KUVEYT TÜRK ANNUAL REPORT 2009

CONTENTS

Important Notice: *This Annual Report is the direct and one-to-one translation of its Turkish version. The financial data in this report is comprised of IFRS consolidated figures.*

For 20 years, Kuveyt Türk has been a bank that consistently invests in production and which, in turn, takes its strength from real production. In the period ahead, Kuveyt Türk will continue to use its resources to benefit Turkish production in order to grow and develop in parallel to the Turkish economy in all areas of the Bank's activities, from retail banking to investment banking.

Miniatures, a centuries-old art form, are elaborate, small-scale paintings. In Medieval European manuscripts, the first letter of each section was embellished and painted in red. To produce the red ink, artisans used lead oxide, called “minium” in Latin. The word miniature was derived from this root. However, in the Ottoman culture, the old name given to this type of painting was “nakış” (embroidery) or “tasvir” (depiction). Miniatures were frequently referred to as embroideries. The miniaturist was called “nakkaş” or “musavvir”, meaning “painter”. Miniatures were usually rendered on paper, ivory or other similar materials.

Istanbul has historically been a center of finance and the arts, as illustrated by the precious miniatures of Nusret Çolpan. Kuveyt Türk has always been a bank that has supported the development of Turkish-Islamic arts and this support is reflected in the miniatures that present a different façade of Istanbul - the 2010 European Capital of Culture.

Nusret Çolpan, *Kız Kulesi / Maiden's Tower, 2005*

SUMMARY FINANCIAL HIGHLIGHTS 2009

SUMMARY FINANCIAL HIGHLIGHTS (TL THOUSAND)	2007	2008	2009
PROFIT SHARING INCOME	354,008	508,106	620,640
PROFIT SHARING EXPENSE	216,149	336,696	369,844
FEES AND COMMISSIONS INCOME (NET)	92,144	125,689	128,884
OTHER INCOME	34,939	100,582	96,124
OTHER EXPENSES	179,025	280,908	304,774
PROVISION FOR TAXES	(18,839)	(25,505)	(36,749)
NET PROFIT FOR THE YEAR	67,078	91,268	134,281
TOTAL ASSETS	3,860,015	5,718,698	6,814,897
TOTAL SHAREHOLDERS' EQUITY	404,422	688,700	817,481
CAPITAL ADEQUACY RATIO	14.72	15.63	14.56

As of year-end 2009, Kuveyt Türk increased its assets by 19% and the funds acquired by 35% over the previous year to TL 6,815 million and TL 5,545 million, respectively.

NET PROFIT FOR THE YEAR (TL THOUSAND)

2007	67,078
2008	91,268
2009	**134,281**

TOTAL ASSETS (TL THOUSAND)

2007	3,860,015
2008	5,718,698
2009	**6,814,897**

TOTAL SHAREHOLDERS' EQUITY (TL THOUSAND)

2007	404,422
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2009	**817,481**

CAPITAL ADEQUACY RATIO (%)

2007	14.72
2008	15.63
2009	**14.56**

As a pioneer among Turkish participation banks, Kuveyt Türk increased its assets by 19%, from TL 5,719 million as of year-end 2008, to TL 6,815 million as of year-end 2009.

AGENDA OF THE ORDINARY GENERAL ASSEMBLY

The Ordinary General Assembly of Kuveyt Türk Katılım Bankası A.Ş. will be held on Wednesday, April 14, 2010, at 15:00, in the Turkey headquarters, Conference Hall 2-B, located at: Büyükdere Caddesi No: 129/1 Esentepe Şişli 34394 Istanbul/Turkey.

1. Election of the President of the Council.

2. Authorization of the President to sign the minutes of General Assembly.

3. Reading, deliberation and approval of the 2009 Annual Activity Report.

4. Reading, deliberation and approval of the Auditor's Report.

5. Deliberation and approval of 2009 Balance Sheet and Profit & Loss Statement.

6. Decision on the principles of distribution of the 2009 profit.

7. Acquittal of the Board of Directors.

8. Acquittal of the Audit Committee.

9. Deliberation and approval of the amendments to Articles 7 and 8 of the Articles of Association.

10. Determination of auditors' salaries for the year 2010.

11. Provision of information by the Board of Directors on independent auditing activities, in accordance with the Banking Law No. 5411 and relevant legislation.

12. Provision of information on the bonuses paid to the staff, in accordance with the Banking Regulation and Supervision Agency's decision on profit distribution.

13. Other necessary issues and wishes.

KUVEYT TÜRK IN BRIEF

Thanks to its long experience in banking, a senior management team with strong leadership vision and highly qualified employees, Kuveyt Türk continues to open new horizons in the banking sector and carries out all of its financial activities around the principles of “interest-free banking”.

In accordance with the authorization issued by the Turkish Central Bank on February 28, 1989, Kuveyt Türk Katılım Bankası A.Ş. began banking and finance operations on March 31, 1989, under the commercial title of "Kuveyt Türk Evkaf Finans Kurumu Anonim Şirketi" and with the status of a Private Financial Institution. Like other private financial institutions, Kuveyt Türk became subject to Banking Law No. 4389 as of December 1999. On April 2006, the name of the bank was changed to Kuveyt Türk Katılım Bankası A.Ş. (Kuveyt Türk).

Providing All Financial Products and Services for Economic Development

Of the Bank's shares, 62.23% belong to Kuwait Finance House, 18.72% to Turkish General Directorate of Foundations, 9% to Kuwait Public Institution for Social Security, 9% to Islamic Development Bank, and the remaining 1.05% to other real and legal persons.

Kuwait Finance House, the biggest shareholder of Kuveyt Türk, is a finance giant with billions of dollars of funds and modern banking services, as well as being one of the world's pioneering institutions in interest-free banking.

Kuveyt Türk has 120 domestic branches active in corporate and retail banking, a Bahrain branch and close to 2,500 employees.

The core business of Kuveyt Türk is to channel funds such as the shareholders' equity, the funds acquired from both domestic and international "special current accounts" and "profit and loss participation accounts" into supporting the development of the Turkish economy and providing a full range of financial products and services.

Principles of "Interest-Free Banking" Applied to All Financial Activities

Carrying out all of its financial activities on the principles of "interest-free banking", Kuveyt Türk provides a stimulus to individual agricultural, industrial and commercial investments, participates in these activities and forms joint ventures.

With its investments and affiliates in the textile, metal and real estate sectors, Kuveyt Türk converts the savings of its profit sharing clients into robust and lucrative investments. It provides funds to the real economy as well to create new employment opportunities and makes a significant contribution to the national economy. Due to its support of the economy and its achievements in exports in particular, the Bank has received numerous awards from public agencies and professional bodies, including the Undersecretariat of Treasury and Foreign Trade, Istanbul Chamber of Commerce and Istanbul Textile & Apparel Exporters Association.

Vision: Becoming an International Participation Bank

As a relatively young participation bank, Kuveyt Türk continues to open new horizons in the banking sector, with its long experience in banking, a senior management team with strong leadership vision and highly qualified employees. Being the participation bank with the largest international service network, Kuveyt Türk pursues its vision of becoming an international participation bank and resolutely presses ahead with its activities in overseas branches and representative offices.

A Pioneer in the Gulf Region

Kuveyt Türk's mission is to contribute to the development of the national economy and its primary goals are to play a more prominent role in foreign trade and to increase the channels of access to Gulf investors and fund sources. To further access to Gulf investors and fund sources, Kuveyt Türk capitalizes on Kuwait Finance House's global relations and experience in interest-free banking and aims to further expand its commercial activities via its Bahrain branch and reinforce its pioneering position in the Gulf Region thanks to its strong capital structure.

Kuveyt Türk was the first bank to launch foreign currency forward trading with a fixed exchange rate in order to protect export and import companies from abrupt oscillations in foreign exchange rates stemming from economic uncertainties.

First Participation Bank to Engage in Retail Banking

Kuveyt Türk has made the best use of its advantage as the first participation bank to engage in retail banking and has reinforced its pioneering position in this area with its advanced capability for new product generation. As the participation bank with the widest range of products provided available to customers, Kuveyt Türk also has the largest portfolio in residential real estate. In addition, Kuveyt Türk is the first participation bank to divide its client base into segments and focuses on creating a loyal customer base and maintaining long-term relations with customers, with the aim of achieving high quality customer services.

The leader of Turkish participation banks with its robust capital structure and economic power, Kuveyt Türk had a paid-in capital of TL 500 thousand as of year-end 2009. The Bank's assets, which stood at TL 5,719 million as of year-end 2008, grew 19% to reach TL 6,815 million as of year-end 2009.

Miniature painting is an art form dating back to ancient times in both the Occident and the Orient. Nevertheless, some claim that miniatures began in the East and arrived later in the West. Although Eastern and Western miniatures are almost identical painting-wise, there are differences in colors, forms and subjects. The smallness of their scale is related to their function in book illustration. This is a common characteristic of the art in both the Occident and the Orient.

Nusret Çolpan, *Haydarpaşa / Haydarpaşa Train Station, 2003*

THE STORY OF 20 YEARS

In the last 20 years, the Bank has been a pioneer in many aspects of its sector and has played a crucial role in the development of interest-free banking, thereby becoming one of the most important supporters of the Turkish economy in general and the real economy in particular.

1989-1990

Kuveyt Türk Evkaf Finans Kurumu A.Ş. (Kuveyt Türk Evkaf Finance House) began banking and finance operations on March 31, 1989 with an initial capital of TL 15 billion.

Its capital was increased to TL 30 billion in 1990.

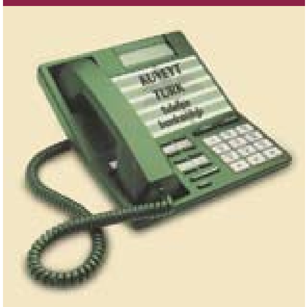
In the same year, Kuveyt Türk received a gold medal for its contributions to the garment industry.

1991

The increase in total funds over the previous year attained 164%. The growth in foreign exchange funds was 253%. Kuveyt Türk's profit grew 140% over the previous year to attain TL 20.4 billion.

As a result of international banking services delivered throughout 1991, Kuveyt Türk obtained foreign exchange totaling US$ 39 million via exports and invisible items.

1992



The growth in funds acquired by Kuveyt Türk was well over the banking sector average in 1992. During this period, 38,854 accounts were opened and the total funds acquired reached TL 1.2 trillion. The number of staff grew to 165.

Kuveyt Türk became the first private financial institution to provide phone banking services to its clients.

For the first time, State Economic Enterprises received credits from Gulf Region funds. Funds from the Gulf countries totaled US$ 50 million.

1993

Branches in Pendik, Istanbul and Konya were inaugurated. The number of branches reached eight and total employees 236.

Online operations, the most crucial step of automation, were completed in the headquarters and branches and were ready to be launched.

THE STORY OF 20 YEARS

1994

Despite the 1994 economic crisis, profitability grew 177% over the previous year, attaining TL 152 billion. With the automation of the Foreign Business Operations unit, the online connection between the Department of Treasury and Relations with Correspondents and foreign correspondent banks was established.

In April 1994, the Main Branch transferred to its new building.

Kuveyt Türk completed its first collective housing project, Huzur Sitesi, and the new homeowners moved in.

1995

In recognition of its contributions to exports, the General Secretariat of Istanbul Textile & Apparel Exporters Association awarded Kuveyt Türk a gold medal.

1996

Körfez Gayrimenkul A.Ş. was established.

The restructuring project was initiated. Branching operations were pursued, with one new branch in Bursa and two new branches in Merter, Istanbul established. The total number of branches reached 11. Kuveyt Türk prioritized the textile, food and leasing sectors in its investments and the total leasing transactions reached TL 3,749 billion. The total number of employees increased by 52 over the previous year to reach 330.

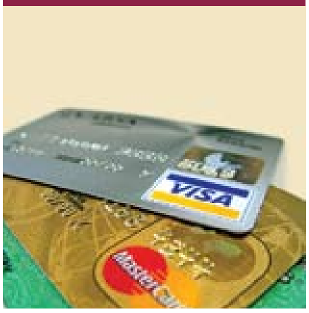
1997


Kuveyt Türk, 14. şubesini Sivas'ta hizmete açtı

As of December 31, 1997, the number of Kuveyt Türk's accounts totaled 73,169 and the total funds reached TL 62.5 trillion, with an increase of 115% over the previous year. With new branches opened in Sivas, Afyon, Gebze, Isparta, Osmanbey and Istanbul, the branch total reached 16.

In addition, the Güre Thermal Resort project was launched by Körfez Gayrimenkul, an affiliate of Kuveyt Türk.

1998



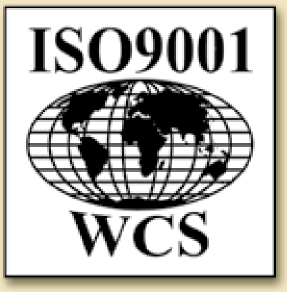
The credit card program was successfully initiated.

1999


'İsmimiz değişti, ilkelerimiz aynı'

The new Banking Law applied to private financial institutions, including Kuveyt Türk the same standards as within the conventional banking system, thereby officially recognized their position and status within the Turkish financial system.

2000



There were a total of 24 branches at the end of 10 years.

Retail banking services were launched.

Kuveyt Türk became the first interest-free financial institution to receive the ISO 9001-2001 Quality Certificate in Europe.

2001

The number of branches totaled 29. Launched in the first months of 2001, the Palmiye Card offered customers the chance to make payments in installments and became the first commercial credit card to provide this option.

THE STORY OF 20 YEARS

2002

Kuveyt Türk became the first private financial institution to become a direct member of VISA.

The Bank's headquarters were transferred from Mecidiyeköy to its new and modern building in Esentepe, Istanbul.

2003

An agreement was reached with the General Directorate of the Turkish Postal System (PTT) with around one thousand online branches to deliver interest-free banking service in every corner of Turkey.

2004

Turkey's only interest-free credit card, Sizcard, was launched.

Kuveyt Türk opened its first representative office in Munich.

Within the year, the capital of the Bank was raised from TL 95 million to TL 199 million.

2005


Kuveyt Türk'e Başarı Ödülü

Kuveyt Türk was awarded at the Istanbul International Finance Forum for its contributions to the interest-free banking sector.

2006

The Bank's name was changed from Kuveyt Türk Evkaf Finans Kurumu A.Ş. to Kuveyt Türk Katılım Bankası A.Ş.

The US$ 50 million four-year murabaha syndication secured by Kuveyt Türk for GAP Güneydoğu Textiles became the longest maturity interest-free syndication secured from the Gulf countries by any Turkish company.

Fitch Ratings upgraded Kuveyt Türk's individual rating from D/E to D and the Bank's long-term national rating from AA (-) to AA (tur).

The US $200 million, two year murabaha syndication that Kuveyt Türk secured from banks in the Gulf Region and in Europe was a first in Turkey. The syndication was oversubscribed by US$ 65 million to close at US$ 265 million, as an indication of the Bank's high international prestige.

2007

Fitch Ratings raised Kuveyt Türk's long term local currency credit rating from BB to BBB- and its short term local currency credit rating from B to F3.

Kuveyt Türk became the first Turkish participation bank to fix exchange rates in foreign exchange forward transactions.

At its 19th Ordinary General Assembly, the Bank's capital was increased by 30% from TL 200 million to TL 260 million.

Kuveyt Türk joined the Istanbul Gold Exchange to become the first participation bank to sell gold by gram.

2008

Despite the global financial crisis, the Bank's net profits and net assets grew by 47% and 19% respectively, while its capital was increased from TL 260 million to TL 500 million at the 20th Ordinary General Assembly.

Many innovative products such as Gold Swap, Gold for Gold, and GoldCheck were introduced and the number of branches increased by 31% to reach 113.

2009

The number of domestic and overseas branches reached 121.

Shareholders' equity attained US$ 543 million, deposit volume US$ 3,683 million, total loans volume US$ 3,046 million and the number of employees reached approximately 2,500.

With the prior license approval of the Dubai Financial Services Authority (DFSA) on October 19, 2009, Kuveyt Türk started delivering its services through a Bank affiliate with US$ 12 million of capital at the Dubai International Finance Center (DIFC), which hosts numerous banks and financial institutions from all over the world.

Fitch Ratings placed Kuveyt Türk's long term foreign currency rating BB on rating watch positive.

The branch in Germany was transformed into a financial services branch.

VISION, MISSION AND QUALITY POLICY

Kuveyt Türk's...

Mission is...

To become a customer oriented and socially responsible bank devoted to the ideals of interest-free financial products and services and to ethical principles.

Vision is...

To become an international bank that provides innovative, tailor-made financial solutions, leads the sector with its accumulated knowledge and experience and that targets the advancement of social quality.

Quality Policy is...

In regards to service quality, to implement quality management in order to increase service diversity and speed.

In regards to continuous development, to implement a participative management policy focused on continuous education, knowledge and experience jointly with its employees who are proud to be working at Kuveyt Türk.

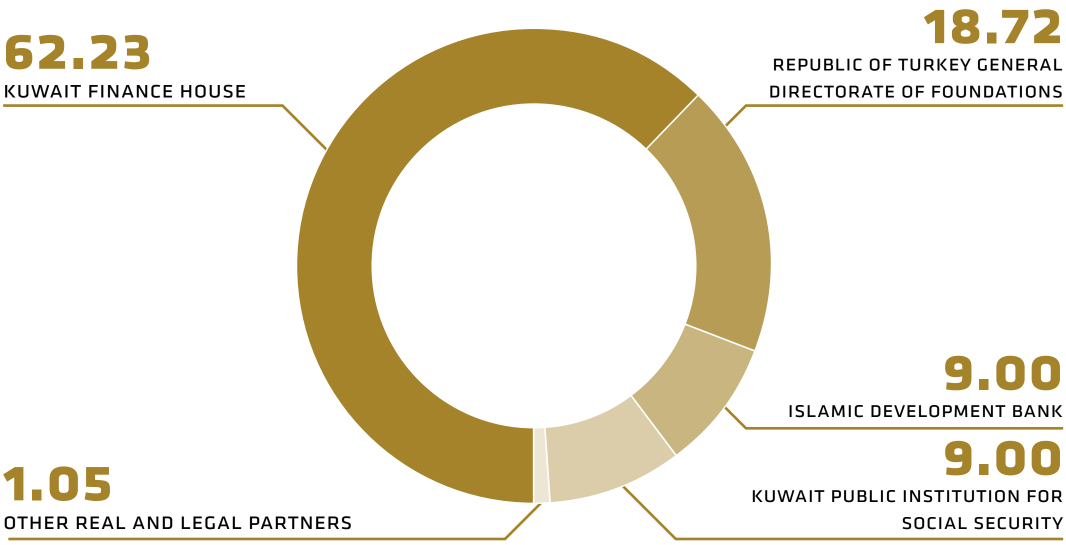
In regards to customer oriented banking, to utilize alternative service channels in order to devise new products and services to meet customer expectations, to increase interest-free service points and to be open to customer suggestions.

CHANGES IN SHAREHOLDING, CAPITAL STRUCTURE AND ARTICLES OF ASSOCIATION

NAME/TITLE OF PARTNERS	TOTAL SHARE VALUE (TL THOUSAND)	SHARE RATIO (%)
1. KUWAIT FINANCE HOUSE	311,173	62.23
2. REPUBLIC OF TURKEY GENERAL DIRECTORATE OF FOUNDATIONS	93,596	18.72
3. KUWAIT PUBLIC INSTITUTION FOR SOCIAL SECURITY	45,000	9.00
4. ISLAMIC DEVELOPMENT BANK	45,000	9.00
5. OTHER REAL AND LEGAL PARTNERS	5,231	1.05
TOTAL	**500,000**	**100%**

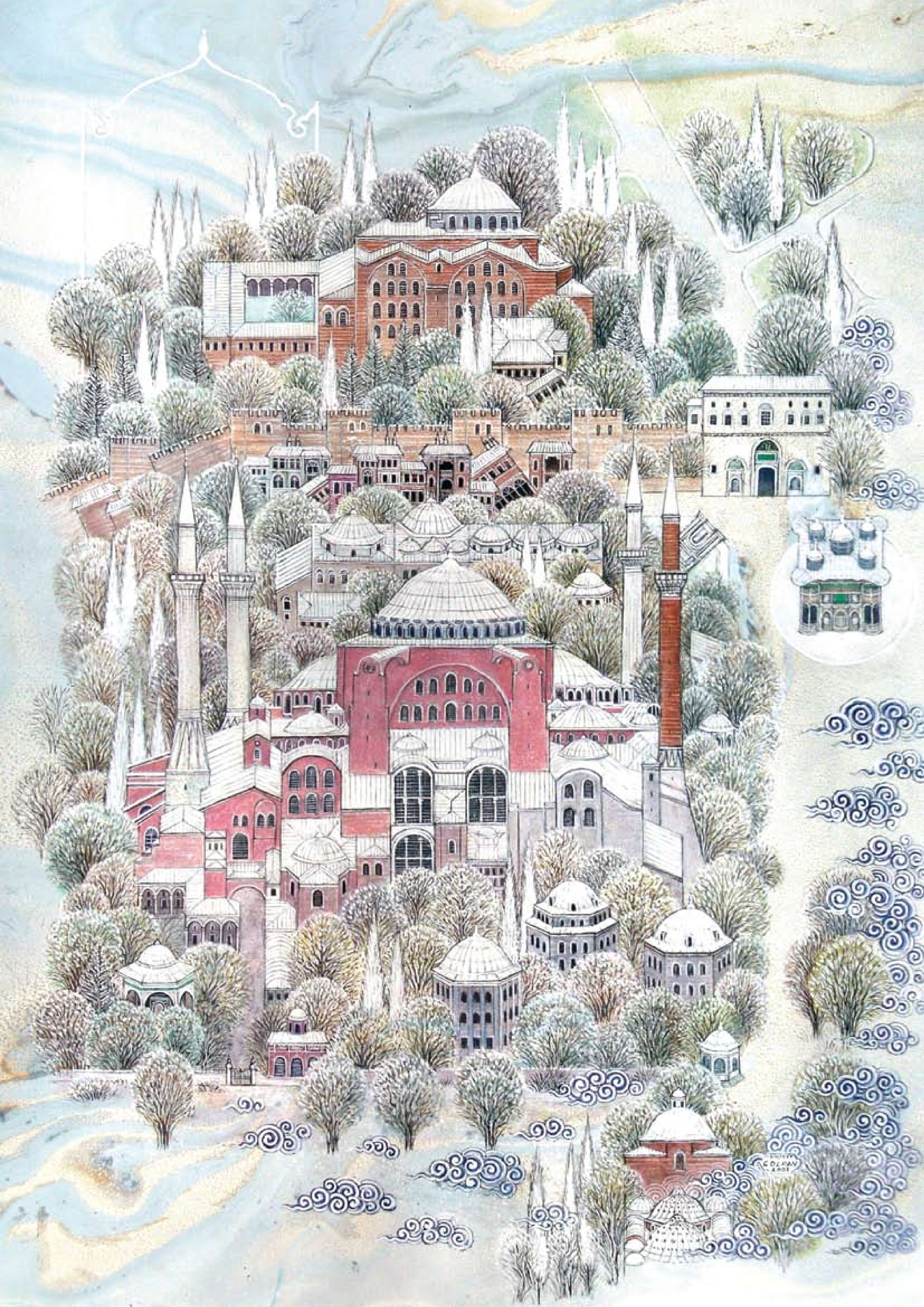
- The total percentage of shares held by the Chairman and members of the Board of Directors, the General Manager and Assistant General Managers is 0.18%.

There were no amendments made to the Articles of Association in 2009.



The oldest miniatures known are those found on papyrus in Egypt, dated from the 2nd century B.C. In the following periods, Greek, Roman, Byzantine and Assyrian manuscripts were also embellished with miniatures. With the spread of Christianity, miniatures started to figure in handwritten Bibles. The production of miniatures in Europe dates back to the 8th century. From the 12th century onwards, masters gave greater attention to ensuring that the miniatures were directly related to the text; and non-religious miniatures thrived along with religious ones. Until the invention of the printing press, exquisite and delicate miniatures were produced in Europe.

Nusret Çolpan, *Ayasofya / Hagia Sophia, 2005*



MESSAGE FROM THE CHAIRMAN

Aiming to be ranked among Turkey's 10 largest banks by 2018, Kuveyt Türk's greatest strength is its 20 years of strong synergy with the Turkish economy.

Dear shareholders,

Kuveyt Türk, the pioneer in participation banking in Turkey, is proud to share its 20th anniversary celebration with you, our esteemed shareholders and partners. The success of these past 20 years has been achieved primarily through the support of our shareholders, the trust of our customers and the dedicated efforts of our employees.

Over the last 20 years, the Bank has been a pioneer in countless groundbreaking practices in its sector and played a key role in the development of interest-free banking in Turkey. Through these achievements, Kuveyt Türk has been one of the major supporters of the Turkish economy and the real sector. Even amid the global financial crisis, considered to be the "crisis of the century," the Bank maintained its profitable and stable growth in line with its strategic goals, while also supporting the economy with the extensive and diversified funding sources that its parent bank, Kuwait Finance House, has access to thanks to its credibility and reputation in the international financial markets.

The Bank celebrated its 20th anniversary with major domestic, as well as international, initiatives. While expanding its branch network in Turkey to 130 branches with the opening of 17 new offices, Kuveyt Türk also reinforced its international presence from east to the west with its subsidiary in the Dubai International Financial Center, a Financial Services Branch in Germany and its ever-growing operations in Central Asia. As of year-end 2009, the Bank's shareholder equity and total funds reached US$ 543 million and US$ 3,683 million, respectively, and our workforce grew to 2,500 employees. These accomplishments, which came during a period when the rest of the world was still struggling to recover from the grip of the global financial crisis, is not a coincidence, but reflects the Bank's careful planning. This was further confirmed by the fact that the international credit ratings agency, Fitch Ratings, raised the outlook on the Bank's long-term foreign currency rating of "BB" to "positive" during 2009.

The source of the global financial crisis, which has brought many countries to the brink of default, is years of reckless and irresponsible banking practices in the financial sector. The latest developments once again proved that participation banking, with a global history of over 50 years and 25 years in Turkey, has a solid and healthy foundation. The participation banking system, which reached total assets of US$ 900 billion and is increasing its share of the global financial sector with each passing day, takes its strength from investing in the real sector of the economy via its interest-free lending philosophy.

Beginning operations 20 years ago with a single branch in Istanbul, Kuveyt Türk's purpose has always been to create funding for the Turkish economy that has high growth potential due to its young and dynamic structure. Throughout its 20-year history, Kuveyt Türk has grown and expanded along with the Turkish economy. Aiming to be ranked among Turkey's 10 largest banks as part of its 2018 vision, the Bank's greatest strength is its strong synergy with the Turkish economy.

Many of the groundbreaking participation banking practices in Turkey were initiated by Kuveyt Türk. We have developed many new products to date with a customer-oriented and competitive approach in a wide range of business lines including retail banking, project finance, investment banking and Treasury instruments. As part of our future vision, we are determined to maintain this innovative approach and introduce new interest-free banking products and services to our clients.

In the period ahead, we aim to further intensify our operations geared towards the small and medium sized enterprises (SMEs), which constitute the most dynamic sector of the Turkish economy, and gain market share with new products and services in this area. As the first participation bank to enter the retail-banking sector in Turkey, we are committed to continuing to expand our operations in this sector. We will continue with our innovative applications for credit cards, which play a major role in creating customer satisfaction.

