICE) – DUBAI	29/12/2014	29/12/2016	USD	1.25%	300,000,000	7,642,605

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2015

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

II. Explanations and notes related to liabilities (continued)

c. Information on funds borrowed: (continued)

Prior Period:

Type	Customer	Opening Date	Maturity	Currency	Rate (Yearly)	Principal	Profit Share
Syndicated	STANDARD CHARTERED BANK (ALL U.K. OFFICES) – LONDON	27/12/2013	28/12/2015	EUR	1.54%	20,000,000	627,036
Syndicated	STANDARD CHARTERED BANK (ALL U.K. OFFICES) – LONDON	27/12/2013	28/12/2015	USD	1.49%	105,000,000	3,189,277
Syndicated	EMIRATES NBD BANK PJSC	29/12/2014	31/12/2015	EUR	0.87%	10,000,000	89,522
Syndicated	EMIRATES NBD BANK PJSC	29/12/2014	29/12/2016	EUR	1.08%	30,000,000	659,701
Syndicated	EMIRATES NBD BANK PJSC	29/12/2014	29/12/2016	USD	1.26%	300,000,000	7,666,704

3. Explanations related to the concentrations of the Bank's major liabilities:

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

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

d. Information on securities issued:

The Group has issued "sukuk" (rent certificates) as given in detail below. Securities issued has average profit share rate of 11% for TL 6% for USD and 6% for MRY. TL denominated sukuks have maturity between January 2016 – May 2016 USD denominated sukuks have maturity between October 2016 – June 2019 and MRY denominated sukuks have maturity between March 2020 – July 2020.

Current Period	TL		FC	
	Short term	Medium and long term	Short term	Medium and long term
Nominal	589,224	-	-	3,013,900
Remaining profit distribution	26,296	-	-	468,721
Carrying amount	602,602	-	-	3,033,517

Prior Period	TL		FC	
	Short term	Medium and long term	Short term	Medium and long term
Nominal	237,000	-	-	1,971,065
Remaining profit distribution	5,137	-	-	424,544
Carrying amount	208,064	-	-	1,979,836

e. Information on other liabilities and miscellaneous payables:

As of 31 December 2015, other liabilities amounting to TL 456,852 (31 December 2014 - TL 373,245), sundry creditors amounting to TL 126,289 (31 December 2014- TL 152,591), both of them do not exceed 10% of the balance sheet total.

f. Information on finance lease payables (net):

The Group 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 Group.

i. Information on the changes in agreements and new obligations originating from these changes: None (31 December 2014 – None).

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2015

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

II. Explanations and notes related to liabilities (continued)

f. Information on finance lease payables (net): (continued)

ii. Information on Financial Lease Obligations

	Current period		Prior period	
	Gross	Net	Gross	Net
Less than 1 year			-	-
Between 1-4 years	145	131	345	331
More than 4 years	-	-	-	-
Total	145	131	345	331

iii. Information on Operational Leases:

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

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

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

iv. Information on sale and leaseback transactions:

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

g. Information on hedging derivative financial liabilities:

	Current Period		Prior Period	
	TL	FC	TL	FC
Fair value hedge	-	-	-	-
Cash flow hedge	-	98,650	-	-
Hedge of net investment in foreign operations	-	-	-	-
Total	-	98,650	-	-

h. Information on provisions:

1. Information on general provisions:

	Current period	Prior Period
General Provisions	334,118	240,776
I.For Loans and Receivables in Group I (Total)	242,204	188,788
Profit Sharing Accounts' Share	70,988	49,246
The Bank's Share	158,152	131,179
Other	-	-
I.Additional Provision for Loans and Receivables with Extended Maturities	13,064	8,363
Profit Sharing Accounts' Share	3,482	2,708
The Bank's Share	9,582	5,655
Other	-	-
II.Loans and Receivables in Group II (Total)	45,256	20,324
Profit Sharing Accounts' Share	584	546
The Bank's Share	10,692	6,134
Other	-	-
II.Additional Provision for Loans and Receivables with Extended Maturities	33,980	13,644
Profit Sharing Accounts' Share	17,298	9,350
The Bank's Share	16,682	4,294
Other	-	-
Provisions for Non Cash Loans	19,363	16,306
Other	27,295	15,358