One of the main objectives of the Bank's vision for the future is to be among the leading financial institutions in the Gulf Region. Our most important strength in this regard is the leading market position of our parent bank, Kuwait Finance House, in this region thanks to its strong capital structure, vast experience and extensive international relations. As a result, Kuveyt Türk possesses a tremendous advantage in terms of access to Gulf resources. We are proud of the fact that in 2009, as the liquidity crunch continued to wreck havoc globally, we were able to provide financing to large-scale projects in the Turkish economy. Our goal is to further diversify our funding sources with the financial services branch in Germany and make them available to the Turkish economy.

Throughout our 20-year history, in addition to our financial and operational growth objectives, we have a strategic goal to create value for society. With that goal in mind, we participated in many social responsibility projects, including education, culture, arts and various other assistance projects. With the awareness that we are also a corporate citizen, we will continue to invest in our society and the environment while creating value for our shareholders.

We have always been a bank that invests in production and takes its strength from the real sector of the economy and we will continue to offer our resources in all areas that we operate in, from retail banking to investment banking, to the production sectors in Turkey. In this way, the Bank will continue to grow and expand along with the Turkish economy.

I would like to thank our parent bank, Kuwait Finance House, and our shareholders for their loyalty to Kuveyt Türk throughout our 20-year history, our employees for their dedicated efforts, and our customers and social shareholders for their trust.

Respectfully yours,

MOHAMMAD S.A.I. ALOMAR
CHAIRMAN OF THE BOARD OF DIRECTORS

MESSAGE FROM THE CEO

In 2009, our Bank's profit reached TL 134 million, while shareholders' equity reached TL 817 million with a 19% increase over year-end 2008. Our capital adequacy ratio stands at 14.56% as of the end of the year.

Dear Shareholders,

While the world struggled with the global crisis in 2009, the Bank had significant achievements and reinforced its presence further with major initiatives during its 20th anniversary. Without a doubt, our successful performance is the result of a long journey that we gradually prepared for without deviating from our prudent and responsible banking approach over the past 20 years.

On this journey that we began 20 years ago with a single branch, we moved forward with determination in line with our stable and sustainable growth objective. Today, we are proud to be creating major value for our customers and for the Turkish economy with our 130-branch service network. I firmly believe that we will continue to grow with the Turkish economy and create even more value for Turkey in the years to come, thanks to the support of our powerful partners, trust of our customers and the dedicated efforts of our highly qualified and experienced human resources that is comprised of the top professionals in the industry.

Kuveyt Türk had a remarkable year in terms of financial and operational results in 2009. The Bank's assets and funds increased by 19% and 35% over the previous year to reach TL 6,815 million and TL 5,545 million, respectively, as of year-end 2009. During the year, total financing provided to customers by the Bank rose 18% to TL 4,587 million, while our non-cash loan default risk exposure reached TL 3,331 million with a 5% increase.

In conclusion, the Bank's profit reached TL 134 million in 2009, while shareholders' equity reached TL 817 million with a 19% increase over year-end 2008. Our capital adequacy ratio stands at 14.56% as of the end of the year.

These financial performance results point to the Bank's remarkable success in stable growth as well as the continuation of its determined support for the Turkish economy in 2009.

The Bank's successful 2009 performance did not go unnoticed by the international capital markets. Fitch Ratings, one of the leading credit ratings agencies in the world, reassessed the Bank in December 2009 and raised Kuveyt Türk's rating to "BBB-", from the "BB" level it had assessed in 2008. "BBB-" is one notch above Turkey's country rating and represents an "investment grade" credit rating.

In addition to its successful financial performance in 2009, the Bank solidified its market position domestically as well as internationally thanks to its major operational initiatives. We significantly strengthened our presence in the Turkish as well as international financial markets with 17 new branches in Turkey, a financial services branch in Germany, a new representative office in Kazakhstan, and our new banking subsidiary, Kuwait Turkish Participation Bank (Dubai) Ltd., which was established with a capital of US$ 12 million in the Dubai International Financial Center. These developments, which recreated the Bank's profile, enhanced our international reputation even further while making Kuveyt Türk an increasingly more appealing address in foreign trade for our customers.

Kuveyt Türk is among the most active players on the Istanbul Gold Exchange thanks to its gold, silver and platinum trading activities that are part of its operations in the precious metals and commodity markets. Having proved its pioneering role in gold banking with innovative products including the Gold Deposit Account, Gold for Gold Participation Account, GoldCheck and Gold Support, the Bank also initiated gold trading transactions at the branch level in 2009 with the Kuveyt Türk Gram Gold service. This product offers an alternative investment vehicle with low labor costs for customers who prefer to invest in physical gold instead of opening a savings account or who want to open a bank account with their gold savings. The Gold for Gold Participation Account offers savings and returns at the same time. Every gram of gold deposited in this account is used in the real sector and profits from that are returned to the customers in the form of more gold.

MESSAGE FROM THE CEO

The Bank became the first participation bank to pay dividends for currencies other than the Turkish lira, the US dollar and the euro, and it began offering “swap participation accounts” for customers to invest their savings in various foreign currencies and launched forward foreign exchange transactions in 2008. These accounts were initially offered for the British pound, Swiss franc and Japanese yen.

Making great strides with a steep development curve in 20 years as a young bank, the Bank’s goals as part of its 2018 vision are clear: striving to be among Turkey’s 10 largest banks. The Bank bases its competitive strategy on its service and human resource quality as well as its edge in technology utilization. Aiming to achieve sustainable profitability and growth-oriented financial success as a result of customer satisfaction, which in turn will be accomplished through employee satisfaction, Kuveyt Türk continuously modernizes its organization and processes in line with its strategic needs and customer expectations. In this respect, having a Performance Development System (Balanced Scorecard or BSC) that includes internal/external customer satisfaction, employee and process development, as well as financial results metrics is among our short-term goals.

Aiming to increase its market share among participation banks as well as in the overall banking sector in a methodical fashion, the Bank is supporting its strategic goals with innovative products while accelerating its efforts to expand the branch network.

Our major strategic goals for the period ahead include maintaining a return on capital of at least 20%, reducing our expense/revenue ratio to below 40% with effective cost management and continuous growth in revenues, maintaining asset quality and being below sector average in non-performing loans ratio and above sector average in customer profitability.

Our human resources, which are our most valuable asset, undoubtedly deserve the largest credit in the great success the Bank has achieved over the last 20 years. As I conclude my remarks, I would like to thank all the employees who have contributed to Kuveyt Türk to date for their belief in the Bank through their dedicated work, loyalty and efforts. In addition, I am grateful to our shareholders who always supported us over these past 20 years, our customers and all of our business partners who have stood by us.

My wish is that you all will continue to be a part of the successful journey of Kuveyt Türk into the future.

Respectfully yours,

UFUK UYAN
CEO

In 2009, the Strategic Plan, implemented by senior management and coordinated by the Quality Department, was completed and the road map to lead Kuveyt Türk forward into the future was prepared and approved by the Board of Directors.

During the Seljuk period, Turks gave great importance to the art of miniatures. Due to the relations between the Seljuks and Iran, their miniatures were heavily influenced by Persian miniatures. Under Ottoman rule, the Persian and Seljuk influence lasted until the 18th century. During the reign of Mehmed the Conqueror, a nakkaş or miniaturist, named Sinan Bey, made a portrait of the Sultan himself and during the reign of Bayezid II an artist known as Baba Nakkaş became famous. In the 16th century, Nigarî, also known as Reis Haydar, Nakşî and Şah Kulu were prominent artists. In the beginning of 19th century, together with the reform movements, Western painting became influential over the art of miniature as well. Miniature gradually ceded its place to contemporary art as we know it today. Nevertheless, miniature continues to flourish as a traditional art form in both the West and in Turkey.

Nusret Çolpan, *Hisarlar / Fortresses, 2003*

ACTIVITIES IN 2009

Kuveyt Türk, with 2,500 employees, has shareholders' equity reaching US$ 543 million and a total loans volume standing at US$ 3,046 million as of year-end 2009.

CORPORATE AND COMMERCIAL BANKING

CORPORATE BANKING LOANS *
(TL THOUSAND)

2007	1,815,733
2008	2,563,222
2009	**2,542,783**

*Extracted from the consolidated financial statements prepared in accordance with IFRS.

In an environment in which markets contract and risk perception increases, Kuveyt Türk continued to support its corporate-commercial clients and gave a total of US$ 2.5 billion of cash loans in 2009.

Kuveyt Türk's target in corporate and commercial banking is to meet the needs of large and medium scale industrial and commercial enterprises with interest-free financial products. Thanks to its specialist staff, the Bank provides its clients with support in consultancy, assessment and technical infrastructure, as well as foreign trade, cash and Treasury products.

In order to be closer to its clients in corporate and commercial banking and to provide them with rapid and high quality services, Kuveyt Türk is organized on the basis of firm, sector, segment and region.

With the intensification of the global crisis from August 2008 onwards, the Turkish economy experienced a severe contraction in 2009 and could not pursue its seven year long uninterrupted growth performance. Despite these unfavorable circumstances, due to its strong capital structure, Kuveyt Türk continued to provide a full range of banking services to its corporate and commercial customers, particularly cash and non-cash loans, Treasury transactions and intermediation in foreign trade.

In an environment, in which markets contract and risk perception increases, Kuveyt Türk continued to support its corporate-commercial clients and gave a total of US$ 2.5 billion of cash loans in 2009.

In accordance with its principle of collaborating with large and robust firms in the contracting sector, Kuveyt Türk participated in significant projects, particularly in the Turkic Republics, Gulf Region and North Africa.

Innovative and Customer-Oriented Approach in Product Development

Providing its customers with efficient solutions through its corporate banking products, Kuveyt Türk's Corporate Banking Product Development Department has introduced various tailor made products in line with its innovative and customer-oriented banking philosophy and has become a pioneer in many aspects of participation banking:

- Direct Collection and Debiting System, a cash flow and payment system specially designed for the financial needs of corporate customers was launched.
- In parallel with the latest developments in the banking sector, the Financing with Early Payment Option facility was introduced to meet customer needs and demands.
- In order to facilitate the business processes of corporate customers, the Continuous Cheque Program was prepared and submitted to customers free of charge.
- After the initiation of forward transactions of foreign exchange in 2007, Kuveyt Türk included British pound sterling, Swiss franc and Japanese yen quotations among the foreign currencies traded, in order to provide advantages to its customers that deal in different currencies.

Gold Forward

After making a breakthrough in participation banking with the initiation of forward transactions of foreign exchange in 2007, Kuveyt Türk included Gold Forward transactions among forward transactions in 2009 and once again confirmed its pioneering position in the Turkish banking sector.

Forward Transactions on Loans Limit

Kuveyt Türk's main principle is meeting customer needs and demands and to this end, the Bank has introduced Forward Transactions on Loans Limit, apart from Margin Forward transactions.

Basket Loans

Basket Loans are products that allow those customers who want to reduce foreign exchange risk with foreign exchange indexed loans, to borrow in two or three different currencies for the same project.

Always striving to become the main bank of its customers, Kuveyt Türk Corporate and Commercial Banking Group will focus on new corporate products by taking into account changing market conditions and continue to meet all the banking needs of its customers in the period ahead by utilizing its 20 years of experience and high quality service policy.

LOANS

CORPORATE AND COMMERCIAL LOANS*
(TL THOUSAND)

2007	2,452,302
2008	2,925,753
2009	**2,975,578**

*Extracted from the consolidated financial statements prepared in accordance with IFRS.

Thanks to its meticulous loan evaluation processes, Kuveyt Türk has one of the highest international ratings among all financial institutions in Turkey.

CORPORATE AND COMMERCIAL LOANS

The responsibility of the Corporate and Commercial Credits Department is to gather requests and Financial Analysis and Intelligence (FAI) analysis reports from the branches and to present them to relevant committees. While working in collaboration with the branches and other relevant banking units, the Corporate and Commercial Credits Department reviews its evaluation processes according to the latest developments in the banking sector.

Loan experts at Kuveyt Türk evaluate the projects at hand, particularly in regards to repayment and collaterals, and to this end, they use methods such as visits to customers, financial analysis, and intelligence gathering and reporting. Thanks to its meticulous loan evaluation processes, Kuveyt Türk has one of the highest international ratings among all financial institutions in Turkey.

Work on the restructuring of the corporate loan process was initiated in February 2008 and in 2009, the software utilized by the Financial Analysis and Intelligence Department was updated. In 2009, the corporate marketing personnel working in the branches received nine days of in-class training including theory and current practices, as well as three months of on the job training. The marketing personnel who successfully completed these training programs were given the authority to prepare Credit Evaluation Reports on firms. The fact that Credit Evaluation Reports, previously prepared in the headquarters and in regional directorates, are now prepared in branches means that customer demands can be met in a more timely fashion. In 2009, the Corporate and Commercial Credits Department was restructured and the Credit Groups personnel, who previously reported to the Financial Analysis and Intelligence Department, were merged with the Corporate and Commercial Credits Department.

The new Fund Allocation and Fund Allowance monitors are scheduled to be completed and launched in 2010.

In the period ahead, the Corporate and Commercial Credits Department will pursue its aim of providing rapid and high quality services to its customers with its advanced infrastructure and well trained personnel.

FINANCIAL ANALYSIS AND INTELLIGENCE

The responsibility of the Financial Analysis and Intelligence Department is to prepare loan evaluation reports for companies that demand loans. These reports form the basis for the final decision taken by the loan committees. The reports are prepared by taking into account criteria such as company's activities, characteristics, capacity, liquidity, financial situation and profitability as well as intelligence and other market information.

In order to correctly determine the repayment conditions, size, maturity, collaterals and pricing of the credit, it is crucial to accurately identify customer demands. The reports of the Financial Analysis and Intelligence Department are also important for the Bank to minimize risk in loan decisions, to preserve profitability and to be able to access this data in an appropriate fashion.

RETAIL AND BUSINESS BANKING

In 2009, Financial Analysis and Intelligence Department prepared reports on more than 1,700 firms and at the same time, changed its business processes and business methods as part of the loan transformation project. In order to make sure that the intelligence team specializes in its area of expertise, the financial analysis and intelligence functions have been separated.

In addition, in 2009, standard training documents were prepared in order to delegate to the branches the reporting authority for the loans, which ase currently under the authority of the Central Credit Committee. 10 trainers from the Bank delivered 144 days of in-class training and marketing personnel received coaching while preparing reports for 1,250 firms.

In order to restructure the financial analysis and intelligence process in line with the developing and expanding structure of the Bank, work on improvement of the technological infrastructure started in February 2008. The first stage of this process was completed and it is in the implementation stage. The Financial Analysis and Intelligence Department will continue to deliver rapid and high quality services to Kuveyt Türk customers with its advanced infrastructure and competent workforce.

RETAIL ALLOCATED INDIVIDUAL FUNDS *
(TL THOUSAND)

2007	295,343
2008	953,800
2009	**1,611,208**

*Extracted from the consolidated financial statements prepared in accordance with IFRS.

Kuveyt Türk expanded its branch and alternative distribution channels, constantly enriching its product and service range with a customer-oriented, creative and innovative perspective.

Turkey's power comes from the savings of individuals and the investments of entrepreneurs. With its strong belief in the individual power of Turkey, Kuveyt Türk attaches great importance to retail banking and maintains its uninterrupted support for the development of national economy, even during the global recession.

In this perspective, the Bank closely monitors national and international developments and attempts to supply its customers with products best suited to their needs. The Bank aims to enhance the products and services that it offers to its customers nationwide and to this end; it expanded its branch and alternative distribution channel network, increased the number of its branches and at the same time, constantly amplified its range of products and services by introducing innovative products.

The new products and services launched by Kuveyt Türk in 2009 are as follows:

Fund Allocation

In 2009, various efforts were made to improve the fund allocation performance in the areas of retail and business banking.

The details of allocated funds in 2009 on the basis of volume indicate that most of the funds provided by Kuveyt Türk are channeled to real estate and business banking. If the funds are analyzed according to numbers, funds allocated to businesses predominate.

The volume of consumer loans extended by the Bank has increased 77%, rising from TL 884 million in 2008 to TL 1,568 million in 2009.

Credit Cards

MasterCard Membership: In addition to its certification with VISA, Kuveyt Türk has also established a certification with MasterCard, thereby increasing its product diversity and offering its customers the global service network in 2009.

Banksoft In-house Transition: The Bank's card system infrastructure has been renewed with the Banksoft program.

Installing Prepaid Minutes via Credit Card: Kuveyt Türk supports mobile communication and now its customers have the chance to install prepaid minutes to their mobile phones via credit card.

Paying Utility Bills via Credit Card: It is possible to pay all types of utility bills with all cards except the SizCard, for a fixed commission fee. This has provided customers with an alternative channel of payment for cases in which cash flows are interrupted.

Virtual Card: Virtual Card was launched in order to offer clients a reliable medium in their e-commerce deals and online transactions.

Sale Plus: Launched by Kuveyt Türk in 2009, Sale Plus offers card owners the opportunity to make purchases at discount prices from hundreds of brands throughout the country. Sale Plus goes beyond payments in installments and stands out as a card providing discounts to its owners.

3-D Security Applications: For their online transactions, customers can use passwords that they set beforehand.

Installment-Based Education Payment System: Starting from 2009, customers can sign an agreement with the Bank in order to divide educational fees of significant size into installments and thus, achieve favorable conditions of payment.

Contactless Cards: In accordance with technological advances and new trends in the credit card market, Kuveyt Türk has established a contactless card certification with MasterCard.

Installments in Payments with Classical Cards: In 2009, Kuveyt Türk started work to enable installed payments with classical cards, thanks to its advanced infrastructure.

Social Security Institution (SGK) Transactions

SGK Retirement Pension Payments: With systematic improvements achieved in 2009, pensioners can draw their pensions from Kuveyt Türk without paying account operation costs and without waiting in line.

SGK Health Payments: With systematic improvements achieved in 2009, payments made by SGK to health service providers such as private hospitals, pharmacies and policlinics can be drawn from Kuveyt Türk branches.

Alternative Distribution Channels

Web Site and Internet Branch: Customers can obtain detailed information on Kuveyt Türk and its products from the Bank's web site. Thanks to its easy-to-use interface, customers can rapidly access information on banking services, particularly financial reports, both in Turkish and English. The Bank carries out work on visual and conceptual design changes, in parallel with the work on corporate identity. In addition, the web site also provides access to Kuveyt Türk's Internet Branch. Customers may perform nearly all transactions on the Internet Branch's web site as they normally would at the branches. Transactions performed via the Internet Branch are free and available to both retail and corporate customers. Kuveyt Türk Internet Branch provides its customers a practical, user friendly and reliable medium equipped with different high-security solutions such as Account Locking, Identified Receiver Limitation, Country and IP Limitation, SMS Passwords, Parolamatik, and Turkcell Mobile Signature. A wide range of transactions such as transactions in gold, silver and platinum, large scale money transfers, POS transactions, stock transactions, utility bill and tax payments and prepaid minutes installation can be carried out easily via the web site.

ATM: Web based screens and animations have been launched in Kuveyt Türk ATMs. In this way, the Bank offers its customers user-friendly screens. The Bank administers all ATMs from the center, thanks to improvements in infrastructure and thus, can immediately intervene and provide rapid solutions from the center in case a malfunction or a security breach is detected. Also known as İşlematik, Kuveyt Türk ATMs offer transactions without credit cards and money deposits and payments of credit card debt, the payment is credited immediately. In addition, almost all ATMs have the capacity to give change, thereby facilitating utility bill payments. ATM card owners can benefit from individual services such as foreign exchange purchases and sales, gold purchases and sales, as well as installation of prepaid minutes. Customers who come from abroad have the option to use the ATMs in foreign languages, draw out cash in US dollars and can also easily access their IBAN numbers. In 2010, the Bank aims to locate ATMs outside of the branch premises in order to provide customers with better service and to expand its ATM network. The new name, İşlematik, new screen designs and new overall designs have made Kuveyt Türk ATMs easy-to-use, singular and unique. ATMs are meant to undertake some of the transactions made at branches in order to reduce the branches' workload and help customers save time.

POS: In 2009, the POS infrastructure and services underwent a total transformation, the result of which is that now the processes between the marketing and operation units have become more rapid. Numerous state-of-the-art POS devices were purchased and put into service. POS devices are connected to a centralized system that allows for the improvement of services such as monitoring malfunctioning or software uploads. Upon their request, member companies are provided with the opportunity to accept payments in installments, which also increases the product diversity of the Bank. After their infrastructure was enhanced and names changed to Net POS and Net COLLECTION, POS software working over the Internet was added to the range of products that meet customer needs. Thanks to these products, customers have achieved more flexibility, particularly on virtual shopping sites, as regards to products aimed at schools, associations and private educational establishments. In addition, the infrastructure of Net COLLECTION POS has also allowed for the improvement of the Palmiye Card.

ATS: Used extensively across Europe and the world, the Automated Teller Safe (also known as TCR) is recently being tested in Turkey. Kuveyt Türk has once again been a pioneer in the sector and has put the ATS into service. ATS speeds up transactions and allows the customer to save time and minimizes risks (such as counterfeit money or cash deficit). Constituting a complete bank counter all by itself, ATS is a product that can count money, segregate and list banknotes and allows the customer to draw out money that has been selected, upon request. In this way, once a customer is at the counter, instead of making monetary transactions and other banking transactions with different employees, he/she can deposit money to his/her account obtaining banking solutions as well with the help of a single employee. The ATS comes with eight rolls that allow it to work with all currencies and since it is integrated with the banking system, deposited amount goes into the system immediately. Thanks to these benefits, it also allows the Bank to gain more time for its customers. This extra time allows employees to listen to customers' needs and expectations, to give them information on new products or services and to propose new products that could suit their necessities. Kuveyt Türk prioritizes the installation of ATS in branches with a higher workload and also utilizes it in the Bahçeşehir branch, which is conceptualized as a counterless branch.

Counterless Branch: Pursuing its goal of becoming a national and international pioneer in Alternative Delivery Channels, Kuveyt Türk has introduced a specially conceptualized branch design - the counterless branch. The Bahçeşehir branch in Istanbul, inaugurated in 2009, does not have any bank counters. All transactions carried out at conventional counters can be made via customer representatives, not to mention the services and consultancy already delivered by these representatives. In addition, the stylish café inside the branch provides a relaxed and comfortable waiting room for customers, as well as a social space where they can meet with their business partners or spend time with their families. The branch is planned to deliver banking services around the clock, with its technology section, Technolobby, currently under development and special booths named Kiosk. The aim is to ensure that customers in the Kiosk can make various Internet Branch transactions or transactions specific to this Kiosk, such as opening an account or applying for a loan or a credit card. When a problem arises or when help is needed, customers will be able to contact customer representatives at the Call Center via HD quality video conferencing and receive all necessary support.

Moneygram: Another breakthrough by Kuveyt Türk was to integrate into its system Moneygram's software "Agent Connect", which recently came into use around the world. Normally a software program in English that has to be physically installed in every computer, Agent Connect has been translated to Turkish and now can be accessed online. Once the customer is authorized, he/she can easily access channels such as the Internet Branch and ATMs. The simplification and acceleration of its use has meant an amplification of transactions both in number and volume.

Insurance Transactions

In 2009, Kuveyt Türk completed the infrastructure for its joint plan with Neova Sigorta to bring interest-free insurance to Turkey. The enhancement of the system and infrastructure for insurance transactions will continue in 2010.

Stock Transactions

In early 2008, Kuveyt Türk signed an agency agreement with Bizim Menkul Değerler A.Ş. and started stock transaction intermediation. Stock transactions are made via the Internet Branch and the Call Center.

Loan Guarantee Fund (KGF)

The Loan Guarantee Fund raised its capital from TL 80 million to first TL 120 million and then to TL 240 million as well as incorporated various banks as partners.

Throughout this transformation of the Loan Guarantee Fund, Kuveyt Türk, too, has actively participated to the meetings held by the Banks Association of Turkey and has been an equal partner to the fund along with other banks. Additionally, it signed a membership agreement allowing it to work in collaboration with the Loan Guarantee Fund.

Precious Metals

Gold Support Transactions: Kuveyt Türk further reinforced its expertise in precious metals in 2009 and increased its support to gold managers. Thanks to this service, producers can meet their raw material demands under favorable conditions.

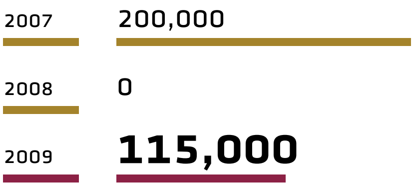
Silver and Platinum Trading: In addition to giving its customers the opportunity to trade in gold and invest in precious metals at current prices, Kuveyt Türk recently began offering customers another ground-breaking service: investment in silver and platinum. Kuveyt Türk is the first bank to provide these services. The silver and platinum the Bank's customers buy for investment purposes are kept at the Istanbul Gold Exchange on their behalf.

Kuveyt Türk Gold Gram: Having proved its leadership in gold banking with innovative products such as Gold Depot Account, Gold for Gold Participation Account, GoldCheck and God Support, Kuveyt Türk launched gold purchases and sales in its branches with its most recent product, Kuveyt Türk Gold Gram. This product offers an alternative investment opportunity with low labor cost to those investors who want to trade in gold physically rather than via bank accounts, or those who want to deposit their gold in a bank. The Kuveyt Türk gold sold in all branches comes in options such as 1, 2.5, 5, 10, 20, 50 and 100 grams and is stamped by the prestigious Istanbul Gold Refinery. Sales and purchases can easily be made without a bank account or via a TL, US dollar or gold account at the branch. The Kuveyt Türk gold purchased from branches and other gold products carrying the certificate of the Istanbul Gold Refinery can be resold to all branches, after the necessary security checks are made and as long as the package is not deformed. This product can also be traded in jewelry shops. In addition, customers can transform their gold to gold grams with IGR certificates via jewelry shops.

Gold for Gold Participation Account: The Gold for Gold Participation Account, which can be opened with 10 grams of gold, allows customers to save and profit at the same time. Every gram of gold deposited to this account is invested in the real economy and the ensuing profit is returned to the customer as gold. The participation account has different maturity options such as 3 months, 6 months and 1 year and can be opened at Kuveyt Türk branches or via the Internet Branch, allowing customers to start saving immediately. The Gold for Gold Participation Account allows for secure gold sale and purchase without the worries associated with carrying or storing gold. In addition, no labor cost is involved in these sales and purchases.

TREASURY, INTERNATIONAL AND INVESTMENT BANKING

SYNDICATION LOANS RECEIVED
(US$ THOUSAND)



Projects implemented by the International Business Banking Segment in 2009 point towards Kuveyt Türk's resolution to become an international brand and business partner, favored by its customers in foreign trade, thanks to its effective global correspondent network.

Thanks to its strong capital structure and the leading position of its main partner, Kuwait Finance House in the Gulf Region, Kuveyt Türk has the opportunity to provide financing to large scale projects in the countries of this region. The Bank's International Business Banking Segment provides financing to large sector projects undertaken by the private sector and supports Turkish companies in enhancing their competitive edge in the global market.

The International Business Banking Segment is made up of the International Banking, Treasury, Investment Banking, and Investor Relations departments. The fundamental responsibilities and objectives of the International Business Banking Segment are as follows:

- To establish and improve the global correspondent bank network that the Bank needs in the intermediation of foreign trade and international payments;
- To ensure that excess liquidity is invested so as to generate profit;
- To manage the Bank's foreign currency position and liquidity balance within the framework of the policies set;
- To work towards receiving low-cost and long-term foreign funds via international branches and correspondent bank networks;
- To meet customer funding needs through structured financing products like murabaha syndications and club transactions.

In 2009, International Business Banking Segment took giant strides forward. Kuveyt Türk displayed a successful performance in securing foreign funds, especially Gulf Region funds via its Bahrain Branch and it has also taken strategic steps in expanding its overseas branch and affiliate network. The Representative Office in Germany has gained permission to function under the status of the Financial Services Branch and an affiliate named the Kuwait Turkish Participation Bank (Dubai) Ltd. was established in Dubai's International Finance Center, with a capital of US$ 12 million. In addition, Kuveyt Türk opened a representative office in Kazakhstan, which has been chosen as the center for the Bank's plans to expand in Central Asia.

Projects implemented by the International Business Banking Segment in 2009 point towards Kuveyt Türk's resolution to become an international brand, to meet its customers' needs for overseas banking products and services and to become a business partner favored by its customers in foreign trade thanks to its effective global correspondent network.

TREASURY

Responsible for the management of the Bank's liquidity and market risks, the Treasury Department followed a relatively conservative approach during 2009, when the risk elements became more prominent, and it managed to attain the profit goals set at the beginning of the year.

Kuveyt Türk has avoided the negative ramifications of the contraction of liquidity in global finance markets thanks to its strong capital structure, high liquidity rate and ability to access foreign funds. In 2009, the Bank further diversified its business partners with its large capacity to generate funds. The number of the Bank's overseas branches, affiliates and representative offices increases year on year, constantly enhancing its capability to collect funds.

The Treasury Department is comprised of four units: Money Markets, Foreign Exchange Markets, Precious Metals and Commodity Markets and Treasury Marketing.

The Money Markets Unit is responsible for Kuveyt Türk's extensive correspondent bank network relations. The unit has contributed to the distribution of the risks that the Bank can face by diversifying the correspondent banks with which it collaborated in 2009, a period in which the uncertainties in global finance markets intensified considerably. Thanks to its capability to access alternative fund sources and its extensive correspondent bank network, Kuveyt Türk was prepared for the liquidity contraction in global finance markets and managed to transform this difficult period into an opportunity.

The Foreign Exchange Markets Unit closely monitors foreign exchange movements in finance markets and makes purchases and sales of foreign exchange. In 2009, the unit increased its transaction volume by 20% over the previous year to bring it up to US$ 12 billion.

The Precious Metals and Commodity Markets Unit realized 23 tons of transactions in 2009 and carried Kuveyt Türk into the top five of the Istanbul Gold Exchange as regards to transaction volume. The unit figures among the most active players of the precious metals and commodity markets. It gives its customers the opportunity to trade not only in gold, but also in silver and platinum and plans to further expand its range of products during 2010. In 2009, the Bank offered its customers the possibility to trade in different types of metals. Kuveyt Türk also collaborates with important refineries and banks on the world precious metals market. Work is in progress for the establishment of the Gold Exchange Investment Fund, which will allow customers to indirectly purchase and sell gold on the Istanbul Stock Exchange and which will largely amplify Kuveyt Türk's transaction volume in this area.

The Treasury Marketing Unit is responsible for the promotion and marketing of alternative Treasury products to Kuveyt Türk's customers. Its staff was renewed and expanded in 2009 and now, apart from marketing, the unit also delivers consultancy services to Kuveyt Türk clients about financial risks in a period in which uncertainties persist on a global level in finance markets.

INTERNATIONAL BANKING

The International Banking Department is responsible for meeting customer needs, including international payments, foreign trade transactions, foreign funding and external guarantees, with convenient conditions and a superior service quality through the Bank's extensive correspondent bank network. As of year-end 2009, the Bank has approximately 1,000 international and local correspondent banks in more than 100 countries.

The fact that the international credit rating agency Fitch Ratings raised Kuveyt Türk's rating from BB+ to BBB- in 2009 played a crucial role in the establishment of new correspondence relationships and in the increase of the limits allocated by correspondent banks. By these means, Kuveyt Türk managed to meet the diverse financial needs of its customers by further extending its correspondence relations in 2009, during which global finance markets experienced severe liquidity problems.

Carrying out its operations with its vision of becoming a global bank, Kuveyt Türk has taken crucial steps in countries ranging from Europe to the Gulf Region and Central Asia. These developments reshaped the Bank's profile, increasing its recognition in the international arena, as well as making the Bank a continuously strengthening institution of foreign trade in the eyes of its customers.

Kuveyt Türk owes its power in the international finance markets not only to its wide correspondent bank network, but also to long lasting and deeply rooted relations formed by its overseas branches and representative offices. The Bank is the only Turkish participation bank that delivers overseas services, thanks to its branch in Bahrain and its financial services branch in Germany.

As in 2009, Kuveyt Türk will continue to intermediate in Turkish firms' international transactions and support these with its wide correspondent bank network in the period ahead. For 2010 and onwards, supporting foreign trade and increasing its share in foreign trade are among the top objectives of the Bank. The International Banking Department is going to play an efficient role in establishing the relations that will pave the way to the actualization of these goals.

INVESTMENT BANKING

Kuveyt Türk has a singular place among Turkish participation banks due to its unique structure. Undertaking numerous successful projects thanks to the competence of its expert personnel, consisting of the best minds in the sector and to its rich experience, the Investment Banking Unit increased its market share in 2009 with its successful performance and proved that it figures among the most important supporters of the economy and the real sector, during a tough period for international finance markets. Kuveyt Türk managed to expand the volume and range of its internationally structured financial products with its innovative perspective and made the best use of its advantages to access Gulf Region investors in 2009, securing US$ 115 million of syndication loans.

Until now, Kuveyt Türk has delivered intermediation and consultancy services in many financing projects in the Gulf Region. Its long lasting, stable and robust relations in the international finance markets and its experience coming from financing projects in various sectors make Kuveyt Türk a bank favored by the region's most prestigious and prominent finance institutions.

TREASURY, INTERNATIONAL AND INVESTMENT BANKING

The Investment Banking Unit takes into consideration the intensified competition in the market and uninterruptedly continues its work on alternative financing structures to meet customer demands in the most efficient manner. Apart from loan syndications and club transactions, various innovative financing products such as "matched murabaha" secured via the Bahrain branch also have an important share in Kuveyt Türk's total transaction volume. A financial instrument, especially oriented to SMEs, "matched murabaha" offers significant advantages to its customers.

The cooperation it established in 2008 with the International Islamic Trade Finance Corporation (ITFC) - set up by the Islamic Development Bank to finance foreign trade - enabled Kuveyt Türk to provide its customers a new foreign trade product for financing imports. This innovative product was introduced to customers in 2009.

Kuveyt Türk aims to increase its competitive edge in investment banking and preserve its strong position in this area in the region. The Investment Banking Unit, which also played an efficient in role in the transformation of the German representative office into a financial services branch, pursues its goal to diversify its funds and offers its customers financing with competitive maturity and price conditions.

INVESTOR RELATIONS

The main aim of the Investor Relations Department is to manage relations between the Bank, third parties and the Board of Directors, in line with the Bank's basic corporate governance principles. The Investor Relations Department was established at the end of 2007 as a part of the public offering operations included in the 2008 program. Since 2009, the Department has acquired new responsibilities in economic research and overseas organization management.

The Investor Relations Department closely monitors developments in domestic and foreign markets and reports its economic research outcomes to top management, employees and customers. The Daily Bulletin and Monthly Economic Bulletin sent to domestic and foreign customers and the Monthly Monitor and monthly reports on basic macroeconomic indicators sent to correspondent banks figure among the main reports prepared by the Department.

In addition, the preparatory work for the weekly Assets and Liabilities Committee are coordinated by the Investor Relations Department as part of its function to maintain investor relations and carry out economic research.

The administrative management and coordination of the Bank's growing overseas organization, as well as research and feasibility studies on new markets, figure among the responsibilities of the Department. In line with licenses obtained in 2009, the Department's aim for 2010 is to benefit from overseas organizations in an efficient manner and extend the Bank's reputation in countries and regions where it has overseas assets.

In Germany, a priority target is to deliver the Bank's products and services to a large customer group, particularly to Turkish citizens, through the financial services branch. In order to play a more significant role in the relations between Turkey and the Gulf countries, Kuveyt Türk has established an affiliate in Dubai, the finance center of the region and starting from 2010, this affiliate will offer services and products meeting Turkish firms' needs.

In 2009, the Investor Relations Department also undertook operations in the Kazakhstan representative office to promote the interest-free banking model. In October, in cooperation with the Kazakhstan Financial Markets Regulation and Supervision Agency, a group of 60 people working in the banking sector received a three day Interest-Free Banking Seminar. In December, the Kazakhstan Country Presentation and Business Opportunities meeting was organized for corporate customers.

Apart from research activities, the Investor Relations Department has geared up its overseas activities in order to contribute to Kuveyt Türk's goal of enhancing its presence in international finance markets.

FINANCIAL CONTROL

Functioning like a command and control center, the Financial Control and Reporting Group aims to provide high quality services with its advanced technological infrastructure and expert staff.

The Financial Control and Reporting Group performs all analytical information management and notification operations for tracking, controlling and budget based planning and directing for Kuveyt Türk's profitability and risk/resource productivity as regards to customers, products, and services.

Working like a command and control center, the Financial Control and Reporting Group fulfills the following responsibilities:

- Constructing and enhancing the infrastructure of the Bank's accounting system, and monitoring its correct functioning,
- Reporting the problems identified in a timely manner in order for them to be solved immediately,
- Creating an effective budgeting and reporting system based on accurate data, in order to ensure reliable management,
- The accurate and timely production of reports to be disclosed to the public and sent to public agencies.

The Financial Control and Reporting Group is divided into four departments: Accounting, Financial Control, Budget and Management Reporting and External Reporting. The Group aims to carry out all these functions with a superior service quality, thanks to its advanced technological infrastructure and expert staff.

ACCOUNTING DEPARTMENT

The Bank's Accounting Department is responsible for making proper records of transactions in order to prepare financial tables and legal reports in a realistic way and in accordance with the Banking Law, Turkish Accounting Standards, regulations and communiqués of the Banking Regulation and Supervision Agency, tax laws and other related legislation; fulfilling tax and other liabilities and tracking the related payments; recording, paying and controlling the Bank's expenses and fixed assets.

The main functions of the Accounting Department are as follows:

- Tracking changes made to the accounting system and the Chart of Accounts in the Banking Law, Turkish Accounting Standards, regulations of the Banking Regulation and Supervision Agency, tax laws and other related legislation, in order to apply the necessary changes,
- Contributing to the preparation of the Bank's monthly, periodical and annual financial tables and monitoring transactions with other units,
- Carrying out transactions with shareholders, units, and public agencies,
- Implementing internal and external control, as well as BRSA independent control,
- Carrying out the transactions of the Bank's operations with its domestic and overseas affiliates, subsidiaries and branches in free zones or abroad, implementing the necessary controls,
- Ensuring that taxes and other liabilities monitored by the headquarters are fulfilled and making the necessary records and controls,
- Ensuring that the Bank's legal books are approved and printed,
- Carrying out the compliance and control of the Bank's accounts in its domestic and foreign banks and correspondent banks,
- Carrying out the Bank's accounting and financial control transactions related to its fixed assets,
- Making the Bank's interim and year-end inventory and finalization transactions,
- Taking into record all bills and documents related to the Bank's purchases of goods and services, making the payments, controlling the expenses and other related items,
- Providing technical support, consultancy and training to units, branches and product development departments as regards to accounting, legislations and other issues, as well as carrying out transactions related to accounting.

In line with the Bank's vision and targets for 2014, the Accounting Department pursues its aim in monitoring technological innovations and changes in domestic and international legislation in order to enhance productivity, bring internal and external customer satisfaction to high levels, support innovative products and practices and ensure continuous development.

FINANCIAL CONTROL

FINANCIAL CONTROL DEPARTMENT

Financial Control is responsible for making a realistic presentation of the Bank's operating results and risk status by forming and developing a reliable accounting infrastructure and implementing effective finance and accounting controls, with its expert and dynamic staff. The other main functions of Financial Control are as follows:

- In accordance with the uniform accounting system and the related legislation and communiqués, instantly detecting and correcting errors through periodic controls on a daily, weekly and monthly basis in order to keep the accounting records of all transactions accurate,
- Enabling internal and external reports to be completed on time with correct and reliable data,
- Conducting analyses related to the Bank and the sector in general, in order to support the Bank management in decision making,
- Conducting daily controls and analyses of the Bank's income and expenses to calculate profit shares and to properly reflect these on customers' accounts,
- Ensuring that the tax and similar liabilities of the Bank are tracked and performed, offering consultancy to various units on tax issues and carrying out the correspondence with tax authorities,
- Offering accounting and systems infrastructure support to other divisions for their new products and demands, as well as developing existing controls and establishing new control points.

The Accounting and Financial Control Departments are responsible for solving problems related to the accounting practices of the branches and headquarters, making suggestions to users and conducting training when necessary. Moreover, they also perform functions such as carrying out necessary work for monthly financial reports, making interim and year-end transactions, coordinating work in both internal and external audit processes, providing information to auditors and preparing requested information and documents.

The Department's aim for 2010 is to make the best use of information technologies in order to increase the efficiency and quality of these services and to enhance internal and external customer satisfaction.

BUDGET AND MANAGEMENT REPORTING DEPARTMENT

Due to its strategic importance in financial control and planning, the budgeting function is a roadmap for every institution. Kuveyt Türk increases the number of its branches in line with its growth targets and therefore, budgeting plays a critical role for management to fulfill its command and control functions. This importance has increased further in the last few years as the number of basic variables in the market increased, volatility rose and the nature and quality of customers, products, and risks rapidly changed. Budgeting is a tool for monitoring the performance of each branch, directing them according to the Bank's basic policy and strategies and controlling their activities to establish financial and managerial integrity. In this way, budgeting provides the Bank with a regulated, productive and reliable working environment.

The Budget and Management Reporting Department draws up the yearly financial roadmap and controls and monitors whether the Bank's operations are performed according to this roadmap.

The Department clearly explains to relevant branches and units the Bank's annual targets and management plans designed to achieve these targets, in line with the strategic goals set by top management. At least monthly it monitors the financial development of management units, identifies deviations, if any, assesses their reasons and suggests corrective action and carries out performance measurements and assessments in line with target realization rates. As a result of these operations, the Department prepares reports needed by Bank management.

In 2009, in order to ensure that the management can more closely monitor and assess the Bank's performance, the Budget and Management Reporting Department was restructured and the Management Reporting unit was created under its umbrella. This unit reports to top management and the Bank's related units, branches and departments periodically or upon request and offers analyses and interpretations of the reports.

Also, as part of the restructuring, a Reporting Database Unit was created in 2009 under the umbrella of the Budget and Management Reporting Department. This unit will carry out functions such as ensuring that reporting is more dynamic, problem-free and timely, that the communication between the Department and the IT Department is stronger and that various reports are prepared inside the Department without the aid of other units.

EXTERNAL REPORTING DEPARTMENT

As part of the Bank-wide restructuring in 2009, the External Reporting Department was separated from the Budgeting and Management Reporting Department. The External Reporting Department produces information that has to be revealed to the public or sent to public agencies due to legal obligations, as well as reports to Kuwait Finance House, the largest shareholder of the Bank. The Department prepares around 100 financial reports annually and sends these to public agencies on a daily, weekly, monthly, quarterly and annual basis. The External Reporting Department has two main functions:

Domestic Reporting

As regards to domestic reporting, the Department produces IFRS reports, periodic and instantaneous reports sent to public agencies and also makes various preparations for independent audit reports. The External Reporting Department also prepares charts and tables regarding legal ratios that need to be monitored in accordance with relevant laws and regulations (capital adequacy ratio, foreign currency net general position, credit limits, Turkish Central Bank statutory reserves, etc.). Branch inaugurations and address changes, participation funds that have expired and the transfer of receivables and deposits to the Savings Deposit Insurance Fund (SDIF) - all of which need to be reported to public agencies - are also monitored by the Department as part of its domestic reporting activities.

Overseas Reporting

Overseas reporting activities cover the reports prepared to meet the consolidation needs of Kuwait Finance House, the largest shareholder of the Bank, reports demanded by Kuwait Central Bank and capital adequacy studies calculated in line with Basel II criteria.

AUDIT AND RISK MANAGEMENT

The Risk Management and Treasury Control Department closely monitors credit, market and operation risks that the Bank could face and reports stress tests and scenario analyses based on certain assumptions to the related committees.

RISK MANAGEMENT AND TREASURY CONTROL DEPARTMENT (RMTCD)

RMTCD defines, monitors, measures, controls, reports and manages various risks that the Bank could face. The Department functions according to the "Regulation on the Risk Management System and Working Procedures and Principles for Risk Management Department," a directive issued by the Board of Directors on January 30, 2007 (Decision No. 576). The Board of Directors fulfills its duty to implement this regulation via the Audit and Risk Committee authorized under the Internal Systems Officer.

The credit, market and operational risks that the Bank could face have been closely monitored and various stress tests and scenario analyses based on certain assumptions have been reported to related committees. In 2009, the Bank's largest shareholder, Kuwait Finance House (KFH), organized risk management meetings with the participation of all its affiliates in order to analyze the Group's risks; at these meetings, risks and developments in the world banking sector were discussed in the light of latest developments.

In 2009, Kuveyt Türk sent the Basel II Participation Template to Kuwait every three months, since it is a KFH affiliate. In addition, the Bank started to send monthly Risk Management Reports to KFH.

RMTCD efficiently fulfills the liabilities imposed by the risk management legislation, in line with the Basel II Road Map, integrated risk management and risk-oriented audit approach. The work for integration with the CRD/BASEL-II carried out in the Department continues without interruption.

BRSA was regularly informed about the Bank's activities in this area through the progress surveys. In addition, the Kuveyt Türk Risk Management and Treasury Control Head has taken up the responsibility in the Basel II Guidance Committee envisaged by BRSA, in the name of participation banks. The Department closely monitors Turkey's economic conditions and the performance of the banking market and reports these to the Board of Directors.

Limit breaches for loans are monitored weekly and the results are shared with the Bank's top management and relevant departments.

The Treasury Control (Treasury Middle Office) Department, which has reported to the Risk Management Department since 2007, is responsible for monitoring the market risk; auditing Treasury Department's reports, pricing and activities; ensuring that transactions are carried out within the limits set by the Board of Directors and contributing to the design of the new products developed by the Treasury. A system has been put in place to allow the Department to check the Treasury's transactions for profitability and compliance with market prices.

In 2009, when the global crisis made itself felt, the Department sent monthly reports to KFH on the effects of the crisis on the Turkish economy and financial markets, as well as detailed reports on loans.

In the second half of 2009, studies were conducted on the Bank's risk appetite and drafts were prepared on risk limits.

As part of the operational risk studies, Key Risk Indicators of the risks faced by the Bank are reported regularly and data surpassing benchmarks are scrutinized. In addition, a database is prepared in which retrospective information on operational losses is stored. Losses incurred since the beginning of 2009 are regularly recorded by relevant units into the database.

Studies were undertaken on the operational risk insurances such as BBB, ECC, PI and D&O and intensive efforts were made to insure the Bank against such risks.

In accordance with the Emergency Action Plan and Business Continuity Planning, the Department makes continuous efforts to control whether the emergency systems that must be launched in extraordinary

AUDIT AND RISK

situations function without problems, to identify any malfunctions and make the necessary amendments and to raise the awareness of users and train them in this regard. To this end, the Bank's Business Continuity Plan has been thoroughly updated and the Bahrain Branch's Business Continuity Plan was also renewed.

The Bank's IT risk evaluation studies are also undertaken by the Risk Management and Treasury Control Department. IT risk evaluation studies for 2009 have been completed.

AUDIT AND INSPECTION DEPARTMENT

The Audit and Inspection Department was established to create a disciplined and systematic audit structure in order to evaluate and improve the effectiveness of the Bank's risk management, control and governance processes. The Department is responsible for executing a diligent compliance control encompassing all of the Bank's activities and units to apply a risk-oriented audit process. The Audit and Inspection Department continues its operations under the Audit and Risk Committee and provides periodic reports to the Audit Committee.

The Audit and Inspection Department pursues its operations with a risk-oriented perspective and assumes an important role for the Bank in management of risks, compliance of operations with internal and external legislation, as well as increasing efficiency and service quality.

The Kuveyt Türk Audit Plan is prepared on an annual basis and after the compliance approval of the Internal Systems Officer and the approval of the Board of Directors, it is put into effect. In line with this plan, the audit is carried out in four separate areas: branch network, headquarters unit, affiliates and IT applications and systems.

The audit activities of 2009 were completed in accordance with the plan and the expectations of shareholders; and special examinations and legal and administrative inspections were carried out where necessary. These audit activities primarily focused on loan risk and operational risk and further emphasis was made on business development studies and on efforts to improve audit effectiveness through a project-based approach. Final audit reports and their executive summaries were submitted to top management, the Audit Committee, and the Audit and Risk Committee.

Actions arising from the reports are monitored by follow-up programs and results of follow-ups are reported to relevant authorities when necessary. Reports on operational activities are sent to the Audit Committee and the Board of Directors at least every three months.

COMPLIANCE DEPARTMENT

The Compliance Department is responsible for the effective, sufficient and appropriate implementation of the Compliance Policy at Kuveyt Türk and its subsidiaries subject to consolidation and to this end, it sets and develops the necessary standards.

The Department is also responsible for compliance controls required by BRSA, according to the "Regulation on Internal Systems of Banks" issued in the Official Gazette No. 26333, dated November 1, 2006. Furthermore, according to the "Regulation on Program of Compliance with Obligations of Anti-Money Laundering and Combating the Financing of Terrorism" published in the Official Gazette No. 26999, dated September 16, 2008, Head of the Compliance Department was appointed as the Compliance Officer.

The personnel of overseas branches and of subsidiaries subject to consolidation who are responsible for monitoring foreign regulations as well as ensuring compliance, report periodically to the Compliance Department.

The Compliance Department, which operates under the Audit and Risk Committee, has three primary functions.

Legislation Function

- Monitoring developments in legislation and making the necessary announcements to the Bank,
- Advising branches and departments on legal regulations,
- Providing support to the relevant departments in preparing internal and external publications,
- Identifying precautions to prevent actions in conflict with legal regulations and taking the lead in updating internal regulations,
- Providing necessary training programs about compliance to legal regulations.

Compliance Function

- Controlling the compliance of all current and prospective operations and products of the Bank to the legal regulations, internal policies and procedures as well as common banking practices,
- Reporting to the relevant authorities regarding the monitoring of regulation compliance activities carried out by the department,
- Monitoring the requirements of the work plans developed by the reports of the external auditors.

AML and CFT Compliance Function

- Ensuring compliance with legislation on preventing money laundering and financing of terrorism,
- Maintaining customer quality through the application of "Know Your Customer" principles,
- Protecting the Bank against deliberate abuse through money laundering and financing terrorism,
- Providing detailed information to the Bank's employees on relevant legal obligations,
- Evaluating clients, transactions and services with a risk-oriented approach and developing rules and responsibilities in order to reduce potential risks of the Bank,
- Ensuring the necessary harmony and cooperation in relations with correspondent banks.

INTERNAL CONTROL DEPARTMENT

The Internal Control Department was established to design, apply, manage and follow internal control activities and to report to senior management on the results of these activities to ensure they are performed according to the internal and external legislation.

In 2009, the Internal Control Department carried out control activities with a proactive approach on branches, units, processes and products in order to evaluate the efficiency of the internal control system. Through the control methodology and Control Management System (CMS) developed by the Internal Control Department, on-site control and monitoring activities were carried out in all branches in 2009. In addition, the Department performed controls in various headquarters departments within the context of COSO and it updated the business processes of these departments and the control points on these processes.

In accordance with the 2009 control plan, a total of 113 branches, comprising 112 domestic branches and an overseas branch, as well as five departments of the headquarters and three product processes were controlled successfully. In addition, all the branches (except the Bahrain branch) have been monitored once. As a result of these controls, a total of 116 analytic internal control reports, 114 of which were analytic internal control reports and two of which were concerned with headquarter units, were prepared and presented to top management. After the results of the controls indicated in the branch reports were analyzed, a consolidated Risk Warning Report was issued.

In parallel with the Bank's 2018 strategy and the expansion of its branch network, the operational and execution model of the Internal Control Department was slightly modified. To counter the potential challenges and risks that could stem from the expansion of branch network, it was decided that regional/on-site control needed to be implemented in addition to the present structure. Apart from the regional structure, "on-site control services" were introduced in some headquarters departments. It is targeted that these services would specialize in business processes so that the efficiency of the audit would improve through continuous controls.

The Department aims to continuously control bank-wide transactions by using computer aided audit techniques, particularly ACL (Audit Command Language), through the Central Control and Monitoring Service.

The Internal Control Department evaluated the Bank's business processes, procedures and newly developed products and services against possible risks, closely monitored the implementation of various processes and took an active role in the completion and regulation stages of instructions. For this purpose, it attended meetings on processes and products and contributed to product development from an Internal Control Systems perspective.

The Internal Control Department also coordinated the IT audit activities in 2009 and reported to the BRSA the outcomes of the related audit reports and the necessary actions. The Internal Control Department planned the 2010 central and on-site controls of the branches and the departments with a risk-oriented approach; it is going to undertake its activities according to the calendar that was set.

BANKING SERVICES GROUP

As the branch number and transaction volume of Kuveyt Türk grows, the Operations Center enhances its functional structure and offers Bank clients the best possible service in a continuous and efficient manner.

OPERATION CENTER

The Bank's Operation Center executes operational transactions for corporate, retail and international banking. The Operation Center is comprised of the Credit Operations, Banking Operations, Foreign Trade, and Treasury Operations departments and it carries out its activities with the goal of providing a maximum increase in quality and minimizing operational costs.

In order to enhance business efficiency, the Operations Center carries out work on process management, supporting processes with technological infrastructure and integration. As Kuveyt Türk steadily increases its number of branches and transaction volume, the Operations Center develops its functional structure and offers Bank clients the best possible service in a continuous and efficient manner.

Loan Operations

The Credit Operations Department performs transactions required for the payment of individual and corporate loans, control and approval of letters of guarantee and the insurance of collaterals in accordance with the Bank's business principles and legislation.

In 2009, the number of loan transactions carried out in the Credit Operations Department increased 41% over the previous year to reach 55,100 and the total funds allocated grew 13% to attain US$ 3,512 million.

Credit Operations Department's activities in 2009

- In 2008, a "seller invoice record control system" was established in order to avoid the repetitive use of sellers' invoices subject to loans. In 2009, the OPM-Control-Approval system was put into effect to track non-closed advance projects.
- The work for carrying vehicle collateral transactions online was started in 2008 and completed in 2009. In order to put the system into effect, the Department is waiting for the General Directorate of Security to launch the said practice.
- The systemic work for delivering letters of guarantee under central control came to the final stage; all preparations were completed so as to implement it in the beginning of 2010. During this work, the screen structure and functioning regarding letters of guarantee have been changed totally so as to facilitate control, use and reporting.
- The Insurance Unit operating under the Department has taken the necessary work to reach the highest levels in the insurance of projects and guarantees by the Bank; work was continued to enhance the system and structure in order to monitor insurances efficiently.
- Relevant departments were provided with support in regards to the agency activities of the Kuveyt Türk affiliate, Neova Sigorta.
- In loan allocation and insurance transactions, various improvements were made in the document management system; the system was made more user friendly and transactions were speeded up.