2. Information on provisions related with foreign currency evaluation difference of foreign currency indexed loans: As of 31 December 2015, effect of decrease in exchange rates on foreign currency indexed loans amounting to TL 28,352 (31 December 2014 - TL 18,574) and TL 37,431 for leasing receivables (31 December 2014 - TL 17,290) is offset against loans and receivables.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2015

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

II. Explanations and notes related to liabilities (continued)

3. Information on other provisions:

	Current Period	Prior Period
Provisions for non- liquidated non cash loans (*)	66,746	42,544
Provisions for cheque books (*)	8,768	9,181
Provisions from equity/profit sharing accounts	7,564	14,186
Provisions for Promotion Activities for Credit Cards	551	347
Other(**)	7,988	890
Total	91,617	67,148

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

(**) Other item includes TL 4,450 litigation provision in current period (31 December 2014 :-None)

4. Information on provisions for employee benefits:

Provisions for employee benefits consist of reserve for employee termination benefits amounting to TL 48,639 (31 December 2014 – TL 42,212), vacation pay liability amounting to TL 355 (31 December 2014 – TL 430), performance premium amounting to TL 49,677 (31 December 2014 – TL 48,600), retirement bonus payment provision of TL 3,360 (31 December 2014 – TL 1,829) and committee fee amounting to TL 4,840 (31 December 2014 – 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 4,093 (31 December 2014 – TL 3,129) for each year of service. The liability is not funded, as there is no funding requirement.

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

	Current period	Prior period
Discount Rate (%)	10.83	9.00
Inflation rate (%)	7.40	6.40
Rate of return (%)	8.40	7.40

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

	Current period	Prior period
Balance at the beginning of the period	42,212	28,959
Provisions recognized during the period	13,198	9,619
Actuarial loss/(gain) (*)	(3,151)	6,452
Paid during the period	(3,620)	(2,818)
Balances at the end of the period	48,639	42,212

(*) Retirement pay liability arising from current period and amounting TL 18,644 is an actuarial loss amount and deferred tax amounting to TL 3,729 related with the retirement pay liability is accounted under Statement of other Comprehensive Income.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2015

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

II.Explanations and notes related to liabilities (continued)

i. Explanations on tax liability:

1. Explanations on current tax liability:

i. Information on tax provisions: As of 31 December 2015, the Bank has current tax liability after deducting temporary taxes paid during the period from the provision for corporate income tax amounting to TL 36,477.

	Current period	Prior period
Provision for corporate income tax	159,534	122,184
Prepaid taxes	(123,057)	(89,867)
Total (*)	36,477	32,317

(*) 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	10,502	8,427
Taxation of immovable property	997	783
Banking Insurance Transaction Tax (BITT)	13,200	10,871
Foreign Exchange Transaction Tax	-	-
Value Added Tax Payable	1,020	1,049
Income tax deducted from wages	6,488	5,360
Other	1,001	833
Total	33,208	27,323

iii. Information on premiums (*):

	Current period	Prior period
Social Security Premiums-Employee	3,636	3,028
Social Security Premiums-Employer	3,913	3,288
Unemployment insurance-Employee	260	217
Unemployment insurance-Employer	573	482
Total	8,382	7,015

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

iv. Information on deferred tax liability: None (31 December 2014 - None).

j. **Information on payables related to assets held for sale:** None (31 December 2014 – None).

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2015

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

II.Explanations and notes related to liabilities (continued)

k. Information on subordinated loans:

	Current Period		Prior Period	
	TL	FC	TL	FC
From Domestic Banks	-	-	-	-
From Other Domestic Institutions	-	-	-	-
From Foreign Banks	-	589,734	-	464,592
From Other Foreign Institutions	-	-	-	-
Total	-	589,734	-	464,592

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

l. Information on shareholders' equity:

1. Presentation of paid-in capital:

	Current period	Prior period
Common shares	2,530,000	2,290,000
Preference shares	-	-
Repurchased shares amount (*)	(2,678)	(2,995)
Total	2,527,322	2,287,005

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

- 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 Parent Bank.
- 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	Internal Source	Profit reserves subject to increase
6 April 2015	240,000	240,000	-

- Information on share capital increases from capital reserves during the current period: None. (31 December 2014 – None)
- Possible effect of estimations made for the Group's revenues, profitability and liquidity on equity considering prior period indicators and uncertainties:

Based on the evaluation made considering the Group's prior and current period indicators related to net profit share and commission income, it is observed that the Group continues its operations profitably.
- Summary of privileges given to shares representing the capital: None.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2015

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

II. Explanations and notes related to liabilities (continued)

7. Information on marketable securities value increase fund:

	Current period		Prior period	
	TL	FC	TL	FC
From Associates, Subsidiaries and Entities Under Common Control (Joint Vent.)	-	-	-	-
Valuation Difference (*)	9,224	(3,831)	20,729	340
Foreign Exchange Difference	-	-	-	-
Total	9,224	(3,831)	20,729	340

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

m. Information on minority shares:

	Current Period	Prior Period
Beginning Balance	12,368	-
Minority Share in Net Income of Subsidiaries	(110)	(428)
Increase / (Decrease) in Minority Shares due to Sales	-	12,796
Ending Balance	12,258	12,368

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 31 December 2015 is TL 739,721 (31 December 2014 – TL 575,870); payment commitments for cheque books are TL 1,018,655 (31 December 2014 – TL 876,101)
2. Type and amount of probable losses and obligations arising from off-balance sheet items:
 - i. Non-cash loans including guarantees, bank acceptances, collaterals and others that are accepted as financial commitments and other letter of credits:

As of 31 December 2015, the Bank has guarantees and surety ships constituting of TL 7,340,216 (31 December 2014 – TL 6,893,972) letters of guarantee; TL 84,108 (31 December 2014 – TL 59,790) acceptances and TL 1,029,264 (31 December 2014 – TL 922,530) letters of credit. In addition, the Bank has also Other Guarantees and Securities amounting to TL 503,290 (31 December 2014: TL 372,420).
 - 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	8,956,878	8,248,712
Total	8,956,878	8,248,712

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2015

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

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

a. Explanations on off-balance sheet accounts: (continued)

3.(ii). Sectorial risk concentration of non-cash loans

	Current period				Prior period			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
Agriculture	29,503	0.63	30,804	0.71	37,382	0.88	19,728	0.50
Farming and Stockbreeding	12,707	0.27	11,025	0.26	19,746	0.46	5,351	0.13
Forestry	16,714	0.36	19,497	0.45	17,548	0.41	13,598	0.34
Fishery	82	0.00	282	0.01	88	-	779	0.02
Manufacturing	750,567	16.19	893,190	20.68	684,028	16.01	882,729	22.20
Mining and quarrying	179,242	3.87	279,187	6.46	155,495	3.64	269,000	6.76
Production	346,077	7.46	333,253	7.72	338,656	7.93	355,342	8.94
Electricity, Gas, Water	225,248	4.86	280,750	6.50	189,877	4.44	258,387	6.50
Construction	2,031,713	43.81	1,174,744	27.20	1,848,355	43.27	1,316,787	33.11
Services	1,265,473	27.29	1,435,932	33.24	1,170,082	27.39	1,300,135	32.69
Wholesale and Retail Trade	509,495	10.99	406,579	9.41	532,883	12.47	363,809	9.15
Hotel, Food and Beverage								
Services	54,590	1.18	32,191	0.75	45,054	1.05	27,405	0.69
Transportation and Telecom.	365,675	7.89	597,765	13.84	305,131	7.14	453,271	11.40
Financial Institutions	6,461	0.14	321,613	7.45	20,946	0.49	397,783	10.00
Real Estate and Renting Services	14,230	0.31	5,094	0.12	9,963	0.23	1,307	0.03
“Self-Employment” Type Services	130	0.00	-	-	112	-	-	-
Educational Services	27,509	0.59	3,882	0.09	27,764	0.65	3,006	0.08
Health and Social Services	287,383	6.20	68,808	1.59	228,229	5.34	53,554	1.35
Other	560,138	12.08	784,814	18.17	531,903	12.45	457,583	11.51
Total	4,637,394	100.00	4,319,484	100.00	4,271,750	100.00	3,976,962	100.00

3.(iii). Non-cash loans classified under Group I and II:

Current Period	Group I		Group II	
	TL	FC	TL	FC
Non-Cash Loans	4,551,524	4,284,304	85,870	35,180
Letters of Guarantee	4,521,699	2,698,924	85,870	33,723
Bills of Exchange and Bank Acceptances	7,656	76,004	-	448
Letters of Credit	177	1,028,078	-	1,009
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Related Guarantees	-	-	-	-
Other Guarantees and Sureties	21,992	481,298	-	-
Prior Period	Group I		Group II	
	TL	FC	TL	FC
Non-Cash Loans	4,226,915	3,967,417	44,835	9,545
Letters of Guarantee	4,208,973	2,634,791	44,835	5,373
Bills of Exchange and Bank Acceptances	4,033	51,804	-	3,953
Letters of Credit	1,220	921,091	-	219
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Related Guarantees	-	-	-	-
Other Guarantees and Sureties	12,689	359,731	-	-