Banking Operations

The Department carries out Call Center activities, cash management, branch coordination, clearing and other banking operations.

Call Center

The Call Center is active 24/7 and delivers phone banking services, calls to branches (VoIP) and support services.

The number of incoming calls received in 2009 increased 33% over 2008, reaching 1,293,258. Apart from incoming calls, the Call Center also organized various outgoing call campaigns and made 99,211 outgoing calls for this purpose.

The number of banking transactions made in 2009 increased 15% over 2008 to reach 26,100. The total volume of banking activities grew 25% to attain TL 89,329,600. As a result of intense selling campaigns, 4,500 automatic payment orders were sold.

The number of branches connected to the VoIP network in 2009 reached 75 and the number of incoming calls increased 8% over 2008, reaching 445,990. 55% of the calls received from the branches were handled by the Call Center.

The number of feedback to the Customer Satisfaction Service grew 63% over 2008 to attain 12,465. The issues raised by customers were resolved in an average of 2.5 business days.

Cash Management
The unit is responsible for organizing the cash flow of all Istanbul branches, as well as close provincial branches.

The Cash Management Unit continued to meet all the Istanbul branches' cash needs in the most rapid manner, despite the increase in branch numbers in 2009.

In 2009, the compliance approval of the group transfers of provincial branches, as well as the physical gold transfer and storage of the branches were brought under the umbrella of Cash Management activities.

Clearing
The Clearing Unit collects the checks and promissory notes submitted to the Bank's branches via the Clearing Room and correspondent banks and it deducts them from customers' accounts.

The unit also prints checkbooks approved by the Bank's approval mechanisms and sends them to branches. The foreign exchange check clearing system will be launched in the beginning of 2010 and its system development activities were completed in 2009 as part of the Banking Transformation Program. In this way, checks will no longer be collected via correspondent banks and Kuvyet Türk will directly participate in foreign exchange check clearing transactions among banks.

According to plans, notices to promissory note debtors will soon be sent by the Operations Center in the name of branches. The relevant system development work is completed and implementation will begin in 2010.

The provision of checks via Garanti Bank, Akbank and VakıfBank - with which Kuveyt Türk has correspondence agreements - continues. The provisions for the Kuveyt Türk checks presented to these banks are taken and the check sums are settled over the account.

Data Entry and Official Correspondence
The Official Correspondence Department is responsible for answering letters from public agencies to the headquarters and branches, as well as for archiving this correspondence electronically.

The Department is responsible for notifying the Central Bank of unpaid checks, bounced promissory notes, non-performing loans, as well as recording the Ministry of Finance reports, Central Bank checks, promissory notes and irregular entries.

In 2009, seizure decisions coming from the tax offices chosen as part of the pilot project were implemented online (e-seizure). In the first quarter of 2010, the Bank plans to implement e-seizure with all tax offices.

The Collateral and Data Entry Unit is active in controlling collateral, checks and promissory notes sent by branches online, according to formal requirements and it makes the necessary transactions together with process improvements.

In 2009, there was a 63% increase in collateral entries. Check and promissory note entries grew 30%, reaching 658,000.

Branch Coordination
The Branch Coordination Unit carries out activities such as undertaking support functions to enhance operational performance in branches, measuring operational performance, determining the size of the branch personnel according to the workload, as well as promotion and assignment of the operation personnel etc.

Branch Coordination Unit's 2009 Activities

- In order to reinforce communication channels with branch operation staff and to make announcements via an easily accessible formal medium, the Branch Coordination Web Site was launched. A new priority identification study was undertaken for the Q-Matic card system to increase customer satisfaction. It was made obligatory for employees working at branch counters to enter the Q-Win program with their own registry number. In this way, performance reports which were monitored on the branch level became person specific.
- The process and infrastructure work for the Off-Site ATMs, whose number will increase in 2010, is at the contract signing stage.
- The banking powers of the operation personnel were organized, an expert support authority group was formed in order to carry counter employees to the next position and to bring their powers under control.
- A new correspondence protocol was signed with Akbank, which indicates the service hours and qualities for every branch, in order to minimize problems that come up in group services.
- The operational personnel demand of the present and newly opened branches were met in coordination with Human Resources through recruitment and assignments.
- In 2009, 85 branches were visited. Their physical situation was observed and their needs and demands were noted and the expectations concerning their operational personnel were indicated to them.
- Meetings were organized in the Operations Center for operation managers in the Istanbul branches. In these meetings, problems concerning operational activities were brought up. Expectations about the control efficiency of operation managers were shared with them.
- Among the branch and Operations Center personnel, employees who carried out their duties in an accurate and rapid manner were chosen as Employee of the Month and their names were published in the unit web site.

BANKING SERVICES GROUP

Foreign Trade Treasury Operations

The Foreign Trade Treasury Operations Unit is responsible for banking services related to imports and exports, foreign currency and foreign exchange transfers to and from the Bank, the control and monitoring of the Moneygram, SWIFT and EFT systems, as well as back office functions related to Treasury operations.

The unit's number of total transactions increased 28% in 2009 over the previous year.

The Treasury Operations Unit was restructured in 2009 in order to ensure optimum coordination with the Treasury Department, whose operational transactions it carries out. In addition, for a more efficient use of the functional structuring implemented in 2008, education, infrastructure and automation work was carried out in the unit and in this way, group transactions achieved a more healthy structure.

According to Straight Through Process (STP) standards, the unit worked with an accuracy rate of 99% and above in money transfers via correspondent banks.

INFORMATION TECHNOLOGIES (IT)

In today's world, information technologies are of the utmost importance in banking operations in regards to reaching high quality services and continuous customer satisfaction. The goal of the Information Technologies Department is to support Kuveyt Türk's activities with efficient information systems and advanced banking technologies and to contribute to the expansion of innovative products and services in the target customer group.

In 2009, the Information Technologies Department established the Information Technologies Corporate Architecture Department in order to enhance the technical infrastructure in line with the strategic goals of Kuveyt Türk. In addition, the Customer Relations Manager position was created for the purpose of establishing a more efficient coordination between the Information Technologies Department and internal customers.

Also, the Service Desk was restructured in order to ensure that other IT departments focus on projects and improvements and that first level support services are delivered. In 2009, the Information Technologies Department resolved 99.83% of the calls it received and completed 652 demands for project improvements and changes.

Crucial projects completed by the Information Technologies Department during 2009 are as follows:

Data Storehouse Project (Business Intelligence): Together with business intelligence applications, the Bank offers users listing reports, OLAP analyses, Ad hoc Reports and Dashboards to ensure that data is better monitored and that analyses and deductions are carried out.

Credit Transformation Project-Financial Analysis and Intelligence: The financial and intelligence analyses of applications from corporate customers, commercial customers and small scale enterprises and these firms' data, financial situation, income sheets and qualitative financial information are entered into the system and the relevant rating and scoring is done.

Package Management System: In order to introduce competitive products to the market, gain new customers and enhance customer productivity, package products that offer various advantages are defined and managed through a single system.

Slip Project: Slips given from the Internet Branch are formed in a specific format and with sufficient information as the first phase in the formation of a common slip infrastructure.

MoneyGram Integration: With a new module with Turkish interfaces, the Bank has the infrastructure to offer MoneyGram via ATMs, the Internet Branch and other alternative distribution channels.

Credit Cards and Member Enterprise Transformation Project: Reliable third party applications are launched in many systems such as Virtual POS, printing card and bank statements, as well as credit card systems.

Overseas Banking Module: In parallel with Kuveyt Türk's strategy of growth in overseas banking, an Overseas Banking Package was prepared and launched in the Bahrain Branch and the Dubai affiliate in order to support the activities in this area with information technologies infrastructure.

Budget System Renewal Project: Processes such as budgeting, forming scenarios and simulations on the portfolio level, ensuring the distribution of costs to branches and financial performance evaluation processes will be carried out through the new budget system.

Committee Information Screens: The screens made it possible to make financial analysis and intelligence reports more easily understandable to Credit Committee members, to decrease paper costs and to ensure electronic access to financial analysis reports and analyses.

New Generation Application Architecture (BOA): The new generation application architecture, Business Oriented Architecture, was developed according to Kuveyt Türk's needs. The architecture received positive results from the benchmark tests carried out by Microsoft in Germany.

Project Portfolio Management and Test Management: The Project Portfolio Management (PPM) instrument was purchased in order to manage and monitor demands in the Information Technologies portfolio and report them according to specific criteria from a single platform. In addition, Quality Center (QC) was purchased to identify the functional necessities of the systems and to connect them with each other and with test scenarios.

ODM Center: The ODM Center, commissioned in 2006 at the IBM Izmir, is being installed in the Ankara Türk Telekom Data Center due to current business needs.

System Consolidation and Virtual Server Investments: In order to use DataCenter in a more efficient manner physically and to gain in energy efficiency, the consolidation and virtualization process of the Active Server infrastructures were continued.

Reinforcement of the KT Network Infrastructure: The central router and switches were renewed due to increasing traffic and Bank needs and their capacity was increased.

F/O Investment: The Operations Center, Nevtron, Bahçeşehir and Balgat branches' network connections were transferred to an F/O infrastructure.

Installation of the Branch MPLS Infrastructure: Spare branch lines are supported over ISP (Borusan) with MPLS infrastructure; in this way, the spare access capacity will increase and the spare lines will be directed to the ODM center. In addition, all branches will be transferred to the VoIP infrastructure. The project continues at present.

Monitoring Critical Systems and Services with SCOM: In order to ensure the continuity of critical banking services, the systems are monitored via SCOM (System Center Operation Manager).

Vulnerability Scanning: This project aims to identify security gaps in critical servers, to report these regularly to server administrators and to overcome them.

Penetration Test: A penetration test was carried out to identify security gaps in the Kuveyt Türk network and web applications.

Backing Up IPPOS Servers: The number of IPPOS servers that make connections from the outside was raised from one to three. In this way, IPPOS devices that cannot access one of the servers can connect with the other servers and make their transactions.

Active Directory Audit: This product logs and controls all user transactions made through the Active Directory.

Auditing & Compliance: Integration work was carried out to ensure the compliance and audit of the system security devices' configuration.

Internet Banking Dubious Transactions Early Warning System: An Internet Banking Dubious Transactions Early Warning System was installed for the Payment Disclaim Unit.

ADMINISTRATIVE SERVICES

The Administrative Services Department is comprised of Purchasing, Administrative Services, Construction and Project Development, Communication and Security Services.

The Administrative Services Department supplies all the goods and services needed by Kuveyt Türk, all maintenance and repair services, restoration and refurbishing of branch offices and other bank locations, establishing, managing and maintaining all communication lines, as well as cargo, mail, and other consignment services.

These are the main projects implemented by the Administrative Services in 2009:

- In 2009, a total of 17 branches were inaugurated - namely the Alanya; Cebeci and Demirtepe in Ankara, Batman, Çukurova, Erzincan, Gatem in Gaziantep, Gebze Çarşı, İskenderun; Bahçeşehir, Gaziosmanpaşa, Güngören, Sancaktepe and Şişli in Istanbul, Çiğli and Pınarbaşı in Izmir, Bekirpaşa in İzmit branches.
- The office of the Mannheim Branch in Germany was rented and renovated in 2009; the branch is scheduled to be inaugurated in February 2010.
- The new Information Technologies Unit building was inaugurated.
- In order for the central procurement and transfer system to benefit from cost advantages and the opportunity to increase service quality standards, a Supply and Logistics Center was established. To this end, a modern building of 4,250 m2 of closed space was rented. The Supply and Logistics Center will include the central archive service and is scheduled for inauguration at the end of February 2010.
- After the necessary field and feasibility work, a plot of 35,031 m2 was purchased in İzmit-Şekerpınar, where Kuveyt Türk's banking center will be constructed; the project is currently being prepared.
- A total of 13 branches (Ulus-Ankara, Mersin, Eskişehir, Konya, İzmit, Ostim-Ankara, as well as Istanbul's Taksim, Başakşehir, İkitelli, Altunizade, Üsküdar, Zeytinburnu and Sultanbeyli branches) were redecorated and reopened.
- As part of the project to support the Administrative Services Department's service infrastructure with automation software, Oracle-based Budget Expense Management, Procurement and Fixed Asset Tracking software were updated and expanded.
- In order to renew the present branch concept according to changing and evolving needs and to support Kuveyt Türk's new corporate identity with a new architectural identity format, meetings were held with various architecture and project groups. The preparatory stage of the new conceptual project was completed with the architectural group selected.
- As of early April 2009, documents sent from inside or outside the Bank to the headquarters and its departments are delivered to the concerned officers electronically. At the same time, the payment of the communication bills of the Bank's branches and other locations were centralized in the Kuveyt Türk Automatic Bill Payment System, operating under the Communications Service.
- The internal communications of the Special Security Organization was accelerated via a push-to-talk walkie-talkie system.

BOARD OF DIRECTORS

MOHAMMAD S.A.I. AL OMAR (01)
Chairman of the Board
Born in Kuwait in 1959, Mohammad Al Omar graduated from the Chapman University, Department of Economics in California in 1986. After working as a financial analyst and as a manager in construction and real estate, investments, and procurement at Pearl Investment Company from 1987 to 1992, Al Omar joined Kuwait Finance House in 1992. Appointed as Assistant General Manager for the Investment Sector at the Kuwait Finance House in 1999, Mr. Al Omar became the CEO of Kuwait Finance House in 2007. Al Omar was appointed as the Chairman of the Board of Directors at the Kuveyt Türk Katılım Bankası A.Ş. in 2000. He also currently serves as a member of the Bank's Auditing Committee, Auditing and Risk Committee and Credit Committee.

ABDULLAH TİVNİKLİ (02)
Vice Chairman of the Board
Born in Erzurum in 1959, Abdullah Tivnikli graduated from the Mechanical Engineering Department of Istanbul Technical University in 1981 and received a master's degree from the School of Business Administration of the same university. Tivnikli has been a member of the Board of Directors at the Kuveyt Türk Katılım Bankası A.Ş. since 1988 and was appointed as Vice Chairman of the Board of Directors in 2001. In addition to his responsibilities in the participation banks sector, Abdullah Tivnikli is a Board Member at Türk Telekom and serves in the management of Eksim Group, Tivnikli's family business. Eksim Group is active in the trade of grain products, energy, food and mining industries.

DR. ADNAN ERTEM (03)
Member of the Board
Adnan Ertem was born in Erzincan in 1965 and graduated from Istanbul University Faculty of Political Sciences in 1987. Ertem received a master's degree from the Political Science Department, Institute of Social Sciences at the same university and was awarded a doctorate degree in 1998 for his thesis on Social Structure and Social Change. Ertem started his professional career in 1988 as Assistant Auditor in the Internal Audit Department of the General Directorate of Foundations, served in various positions in the same institution and was appointed as the Istanbul Regional Director of Foundations in 2002. Appointed as a Member of the Board of Directors of Kuveyt Türk Katılım Bankası A.Ş. the same year, Ertem is also a member of the Bank's Corporate Governance Committee and Auditing and Risk Committee. Ertem was appointed Deputy Undersecretary to the Prime Minister in 2007.

KENAN KARADENİZ (04)
Member of the Board
Born in Giresun in 1955, Kenan Karadeniz graduated from the Physics-Chemistry Department of Trabzon Fatih Institute of Education in 1979. Karadeniz started his professional career at the Real Estate Offices of the Trabzon Regional Directorate of Foundations, later working at the Istanbul Regional Directorate of Foundations, Istanbul Regional Directorate of Real Estate and Revenue and at the Istanbul Metropolitan Municipality Directorate of Real Estate. He served as a member of the Board of Directors at Kiptaş A.Ş. from 1996 to 1999 and at Halk Ekmek A.Ş. from 2000 to 2003. Later he served as Department Director and Assistant General Manager at the General Directorate of Foundations and retired from the latter position. Since 2006, Karadeniz has been a member of the Board of Directors of Kuveyt Türk Katılım Bankası A.Ş.

AZFAR HUSSAİN QARNI (05)
Member of the Board
Azfar Hussain Qarni was born in Karachi, Pakistan in 1956 and graduated from the Chemical Engineering Department of Ned University in 1980. Qarni received his master's degree from the Business Administration Department of the Karachi University, School of Business Administration and Economics in 1987. Starting his professional career as an Assistant Specialist at Imperial Chemical Industries in Pakistan, he served at various levels at the National Development Finance Corporation of Pakistan and was eventually promoted to the Vice Presidency. Appointed as Project Capital Officer at the Islamic Development Bank in 1996, Qarni has been a member of the Board of Directors, Auditing Committee and Audit and Risk Committee at Kuveyt Türk Katılım Bankası A.Ş. since 2003.

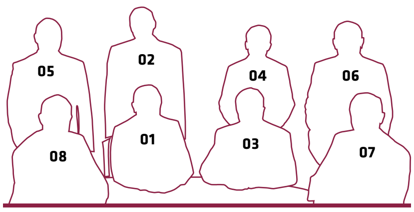
KHALED N. AL FOUZAN (06)
Member of the Board
Khaled N. Al Fouzan was born in Kuwait in 1954 and graduated from Kuwait University's Business Administration Department in 1978. Al Fouzan began his professional career at Kuwait Commercial Bank, later working as Director of Participations at the Kuwait Social Security Institution. Appointed as Manager of the Banking Department in 1984, he continued his career at the Social Security Institution after 2004 as the Assistant General Manager for Finance & Management. Al Fouzan served as a member of the Board of Directors at Gulf Securities Inc., Kuwait Industry Bank and Al Manar Financial Leasing. Mr. Al Fouzan has been a member of the Board of Directors at Kuveyt Türk Katılım Bankası A.Ş. since August 2006 and also serves on the Audit and Risk Committee.

SHAHEEN HAMAD ABDULWAHAB AL GHANEM (07)
Member of the Board
Shaheen Hamad Abdulwahab Al Ghanem was born in Kuwait in 1968 and graduated with a degree in accounting from Kuwait University's Department of Economics and Political Science in 1994. Having completed Harvard University's General Management Program, Al Ghanem began his professional career as Chief Accountant of the Consolidation Systems and Procedures Department at Kuwait National Petroleum Company in 1989. After working as the Assistant to Head Accountant at International Investors Co., a leading investment firm in the Gulf Region, he was appointed Manager of the Financial Control Department at Kuwait Finance House in 2001, a position which he currently holds. Al Ghanem has been a member of the Board of Directors at Kuveyt Türk Katılım Bankası A.Ş. since 2006 and serves on the Audit and Risk Committee.

FAWAZ AL SALEH (08)
Member of the Board
Born in Kuwait in 1963, Fawaz Al Saleh is a graduate of the Business Administration-Economics Department of Macalester College in the United States. He joined Kuveyt Türk Katılım Bankası A.Ş. as a member of the Fund Management Department in 1996. Al Saleh was appointed Executive Vice President in 1999 and later as Executive Assistant to the CEO, serving in this position until 2006. He was appointed as a member of the Board of Directors in 2006 and also serves as the Vice Chairman and CEO of Turkapital Holding B.S.C.C.

UFUK UYAN (09)
Member of the Board / CEO
Ufuk Uyan was born in Eskişehir in 1958 and graduated from Bosphorus University's Department of Economics in 1981. Uyan received a master's degree from the Business Administration Department of the same university in 1983. After starting his professional career as a Research Assistant at the Bosporus University, Department of Economics in 1979, he served as a research economist at the Turkish Industrial Development Bank's Directorate of Special Research in 1982. Uyan became a Deputy Project Manager at Albaraka Türk in 1985 and joined Kuveyt Türk as the Director of Projects and Investments in 1989. He was appointed Executive Vice President in 1993 and later Executive Assistant to the CEO. Uyan has been the Bank's CEO since 1999 and also serves as member of the Board of Directors and the Credit Committee.

SENIOR MANAGEMENT AND AUDITORS



(01) **UFUK UYAN**
CEO

(02) **AHMET KARACA**
Chief Financial Officer

(03) **A. SÜLEYMAN KARAKAYA**
Executive Vice President, Corporate and Commercial Banking

(04) **BİLAL SAYIN**
Chief Credit Officer

(05) **HÜSEYİN CEVDET YILMAZ**
Head of the Audit and Risk Group

(06) **İRFAN YILMAZ**
Executive Vice President, Retail and Business Banking

(07) **DR. R. AHMET ALBAYRAK**
Executive Vice President, Banking Services Group

(08) **MURAT ÇETİNKAYA**
Executive Vice President, Treasury, International and Investment Banking

UFUK UYAN

CEO (See: page 49, Board of Directors)

AHMET KARACA

Chief Financial Officer

Ahmet Karaca was born in Konya in 1970. He graduated from the Ankara University, Faculty of Political Science, Department of Public Administration in 1990. Having started his career as Assistant Certified Bank Auditor at the Undersecretariat of the Treasury in 1992, Karaca was appointed Certified Bank Auditor in 1995. Joining the Banking Regulation and Supervision Agency (BRSA) to assume the same role in 2000, he became the Deputy Chief Certified Bank Auditor at the BRSA between 2002-2003 and was appointed Chief Certified Bank Auditor in 2004. Between 2004-2006, Karaca studied for a master's degree in Economics at the New York State University's Department of Economics and obtained his degree with a master's thesis on International Banking and Capital Markets. Karaca joined Kuveyt Türk Katılım Bankası A.Ş. in July 2006 as Chief Financial Officer, a position he continues to hold.

A. SÜLEYMAN KARAKAYA

Executive Vice President, Corporate and Commercial Banking

A. Süleyman Karakaya was born in Istanbul in 1953. Having graduated from the Istanbul University, Faculty of Economics, Department of Business Administration and Finance in 1979, Karakaya started his banking career as an inspector at Garanti Bank and then worked in the Audit Committee, Risk Management Department and Credits Department of the same bank between 1981-2003. He was appointed Executive Vice President responsible for Corporate and Commercial Banking at Kuveyt Türk in 2003, a position he continues to hold.

BİLAL SAYIN

Chief Credit Officer

Born in Sakarya in 1966, Bilal Sayın graduated from Middle East Technical University's Public Administration Department in 1990. Sayın started his banking career as an expert at Albaraka Türk in 1990. He joined Kuveyt Türk as Supervisor in the Projects and Investment Office in 1995. Appointed as Manager of the Corporate and Commercial Credits Department in 1999, Sayın has served as the Chief Credit Officer since 2003.

HÜSEYİN CEVDET YILMAZ

Head of the Audit and Risk Group

Hüseyin Cevdet Yılmaz was born in Istanbul in 1966. Graduating from Bosphorus University, Faculty of Economics and Administrative Sciences, Department of Business Administration in 1989, Yılmaz started his banking career as an Assistant Inspector at the Esbank Audit Committee in March 1991. After serving in various positions within this organization, he joined Kuveyt Türk Katılım Bankası A.Ş. in September 2000 as Head of the Audit and Inspection Department. Yılmaz was appointed as Head of the Audit and Risk Group in 2003, a position he continues to hold.

İRFAN YILMAZ

Executive Vice President, Retail and Business Banking

İrfan Yılmaz was born in Hakkari in 1970. A graduate of the Istanbul Technical University, Department of Management Engineering in 1989, Yılmaz started his banking career at the Financial Operations Department of Kuveyt Türk in 1990. He was assigned to the Audit and Inspection Department in 1996 and later served as Head of the Audit and Inspection Department between 1998-2000. Yılmaz was appointed as Retail Banking Head in 2000 and promoted to Executive Vice President responsible for Retail and Business Banking in 2005, after serving in the same department for five years.

DR. R. AHMET ALBAYRAK

Executive Vice President, Banking Services Group

Born in İstanbul in 1966, Ahmet Albayrak graduated from Istanbul University, Department of Industrial Engineering in 1988. Albayrak received a master's degree in Organizational Leadership and Business from State University of North Carolina in 1993 and earned his PhD from Istanbul Technical University in 2007 for his studies on business administration. Albayrak began his banking career as an expert at Albaraka Türk Katılım Bankası A.Ş. in 1988, then joined Kuveyt Türk Katılım Bankası A.Ş. in 1994 and served in the Financial Analysis and Marketing departments until 1996. Albayrak served as Project Leader in the Performans Yönetimi Danışmanlık Şirketi (Performance management consultancy company) from 1996 to 1997, he rejoined Kuveyt Türk as acting Executive Vice President responsible for Branch Operations in 2002. He was appointed Executive Vice President responsible for Operations, Technology, and Administrative Services in 2005. A reorganization implemented in 2008; since then the Human Resources, Training and Development, Organization and Quality Development departments, also, report to Albayrak, who currently serves as Executive Vice President responsible for the Banking Services Group.

MURAT ÇETİNKAYA

Executive Vice President, Treasury, Investment and International Banking

Born in Çorlu in 1976, Murat Çetinkaya is a graduate of the Bosphorus University and double majored in the Faculty of Economic and Administrative Sciences, International Relations Department and in the Faculty of Arts and Sciences, Sociology Department. Çetinkaya completed his master's degree at this university's Institute of Social Sciences and is still pursuing his PhD studies on international finance/economics and politics at the same university. Having started his career at Albaraka Türk Katılım Bankası A.Ş., Çetinkaya worked at various positions including overseas transactions, treasury and correspondent banking relations. In 2003, Çetinkaya joined Türkiye Halk Bankası to serve as the Head of International Banking and Structured Finance and later as Executive Vice President responsible for International Banking and Investor Relations. During this period, Çetinkaya also served in the boards of various Halk Bankası subsidiaries and at Halk Yatırım Menkul Değerler A.Ş. in his last two years there. Çetinkaya joined the Kuveyt Türk family in January 2008 as Executive Vice President responsible for Treasury, International and Investment Banking.

BOARD OF AUDITORS

AYHAN BAYRAM

Member of the Board of Auditors

Born in Niksar in 1966, Bayram graduated from the Sivas Cumhuriyet University, Tokat School of Agricultural Vocational High School, Accounting Program in 1988. In 2002, he graduated from Anadolu University, Faculty of Management. From 1991 to 1993, he served as Staff Manager in a private company. In 1993, he was appointed Chief Accountant of the Tokat Başçiftlik Municipality and served in this position until 2005. In the same year, he was appointed Assistant Regional Director of the Ankara Regional Directorate of the Turkish Directorate of Foundations. Ayhan Bayram was appointed as a Member of the Board of Auditors in 2007.

GÜVEN OBALI

Member of the Board of Auditors

Born in Konya in 1943, Obalı graduated from Ankara University, Faculty of Political Sciences in 1964. In the same year, he passed the Assistant Auditor Exam of the Ministry of Finance. In 1967, he passed the Auditor Exam and gained the title of Auditor. From 1971 to 1972, he was based in Germany, working on the adaptation of the value added law to Turkey. Resigning from his position at the Ministry of Finance in 1975, he took a position at the Turkish Industrial Development Bank. After serving in executive capacities at various levels at the Turkish Industrial Development Bank, he retired in 1994. In 2008, he became a member of the Board of Auditors at Kuveyt Türk, filling the seat vacated by Prof. Dr. Sabahattin Zaim.

ÖMER ASIM ÖZGÖZÜKARA

Member of the Board of Auditors

Born in Gaziantep in 1942, Özgözükara is a graduate of the Ankara University, Faculty of Political Sciences. In 1998, he served as a Chartered Accountant at Koza Chartered Accountants and has been a member of the Board of Auditors of Kuveyt Türk Katılım Bankası A.Ş. since 1998.