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2015

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

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

b. Financial derivative instruments

	Derivative transactions according to aims	
	Current Period	Prior Period
Trading derivatives		
Foreign Currency Related Derivative Transactions (I):	12,438,945	8,243,923
Currency Forwards-Purchases, sales	3,166,827	3,387,898
Currency Swaps-Purchases, sales	9,272,118	4,856,025
Currency Futures	-	-
Currency Options-Purchases, sales	-	-
Profit Share Related Derivative Transactions (II):	-	-
Profit share forwards-Purchase, sales	-	-
Profit share swaps-Purchases, sales	-	-
Profit share options-Purchases, sales	-	-
Profit share futures-Purchases, sales	-	-
Other Trading Derivatives (III)	104,764	893,239
A.Total Trading Derivatives (I+II+III)	12,543,709	9,137,162
Hedging Derivatives		
Fair value hedges	-	-
Cash flow hedges	1,172,816	-
Foreign currency investment hedges	-	-
B. Total Hedging Derivatives	1,172,816	-
Total Derivatives Transactions (A+B)	13,716,525	9,137,162

The Bank enters short term swap transactions based on its market expectations and cash flow. These transactions are generally short term and consist of foreign currency to foreign currency and foreign currency to Turkish Lira agreements. As of 31 December 2015, the Bank has commitments to buy TL 1,402,158, USD 1,387,161,000, EUR 121,900,000, GBP 3,005,000 and 800,000,000 MYR in return of selling commitments of TL 588,724, USD 824,214,000, EUR 945,395,000 and GBP 1,986,000 (As of 31 December 2014, the Bank has commitments to buy TL 1,968,760, USD 934,003,000, EUR 97,261,000 and GBP 167,000 in return of selling commitments of TL 1,395,430, USD 852,096,000, EUR 150,597,000 and GBP 97,000

c. Credit derivatives and risk exposures on credit derivatives: None.

d. Contingent liabilities and assets:

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

e. Explanations on custodian and intermediary services

The Bank has no operations like money placements on behalf of real or legal persons, charitable foundations, retirement insurance funds and other institution.

f. Summary Information on the Bank's Rating by the International Rating Institutions

Fitch Rating's December 2015	Notes
Long Term Issuer Default Rating	BBB
Short Term Issuer Default Rating	F3
Local Currency Long Term Issuer Default Rating	BBB+
Local Currency Short Term Issuer Default Rating	F2
Support Rating	2

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2015

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

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	2,141,419	151,774	1,736,342	86,477
Short term loans	558,220	21,329	536,729	15,611
Medium and long term loans	1,576,241	130,445	1,193,354	70,866
Profit share on non-performing loans	6,958	-	6,259	-
Premiums received from resource utilization support fund	-	-	-	-

2. Information on profit share received from banks:

	Current period		Prior period	
	TL	FC	TL	FC
The Central Bank of the Republic of Turkey	-	-	-	-
Domestic Banks	-	-	-	-
Foreign Banks	302	21,459	318	16,829
Branches and head office abroad	-	-	-	-
Total	302	21,459	318	16,829

3. Information on profit share income from securities portfolio:

The Parent Bank has received TL 165,423 profit share income from rent certificates (sukuk) which is given the details in available for sale financial assets information. (1 January-31 December 2014: TL 130,875).

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

	Current period	Prior period
Profit share income received from associates and subsidiaries	4	-

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	12,923	61,992	1,709	67,706
The Central Bank of the Republic of Turkey	-	-	-	-
Domestic banks	10,434	2,220	-	8
Foreign banks	2,489	59,772	1,709	67,698
Branches and head office abroad	-	-	-	-
Other Institutions	50,251	4,824	16,568	27,651
Total	63,174	66,816	18,277	95,357

ii. Profit share expense given to associates and subsidiaries:

	Current Period	Prior Period
Profit share expenses given to associates and subsidiaries	557	1,631

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2015

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

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

iii. Profit share expense paid to securities issued: The Group has paid TL 200,090 for securities issued (1 January-31 December 2014 - 92,537).

c. Information on dividend income: None (1 January-31 December 2014: None).

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

Current period		Profit Sharing Accounts						Accumulate d profit sharing accounts	Total
Account Name	Up to 1 month	Up to 3 month	Up to 6 month	Up to 9 month	Up to 1 year	Above 1 year			
TL									
Collected funds from banks through current and profit share accounts	-	1	-	-	-	-	-	-	1
Real person's non-trading profit sharing account	162,510	284,933	39,724	-	13,305	17,389	-	-	517,861
Public sector profit sharing account	5	136	1	-	1,527	549	-	-	2,218
Commercial sector profit sharing account	16,602	43,863	7,503	-	1,370	1,685	-	-	71,023
Other institutions profit sharing account	2,303	2,403	425	-	106	29	-	-	5,266
Total	181,420	331,336	47,653	-	16,308	19,652	-	-	596,369
FC									
Banks	555	669	394	-	370	3,876	-	-	5,864
Real person's non-trading profit sharing account	18,411	36,005	8,335	-	5,119	3,158	-	-	71,028
Public sector profit sharing account	-	-	-	-	-	-	-	-	-
Commercial sector profit sharing account	2,600	29,507	1,138	-	1,209	790	-	-	35,244
Other institutions profit sharing account	1,755	957	171	-	191	56	-	-	3,130
Precious metal accounts	-	5,669	379	-	263	-	-	-	6,311
Total	23,321	72,807	10,417	-	7,152	7,880	-	-	121,577
Grand total	204,741	404,143	58,070	-	23,460	27,532	-	-	717,946
Prior Period		Profit Sharing Accounts						Accumulat ed profit sharing accounts	Total
Account Name	Up to 1 month	Up to 3 month	Up to 6 month	Up to 9 month	Up to 1 year	Above 1 year			
TL									
Collected funds from banks through current and profit share accounts	-	1	-	-	-	-	-	-	1
Real person's non-trading profit sharing account	136,105	225,439	40,423	-	12,336	22,159	-	-	436,462
Public sector profit sharing account	46	55	3	-	1,445	3	-	-	1,552
Commercial sector profit sharing account	14,256	36,293	8,297	-	1,977	1,629	-	-	62,452
Other institutions profit sharing account	1,691	2,636	463	-	351	35	-	-	5,176
Total	152,098	264,424	49,186	-	16,109	23,826	-	-	505,643
FC									
Banks	2,447	5,715	130	-	213	1,417	-	-	9,922
Real person's non-trading profit sharing account	19,818	37,860	11,025	-	4,969	4,729	-	-	78,401
Public sector profit sharing account	4,026	27,788	870	-	1,986	373	-	-	35,043
Commercial sector profit sharing account	1,739	1,178	95	-	23	217	-	-	3,252
Other institutions profit sharing account	-	9,147	516	-	335	-	-	-	9,998
Precious metal accounts	-	-	-	-	-	-	-	-	-
Total	28,030	81,688	12,636	-	7,526	6,736	-	-	136,616
Grand total	180,128	346,112	61,822	-	23,635	30,562	-	-	642,259

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2015

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

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

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

	Current period	Prior period
Trading income/loss (net)	203,777	147,655
Income	12,915,893	7,063,732
Gain on capital market transactions	7,957	829
Gain on derivative financial instruments	278,124	430,601
Foreign exchange gains	12,629,812	6,632,302
Losses (-)	12,712,116	6,916,077
Losses on capital market transactions	1,694	763
Losses on derivative financial instruments	235,676	402,904
Foreign exchange losses	12,474,746	6,512,410

f. Information on other operating income:

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

	Current period	Prior period
Reversal of prior period provisions	104,529	84,855
Income from sale of assets	27,221	19,454
Income from checkbooks	-	72
Lease income	1,825	1,922
Other Income	10,447	5,816
Total	144,022	112,119

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

	Current period	Prior period
Specific provisions for loans and other receivables	337,621	206,098
III. group loans and receivables	74,037	32,385
IV. group loans and receivables	146,981	89,409
V. group loans and receivables	116,603	84,304
Doubtful commissions, fees and other receivables	191	15
General provision expenses	93,342	66,525
Provision expenses for possible losses	-	-
Impairment provision of marketable securities	3,559	670
Financial Assets at fair value through profit and loss	559	670
Investment securities available for sale	3,000	-
Impairment provision of associates, subsidiaries, joint ventures and held to maturity investments	714	-
Associates	714	-
Subsidiaries	-	-
Joint ventures	-	-
Held to maturity investments	-	-
Other	5,656	548
Total	441,083	273,856