SUMMARY REPORT OF THE BOARD OF DIRECTORS TO THE GENERAL ASSEMBLY

Distinguished Shareholders,

Kuveyt Türk Katılım Bankası successfully completed 2009, a year in which the devastating impact of the global financial crisis was fully felt across the globe. In the 20th anniversary of the establishment of our Bank, we are proud to share this success with you, our distinguished shareholders.

Our Bank aims to boost the number of its branches in line with its strategy of growth and accordingly, this figure reached 130 in 2009. Kuveyt Türk is keen on expanding its overseas branch network as well as its domestic network and to this end, it established Kuwait Turkish Participation Bank (Dubai) Ltd with a capital of US$ 12 million, made significant progress towards the inauguration of our financial services branch in Germany and launched our new representative office in Kazakhstan in 2009. In parallel with incease in the number of branches and expansion of the organizational structure of the headquarters, the number of staff reached 2,500 as of year end.

In 2009, Kuveyt Türk made very significant achievements in regards to financial indicators and operational outcomes. In this year, the balance sheet size grew 19% over the previous year to reach TL 6,814,897 thousand and the volume of funds acquired increased 35% to attain TL 5,545,201 thousand. The volume of funds allocated, on the other hand, grew 18% to attain the figure of TL 4,586,786 thousand.

Kuveyt Türk closed 2009 with a net profit of TL 134,281 thousand - an increase of 47% over the previous year - and the shareholders' equity of the Bank reached TL 817,481 thousand - an increase of 18% over 2008.

This long series of achievements culminated in the international credit agency Fitch's decision to assign an 'investable' rating to our Bank, the first time ever that a participation bank received such a rating from Fitch. Our Bank's rating was raised by Fitch to "BBB-", the investable level.

Here are the summary financial indicators of Kuveyt Türk, which continues its commitment to sound banking principles and forges ahead with its robust values:

Balance Sheet Size	: TL 6,814,897 thousand
Shareholders' Equity	: TL 817,481 thousand
Net Profit for the Year	: TL 134,281 thousand
Capital Adequacy Ratio	: 14.56%

As the Board of Directors, we would like to express our deepest gratitude and best wishes for success to all of our shareholders, managerial team and employees, who have made the utmost effort for Kuveyt Türk to achieve success in 2009.

Best regards,
Board of Directors

INTERNAL SYSTEMS EXECUTIVES

NAME AND SURNAME	POSITION	EDUCATION LEVEL
H. CEVDET YILMAZ	HEAD OF AUDIT AND RISK GROUP	BACHELOR'S DEGREE
BAHATTİN AKÇA	HEAD OF AUDIT AND INSPECTION DEPARTMENT	BACHELOR'S DEGREE
TAMER SELÇUK DURMAN	HEAD OF RISK MANAGEMENT AND TREASURY CONTROL	BACHELOR'S DEGREE
FADIL ULUIŞIK	HEAD OF INTERNAL CONTROL DEPARTMENT	MASTER'S DEGREE
VEFA OKAN ARIK	HEAD OF COMPLIANCE DEPARTMENT	BACHELOR'S DEGREE

COMMITTEES

SUPPORTING COMMITTEES UNDER THE BOARD OF DIRECTORS

AUDIT COMMITTEE

NAME AND SURNAME	POSITION	DATE OF APPOINTMENT	EDUCATION
AZFAR HUSSAIN QARNI	CHAIRMAN, MEMBER OF BOARD OF DIRECTORS	26.10.2006	MASTER'S DEGREE
MOHAMMAD S.A.I. ALOMAR	MEMBER, CHAIRMAN OF BOARD OF DIRECTORS	27.05.2008	BACHELOR'S DEGREE

Duties and Responsibilities

- Receives regular reports from the units established under the internal control, internal audit and risk management systems and from independent audit bodies on their performance of tasks;
- Notifies the Board of Directors of any issue that might have a negative impact on the continuity and security of the Bank's activities or any issue that might contradict with legislation and internal regulations;
- Presents to the Board of Directors, at least semi-annually, the results of its activities and its opinions on corrective action, required practices and on other issues considered important for the continuity and security of the Bank's activities.

AUDIT AND RISK COMMITTEE

NAME AND SURNAME	POSITION	DATE OF APPOINTMENT	EDUCATION
ADNAN ERTEM	CHAIRMAN, MEMBER OF BOARD OF DIRECTORS	29.03.2007	PHD
MOHAMMAD S.A.I. ALOMAR	MEMBER, CHAIRMAN OF BOARD OF DIRECTORS	27.05.2008	BACHELOR'S DEGREE
SHAHEEN HAMAD ABDULWAHAB AL GANEM	MEMBER, MEMBER OF BOARD OF DIRECTORS	29.03.2007	BACHELOR'S DEGREE
AZFAR HUSSAIN QARNI	MEMBER, MEMBER OF BOARD OF DIRECTORS	29.03.2007	MASTER'S DEGREE
KHALED NASSER ABDULAZIZ AL FOUZAN	MEMBER, MEMBER OF BOARD OF DIRECTORS	29.03.2007	BACHELOR'S DEGREE

Duties and Responsibilities

- Determines and plans the strategies, policies and procedures for the activities of units constituting the internal systems and ensures effective application and execution of these;
- Ensures the coordination between units constituting the internal systems;
- Notifies the Board of Directors of errors or deficiencies detected by the Banking Regulation and Supervision Agency (BRSA) or by independent auditors related to internal systems practices and takes corrective actions;
- Evaluates the identified errors or deficiencies and directs the control and internal audit activities in those areas where the same or similar errors or deficiencies might occur.

COMMITTEES

CORPORATE MANAGEMENT COMMITTEE

NAME AND SURNAME	POSITION	EDUCATION
ADNAN ERTEM	MEMBER OF BOARD OF DIRECTORS	PHD
SHAHEEN HAMAD ABDULWAHAB AL GANEM	MEMBER OF BOARD OF DIRECTORS	BACHELOR'S DEGREE

Duties and Responsibilities

- Ensures compliance with corporate management principles, monitors actions taken, works on improvements and makes recommendations to the Board of Directors in this regard.

BASEL II COMPLIANCE COMMITTEE

NAME SURNAME	POSITION
H. CEVDET YILMAZ	HEAD OF AUDIT AND RISK GROUP
BİLAL SAYIN	CHIEF CREDIT OFFICER
R. AHMET ALBAYRAK	EXECUTIVE VICE PRESIDENT, BANKING SERVICES GROUP
İRFAN YILMAZ	EXECUTIVE VICE PRESIDENT, RETAIL AND BUSINESS BANKING
ÖMER KARAKUŞ	HEAD OF CORPORATE AND COMMERCIAL BANKING
ALİ AKAY	HEAD OF FINANCIAL CONTROL
TAMER SELÇUK DURMAN	HEAD OF RISK MANAGEMENT AND TREASURY CONTROL
ERDAL ÖZBİLİR	VICE PRESIDENT, CORPORATE AND COMMERCIAL CREDITS

Duties and Responsibilities

- Reviews the Bank's strategies, policies and processes according to Basel II principles and BRSA's relevant regulations and presents its final work to top management and the Board of Directors.

OTHER SUPPORTING COMMITTEES

EXECUTIVE COMMITTEE

NAME SURNAME	POSITION
MOHAMMAD S.A.I. ALOMAR	CHAIRMAN OF BOARD OF DIRECTORS
ABDULLAH TİVNİKLİ	VICE CHAIRMAN OF BOARD OF DIRECTORS
UFUK UYAN	MEMBER OF BOARD OF DIRECTORS, CEO

Duties and Responsibilities

- Performs all kinds of tasks assigned by the Board of Directors;
- Exercises its authority to purchase immovable properties, affiliates and inventories up to 10% of the shareholders' equity and makes decisions on partnerships and investments.

CREDIT COMMITTEE

NAME SURNAME	POSITION
MOHAMMAD S.A.I. ALOMAR	CHAIRMAN OF BOARD OF DIRECTORS
ABDULLAH TİVNİKLİ	VICE CHAIRMAN OF BOARD OF DIRECTORS
UFUK UYAN	MEMBER OF BOARD OF DIRECTORS, CEO

Duties and Responsibilities

- Provides loans amounting to between 1% and 10% of the shareholders' equity;
- Assembles with the participation of all members;
- Its unanimous decisions are applicable immediately and its decisions by majority of votes are applicable after the subsequent approval of the Board of Directors;
- Committee's decisions are recorded in the minute book, maintained according to the procedures and principles regulating the minute book of the Board of Directors.

ASSETS-LIABILITIES COMMITTEE

NAME AND SURNAME	POSITION
UFUK UYAN	CEO, MEMBER OF BOARD OF DIRECTORS
H. CEVDET YILMAZ	HEAD OF AUDIT AND RISK GROUP
A. SÜLEYMAN KARAKAYA	EXECUTIVE VICE PRESIDENT, CORPORATE AND COMMERCIAL BANKING
AHMET KARACA	CHIEF FINANCIAL OFFICER
BİLAL SAYIN	CHIEF CREDIT OFFICER
İRFAN YILMAZ	EXECUTIVE VICE PRESIDENT, RETAIL AND BUSINESS BANKING
R. AHMET ALBAYRAK	EXECUTIVE VICE PRESIDENT, BANKING SERVICES GROUP
MURAT ÇETİNKAYA	EXECUTIVE VICE PRESIDENT, TREASURY, INVESTMENT AND INTERNATIONAL BANKING

Duties and Responsibilities

- The senior management committee responsible for the assets-liabilities and financial management, meeting weekly.

Attendance at the Meetings of the Committees

According to the Articles of Association, the Bank's Board of Directors assembles whenever necessary and makes decisions based on needs. In 2009, the Board of Directors assembled six times and all members were present, except those who had excuses.

The Audit Committee monitors the audit and risk activities of the Bank according to applicable legislation, particularly the Banking Law, and takes necessary actions. In 2009, the Audit Committee assembled seven times. Additionally, in 2009, the Audit and Risk Committee assembled six times with participation of unit managers operating under the internal systems in order to ensure an effective risk management.

The Executive Committee, which performs the tasks assigned by the Board of Directors, assembled two times in 2009.

The Credit Committee, authorized to review and approve loans up to 10% of the Bank's shareholders' equity, assembled 11 times in 2009 to perform this task.

The Assets-Liabilities Committee, responsible for the Bank's financial management and for observing the asset-liability balance, assembled 51 times in 2009.

HUMAN RESOURCES POLICIES

Having geared up its branching activities in 2009, Kuveyt Türk also intensified its investments in the education and development of its employees. The Bank augmented its efforts to improve career/skill development and back-up processes.

Kuveyt Türk is a bank that gives importance to internal and external customer satisfaction. People who prefer to work at Kuveyt Türk are team players, confident of their communication and persuasion capabilities, success oriented and willing to work in interest-free banking.

As of year-end 2009, 85% of Kuveyt Türk employees held a bachelor's degree and their average age was 30. In 2009, Kuveyt Türk not only geared up its branching efforts, but also invested in the education and development of its employees. For this purpose, recruitment, career/skill development and back-up processes were improved.

The Human Resources Department aims to recruit talented young people to Kuveyt Türk and in order to access these young people, to promote the Bank and to increase its recognition, the Department participated in various career fairs, organizations and conferences in 2009. In these activities, the Department distributed information on its human resources policies and also received applications for internship and recruitment. The applications received were evaluated for the Management Trainee program, the Campus In The Bank program and internship opportunities and candidates were informed of the status of their applications.

Another project implemented in 2009 is the Kuveyt Türk Campus in the Bank Project. This project targets third and fourth year university students who are getting prepared for business life looking for a career in banking. The students who participate in the program receive training in banking and personal development and then have their internship at branches or departments. In this way, they get the opportunity to display their performance on given tasks, decide on their career steps and develop personally.

In line with Kuveyt Türk's strategy of rapid branching and growth, the Management Trainee program aims to recruit young people who will join the management team of the Bank in the years ahead. This program continued at full speed in 2009. Candidates chosen from among graduates of Turkey's top universities passed through an intensive selection process in the Assessment Center and joined an extensive training and rotation process. Supported with competitive wages and side benefit packages, management trainees also are offered the opportunity to complete MBAs or -in line with their personal development goals- programs designed exclusively for Kuveyt Türk in order to enhance their management capabilities. Positions such as assistant auditor or assistant internal controller are also supported with similar, rich programs.

The Employee Relations Service, established in 2008, geared up club activities in 2009 in order to maintain efficient communication among employees, to bring people together outside the work environment and to promote solidarity. The clubs formed in Kuveyt Türk for this purpose include Theatre, Literature, Music, Travel, Photography, Innovation and Technology, Cinema and Professional Development clubs, as well as the Platform for Women Entrepreneurs.

Recruitment Process

The Bank's recruitment team consists of experts who employ multiple techniques to recruit the correct candidates. The number of staff ,which stood at 2,246 as of year-end 2008, increased to around 2,500 as of year-end 2009. The recruitment activities continued at full speed in 2009, creating an opportunity for the implementation of new projects. 2009 was a year full of projects for Human Resources, particularly in regards to the diversification of recruitment methods and choosing the right candidate for the right job.

The 6 Sigma Project - concerning recruitment and the effective adaptation of the new recruits - was completed in order to raise the qualification standards of the newly recruited personnel and the action plans began to be implemented. At the same time, other projects were put into practice in order to increase the quality of content. To this end, the recruitment content was thoroughly reviewed and all recruitment personnel received Assessment Center expertise training. Thanks to this training, the recruitment processes were enriched with competence based interviews, general skills tests, group interviews, case studies, simulations, role-playing and personality inventories. Information coming from these different applications are discussed in detail in Recruitment Committee meetings, started in 2009 and are held periodically.

Performance System and Career Development

As a result of the changing and growing organizational structure of the Human Resources Department, in 2009 a Work Assessment System was established in order to ensure the harmony of current Human Resources practices and their coordination with organizational infrastructure. As part of this system, the title scheme and side benefits were revised to create a structure that will contribute to the development of career and promotion systems and back-up plans.

Performance assessments are carried out transparently, based on competences and measurable targets; the results are shared with the Bank managers and personnel with regular feedback to support their continuous development. To enhance the Performance Development System, competence and target assessment scales were revised and the technological infrastructure was improved in 2009; thus, the Portfolio Management System was strengthened. With the new portfolio system, branch employees can receive their monthly and annual performance score cards in a more healthy fashion. As of year-end 2009, the Corporate Performance Management Project was also completed; at the headquarters, performance criteria were determined on the basis of departments and thus an important step was taken to make more objective performance assessments. The employees whose performance is evaluated in the Performance Development System have the chance to achieve personal competence and reach the highest echelons of the Bank. In this context, the Career Counseling project was put into effect in 2008 in order to support employees in their career development. In 2008, HR experts -who have the necessary educational background and have received Career Counseling training- carried out structured career counseling interviews of around one hour with employees in all branches.

As a result of these interviews, the expectations of employees and managers were taken into consideration and the necessary career shifts (horizontal and/or vertical) were effectuated in 2009. This counseling process was further expanded in 2009 and all headquarters employees received career planning training and then were evaluated in the Assessment Center. The Human Resources Department's work in career development will be geared up in 2010.

Training and Development

Kuveyt Türk closely monitors the personal and professional development needs of its employees and every year it implements new training programs meant to continuously improve its highly qualified human resources, which brings together the best minds in the sector.

The Bank allocates an important part of its budget to training and development activities and continued its resolution to invest in its staff in 2009.

The Bank organized intense in-class training and distance training programs and also cooperated with universities to offer master's degree and MBA opportunities. Throughout the year, the Bank organized 673 in-class trainings on various subjects and the average in-class training period was 7.5 days. In addition, those employees who need a high level of English due to their responsibilities received foreign language courses in Turkey or abroad. The process and business plan for skills management activities were completed and became ready for implementation in 2010.

In parallel with its strategic targets, Kuveyt Türk constantly expands its branch network and thus increases the number of its staff. Taking this into consideration, the Human Resources Department added a Basic Banking Training Package to its program aimed at new recruits and 258 employees recruited in 2009 benefited from this package. The package consists of training programs on banking basics, communication skills, customer satisfaction, common corporate culture and the structure of Kuveyt Türk.

In addition, employees were presented with various training and tests via the online training center. All employees received an average of eight training sessions through this system. In 2009, a total of 12,300 online training sessions were completed. The use of online education stood at 88% in 2009.

HUMAN RESOURCES POLICIES

In 2009, the Manager Development Program was also continued and a group of sixty employees received 20 days of training per person.

In order to enhance employee loyalty and to decrease workforce turnover, the R&D activities on the Mentorship Project were completed. With the launch of this project, the efficiency of on the job training will also be boosted.

To win new graduates from Turkey's top universities, the 2009 MT Recruitment & Training process was implemented. The MT group, consisting of 13 people, started a 4 to 6 month training calendar comprised of in-class, on the job and online training; the first three months were completed.

In addition, 400 employees participated in conference programs open to all. Training programs, which constitute the first stage of the Service Culture Project, developed in the Quality and Organization Department were started and 2,250 employees have joined the 15 programs organized at the headquarters and in all regions.

Quality and Organization Development

In 2009, the Quality and Organization Development Department put into effect important projects regarding process management, information management, improvement of service quality, corporate performance management, customer services management and branch service concept.

To ensure employee participation in management, a Healthy Opinion Platform was established where all employees can send their suggestions, or make comment and grade other people's suggestions on previously determined subjects or on any other subject. The participation of employees in this platform attained 25%. Throughout the year, 1,953 suggestions were received and 5% of all suggestions were implemented. In 2009, six appeals were made and 1,039 ideas were received and presented for the evaluation of the relevant departments. After the evaluations, 20 employees were awarded in the categories of fostering participation, transforming ideas into projects, and the bests of the year.

In addition to the information management work, web sites on the intranet were prepared for other departments.

The Strategic Plan executed by senior management and coordinated by the Quality Department was completed and a road map that will lead the Bank in the years to come was prepared and approved by the Board of Directors. As a result, the Vision 2018 consensus was achieved, based on the 20 years of labor accumulated by Kuveyt Türk.

In 2009, regarding the improvement and updating of processes, the implementation of the 6 Sigma Process Improvement Methodology in the Bank was prioritized. For this purpose, 11 Green Belts and 12 Yellow Belts were trained. Five pilot projects were put into effect; currently 12 projects are in progress and 10 Green Belts and 23 Yellow Belts are being trained at present. In addition, a project pool was formed and new 6 Sigma projects have started to emerge. The Bank has taken the necessary strategic decisions and developed policies regarding the improvement suggestions produced in the 6 Sigma projects.

In order to achieve superior service quality, one of the strategic priorities of Kuveyt Türk, the Service Culture Projects was launched by the Bank on June 15, 2009. The project aims to establish coherence between Kuveyt Türk's image and the services that it offers, to foster a common language and approach in every point where domestic or foreign customers are served, thus achieving a high customer satisfaction at every point of contact with customers and create customer loyalty. As part of this project, first of all, service standards were set; then customer surveys and employee questionnaires were carried out and in Istanbul, Ankara, Izmir and Gaziantep, region and branch employees participated in workshops. These efforts resulted in the preparation of a service culture guide book on service standards, a service culture standards film was shot and all employees started to participate in service culture conferences.

In addition to service quality activities, internal customer satisfaction, latent customer satisfaction and customer satisfaction questionnaires were organized and the results were shared with the relevant units.

In order to ensure the active participation of departments to the vision and strategic targets defined under the Vision 2018, a Corporate Performance Management Project was launched. With the Corporate Performance Management Project, the Bank's key performance indicators were defined and the Balanced Score Card methodology was used to prepare the performance score cards of the headquarters departments, regions and branches. Pilot projects began to be implemented in 2009.

The Branch Business Model was started in order to review branch activities and to support processes with advanced technology. To this end, data analysis, on-site observations and surveys in branches were carried out.

OUTSOURCED OPERATIONAL SERVICES

COMPANY PROVIDING THE SUPPORTING SERVICE	SUPPORTING SERVICE
AD YAZILIM SAN. VE DANIŞMANLIK HİZ. A.Ş.	OUTSTANDING SYSTEM FOLLOW-UP PROGRAM
AKTİF ARŞİV BELGE BİLGİ YÖNETİM DANIŞMANLIĞI	ARCHIVE SERVICES CONTRACT
BANKSOFT BILIŞIM BİLGİSAYAR HİZMETLERİ LTD. ŞTİ.	CONTRACT ON SOFTWARE INFRASTRUCTURE SUPPORT FOR ATM AND DEBIT CARD MANAGEMENT SYSTEM
COLLECTION PLATFORM YAZILIM VE DANIŞMANLIK A.Ş.	CALLING CUSTOMERS FOR COLLECTIONS OF RECEIVABLES
CYBERSOFT ENFORMASYON TEKNOLOJİLERİ LTD. ŞTİ.	LIMIT/RISK, COLLATERAL, FINANCIAL ANALYSIS, FUND ALLOCATION AND INDIVIDUAL APPLICATION EVALUATION SYSTEM
EASTERN NETWORKS ÇÖZÜMLERİ TİC. A.Ş	SWIFT ALLIANCE SUPPORT SERVICES CONTRACT
ELEKTRONİK SANAL TİCARET VE BİLİŞİM HIZMETLERİ A.Ş.	VIRTUAL POS SERVICES
EQUANT İSTANBUL TELEKOMÜNİKASYON LTD. ŞTİ.	SWIFT NETWORK SERVICES MAINTENANCE CONTRACT
ETCBASE YAZILIM VE BİLİŞİM TEKNOLOJİLERİ LTD. ŞTİ.	LEGAL FOLLOW-UP SYSTEM COLLABORATION CONTRACT
IBM TÜRK LTD. ŞTİ.	EMERGENCY CENTER CONTRACT
İLETİŞİM TEKNOLOJİ DANİŞMANLİK TİC. A.Ş.	CALL CENTER SYSTEM SOFTWARE SUPPORT
INNOVA BİLİŞİM ÇÖZÜMLERI A.Ş.	BILL COLLECTION CONNECTION SYSTEM/SALES CONTRACT
KURYENET MOTORLU KURYECİLİK VE DAĞ. HİZM. A.Ş.	CREDIT CARD CONSIGNMENT AND DELIVERY CONTRACT
MICROSOFT CO.	PREMIER SUPPORTING SERVICES CONTRACT
SECURICOR VERDI GÜVENLİK HİZMETLERİ VE TİC. A.Ş.	CONTRACT FOR CASH TRANSPORT AND SIMILAR SERVICES
UNİSEC BİLGİSAYAR HİZMETLERİ TİCARET VE SANAYI LTD. ŞTİ.	TCMB/EFT HOST CONNECTION SOFTWARE CONTRACT
V.R.P VERİ RAPORLAMA PROGRAMLAMA BİLİŞİM YAZILIM VE DANIŞMANLIK HİZ. TİC. A.Ş.	SOFTWARE DEVELOPMENT AGREEMENT CONTRACT FOR INTERNET BANKING ON INTERNET AND PDA

RELATED PARTY TRANSACTIONS

Information regarding transactions conducted within the Bank's risk group is provided in detail on page 138 of the activity report.

Units operating under the internal systems fulfill their obligations required by the applicable legislation in an efficient manner, in accordance with the Basel II Road Map, integrated risk management and risk-oriented audit policy.

SECTION III:
FINANCIAL INFORMATION AND
RISK MANAGEMENT PROCEDURES

REPORT OF THE BOARD OF AUDITORS

TO THE SHAREHOLDERS ASSEMBLY OF KUVEYT TÜRK KATILIM BANKASI A.Ş.

Board of Auditors' Report for 2009

After analyzing transactions and accounts of Kuveyt Türk Katılım Bankası A.Ş. for the year 2009 in view of the Turkish Commercial Code, Articles of Association and other regulations, we conclude that the Bank's Balance Sheet and Profit - Loss Statement are in compliance with the accounting records and the documents are in compliance with the records.

Based on this conclusion, we recommend that the year 2009 Balance Sheet and Income Statement presented by the Board of Directors be approved and with all due respect we express our agreement for the profit to be allocated and distributed according to the principles proposed by the Board of Directors.

Best regards,

Güven OBALI	**Ayhan BAYRAM**	**Ö. Asım ÖZGÖZÜKARA**
Auditor	Auditor	Auditor

REPORT OF THE AUDIT COMMITTEE

AUDIT COMMITTEE'S EVALUATION ON INTERNAL SYSTEMS

The Bank's units operating under the internal systems are the Audit and Inspection Department, Internal Control Department, Risk Management and Treasury Control Department and the Compliance Department. Due to the global crisis, which had a considerable effect on Turkey, the concepts of risk and control became more important than ever before. As a result, in order to be able to maintain asset quality, certain additional controls and audits were also implemented in 2009.

In line with BRSA regulations, the Audit and Inspection Department carried out its audit activities with a risk-oriented approach. Accordingly, the audit priorities of branches and headquarters departments were determined according to risk assessments and the most risky areas were given priority during the execution of these activities. Audits were implemented according to the audit plan and the expectations of the shareholders and the internal control system and the risk management level of the audited areas were evaluated. Upon the request of the Audit Committee, the quality of the large volume loans of the Bank was analyzed and the customers who were affected by the global economic crisis were brought under supervision. The efficiency of the audit was enhanced thanks to follow-up programs. In addition, information technologies inspectors were employed in the Audit and Inspection Department to ensure the supervision of information systems - which form the basis for Bank operations - with periodic and risk-oriented audits. Special analyses and legal and administrative investigations were also carried out in the areas deemed necessary.

In 2009, the Internal Control Department fulfilled its duty of evaluating the efficiency of the internal control system throughout the Bank by taking a proactive approach and carrying out control activities on the basis of branch, unit, process and product. On-site control and monitoring was done in all branches in 2009 through the control methodology and Control Management System (CMS) devised by the Internal Control Department. Additionally, COSO controls were carried out in various headquarters departments with a risk-oriented approach and business processes and the control points on these processes were updated.

In parallel with the Bank's 2014 strategy and its expanding branch network, the Internal Control Department's business and execution models were modified. In order to avoid the possible difficulties of the enhancement of the branch network, regional/on-site controls were made, in addition to the present structure. Apart from the regional structuring, on-site control services were established in certain departments of the headquarters. These services will specialize on a business process basis and the goal is to increase the efficiency of the audits with continuous controls.

At the end of 2008, relevant software was installed and the duty of controlling money laundering transactions was transferred to the Compliance Department, which resulted in the automatic control of transactions. In this way, daily alarms were analyzed and, when deemed necessary, dubious transactions were reported. In 2009, various reports were prepared as part of the periodic compliance control and shared with top management and relevant units. Periodic compliance control will be continued in 2010 with the results of the risk evaluation to be carried out. Various steps are being taken to ensure the compliance of the Bank's new products and services to applicable legislation and the branches and headquarters departments are rapidly informed about issues in which they need consultancy - such as banking legislation, tax, foreign exchange and the avoidance of laundering the proceeds of crimes. As regards to various legislative changes that concern Bank activities, the relevant units are informed and the Bank's procedures, policies and other related internal legislation are changed accordingly. Work is in progress on the compliance of the present and planned overseas branches with local legislation.