(*) Other item includes TL 4,450 litigation provision in current period. (31 December 2014: None)

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2015

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

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

h. Information on other operating expenses:

	Current period	Prior period
Personnel expenses	522,363	433,252
Provision for retirement pay liability	9,578	7,193
Depreciation expenses of fixed assets	42,637	34,307
Impairment expenses of tangible assets	-	230
Depreciation expenses of intangible assets	29,767	17,317
Depreciation expenses of assets held for sale	1,062	1,188
Other operating expenses	244,249	200,604
Rent expenses	87,885	73,427
Maintenance expenses	21,621	14,183
Advertisement expenses	11,749	13,797
Communication expenses	27,145	20,946
Heating, electricity and water expenses	11,558	9,467
Cleaning expenses	4,813	4,068
Vehicle expenses	4,477	4,654
Stationery expenses	4,215	4,212
Other expenses	70,786	55,850
Losses on sales of assets	782	225
Deposit insurance fund expenses	59,593	43,442
Other	97,529	65,027
Total	1,007,560	802,785

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

Income before tax amounts to TL 539,632 increased by 15.51% as compared to the prior period (2014 – TL 467,181). Income before tax includes TL 1,490,173 (2014 – TL 1,155,289) net profit share income and TL 152,530 (2014 – TL 133,218) net fees and commission income. Other operating expense amount is TL 1,007,560 (2014 – TL 802,785).

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

At current period, deferred tax income of the Group is TL 45,687 (31 December 2014 – TL 22,533 deferred tax expense) and current tax charge is TL 159,411 (2014 – TL 114,826).

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

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

l. Information on net income/loss:

- 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 Group's performance for the period: As of 31 December 2015, net profit share income is TL 1,490,173 (1 January-31 December 2014 – TL 1,155,289), net fees and commission income is TL 152,530 (1 January-31 December 2014 – TL 133,218).
- Effect of changes in accounting estimates on income statement for the current and, if any for subsequent periods: None (1 January-31 December 2014 – None).

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2015

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

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

- iii. Profit/Loss attributable to minority interest:

	Current Period	Prior Period
Profit/Loss attributable to minority interest	(110)	(428)

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

As of 31 December 2015, other fees and commissions received amounting to TL 179,301 (1 January-31 December 2014 – TL 157,071) consists of TL 31,283 credit card fees and commissions (1 January-31 December 2014 – TL 24,214) and TL 36,962 POS machine commissions (1 January-31 December 2014 – TL 30,582).

As of 31 December 2015, other fees and commissions amounting to TL 108,624 (1 January-31 December 2014 – TL 98,438) consists of TL 42,855 (1 January-31 December 2014 – TL 37,866) POS clearing commissions and installation expenses, TL 5,920 (1 January-31 December 2014 – TL 4,241) fees and commissions paid for credit cards.

V. Statement of Changes in Shareholders' Equity

- a) There are no disclosed dividend amounts subsequent to the balance sheet date, prior to the presentation of the financial statements.

Decision on the dividend distribution will be made in the General Assembly. However, the General Assembly has not been held as of the date when the accompanying financial statements are finalized.

- b) In current year, the Bank has realized dividend payments amounting to TL 36,000 to its shareholders and TL 2,959 TL to members of Board of Directors. In the General Assembly meeting held in 31 March 2015 it has been decided to TL 22,418 transfer to legal reserves, TL 32,566 transfer to extraordinary reserves, TL 36,634 TL transfer to other reserves and TL 240,000 transfer to paid up capital.

VI. Explanations and notes related to cash flow statement

a. Information regarding the balances of cash and cash equivalents:

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	2,004,817	2,987,060
Cash in TL/foreign currency, others	756,738	703,661
Demand deposits at banks	1,248,079	2,283,399
Cash equivalents	-	-
Interbank money markets	-	-
Time deposits at banks	-	-
Marketable securities	-	-
Total cash and cash equivalents	2,004,817	2,987,060

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2015

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

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

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

	Current period	Prior period
Cash	4,777,114	2,004,817
Cash in TL/foreign currency, others	1,757,266	756,738
Demand deposits at banks (up to 3 months)	3,019,848	1,248,079
Cash equivalents	-	-
Interbank money markets	-	-
Time deposits at banks	-	-
Marketable securities	-	-
Total cash and cash equivalents	4,777,114	2,004,817

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

c. Explanations on other items in the cash flow statement:

“Other items” amounting to TL (173,764) (1 January – 31 December 2014 – TL (214,874)) in “Operating profit before changes in operating assets and liabilities” consists of fees and commissions paid and other operating expenses except for collection from non-performing loans and personnel expenses.

“Net increase/decrease in other liabilities” amounting to TL 208,600 (1 January – 31 December 2014 – TL 583,806) in “Changes in operating assets and liabilities” consists of changes in sundry creditors, other liabilities and taxes and other duties payables.

“Net increase/decrease in other assets” amounting to TL (26,968) (2014 – TL (56,726)) in “Changes in operating assets and liabilities” consist of changes in tax assets and other asset.

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

Effect of the changes in foreign currency rates on cash and cash equivalents has been calculated approximately TL 121,283 as of December 31, 2015 (January1 -December31, 2014 – TL 17,076). The effects of the change in foreign currency rates on cash and cash equivalents is calculated according to multiplying fx difference between balance sheet date and cash entered date and related cash amount.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2015

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

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

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

1. Current period:

Risk group of the Bank (*)	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the Bank		Other real or legal persons included in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables	5	25,640	580	13,638	79,663	283
Balance at beginning of period	10	132	1,014	13,543	126,600	600
Balance at end of period	-	4	75	-	6,050	1
Profit share and commission income						

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

2. Prior period:

Risk group of the Bank (*)	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the Bank		Other real or legal persons included in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Balance at beginning of period	1	78	621	676	80,270	55
Balance at end of period	5	25,640	580	13,638	79,663	283
Profit share and commission income	-	-	50	-	4,461	-

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

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

Risk group of the Bank (*)	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the bank		Other real or legal persons included in the risk group	
	Current period	Prior period	Current period	Prior period	Current period	Prior period
Current and profit sharing accounts						
Balance at the beginning of period	8,382	45,170	42,633	28,882	207,428	171,137
Balance at the end of period	12,674	8,382	57,602	42,633	137,160	207,428
Profit share expense	557	1,631	2,571	1,939	6,706	5,028

(*) 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.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2015

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

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

(iii.) 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	-	-	2,618,833	2,300,361	26,640	70,022
Balance at end of period	-	-	2,607,122	2,618,833	166,742	26,640
Profit share expense	-	-	80,076	77,854	872	270

b. Information on remunerations provided to top management:

As of 31 December 2015, the Parent Bank has paid TL 18,085 to top management (31 December 2014 - TL 14,112).

VIII. Domestic, foreign and off-shore branches or equity investments, and foreign representative offices

1. Domestic and foreign branches and representative offices:

	Number of Branches	Number of Employees			
Domestic branches (*)	358	3,841			
			Country		
Foreign representative offices				Total Assets (TL)	Legal Capital (USD)
Foreign banks	1	13	Dubai	168,794	50,000,000
	1	73	Germany	165,430	49,178,704
Off-shore branches	1	4	Bahrain	2,726,292	

(*) The personnel working at Headquarters, Operation Center and Region quarters are not included in the domestic branches personnel number.

2. Opening or closing of domestic and foreign branches and representative offices and significant changes in organizational structure

In 2015, 52 new domestic branches (2014-40 branches) were opened.

In 2015, a new domestic branch called 'KT Bank AG' were opened in Germany.

IX. Significant Events and Matters Arising Subsequent to Balance Sheet Date

The Board of Directors of the Bank, has decided to present to the proposal for the approval of the General Assembly that TL 260,000 from 2015 year profit is used in capital increase of internal resources at its meeting dated 27 January 2016.

Bank has made subordinated sukuk issuance which is 10 years maturity, the redemption option at the end of 5 years and 7.90 percent of the annual rent amounting to 350 million US dollars under the regulation regarding banks shareholders equity, to contribute additional capital through KT Sukuk Company Ltd.

KUVEYT TRK KATILIM BANKASI ANONİM ŐİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2015

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

SECTION SIX

OTHER EXPLANATIONS AND DISCLOSURES

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

SECTION SEVEN

INDEPENDENT AUDITORS' REPORT

I- Explanations on the independent auditors' report

The consolidated financial statements of the Bank have been audited by DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member of Deloitte Touche Tohmatsu Limited) and the independent auditors' report dated 4 March 2016 is presented before the accompanying consolidated financial statements.

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