The Risk Management Department continuously monitored the credit, market and operational risks that the Bank could face and reported to the relevant committees. Various stress tests and scenario analysis were carried out to monitor the amount of pressure that accumulated on the Bank's capital and the results were reported to the relevant committees. Risk Group managers joined the Group Risk Management meetings held by Kuwait Finance House, along with other banking affiliates of the KFH. These meetings reinforced the collaboration with KFH as regards to the integrated management of risks and the targeted increase in efficiency was achieved. In addition, Risk Management reports were sent on a monthly basis to KFH.

Work on the passage of the Bank to CRD/BASEL-II continued in 2009 at full speed and BRSA was continuously informed via progress surveys. Also, the Business Continuity Planning, Emergency Planning and Information Technologies Risk Evaluation were carried out in a detailed manner in this period.

Units under the internal systems efficiently fulfill their obligations required by applicable legislation, in accordance with the BASEL-II Road Map, integrated risk management and a risk-oriented audit approach. The Audit Committee and the Audit and Risk Committee periodically meet with the managers of the units under the internal systems and the managers of independent audit firms to receive information on the Bank's audit and risk status and to evaluate the effectiveness of the work done.

Azfar Hussain QARNI
Audit Committee Member

Mohammad S.A.I. ALOMAR
Audit Committee Member

FINANCIAL STATUS, PROFITABILITY AND SOLVENCY EVALUATION

Kuveyt Türk, as of year-end 2009, increased its total assets by 19% to TL 6.815 million and its shareholders' equity by 19% to TL 817 million. The Bank's capital adequacy ratio stood at 14.56 %, above the legally required limit. The Bank continues to use its resources effectively and productively and to increase its profitability. Detailed information on the Bank's financial status, profitability and solvency can be found in the financial tables and in the Independent Auditor's Report.

INTERNATIONAL RATINGS

The following are the ratings issued by international rating institutions authorized by the Regulation on the Principles Governing the Authorization and Activities of Rating Agencies, and their contents:

FITCH RATINGS

FOREIGN EXCHANGE		NATIONAL	
LONG TERM	BBB-	LONG TERM	AAA (TUR)
SHORT TERM	F3	GENERAL OUTLOOK	STABLE
GENERAL OUTLOOK	STABLE	INDIVIDUAL	D
		SUPPORT	2

LOCAL CURRENCY		COUNTRY RISK	
LONG TERM	BBB-	FOREIGN EXCHANGE LONG TERM	BB+
SHORT TERM	F3	LOCAL CURRENCY LONG TERM	BB+
GENERAL OUTLOOK	STABLE	COUNTRY CEILING	BBB-

RISK MANAGEMENT POLICIES

Credit Risk Management Policies and Procedures

The basic objectives of Kuveyt Türk's credit risk policy is to measure counter party risks undertaken during transactions; to research new techniques and practices in monitoring, measuring and controlling risks according to legislation and Bank limitations; to follow up overdue receivables; to analyze reasons for such payment delays and to take the necessary measures.

The fundamental principle for the Bank's top management is to administer and monitor loan policies according to the CRD/Basel II document and BRSA recommendations. The Risk Management and Treasury Control Department cooperates with the Bank's top management to determine these strategies.

Generally, the credit risk policy includes guidance and explanatory information on enforcement and procedures regarding target customer selection, issuing and providing loans, the transfer of power, the organizational structure of the Credit Committee, loan limits, provisions and guarantees, principles for allocating limits, risk monitoring, control and improvement, risk analysis of new products, key risk points and actions to reduce the risks at risk points.

Market Risk Management Policies and Procedures

The primary objective of the market risk policy is to achieve the Bank's profitability and growth targets by minimizing possible risks from trade in foreign exchange, gold and securities and derivatives, and possible structural interest rate risks during these transactions and to preserve the Bank's capital adequacy ratio, accordingly.

Market risk is managed by the Risk Management and Treasury Control Department and the Treasury Department, in light of the decisions of the Assets-Liabilities Committees, the prevailing market conditions and trends and in accordance with constantly updated long- and short-term market forecasts as well as by diversifying the portfolio. To this end, the Bank uses as its guide the transaction and portfolio limits determined by the Assets-Liabilities Committee and approved by top management.

The acceptable risk level in Treasury operations are determined by means of such guiding tools as customer limits, transaction limits, permissible transaction types, counter party and country limits, all of which are approved by management. To abstain from undertaking excessive market and liquidity risks, the Bank also monitors the liquidity position on a daily basis, the position and profitability of securities and foreign exchanges, the total daily profit-loss status and the balance of the daily nostro accounts. Additionally, the weekly Interest Cost (GAP) Analysis Report enables the Assets-Liabilities Committee to closely monitor the Bank's interest cost risks. To avoid the assumption of positions exceeding the Bank's risk limits, at any given time the Department of Treasury can take measures that bring the interest cost and position risks of the Bank down to reasonable levels within limits.

The system of guiding limits and informational reporting used by Kuveyt Türk to manage market risks is based on the following principles:

- Ensuring that risk management concept functions in actual practice;
- Making sure that all risk-taking activities are compatible with the Bank's risk capability and capacity;
- Ensuring that risk-taking levels are compatible with both the markets where risks are taken and with the risk-taking capacities of those Bank departments taking the risks.

Operational Risk Management Policies and Procedures

Kuveyt Türk has established a management structure compatible with operational risk policies and practical procedures in all categories of business, risk management function and control areas.

The operational risk points are responsible for managing external functions, such as insurance, benefits and taking guarantees, as well as procurement of services from third parties. In this process, these points are obliged to ensure effective communication with the personnel managing credit, market and other risks.

Kuveyt Türk's operational risk framework includes the structural flaws, deficiencies and difficulties found in any category of business. For this reason, while forming the operational risk profile, as well as the practical procedures and supervisory infrastructure for risk management, the Bank considers the level of all operational risks and their degree of importance. In managing the aforementioned operational risks, the Bank also gives importance to the minimization of those risks as much as possible, as well as solution-oriented functional benefits. In this context, the Bank evaluates and manages operational risks by also taking into account the operational opportunities and workload of its widespread branch network and banking service groups.

The operational risk management process is comprised of the definition and measuring of risks by appropriate policies and processes, as well as testing and controlling activities through internal control systems.

FIVE-YEAR SUMMARY FINANCIAL INFORMATION

	2005*	2006	2007	2008	2009
PROFIT SHARING INCOME	170,852	269,592	354,008	508,106	620,640
PROFIT SHARING EXPENSE	111,927	165,060	216,149	336,696	369,844
FEES AND COMMISSIONS INCOME (NET)	44,917	57,983	92,144	125,689	128,884
OTHER INCOME	26,350	14,756	34,939	100,582	96,124
OTHER EXPENSES	105,899	137,600	179,025	280,908	304,774
PROVISION FOR TAXES	(6,236)	286	(18,839)	(25,505)	(36,749)
NET PROFIT FOR THE YEAR	**18,057**	**39,957**	**67,078**	**91,268**	**134,281**
TOTAL ASSETS	**2,361,665**	**2,951,434**	**3,860,015**	**5,718,698**	**6,814,897**
TOTAL SHAREHOLDERS' EQUITY	**230,312**	**270,122**	**404,422**	**688,700**	**817,481**
CAPITAL ADEQUACY RATIO	**13.27**	**15.01**	**14.72**	**15.63**	**14.56**

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ

CONSOLIDATED FINANCIAL STATEMENTS TOGETHER WITH INDEPENDENT AUDITORS' REPORT DECEMBER 31, 2009

Ernst & Young

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Independent auditors' report to the board of directors of Kuveyt Türk Katılım Bankası Anonim Şirketi on the consolidated financial statements for the year ended December 31, 2009

We have audited the accompanying financial statements of Kuveyt Türk Katılım Bankası Anonim Şirketi and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2009 and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 Anonim Şirketi A.Ş. and its subsidiaries as of December 31, 2009, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst & Young

April 16, 2010
Istanbul, Turkey

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KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2009
(CURRENCY-IN THOUSANDS OF TURKISH LIRA-TL)

	Notes	2009	2008
Assets			
Cash and balances with the Central Bank	4	239,090	248,988
Balances with other banks and financial institutions	4, 29	903,319	938,608
Reserve deposits at the Central Bank	5	218,689	213,421
Financial assets-held for trading	6, 29	27	64
Financial assets-available-for-sale	6, 29	4,520	1,389
Financial assets-held to maturity	6, 29	7,529	7,583
Due from financing activities, net	8, 29	4,586,786	3,879,553
Minimum finance lease payments receivable, net	9, 29	53,512	113,475
Derivative financial instruments	20, 29	9,925	13,933
Other assets	10, 29	590,221	123,008
Construction projects, net	11	3,025	3,087
Investment in associate	7	12,315	-
Investment properties, net	12	47,207	67,586
Property and equipment, net	14	108,180	84,150
Intangible assets, net	15	8,256	2,847
Deferred tax assets	18	12,749	14,596
		6,805,350	5,712,288
Assets and a disposal group held for sale	13	9,547	6,410
Total assets		6,814,897	5,718,698
Liabilities and equity			
Due to other financial institutions and banks	16	383,681	820,954
Current and profit/loss sharing investors' accounts	17	5,545,201	4,119,460
Other liabilities	19	49,422	46,114
Provisions	19	7,107	6,319
Derivative financial instruments	20	6,231	25,664
Income taxes payable	18	5,774	11,487
		5,997,416	5,029,998
Liabilities directly associated with assets classified as held for sale	13	-	-
Total liabilities		5,997,416	5,029,998
Share capital	21	500,000	500,000
Share premium	21	23,250	23,250
Legal reserves and retained earnings		294,231	165,450
Total equity attributable to equity holders of the parent		817,481	688,700
Total liabilities and equity		6,814,897	5,718,698

The policies and explanatory notes on pages 6 through 59 form an integral part of these consolidated financial statements.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2009
(CURRENCY-IN THOUSANDS OF TURKISH LIRA-TL)

	Notes	2009	2008
Income from financing activities:			
Profit on originated loans from profit/loss sharing accounts		**427,298**	343,087
Profit on originated loans from current accounts and equity		**150,245**	116,789
Profit on deposits with other banks and financial institutions		**35,878**	32,427
Profit on finance leases		**7,219**	15,803
Total income from financing activities		**620,640**	508,106
Profit shares distributed to participation accounts		**(349,348)**	(306,462)
Profit shares distributed to other banks and financial institutions		**(20,496)**	(30,234)
Net financing income		**250,796**	171,410
Provision for impairment of amounts due from financing activities and lease receivables	8, 9	**(64,821)**	(83,306)
Net financing income after provision for impairment in due from financing activities and lease receivables		**185,975**	88,104
Foreign exchange gain, net		**32,731**	35,154
Net financing income after net foreign exchange gain/(loss)		**218,706**	123,258
Fees and commission income	25	**157,436**	151,015
Income/(loss) from construction projects, net		**642**	159
Net trading income		**47,762**	49,719
Other income		**10,904**	13,644
Share of profit of an associate	7	**30**	-
Total other operating income		**216,774**	214,537
Fees and commission expense	25	**(28,552)**	(25,326)
Staff costs	26	**(134,297)**	(110,735)
Depreciation and amortization expense		**(18,216)**	(15,430)
Withholdings and other taxes		**(4,503)**	(4,143)
Rent expense		**(19,811)**	(14,326)
Other expenses	27	**(63,126)**	(48,463)
Total other operating expense		**(268,505)**	(218,423)
Income before taxation		**166,975**	119,372
Current tax charge	18	(34,902)	(32,215)
Deferred tax (charge)/credit	18	**(1,847)**	6,710
Net income for the year from continuing operations		**130,226**	93,867
Net income/(loss) after tax for the year from a discontinued operation	**13**	**4,055**	(2,599)
Net income for the year		**134,281**	91,268
Other comprehensive income for the year		**-**	-
Total comprehensive income for the year		**134,281**	91,268
Earnings per share for net income attributable to the ordinary equity holders of the Group during the year (in full TL per share)	**23**	**0.269**	0.218
Earnings per share for net income attributable to the ordinary equity holders of the Group during the year (in full TL per share) from continuing operations	**23**	**0.260**	0.224

The policies and explanatory notes on pages 6 through 59 form an integral part of these consolidated financial statements.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2009
(CURRENCY-IN THOUSANDS OF TURKISH LIRA-TL)

	Notes	Share capital	Share premium	Legal reserves	Retained earnings	Total
Balances at January 1, 2008		**260,000**	**23,250**	**7,906**	**113,266**	**404,422**
Share capital increase	21	240,000	-	-	(40,000)	200,000
Transfer from retained earnings to legal reserves		-	-	4,406	(4,406)	-
Dividends paid	22	-	-	-	(6,990)	(6,990)
Total comprehensive income for the year		-	-	-	91,268	91,268
Balances at December 31, 2008		**500,000**	**23,250**	**12,312**	**153,138**	**688,700**
Transfer from retained earnings to legal reserves		-	-	5,754	(5,754)	-
Dividends paid	22	-	-	-	(5,500)	(5,500)
Total comprehensive income for the year		-	-	-	134,281	134,281
Balances at December 31, 2009		**500,000**	**23,250**	**18,066**	**276,165**	**817,481**

The policies and explanatory notes on pages 6 through 59 form an integral part of these consolidated financial statements.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2009
(CURRENCY-IN THOUSANDS OF TURKISH LIRA-TL)

	Notes	2009	2008
Cash flows from operating activities:			
Income from continuing operations before taxation		**166,975**	119,372
Income/(loss) from discontinued operations before taxation		**4,055**	(2,599)
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	12, 14, 15	**18,216**	15,430
Provision for employee termination benefits and personnel bonus accrual	19	**1,715**	3,627
Provision for impairment in due from financing activities and lease receivables	8, 9	**64,821**	83,306
Provision for impairment in intangible assets, property and equipment and investment properties	12	**1,259**	28
Income accrual of funds invested	8	**201,660**	(275,870)
Expense accrual of participation accounts	17	**13,285**	5,229
Income accrual from deposits at the Central Bank of Turkey		**1,608**	(1,339)
Income taxes paid		**(40,615)**	(28,202)
Expense accrual of funds borrowed		**(8,154)**	5,475
Net change in derivative financial instruments	20	**(15,425)**	9,062
Loss/(gain) on sale of property and equipment, intangible assets, investment properties and asset held for sale		**1,707**	1,771
Gain on sale of discontinued operation		**5,392**	(691)
Fair value movement of held for trading securities	6	**-**	69
Exchange gain of held to maturity investment	6	**54**	(1,731)
Operating income before changes in operating assets and liabilities		**416,553**	(67,063)
Net changes in:			
Reserve deposits at the Central Bank of Turkey		**(6,875)**	(20,271)
Due from financing activities	8	**(973,227)**	(939,343)
Minimum finance lease payments receivables		**59,475**	47,465
Other assets and construction projects		**(462,929)**	(129,244)
Current accounts and profit/loss sharing investors' accounts	17	**1,412,455**	1,144,561
Other liabilities		**820**	11,742
Payment for employee termination benefits	19	**(829)**	(534)
Net cash provided by operating activities		**445,443**	47,313
Cash flows from investing activities:			
Purchase of available-for-sale, held-to-maturity and held-for-trading securities	6	**(3,158)**	(812)
Proceeds from sale of available-for-sale, held-to-maturity and held-for-trading securities	6	**64**	-
Purchase of property and equipment, intangible assets and investment properties	12, 14, 15	**(63,314)**	(42,861)
Proceeds from sale of property and equipment, intangible assets and investment properties		**6,239**	5,231
Additions to assets and liabilities held for sale	13	**(7,130)**	(5,229)
Proceeds from sale of asset and liabilities held for sale	13	**4,023**	1,765
Net cash used in investing activities		**(63,276)**	(41,906)
Cash flows from financing activities:			
Dividends paid	22	**(5,500)**	(6,990)
Increase in due to financial institutions and banks		**(429,119)**	382,161
Increase in share capital	21	**-**	200,000
Net cash provided by financing activities		**(434,619)**	575,171
Net increase in cash and cash equivalents		**(52,452)**	580,578
Net foreign exchange difference on cash and cash equivalents		**7,265**	29,913
Cash and cash equivalents at the beginning of the year	4	**1,187,596**	577,105
Cash and cash equivalents at the end of the year	**4**	**1,142,409**	1,187,596
Profit share received		**804,925**	232,236
Profit share paid		**384,060**	331,467

The policies and explanatory notes on pages 6 through 59 form an integral part of these consolidated financial statements.

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1. Corporate information

General

Kuveyt Türk Katılım Bankası A.Ş., formerly Kuveyt Türk Evkaf Finans Kurumu A.Ş., (a Turkish joint-stock company-the Bank) was formed in accordance with the provisions of Decree No. 83/7506, issued on December 16, 1983 relating to the establishment of Special Finance Houses in Turkey. The Bank obtained permission from the Central Bank of Turkey (CBT) on February 28, 1989 and commenced its operations on March 31, 1989. Currently, the Bank is continuing its operations under the purview of the Banking Regulation and Supervision Agency ("BRSA") and the Banking Law No. 5411, dated November 1, 2005. The Bank's head office is located at Büyükdere Caddesi No: 129, 34394 Esentepe Şişli/İstanbul/Turkey. The parent and the ultimate controlling party of the Bank is Kuwait Finance House (KFH) incorporated in Kuwait. Effective from April 8, 2006, the Bank's commercial title was changed from Kuveyt Türk Evkaf Finans Kurumu A.Ş. to Kuveyt Türk Katılım Bankası A.Ş. to comply with the Banking Law No. 5411, dated November 1, 2005.

The consolidated financial statements were authorized for issue by the General Manager and Chief Financial Officer on behalf of the Board of Directors of the Bank on April 16, 2010. The General Assembly and certain regulatory bodies have the power to amend the statutory financial statements after issue.

Nature of activities of the Bank and its subsidiaries

At December 31, 2009, the Bank's core business is operating in accordance with the principles of interest-free banking as a participation bank by collecting funds through current and profit/loss sharing accounts, and disbursing funds to its customers.

The Bank's associate, Körfez Gayrimenkul İnşaat Taahhüt Turizm San. ve Tic. A.Ş. ("Körfez"), in which the Bank had a 100% shareholding was incorporated in June 1996 in Turkey. The Bank signed an agreement with Hayat Investment Company (resident in Kuwait) on November 23, 2009 for transferring 51% of its shares of Körfez Gayrimenkul A.Ş. (Körfez) in exchange for USD 10,613,000 and TL 2,450. The remaining 49% of its shares have been classified under the investment in an associate in the accompanying financial statements. Körfez's registered address is Büyükdere Caddesi, No: 129/1, 34394 Esentepe Şişli/İstanbul. Körfez is engaged in development and marketing of real estate projects in Turkey. Körfez's main sources of revenue are from the sales of these projects and expert valuations carried out on behalf of third parties.

The Bank's subsidiary, Körfez Tatil Beldesi A.Ş. ("Körfez Tatil Beldesi"), in which the Bank has a 100% shareholding was incorporated in 2001 in Edremit, Turkey. Körfez Tatil Beldesi is engaged in Güre Project, which comprises the construction of 199 "time-sharing" houses in Edremit-Balıkesir.

The Bank's other subsidiary, Kuveyt Turkish Participation Bank Dubai Limited. ("Dubai Limited"), in which the Bank has a 100% shareholding was incorporated in 2009 in Dubai, UAE. Dubai Limited is engaged in interest-free banking as a participation bank.

2. Summary of significant accounting policies

2.1 Basis of preparation

The consolidated financial statements of the Bank and its subsidiaries have been prepared in accordance with International Financial Reporting Standards (IFRS). The consolidated financial statements have been prepared under the historical cost convention except for derivative financial instruments, financial investments held for trading and precious metals that have been measured at fair value.

The Bank and its subsidiaries (collectively-the Group) maintain their books of account and prepare their statutory financial statements in accordance with regulations on accounting and reporting framework and accounting standards which are determined by the provisions of Turkish Banking Law, Turkish Commercial Code and Turkish Tax Legislation.

2.2 Changes in accounting policies

The accounting policies adopted in the preparation of the financial statements as of December 31, 2009 are consistent with the previous financial year, except for the adoption of new standards and IFRIC interpretations which are noted below.

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New and amended standards and interpretations applicable to December 2009 year-end

The new standards which are effective as of January 1, 2009 and changes and interpretations of current standards are as follows:

- Amendments to IFRS 2 'Share Based Payment'-Vesting Conditions and Cancellations Amendments to IFRS 7 'Financial Instruments: Disclosures'
- IFRS 8 'Operating Segments' Amendments to IAS 1 'Presentation of Financial Statements' Amendment to IAS 23 'Borrowing Costs' Amendments to IAS 32 and IAS 1 'Puttable Financial Instruments and Obligations Arising on Liquidation' IFRIC 9 Reassessment of Embedded Derivatives and IAS 39 Financial Instruments: Recognition and Measurement-Embedded Derivatives (Amendments) IFRIC 13 'Customer Loyalty Programmes'
- IFRIC 15 'Agreements for the Construction of Real Estate' IFRIC 16 'Hedges of a Net Investment in a Foreign Operation' IFRIC 18 'Transfer of Assets from Customers' (effective for transfers of assets received on or after July 1, 2009)

The above changes do not have any impact on financial position and performance of the Group other than the additional explanations made in the disclosures.

Improvements to IFRS (issued in May 2008)

In May 2008, International Accounting Standards Board (IASB) has issued amendments in order to eliminate the inconsistencies and clarify the explanations related to standards. Transitional provisions and application periods vary for each amendment which is 1 January 2009 for the earliest.

Standards amended by IASB in May 2008 are as follows:

IFRS 5 "Noncurrent assets held for sale and discontinued operations"
IAS 8 "Accounting policies, changes in accounting estimates and errors"
IAS 10 "Events after the reporting period"
IAS 16 "Property, plant and equipment"
IAS 18 "Revenue"
IAS 19 "Employee benefits"
IAS 20 "Accounting for Government Grants and Disclosure of Government Assistance"
IAS 27 "Consolidated and separate financial statements" (amendment)
IAS 28 "Investments in associates"
IAS 29 "Financial reporting in Hyperinflationary economies"
IAS 31 "Interests in joint ventures"
IAS 36 "Impairment of assets"
IAS 38 "Intangible assets"
IAS 39 "Financial Instruments: Recognition and Measurement"
IAS 40 "Investment Property"
IAS 41 "Agriculture" (Amendment)

IFRIC 9 (Reassessment of Embedded Derivatives) and IAS 39 Financial Instruments: Recognition and Measurement

IAS 34 "Interim financial reporting"

Standards, interpretations and amendments to published standards that are not yet effective

The new standards which are issued as of the authorization date of the financial statements and effective as of January 1, 2010 and thereafter and not early adopted by the Company and changes and interpretations of current standards are as follows:

a) New and amended standards and interpretations applicable as of December 31, 2010 year-end

- Improvements to International Financial Reporting Standards (issued in 2009)
- Amendments to IFRS 2 'Group cash settled share based Payment Transactions'
- Amendments to IFRS 3 "Business Combinations" and IAS 27 "Amendments to Separate Financial Statements"
- Amendments to IAS 39 "Financial Instruments: Recognition and Measurement"-"Eligible Hedged Items"
- IFRIC 17 "Distributions of Non-cash Assets to Owners"

The above changes are not expected to have any impact on financial position and performance of the Group

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b) New and amended standards and interpretations issued that are effective subsequent to December 31, 2010 year-ends

- IFRS 9 ''Financial Instruments'' (Effective for periods beginning on or after 1 January 2013)
- Amendment to IAS 24 "Related Party Disclosure's (Effective for periods beginning on or after 1 January 2011)
- Amendment to IAS 32 Classification of Rights Issues (Effective for periods beginning on or after 1 February 2010)
- Amendment to IFRIC 14 "Prepayments of a Minimum Funding Requirement" (Effective for periods beginning on or after 1 January 2011, with earlier application permitted)
- IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments" (Effective for periods beginning on or after 1 July 2010, with earlier application permitted)

Except for IFRS 9 the above changes are not relevant to the Group and thus will not have any impact on financial position and performance of the Group. Phase I of IFRS 9, the new accounting standard that will eventually replace IAS 39, issued in November 2009, establishes a new classification and measurement framework for financial assets. The new standard uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets. The standard will be applied retrospectively with certain transition provisions. IFRS 9 is not expected to have a significant impact on the financial statements of the Group.

2.3.1 Significant accounting judgments and estimates

The preparation of the consolidated financial statements in accordance with IFRS requires management to make estimates and assumptions that are reflected in the measurement of income and expense in the income statement and in the carrying value of assets and liabilities in the balance sheet, and in the disclosure of information in the notes to financial statements. Management exercises judgment and makes use of information available at the date of the preparation of the financial statements in making these assumptions and estimates. The uncertainty about these judgments and estimates could result in outcomes that may have a material effect on future financial statements.

The judgments and estimates that may have a significant effect on amounts in the financial statements relate to, impairment losses on due from financing activities and lease receivables and pensions which are discussed in the relevant sections of this note below:

The principal actuarial assumptions used in accounting for the employee benefits are disclosed in Note 19. There are judgments made by management during the estimation of the amount and timing of future cash flow when determining the level of provision for impairment of financial assets. Such estimations are disclosed in the relevant notes.

The Bank's management has made an assessment of the Bank's ability to continue as a going concern and is satisfied that the Bank has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Bank's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

Deferred tax assets are recognised in respect of tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits, together with future tax planning strategies.

Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgment is required to establish fair values. The judgments include considerations of liquidity and model inputs such as volatility for longer dated derivatives and discount rates, prepayment rates and default rate assumptions for asset backed securities. The valuation of financial instruments is described in Note 30.

Functional and presentation currency

The functional currency of the Bank and its Subsidiaries located in Turkey is Turkish Lira (TL). The functional currency of Dubai Ltd is US Dollar. The presentation currency of the Group is TL.

Until December 31, 2005, the consolidated financial statements were restated for the changes in the general purchasing power of TL based on IAS 29 ("Financial Reporting in Hyperinflationary Economies"). Since the objective conditions for the restatement in hyperinflationary economies was no longer applicable at that time, Turkey came off hyperinflationary status effective from January 1, 2006. The financial statements were restated until December 31, 2005 in accordance with IAS 29. Therefore, the non-monetary assets and liabilities and components of shareholders' equity including share capital reported in the balance sheet as of December 31, 2009 and 2008 are derived by indexing the additions that occurred until December 31, 2005 to December 31, 2005 and carrying the additions after this date with their nominal amounts.

Restatement of balance sheet and income statement items through the use of a general price index and relevant conversion factors does not necessarily mean that the Group could realize or settle the same values of assets and liabilities as indicated in the balance sheets. Similarly, it does not necessarily mean that the Group could return or settle the same values of equity to its shareholders.

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Consolidation of subsidiaries

The consolidated financial statements comprise the balance sheet of the Bank and its subsidiaries, as at December 31, 2009 and 2008 and the statements of income, changes in equity and cash flows of the Bank and its subsidiaries for the years ended December 31, 2009 and 2008, respectively. Subsidiaries are the entities over which the Bank has power to govern the financial and operating policies so as to benefit from their activities. This control is normally evidenced when the Bank owns, either directly or indirectly, more than 50% of the voting rights of a company's share capital. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Bank controls another entity.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which control is transferred to the Bank and cease to be consolidated from the date on which control is transferred out of the Bank.

The difference between the proceeds from the disposal of the subsidiary and its carrying amount as of the date of disposal is recognized in the consolidated income statement as net income/(loss) after tax for the yea from a discontinued operation.

Upon loss of control, the Bank accounts for the investment retained at its proportionate share of net asset value at the date the control is lost.

The financial statements of the Subsidiaries are prepared for the same reporting period as the Bank, using consistent accounting policies.

All material balances and transactions between the Bank and Subsidiaries are eliminated in the consolidated financial statements.

Details of the subsidiaries and investment in associates subject to consolidation are stated below:

		Effective shareholding by the Bank (%)	
Name of subsidiary	Country of incorporation	**December 31, 2009**	December 31, 2008
"Körfez" (*)	Turkey	**49%**	100%
"Körfez Tatil Beldesi"	Turkey	**100%**	100%
"Dubai Limited"	Turkey	**100%**	-

(*) The Bank signed an agreement with Hayat Investment Company (resident in Kuwait) on November 23, 2009 for transferring 51% of its shares of Körfez Gayrimenkul A.Ş. (Körfez) which was owned 99.99% by the Bank in exchange for USD 10,613,000 and TL 2,450. According to IAS 28 "Investments in Associates", the remaining 49% of its shares of Körfez have been classified under the investment in an associate in the accompanying financial statements.

Foreign currency translation

Transactions in foreign currencies are initially recorded at the functional currency rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the income statement as foreign exchange gain/loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Foreign currency translation rates used by the Bank as of respective year ends are as follows:

Dates	**USD/TL**	**EUR/TL**
December 31, 2007	1.16	1.71
December 31, 2008	1.51	2.14
December 31, 2009	1.51	2.16

Foreign Subsidiary

As at the reporting date, the assets and liabilities of the Bank's foreign subsidiary are translated into the Bank's presentation currency at the rate of exchange at the balance sheet date, and its income statement is translated at the USD/TL 1.5463 average exchange rate for the year. Exchange differences arising on translation are taken directly to a separate component of equity.

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Property and equipment

Property and equipment are stated at cost (as adjusted for inflation to December 31, 2005), less accumulated depreciation and accumulated impairment in value.

The initial cost of property and equipment comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the assets to its working condition and location for its intended use. Expenditure incurred after the property and equipment has been put into operation, such as repairs and maintenance, are normally charged to income statement in the year that costs are incurred. Expenditure incurred that result in an increase in the future economic benefits expected from the use of property and equipment is capitalized as an additional cost of property and equipment.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Buildings	50 years
Furniture and office equipment	3-6.67 years
Motor vehicles	4-5 years
Leasehold improvements	Shorter of the lease or useful life

The property and equipment's residual values, useful lives and methods are reviewed, and adjusted if appropriate, at each financial year end.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognizing the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the period/year the asset is derecognized.

Construction projects

The Group has classified its time sharing houses as construction projects.

These houses are valued at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less estimated costs necessary to make the sale.

Investment property

Property held for long-term rental yields and/or capital appreciation which is not occupied by the Group is classified as investment property.

Investment property comprises land and buildings. Investment properties are stated at cost less accumulated depreciation and any impairment in value. Depreciation for the building is calculated on a straight-line basis over the estimated useful lives of 50 years.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the income statement in the year of retirement or disposal.

Intangible assets

Intangible assets acquired separately from a business are capitalized at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

Intangible assets, excluding development costs, created within the business are not capitalized and expenditure is charged to the income statement in the year in which it is incurred. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortized on a straight-line basis over the best estimate of their useful lives of 3 to 5 years and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. There are no intangible assets with indefinite useful lives.

Gains or losses arising from derecognizing an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the income statement when the asset is derecognized.

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Impairment of non-financial assets

The carrying values of property and equipment, investment properties, intangible assets and construction projects are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount. The recoverable amount of the asset is the greater of net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in the income statement. Impairment losses recognized during the period are included in "other expenses" in the income statement.

Financial assets

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss (including those held for trading); due from financing activities (loans and receivables), held to maturity and available-for-sale financial assets. The Group determines the classification of its financial assets at initial recognition.

All investments are initially recognized at fair value plus in the case of financial assets not at fair value through profit and loss directly attributable incremental acquisition charges associated with the investment.

All regular way purchases and sales of financial assets are recognized on the settlement date. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place. Changes in fair value of assets to be received during the period between the trade date and the settlement date are accounted for in the same way as the acquired assets i.e. for assets carried at cost or amortized cost, change in value is not recognized; for assets classified as trading, the change in value is recognized through profit and loss.

Available-for-sale financial assets

Available-for-sale assets are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in profit sharing rates, exchange rates or equity prices. Available-for-sale financial assets are subsequently carried at fair value, except for equity investments where there is no quoted price in an active market and whose fair value cannot be reliably measured are carried at cost less any impairment. For investments that are actively traded in organized financial markets, fair value is determined by reference to market bid prices at the close of business on the balance sheet date.

Unrealized gains and losses are recognized directly in other comprehensive income under equity. When the security is disposed of or determined to be impaired, the cumulative gain or loss previously recognized in equity is recognized in the income statement.

Financial assets at fair value through profit or loss

Financial assets classified as held for trading are included in this category. Trading securities are securities, which were either acquired for generating a profit from short-term fluctuations in price or dealer's margin, or are securities included in a portfolio in which a pattern of short-term profit taking exists. After initial recognition, trading securities are remeasured at fair value based on quoted closing average bid prices. All related realized and unrealized gains or losses are recognized in income.

Held to maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Group has the positive intention and ability to hold to maturity. After initial measurement held to maturity investments are measured at amortized cost using the effective yield method. Gains or losses are recognized in profit or loss when the investments are derecognized as impaired, as well as through the amortization process.

Due from financing activities, net

Credits originated by the Bank by providing money directly to the borrower or to a sub-participation agent are categorized as "due from financing activities" and are carried at amortized cost using the effective profit rate. The effective profit rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective profit rate, transaction costs, and all other premiums or discounts. Direct third party expenses, such as legal fees, incurred in securing a credit are treated as part of the cost of the transaction and included in the effective profit rate of the instrument.

All credits and advances are recognized when cash is advanced to borrowers.

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Precious metal accounts

Gold transactions are accounted under “precious metal depot account” in other assets and valuation is performed with the current ounce of gold prices in the market.

Derivative financial instruments

The Bank enters into transactions with derivative instruments including swaps in the foreign exchange and capital markets. All of these derivative transactions are considered as effective economic hedges under the Group’s risk management policies; however since they do not qualify for hedge accounting under the specific provisions of IAS 39 “Financial Instruments: Recognition and Measurement”, they are treated as derivatives held for trading. Derivative financial instruments are initially recognized in the balance sheet at fair value on the date which a derivative contract is entered into and subsequently are remeasured at their fair value. Gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are taken directly to the income statement, which are recognized in net trading income. The fair value of these derivatives is determined using principally a discounted cash flow analysis.

Embedded derivatives

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.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

Derecognition of financial instruments

The Group derecognizes a financial asset (or, where applicable a part of a financial asset or part of a Group of similar financial assets) when:

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a ‘pass-through’ arrangement; or
- the Group has transferred their rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group’s continuing involvement in the asset.

The Group derecognizes a financial liability when the obligation under the liability is discharged or cancelled or expires.

When an existing liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and recognition of a new liability, and the difference in the respective carrying amounts is recognized in the income statement.

Cash and cash equivalents

For the purposes of the consolidated cash flow statement, cash and cash equivalents comprise cash and balances with central banks (excluding obligatory reserve deposits), deposits with banks and other financial institutions and other money market placements with an original maturity of three months or less.

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Impairment of financial assets

a) Assets carried at amortized cost

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Group about the following loss events:

(a) significant financial difficulty of the issuer or obligor;
(b) a breach of contract, such as a default or delinquency in profit or principal payments by more than 90 days;
(c) the Bank granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would not otherwise consider;
(d) it becomes probable that the borrower will enter bankruptcy or other financial reorganization;
(e) the disappearance of an active market for that financial asset because of financial difficulties; or
(f) observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the Bank, including:
    (i) adverse changes in the payment status of borrowers; or
    (ii) national or local economic conditions that correlate with defaults on the assets of the Bank.

If there is objective evidence that an impairment loss on credits and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective profit rate (i.e. the effective profit rate computed at initial recognition). The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognized in the income statement. The calculation of the present value of the estimated future cash flows includes the realization of collateral when appropriate.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment.

Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account. Any subsequent reversal of impairment loss is recognized in the income statement, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

A write off is made when all or part of a credit is deemed uncollectible or in the case of debt forgiveness. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Write offs are charged against previously established allowances and reduce the principal amount of a credit. Subsequent recoveries of amounts previously written off are included in "other income" in the income statement.

The Bank's accounting treatment for the allowance for credit losses depends on the source of the credit itself. Allowance for the losses in credit that are entirely financed by the Bank's equity or by current and saving accounts (self-financed credit) are reflected wholly in the income statement as a provision expense. The allowance for the credit in arrears that are funded by the corresponding profit or loss investment accounts (jointly financed credit) is reflected in the income statement as a provision expense to the extent the Bank has participated in the profit or loss which may arise from the fund utilized. The remaining portion of the allowance for such credit is reflected ultimately in the profit or loss sharing investor accounts as a loss.

b) Available for sale financial assets carried at cost

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, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument has been incurred, 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 are not reversed.

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c) Available-for-sale financial assets carried at fair value

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognized in profit or loss, is transferred from equity to the income statement. Reversals of impairment regarding equity instruments classified as available-for-sale are not recognized in the income statement. Reversals of impairment losses on debt instruments are reversed through the income statement; if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognized in the income statement.

d) Renegotiated financing and leasing receivables

Where possible, the Bank seeks to restructure financing and leasing receivables rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new conditions. Profit share income continues to be accrued at the original effective or the current profit rates at the renegotiation dates. The Bank does not offer a deduction in the loan amount to its customers. The financing and leasing receivables continue to be subject to an individual or collective impairment assessment calculated using the original effective yield.

Current accounts and profit/loss sharing investors' accounts

Current accounts and profit/loss sharing investors' accounts are initially recognized at cost, being the fair value. Current accounts are not entitled to profit participation. After initial recognition, all profit/loss sharing accounts are recognized at cost plus attributable profit (or less attributable loss) on credits granted taking into consideration amounts repaid and losses attributable. Profit or losses attributable to profit/loss sharing investors' accounts that result from financing transactions are distributed among such accounts according to each party's contribution to the financing investment.

Due to other financial institutions and banks

Deposits and funds borrowed are initially recognized at fair value of consideration received less directly attributable transaction costs. After initial recognition, all profit bearing liabilities are subsequently measured at amortized cost using the effective yield method. Amortized cost is calculated by taking into account any discount or premium.

Employee benefits

The Group has both defined benefit and defined contribution plans as described below:

(a) Defined benefit plans:

In accordance with existing social legislation in Turkey, the Group is required to make lump-sum termination indemnities to each employee who has completed over one year of service with the Group and whose employment is terminated due to retirement or for reasons other than resignation or misconduct. Such defined benefit plan is unfunded. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method. All actuarial gains and losses are recognized in the income statement.

(b) Defined contribution plans:

For defined contribution plans the Group pays contributions to publicly administered Social Security Funds on a mandatory basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due.

Provisions

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 expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an expense.

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Leases

The group as lessee

Operating leases

Leases where the lessor retains substantially all the risks and benefits of ownership of the assets are classified as operating leases. Operating lease payments are recognized as an expense in the income statement on a straight-line basis over the lease term.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognized as an expense in the period in which termination takes place.

Finance lease

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased items, are capitalized at the inception of the lease at the fair value of the leased property, or if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant periodic rate of return on the remaining balance of the liability. Finance charges are reflected in the income statement.

The group as lessor

Finance lease

Under finance leases the Group transfers substantially all risks and benefits incidental to ownership of the leased item. 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. Initial direct costs are included in the initial measurement of the finance lease receivable and reduce the amount of income recognized over the lease term.

Income and expense recognition

Fees and commissions are recognized based on the purposes for which such fees and commissions are collected and the basis of accounting for any associated financial instrument. Commissions and fees that are collected as an integral part of the profit share rate of loans are treated as an adjustment to the profit share rate. Commissions and fees on loans that are colected as reimbursement of expenses incurred and are not considered as an adjustment to the profit share rate and commission income from various banking services are recognized as income when collected. Fees (such as credit card fees) that are related to servicing a loan are recognized on a straight-line basis over the period of the service is provided.

Effective January 1, 2009, the Bank deferred fees and commissions which are collected as an integral part of the profit share rate on loans granted after such date. As of December 31, 2009 such deferred fees and commissions amounted to TL 24,934. Due to limitations on system capabilities it was impracticable to collect data to calculate the effect of deferral on fees and commissions for loans granted prior to January 1, 2009. Consequently, retrospective application could not have been performed.

Income from funds invested from current accounts and equity is recognized on an accrual basis. Income from funds invested from profit/loss sharing accounts is accrued using the effective yield method and the net income is attributed to profit/loss sharing accounts. Accrued income from funds invested from profit/loss sharing accounts is recognized in full and generally 75%-90% of this income is recorded as expense being the profit share distribution (as this is the legal and contractual range for the profit share quotas).

Dividend income is recognized when the Group's right to receive the payment is established.

Income earned on available-for-sale equity investments, which are carried at cost less any impairment is reported as dividend income.

Income from the sale of time sharing houses is recognized when the significant risks and rewards of ownership of the asset have passed to the buyer.

Income tax

Tax expense/(income) is the aggregate amount included in the determination of net profit or loss for the period in respect of current and deferred tax.

Current tax and deferred tax relating to items recognized directly in equity are also recognized in equity and not in the income statement.

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Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is provided on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognized for all taxable temporary differences except:

- where the deferred tax liability arises from the initial recognition of goodwill of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investment in subsidiary and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of goodwill of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investment in subsidiary and associates, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Fiduciary assets

Assets held by the Bank in a fiduciary, agency or custodian capacity are not included in the balance sheet, since such items are not treated as assets of the Bank.

Related parties

Parties are considered related to the Group if:

(a) directly, or indirectly through one or more intermediaries, the party:
   (i) controls, is controlled by, or is under common control (this includes parents, subsidiary and fellow subsidiary);
   (ii) has an interest that gives it significant influence; or
   (iii) has joint control;
(b) the party is an associate;
(c) the party is a joint venture;
(d) the party is a member of the key management personnel;
(e) the party is a close member of the family of any individual referred to in (a) or (d);
(f) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or
(g) the party is a post-employment benefit plan for the benefit of employees or of any entity that is a related party.

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

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Subsequent events

Post year-end events that provide additional information about the Group's position at the balance sheet date (adjusting events), are reflected in the financial statements. Post-year-end events that are not adjusting events are disclosed in the notes when material.

Segment information

For management purposes, the Bank is organized into three business segments:

Retail Banking-Principally handling individual customers' current, saving and investment accounts and providing consumer loans, credit cards facilities and funds transfer facilities.

Corporate and Commercial Banking-Principally handling loans and other credit facilities and current, saving and investment accounts for corporate and institutional customers.

International and Investment Banking and Treasury-Principally handling foreign relations with respect to receiving syndication loans, interest free investment instruments and carrying relations with correspondent banks.

The Bank's operating business is organized and managed in Turkey according to the nature of the products sold and services provided. More than 90% of the operations are performed in Turkey for each of the years presented. None of the other geographical divisions satisfy reportable segment conditions and therefore the financial statements do not include separate geographical segment information. No revenue from transactions with a single external customer or counterparty amounted to 10% or more of the Bank's total revenue in 2009 or 2008.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Income taxes are managed on a group basis and are not allocated to operating segments. Profit share income is reported net as management primarily relies on net interest revenue as a performance measure, not the gross income and expense.

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3. Segment reporting

The following table presents income and profit and certain asset and liability information regarding the Group's business segments as of and for the years ended December 31, 2009 and 2008, respectively.

For the year ended December 31, 2009	Retail Banking	Corporate and commercial Banking	International and Investment Banking and Treasury	Unallocated	Total
Revenue					
Third party	64,921	354,652	52,176	-	**471,749**
Intersegment (*)	136,972	(133,841)	(3,131)	-	**-**
Total operating income	201,893	220,811	49,045	-	**471,749**
Credit loss expense	(30,443)	(34,378)	-	-	**(64,821)**
Impairment losses on financial investments	-	-	-	-	**-**
Net operating income	**171,450**	**186,433**	**49,045**	**-**	**406,928**
Results					
Net profit share income/(expense)	140,453	96,658	13,685	-	**250,796**
Net fees and commission income	58,069	90,484	(19,669)	-	**128,884**
Net trading income	-	-	47,762	-	**47,762**
Segment profit/(loss)	**194,843**	**213,472**	**45,218**	**(282,503)**	**171,030**
Income tax expense	-	-	-	(36,749)	**(36,749)**
Net profit for the year	**194,843**	**213,472**	**45,218**	**(319,252)**	**134,281**

Asset and liabilities as of December 31, 2009	Retail Banking	Corporate and commercial Banking	International and Investment Banking and Treasury	Unallocated	Total
Assets					
Capital expenditures					
Property and equipment	-	-	-	44,063	**44,063**
Other intangible assets	-	-	-	6,577	**6,577**
Total assets	**2,004,585**	**2,901,781**	**1,520,268**	**388,263**	**6,814,897**
Total liabilities	**3,767,615**	**1,602,384**	**389,912**	**237,505**	**5,997,416**

(*) Major part of the Bank's deposit consists of retail banking customers, whereas majority of loans granted to corporate and commercial banking customers. Accordingly, in the segment reporting the Bank presented net profit share income/(expense) under related operating segment from which the loan sourced, in inter-segment line.

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For the year ended December 31, 2008	Retail Banking	Corporate and commercial Banking	International and Investment Banking and Treasury	Unallocated	Total
Revenue					
Third party	70,289	272,688	52,798	-	**395,775**
Intersegment	141,231	(108,587)	(32,644)	-	**-**
Total operating income	211,520	164,101	20,154	-	**395,775**
Credit loss expense	(24,652)	(58,654)	-	-	**(83,306)**
Impairment losses on financial investments	-	-	-	-	**-**
Net operating income	**186,868**	**105,447**	**20,154**	**-**	**312,469**
Results					
Net profit share income/(expense)	129,447	51,773	(9,812)	-	**171,410**
Net fees and commission income	70,217	75,163	(19,691)	-	**125,689**
Net trading income	-	-	49,719	-	**49,719**
Segment profit/(loss)	**203,405**	**159,460**	**17,479**	**(263,572)**	**116,772**
Income tax expense	-	-	-	(25,505)	**(25,505)**
Net profit for the year	**203,405**	**159,460**	**17,479**	**(289,077)**	**91,267**

Asset and liabilities as of December 31, 2008	Retail Banking	Corporate and commercial Banking	International and Investment Banking and Treasury	Unallocated	Total
Assets					
Capital expenditures					
Property and equipment	-	-	-	34,165	**34,165**
Other intangible assets	-	-	-	2,331	**2,331**
Total assets	**1,145,331**	**2,878,590**	**1,521,982**	**172,795**	**5,718,698**
Total liabilities	**2,691,682**	**1,223,873**	**979,191**	**135,252**	**5,029,998**

4. Cash and balances with banks

	2009	2008
Cash on hand	**58,161**	63,976
Balances with the Central Bank	**180,929**	185,012
Cash and balances with the Central Bank	**239,090**	248,988
Balances with foreign banks	**512,128**	310,917
Balances with domestic banks	**384,770**	625,383
Current accounts in participation banks	**6,421**	2,308
Balances with other banks and financial institutions	**903,319**	938,608
Cash and cash equivalents	**1,142,409**	1,187,596

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As of December 31, 2009 and 2008, "balances with other banks and financial institutions" are made up of demand and time deposits. The time deposits, all of which have original maturities less than three months, can be analyzed follows:

		2009						2008
	Amount		Effective profit rate		Amount		Effective profit rate	
	TL	Foreign currency (TL equivalent)	TL	Foreign currency	TL	Foreign currency (TL equivalent)	TL	Foreign currency
Deposits with other banks and financial institutions	**104,000**	**249,515**	**6.84%**	**0.32%**	-	292,969	-	1.80 %
Total	**104,000**	**249,515**				292,969		

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise the following at December 31, 2009 and 2008:

	2009	2008
Cash and balances with the Central Bank	**239,090**	248,988
Balances with Banks and other financial institutions	**903,319**	938,608
Cash at banks and on hand attributable to discontinued operation	**-**	-
Total	**1,142,409**	1,187,596

5. Reserve deposits at the central bank of Turkey

	2009		2008	
	Foreign currency (full)	TL	Foreign currency (full)	TL
US$	**143,915,787**	**216,694**	138,522,788	209,488
EUR	**-**	**-**	-	-
TL	**-**	**1,995**	-	3,933
		218,689		213,421

As of December 31, 2009, the interest rate applied for Turkish Lira reserve deposits are 5.20% (December 31, 2008-12%) respectively.

According to the regulations of the Central Bank of Turkey, banks and participation banks are obliged to reserve a portion of certain liability accounts as specified in the related decrees. Such mandatory reserves are not available for use in the Bank's day to day operations.

6. Financial assets

Available-for-sale

	2009	2008
At cost		
Unlisted shares (*)	**4,520**	1,389
Total available-for-sale financial assets	**4,520**	1,389

(*) The breakdown of unlisted shares is as follows:

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			2009		2008
	Nature of business	%	Amount	%	Amount
Islamic International Rating Agency (IRA)	Financial information	**8.99**	**714**	8.99	577
Neova Sigorta AŞ	Insurance	**6.99**	**1,806**	6.99	812
Kredi Garanti Fonu AŞ (KGF)	Financial institution	**1.67**	**2,000**	-	-
			4,520		1,389

The Bank made capital commitment amounting to TL 4,000 to Kredi Garanti Fonu A.Ş. in 2009 and paid the TL 2,000 of the related commitment on October 15, 2009.

The fair value of the above listed available-for-sale investments can not be reliably estimated. There is no market for these investments. The Group does not intend to dispose its shares in IRA, Neova Sigorta A.Ş. and KGF.

Held to maturity

Held to maturity assets include a Sukuk investment amounting to TL 7,529 that is invested by the Bahrain branch of the Bank (December 31, 2008-TL 7,583). Islamic bond products are represented by Sukuks. It has a maturity that is determined in advance and is backed by an asset which makes it possible for the investment to earn a return without payment of interest. Sukuks are structured in such a way that their holders run a credit risk and receive part of the profit in advance. The maturity of the Sukuk is 2010 with quarterly payments. The rate of the Sukuk is Libor+2%.

Held for trading

Financial assets held for trading includes share certificates listed in the Istanbul Stock Exchange (ISE) amounting to TL 27 (December 31, 2008-TL 64).

The movement in financial assets may be summarized as follows:

Financial investments			**2009**			2008
	Available for sale	**Held to maturity**	**Held for trading**	Available for sale	Held to maturity	Held for trading
At the beginning of the year	**1,389**	**7,583**	**64**	577	5,852	133
Exchange differences	**-**	**(54)**	**-**	-	1,731	-
Additions	**3,131**	**-**	**27**	812	-	-
Disposals (sale and redemption)	**-**	**-**	**(64)**	-	-	-
Fair value movement	**-**	**-**	**-**	-	-	(69)
Impairment losses	**-**	**-**	**-**	-	-	-
Balance at the end of the year	**4,520**	**7,529**	**27**	1,389	7,583	64

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

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Level I: Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level II: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level III: Inputs for the asset or liability that are not based on observable market data

Fair value hierarchy of the financial assets and liabilities of the Bank carried at fair value according to the foregoing principles as of December 31, 2009 and 2008 are given in the table below:

Current period	Level I	Level II	Level III	Total
Financial assets				
Financial assets held for trading	-	9,952	-	9,952
Forward transactions	-	1,425	-	1,425
Swap transactions	-	8,500	-	8,500
Futures transactions	-	-	-	-
Options	-	-	-	-
Other	-	27	-	27
Available for sale financial assets				
Share certificates	-	-	-	-
Government debt securities	-	-	-	-
Other marketable securities	-	-	-	-
Financial liabilities				
Financial liabilities held for trading	-	6,231	-	6,231
Forward transactions	-	4,659	-	4,659
Swap transactions	-	1,572	-	1,572
Futures transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-

7. Investment in associate

The Bank signed an agreement with Hayat Investment Company (resident in Kuwait) on November 23, 2009 for transferring 51% of its shares of Körfez Gayrimenkul A.Ş. (Körfez) which was owned 99.99% by the Bank in exchange for USD 10,613,000 and TL 2,450. The remaining 49% of its shares have been classified under the investment in an associate in the accompanying financial statements.

	2009	2008
Share of the associate's statement of financial position:		
Current assets	5,588	-
Non-current assets	18,322	-
Current liabilities	(1,624)	
Non-current liabilities	(9,971)	
Equity	12,315	-

	2009	2008
Income	544	-
Expense	(514)	-
Net income/(expense)	30	-

(*) Körfez was a fully owned consolidated subsidiary in 2008.

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8. Due from financing activities, net

	2009	2008
Performing		
Funds invested from profit/loss sharing accounts	**2,695,133**	1,878,013
Funds invested from current accounts and equity	**1,653,503**	1,587,408
Income accruals on due from financing activities (*)	**115,271**	316,931
	4,463,907	3,782,352
Funds in arrears		
Funds invested from profit/loss sharing accounts	**178,259**	144,140
Funds invested from current accounts and equity	**126,770**	110,729
	305,029	254,869
Total	**4,768,936**	4,037,221
Impairment allowance		
Funds invested from profit/loss sharing accounts	**(92,115)**	(80,853)
Funds invested from current accounts and equity	**(90,035)**	(76,815)
	(182,150)	(157,668)
Total due from financing activities	**4,586,786**	3,879,553

(*) Includes also foreign currency evaluation differences of foreign currency indexed loans.

As of December 31, 2009 the Bank took possession of collateral (lands and buildings) from customers amounting to TL 19,804 (December 31, 2008-TL 14,033), which are classified as investment properties in the balance sheet as it is held for either rental income or capital appreciation through selling of those properties.

The movement in impairment allowance is as follows:

	2009	2008
Balance at the beginning of the year	**157,668**	82,109
Provisions-participation accounts	**51,613**	37,115
Provisions-bank	**64,164**	81,612
Recoveries of amounts previously provided for	**(14,279)**	(13,286)
Reserves written off in current year (*)	**(77,016)**	(29,882)
Balance at the end of the year	**182,150**	157,668

(*) In 2009, non-performing loans for which a 100% provision was made in prior periods amounting in total to TL 77,114 were written off (2008-TL 29,882).

The impairment allowance of TL 182,150 (December 31, 2008-TL 157,668) is made up of a specific and collective allowance. The movement in the collective allowance is analyzed below.

The movements in the collective reserve allowance for financing receivables are as follows:

	2009	2008
Balance at beginning of year	**19,469**	12,728
Provisions-bank	**3,636**	2,495
Provisions-participation accounts	**(2,186)**	4,246
Recoveries and write-offs	**-**	-
Allowance at the end of the year	**20,919**	19,469

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9. Minimum finance lease payments receivable, net

Minimum finance lease payments receivable (net) is as follows:

	2009	2008
Gross investment in finance leases	55,403	113,802
Unearned finance income	(5,417)	(10,859)
Total impaired receivables	4,809	16,606
Impairment allowance	(1,283)	(6,074)
Minimum lease payments receivable, net	53,512	113,475

Movements in the impairment allowance for leasing receivables is as follows:

	2009	2008
Balance at 1 January	6,074	3,574
Provisions-participation accounts	2,164	3,598
Provisions-Bank	656	1,694
Recoveries of amounts previously provided for	(4,427)	(652)
Impairment allowance written off in current year	(3,184)	(2,140)
Balance at the end of the year	1,283	6,074

Gross investment in finance leases as to their maturity:

	2009	2008
Not later than 1 year (*)	37,224	81,271
Later than 1 year and not later than 5 years	22,973	49,137
Later than 5 years	15	-
Minimum lease payments receivable, gross	60,212	130,408
Less : Unearned finance income	(5,417)	(10,859)
Net investment in finance leases	54,795	119,549
Less : Allowance for impairment	(1,283)	(6,074)
Minimum lease payments receivable, net	53,512	113,475

(*) includes total impaired receivables amounting to TL 4,809 (December 31, 2008-TL 16,606).

As of December 31, 2009 TL 48,103 (December 31, 2008-TL 98,706) gross lease receivables are denominated in foreign currency (US$ and EUR).

Net investment in finance leases as to their maturity:

	2009	2008
Not later than 1 year (*)	34,775	73,412
Later than 1 year and not later than 5 years	20,007	46,137
Later than 5 years	13	-
Net investment in finance leases	54,795	119,549

(*) includes total impaired receivables amounting to TL 4,809 (December 31, 2008-TL 16,606).

Material leasing arrangements of the Group includes several machinery and equipment with a contractual maturity of 4 to 5 years.

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10. Other assets

Other assets comprise the following:

	2009	2008
Precious metals	409,854	99,762
Blockage for guarantees given (*)	107,937	-
Prepaid expenses	2,862	3,084
Receivable from assets sold	1,827	2,387
Value added tax (VAT) receivable	904	1,788
Other	66,837	15,987
	590,221	123,008

(*) Guarantees given for loan customers are recorded in this account as blockage.

11. Construction projects, net

Construction projects mainly include the Güre Premises (time sharing houses) which belong to one of the subsidiary of the Bank, Körfez Tatil Beldesi.

	2009	2008
Completed construction projects (inventories) (*)	13,139	13,201
Receivables from construction projects	218	218
	13,357	13,419
(Less) Reserve for net realizable value	(10,114)	(10,114)
(Less) Reserve for doubtful receivables	(218)	(218)
Total construction projects, net	3,025	3,087

(*) In 2008, Körfez sold Güre premises to Körfez Tatil Beldesi.

12. Investment properties, net

	2009	2008
Balance at the beginning of the year	67,586	59,389
Additions	12,674	6,364
Disposal (*)	(27,199)	(873)
Depreciation charge	(950)	(733)
Impairment allowance (Note 27)	(1,259)	(28)
Transfer to assets held for sale (Note 13)	(10,384)	(125)
Transfer from assets held for sale (Note 13)	6,739	1,937
Transfer from property and equipment (Note 14)	-	1,655
Balance at the end of the year	47,207	67,586
Cost	52,277	70,447
Accumulated depreciation	(3,667)	(2,717)
Accumulated impairment	(1,403)	(144)
Net carrying amount	47,207	67,586

(*) In 2009 investment property of the Group amounting to 24,894 has been disposed due to sale of Körfez Gayrimenkul.

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Fair value of the investment properties is TL 60,843 (December 31, 2008-TL 78,007) which is determined based on the valuations performed by independent qualified valuers on December 2009.

In the current economical conditions, some of the assets held for sale could not be sold during the year and were transferred to investment property. As the assets classified to investment property are lands, they are not subject to depreciation and such transfer does not have an effect on the current and prior year results.

13. Assets and a disposal group held for sale

At December 31, 2009, the Bank classified non-current assets; mainly land and buildings; being collateral repossessed in this period amounting to TL 7,130 (December 31, 2008-TL 7,669), which are expected to be sold in a time period less than 1 year as non-current assets held for sale. The assets and the determined sales prices have been announced to the public via website of the Bank.
Movement of non-current assets held for sale is as follows:

	2009	2008
Balance at the beginning of the year	6,410	6,673
Additions	7,130	7,669
Transfer from investment property (Note 12)	10,384	125
Transfer to investment property (Note 12)	(6,739)	(1,937)
Disposal	(7,628)	(1,955)
Disposal of subsidiary	-	(4,165)
Impairment	(10)	-
Balance at the end of the year	9,547	6,410

Gain on sale of assets held for sale amounting to TL 1,786 is included in other income in the income statement (December 31, 2008-TL 1,046).

The Bank has disposed 65% of its shares in Auto Land to Baytik Capital Holding B.S.C in return for TL 1,147 and 35% of its shares to A'ayan Leasing and Investment Company in return for TL 618 in accordance with the sale agreement dated February 28, 2008. Accordingly, in the consolidated financial statements as of December 31, 2008 Auto Land is included in the discontinued operations.

The results of Auto Land included in Group's financial statements until its disposal on February 28, 2008 are presented below:

	2009	2008
Foreign exchange gain/(loss), net	-	(36)
Other income	-	13
Staff costs	-	(98)
Depreciation and amortization expense	-	(151)
Other expense	-	(20)
Effects of consolidation	-	(108)
Loss for the period from discontinued operation	-	(400)
Gain on disposal of the discontinued operation	-	691
Attributable tax expense	-	-
Gain/(loss) after tax for the period from discontinued operation	-	291

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Cash inflow on sale is as follows:

	2009	2008
Consideration received	-	1,765
Net cash disposal with the subsidiary	-	(77)
Net cash inflow	-	1,688

The net cash flows incurred by Auto Land are as follows:

	2009	2008
Operating	-	(131)
Net cash outflow	-	(131)

The partial disposal of Körfez Gayrimenkul has been finalized on November, 2009 and the Group signed a sales contract with Hayat Investment Company with respect to the sale of 51% shares of Körfez Gayrimenkul. Accordingly, in the consolidated financial statements as of December 31, 2009 profit/loss from Körfez until the date of the sale is included in the discontinued operations.

The results of Körfez Gayrimenkul included in Group's financial statements for the years are presented below:

	December 31, 2009	December 31, 2008
Financial income/(expense), net	**1,768**	(7,853)
Other income/(expense), net	**(1,949)**	7,637
General Administrative expenses	**(1,120)**	(2,778)
Revenue, net	**123**	478
Effects of consolidation	**(159)**	(83)
Gain on sale of shares	**5,392**	-
Net gain/(loss) for the year	**4,055**	(2,599)

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14. Property and equipment, net

	Land and buildings	Furniture and office equipment (*)	Leasehold improvements	Motor vehicles	Construction in progress	Total
At January 1, 2008, net of accumulated depreciation and impairment	40,658	16,845	11,779	404	56	69,742
Additions	46	22,232	11,796	91	-	34,165
Disposals	(1,583)	(840)	(1,709)	(91)	-	(4,223)
Depreciation charge for the year	(555)	(6,774)	(6,535)	(15)	-	(13,879)
Transfer from/(to) investment property	-	(1,655)	-	-	-	(1,655)
At December 31, 2008, net of accumulated depreciation and impairment	**38,566**	**29,808**	**15,331**	**389**	**56**	**84,150**
Additions	17,155	19,745	6,873	290	-	44,063
Disposals	-	(3,684)	(251)	-	-	(3,935)
Depreciation charge for the year	(1,060)	(6,709)	(8,210)	(119)	-	(16,098)
Transfer from/(to) investment property (Note 12)	-	-	-	-	-	-
At December 31, 2009, net of accumulated depreciation and impairment	**54,661**	**39,160**	**13,743**	**560**	**56**	**108,180**

(*) TL 3,731 (net) and TL 5,813 (net) of furniture and office equipment consist of assets obtained through financial leasing as of December 31, 2009 and 2008, respectively. There is no property and equipment that are pledged for borrowings.

	Land and buildings	Furniture and office equipment (*)	Leasehold improvements	Motor vehicles	Construction in progress	Total
At December 31, 2008						
Cost	44,860	63,091	32,608	2,798	56	143,413
Accumulated depreciation	(5,631)	(33,283)	(17,277)	(2,409)	-	(58,600)
Accumulated impairment	(663)	-	-	-	-	(663)
Net carrying amount	38,566	29,808	15,331	389	56	84,150
At December 31, 2009						
Cost	**62,015**	**79,152**	**39,230**	**3,088**	**56**	**183,541**
Accumulated depreciation	**(6,691)**	**(39,992)**	**(25,487)**	**(2,528)**	**-**	**(74,698)**
Accumulated impairment	**(663)**	**-**	**-**	**-**	**-**	**(663)**
Net carrying amount	**54,661**	**39,160**	**13,743**	**560**	**56**	**108,180**

The cost of property and equipment, which are fully depreciated but still in use as of December 31, 2009 and 2008 is as follows:

	2009	2008
Motor vehicles	**58**	59
Leasehold improvements	**6,729**	1,462
Furniture and office equipment	**3,876**	8,734
	10,663	10,255

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15. Intangible assets, net

	Software
At January 1, 2008	1,591
Additions	2,331
Disposals	(10)
Amortization charge for the year	(1,065)
At December 31, 2008, net of accumulated amortization	**2,847**
Additions	6,577
Disposals	-
Amortization charge for the year	(1,168)
At December 31, 2009, net of accumulated amortization	**8,256**
At December 31, 2008	
Cost (gross carrying amount)	8,319
Accumulated amortization	(5,472)
Net carrying amount	**2,847**
At December 31, 2009	
Cost (gross carrying amount)	14,896
Accumulated amortization	(6,640)
Net carrying amount	**8,256**

16. Due to other financial institutions and banks

	Amount in TL	
Original foreign currency	**2009**	2008
US$	**383,681**	817,421
Euro	**-**	3,533
Total	**383,681**	820,954

As of December 31, 2009 borrowings remaining maturities of which is less than 12 months amount to TL 378,385 (As of December 31, 2008-TL 795,548).

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17. Current and profit/loss sharing investors' accounts

	2009	2008
Current accounts:		
Turkish lira	748,450	435,795
Foreign currency	552,542	436,794
	1,300,992	872,589
Profit/loss sharing investors' accounts:		
Turkish lira	2,297,791	1,674,442
Foreign currency	1,820,352	1,521,247
	4,118,143	3,195,689
Blocked accounts:		
Turkish lira	23,404	31,272
Foreign currency	70,831	1,364
	94,235	32,636
Total current accounts and profit/loss investors' accounts	5,513,370	4,100,914
Expense accrual on current accounts and profit/loss sharing investors' accounts	31,831	18,546
Total current accounts and profit/loss sharing investors' accounts	5,545,201	4,119,460

Blocked accounts include receivables of point of sales machine holding depositors which become current account within an average of one month period.

Current accounts and profit/loss sharing investors' accounts, excluding expense accruals, can be analyzed according to their original maturities as follows:

			2009 (in TL)			2008 (in TL)
	TL	Foreign currency	Total	TL	Foreign currency	Total
Up to 1 month	2,146,768	1,648,789	3,795,557	1,441,409	1,210,931	2,652,340
From 1 month to 3 months	443,977	442,940	886,917	402,438	342,651	745,089
From 3 months to 1 year	83,290	54,239	137,529	28,750	146,037	174,787
Over one year	395,610	297,757	693,367	268,912	259,786	528,698
	3,069,645	2,443,725	5,513,370	2,141,509	1,959,405	4,100,914

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At December 31, 2009 and 2008, foreign currency current and profit/loss sharing investors' accounts, excluding expense accruals, are as follows:

	2009			2008
	Foreign currency (full)	**TL equivalent**	Foreign currency (full)	TL equivalent
Current and blocked accounts:				
US$	**294,667,107**	**443,680**	199,826,624	302,198
Euro	**80,301,458**	**173,476**	59,733,084	127,876
Other		**6,217**		8,084
		623,373		438,158
Profit/loss sharing investors' accounts:				
US$	**764,048,934**	**1,150,428**	632,606,492	956,691
Euro	**310,106,481**	**669,924**	263,712,790	564,556
Other				-
		1,820,352		1,521,247
		2,443,725		1,959,405

The Bank mainly collects profit/loss sharing accounts from domestic companies and domestic individuals.

Profit/loss sharing accounts include the gain or loss resulting from the investment activities of the Bank and there is no predetermined return on these accounts when depositing money.

18. Income taxes

The Bank and its subsidiaries are subject to taxation in accordance with the tax rules and the legislation effective in the countries in which the Group companies operate.

In Turkey, the corporation tax rate for the fiscal years ending on December 31, 2009, and 2008 is 20%, Corporate tax returns are required to be filed by the twenty fifth day of the fourth month following the balance sheet date and taxes must be paid in one installment by the end of the fourth month. The tax legislation provides for a temporary tax of 20% to be calculated and paid based on earnings generated for each quarter. The amounts thus calculated and paid are offset against the final corporate tax liability for the year.

Investment allowances with incentive certificates incurred prior to April 24, 2003, can be subject to 19.8% deductable if the Companies choose to forego the new deductions. Before the implementation of the new investment incentive application, effective January 1, 2006, all investment incentives could be carried forward indefinitely, however, as of January 1, 2006 the investment incentive application has been terminated. Unused qualifying capital investment amounts from periods prior to December 31, 2005 could be deducted from the corporate income tax base until the end of December 31, 2008. However, in this case corporate tax rate would be 30%. Furthermore, qualifying capital investments to be made until the end of December 31, 2008 within the scope of the investment projects started before December 31, 2005 would be subject to investment incentives until the end of December 31, 2008. In 2008, the Bank decided to not utilize its investment incentive allowance. Therefore in 2008, corporate tax rate was 20%.

Constitutional Court abolished 2006, 2007, 2008 phrases included in the temporary article numbered 69 of the Income Tax Law related to investment allowances. Thereby, time limitation related to investment incentive removed. Supreme Court concluded that reasoned decision of cancellation related to investment incentive become effective when it is published in the Official Gazette. The reasoned decision became effective on January 8, 2010 in accordance with the Supreme Court's Principal 2006/95, decision numbered 2009/144 and Constitution's article numbered 153 which has been published in Trade Registry Gazette numbered 27456 on January 8, 2010. In this context, the right to use investment incentive amounting to TL 61,108 which was not used in 2008 has been transferred to 2009 and 2010 with an applicable withholding tax rate of 19.8%. However, the Bank's 2009 Corporate Tax Base is TL 174,508 and the budgeted net income before tax amount for 2010 is higher than the investment incentive amount. Due to the remaining part of Corporate Tax Base that exceeds the investment incentive is subject to 30% corporate tax rate, this case reveals disadvantage in Corporate Tax. Therefore, the amount of transferred investment incentive will not be used.

Dividends paid to non-resident corporations, which have a place of business in Turkey, or resident corporations are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 15%. An increase in capital via issuing bonus shares is not considered as a profit distribution and thus does not incur withholding tax.

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A 75% portion of the capital gains derived from the sale of equity investments and immovable properties held for at least two years is tax exempt, if such gains are added to paid-in capital or classified under equity for five years in accordance with the New Corporate Tax Law.

Corporate tax losses can be carried forward for a maximum period of five years following the year in which the losses were incurred. The tax authorities can inspect tax returns and the related accounting records for a retrospective maximum period of five years. The Group has not recorded a provision for any additional taxes for the fiscal years that remain unaudited (2004-2008), as the amount, if any, cannot be estimated with any degree of certainty.

In Turkey, the tax legislation does not permit a parent company and its subsidiaries to file a consolidated tax return. Therefore, provision for taxes, as reflected in the consolidated financial statements, has been calculated on a separate-entity basis.

	2009	2008
Current tax expense	**34,902**	32,215
Prepaid tax (-)	**29,128**	20,728
Income taxes payable	**5,774**	11,487

	2009	2008
Current tax expense	**(34,902)**	(32,215)
Deferred tax credit/(charge)	**(1,847)**	6,710
Total income tax (charge)/credit	**(36,749)**	(25,505)

A reconciliation of income tax expense applicable to profit from operating activities before income tax at the statutory income tax rate to income tax expense at the Bank's effective income tax rate for the years December 31, 2009 and 2008 is as follows:

	2009	2008
Profit before income tax from continuing operations	**166,975**	119,372
Gain/(loss) before tax from a discontinued operation	**4,055**	(2,599)
Profit before income tax	**171,030**	116,773
At Turkish statutory income tax rate of 20%	**34,206**	23,355
Effect of change in tax rate	**-**	(1,931)
Effect of income not subject to tax	**(1,841)**	(2,813)
Effect of expenditure not allowable for income tax purposes	**4,521**	7,834
Effect of restatement pursuant to IAS 29 and other permanent differences	**(137)**	(940)
Income tax charge	**36,749**	25,505

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Deferred income tax as of December 31, 2009 and 2008 is attributable to the following items:

	Deferred tax assets/(liabilities)	
	2009	2008
Due from financing activities	**10,642**	6,221
Derivative accrual	**-**	2,351
Reserve for employee termination benefits	**952**	744
Provision for impairment in subsidiary	**-**	3,476
Deferred income	**758**	1,973
Bonus accrual of personnel	**3,825**	2,750
Effect of other temporary differences	**377**	272
Deferred tax assets	**16,554**	17,787
Restatement of property and equipment, intangible assets and other non-monetary items	**2,525**	2,474
Accounting for finance leases	**542**	717
Derivative accrual	**738**	-
Deferred tax liabilities	**3,805**	3,191
Deferred tax asset-net	**12,749**	14,596

Movement of net deferred tax asset is:

	2009	2008
Balance at the beginning of the year	**14,596**	7,886
Deferred tax (charge)/credit recognized in income statement	**(1,847)**	6,710
Balance at the end of the year	**12,749**	14,596

19. Other liabilities and provisions

	2009	2008
Personnel bonus accrual	**19,127**	13,750
Withholding tax and other tax payables	**12,168**	13,448
Payables to exporters and suppliers	**7,908**	3,522
Deferred revenue	**3,330**	10,310
Security premium for participation funds	**2,692**	2,093
Leasing payable	**1,025**	1,054
Deductions on resource utilization fund	**576**	621
Other (*)	**2,596**	1,316
Total other liabilities	**49,422**	46,114
Provisions		
Employee termination benefits	**4,780**	3,806
Other provisions	**2,327**	2,513
Total provisions	**7,107**	6,319
Total	**56,529**	52,433

(*) The Bank had a tax penalty, which is agreed with the Tax Administration and will be paid over a period of 18 months.

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The movement in reserve for employee termination benefits is as follows:

	2009	2008
Balance at January 1	3,806	3,226
Utilized/paid	(829)	(534)
Arising during the year	1,715	1,067
Actuarial loss	88	47
Balance at the end of the year	4,780	3,806

Reserve for employee termination benefits

In accordance with existing social legislation, the Group is required to make lump-sum payments to employees whose employment is terminated due to retirement or for reasons other than resignation or misconduct. In Turkey, such payments are calculated on the basis of 30 days' pay (limited to a maximum of TL 2.3 and TL 2.2 at December 31, 2009 and 2008, respectively) per year of employment at the rate of pay applicable at the date of retirement or termination. In the financial statements as of December 31, 2009 and 2008, the Group reflected a liability calculated using the Projected Unit Credit Method and based on upon factors derived using their experience of personnel terminating their services and being eligible to receive retirement pay and discounted by using the current market yield at the balance sheet date on government bonds.

The following actuarial assumptions were used in the calculation of the total liability:

	2009	2008
Discount rate (%)	11	12
Expected salary/ceiling increase rate (%)	4.8	5.4

20. Derivative financial instruments

A derivative financial instrument is a financial contract between two parties where payments are dependent upon movements in price in one or more underlying financial instruments, reference rates or indices.

The table below shows the fair values of derivative financial instruments together with the notional amounts analyzed by the term to maturity. The notional amount is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at year-end and are neither indicative of the market risk nor credit risk.

The fair values of forward transactions are determined by comparing the foreign currency rates prevailing on the date of the financial statements to the discounted value of the transaction's forward exchange rates to the date of these financial statements.

	December 31, 2009							
	Fair value assets	Fairvalue liabilities	Notional amount in Turkish Lira equivalent	Up to 1 months	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year
Derivatives held for trading								
Currency swap purchase	9,925	-	880,092	840,738	10,340	29,014	-	-
Currency swap sale	-	6,231	868,246	836,577	10,400	21,269	-	-
	9,925	6,231	1,748,338	1,677,315	20,740	50,283	-	-

	December 31, 2008							
	Fair value assets	Fairvalue liabilities	Notional amount in Turkish Lira equivalent	Up to 1 months	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year
Derivatives held for trading								
Currency swap purchase	13,933	-	848,870	782,813	61,996	4,061	-	-
Currency swap sale	-	25,664	856,582	790,558	63,533	2,491	-	-
	13,933	25,664	1,705,452	1,573,371	125,529	6,552	-	-

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21. Share capital

	2009	2008
Number of ordinary shares, 1 TL, par value. Authorized, issued and outstanding.	**500.00 million**	500.00 million

The movement of the share capital of the Bank (in number and in historical TL) is as follows:

	2009		2008	
	Number	**TL**	Number	TL
At January 1	**500,000,000**	**500,000**	260,000,000	260,000
Shares issued in				
-bonus shares from retained earnings	-	-	40,000,000	40,000
-cash	-	-	200,000,000	200,000
At year end	**500,000,000**	**500,000**	500,000,000	500,000

The Bank has increased its share capital at May 30, 2008. The share capital increase was funded from the retained earnings amounting to TL 40,000 and by cash payment of shareholders amounting to TL 200,000.

The Bank does not have any classes of shares other than ordinary shares. There is no differentiation in the rights, preferences and restrictions of the ordinary shares.

As of December 31, 2009 and 2008, the composition of shareholders and their respective % of ownership can be summarized as follows:

	2009		2008	
	Amount	**%**	Amount	%
Kuwait Finance House	**311,173**	**62.2**	311,173	62.2
Directorate of Vakıf Foundations, Turkey	**93,596**	**18.7**	93,596	18.7
The Public Institution for Social Security, Kuwait	**45,000**	**9.0**	45,000	9.0
Islamic Development Bank	**45,000**	**9.0**	45,000	9.0
Other	**5,231**	**1.1**	5,231	1.1
Total share capital	**500,000**		500,000	

22. Legal reserves, retained earnings, dividends paid and proposed

Legal reserves

The legal reserves consist of first and second legal reserves in accordance with the Turkish Commercial Code. The first legal reserve is appropriated out of the statutory profits at the rate of 5%, until the total reserve reaches a maximum of 20% of the share capital. The second legal reserve is appropriated at the rate of 10% of all distributions in excess of 5% of the share capital. The first and second legal reserves are not available for distribution unless they exceed 50% of the share capital, but may be used to absorb losses in the event that the general reserve is exhausted.

Dividends paid and proposed

During the current year, the Bank has paid a dividend of TL 5,500 (2008-TL 6,990).

	2009	2008
Ordinary shares		
Amount	**5,500**	6,990
TL (full) per share	**0.011**	0.029

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23. Earnings per share

Basic earnings per share (EPS) amounts are calculated by dividing the net profit for the year attributable to ordinary equity holders of the Bank by the weighted average number of ordinary shares outstanding during the year.

In Turkey, companies can increase their share capital by making a pro rata distribution of shares ("Bonus Shares") to existing shareholders without consideration for amounts resolved to be transferred to share capital from retained earnings and revaluation surplus. For the purpose of the EPS calculation such Bonus Share issues are regarded as stock dividends. Dividend payments, which are immediately reinvested in the shares of the Bank, are similarly treated. Accordingly the weighted average number of shares used in EPS calculation is derived by giving retroactive effect to the issue of such shares.

There is no dilution of shares as of December 31, 2009 and 2008.

The following reflects the income and per share data used in the basic earnings per share computations:

	2009	2008
Net profit attributable to continuing operations of the Bank for basic earnings per share	**130,226**	93,867
Net profit/(loss) attributable to discontinued operations for basic earnings per share	**4,055**	(2,599)
Net profit attributable to ordinary equity holders of the Bank for basic earnings per share	**134,281**	91,268
Weighted average number of ordinary shares for basic earnings per share (thousands)	**500,000**	417,808
Basic earnings per share (expressed in full TL per share)	**0.269**	0.218
Basic earnings per share from continuing operations	**0.260**	0.224

24. Related party disclosures

The Group is controlled by Kuwait Finance House, which owns 62.2% (December 31, 2008-62.2%) of ordinary shares. Directorate of Vakıf Foundations, The Public Institution for Social Security and Islamic Development Bank are major shareholders owning 18.7% (December 31, 2008-18.7%), 9.0% (December 31, 2008-9.0%) and 9.0% (December 31, 2008-9.0%) of ordinary shares, respectively. For the purpose of these financial statements, shareholders of the Bank and parties under common control are referred to as related parties. The related parties also include individuals who are principal owners, key management and members of the Group's Board of Directors and their families.

The following significant balances exist as at December 31, 2009 and 2008 and transactions have been entered into with related parties during the years ended:

i) Due from financial institutions:

			2009		2008
		Foreign currency (full)	**TL equivalent**	Foreign currency (full)	TL equivalent
Kuwait Finance House (1)	Kuwaiti Dinar	**5,343**	**28**	748	4
	US$	**122,169**	**184**	10,272,815	15,531
	BHD	**19,271**	**77**	49,101	197
			289		15,732

ii) Due to other financial institutions:

			2009		2008
		Foreign currency (full)	**TL equivalent**	Foreign currency (full)	TL equivalent
Kuwait Finance House, Kuwait (1)	US$	**-**	**-**	43,804,833	65,811
Kuwait Finance House (*)	US$	**-**	**-**	13,452,282	20,345
			-		86,156

(*) The balance due to Kuwait Finance House is because of the purchase of investment property on behalf of Kuwait Finance House.

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iii) Profit/loss sharing investors' and current accounts:

		2009		2008	
		Foreign currency (full)	TL equivalent	Foreign currency (full)	TL equivalent
Kuwait Finance House (1)	EUR	-	-	-	-
Kuwait Finance House (1)	US$	26,210,417	39,465	1,350,170	2,042
Kuwait Finance House (1)	TL	-	2,632	-	-
Kuwait Finance House (1)	BHD	-	-	-	-
Islamic Development Bank (1)	US$	23,535,012	35,437	5,146	8
Directorate of Vakıf Foundations, Turkey (1)	TL	-	3	-	2
Neova Sigorta AS (*)	US$	7,663,881	11,538	-	-
Other	TL	-	12,171	-	-
			101,246		2,052

(*) determined as related party as the Company is under the common control of the ultimate parent.

iv) Profit shares distributed:

		2009		2008	
		Foreign currency (full)	TL equivalent	Foreign currency (full)	TL equivalent
Kuwait Finance House (1)	US$	45,054	68	48,304	74
Kuwait Finance House (1)	EUR	-	-	-	-
Directorate of Vakıf Foundations, Turkey (1)	TL	-	-	-	-
Neova Sigorta AS (*)	US$	535,299	806		
Other	TL	-	612	-	-
			1,486		74

(*) determined as related party as the Company is under the common control of the ultimate parent.

v) Non cash credits issued:

		2009		2008	
		Foreign currency (full)	TL equivalent	Foreign currency (full)	TL equivalent
Kuwait Finance House (1)	US$	74,719	111	489,087	740
Other	TL	-	10,438		
			10,549		740

(1) Shareholders.

As of December 31, 2009 no provisions have been recognized in respect of loans given to related parties (December 31, 2008-nil).

Loans amounting to TL 61 have been issued to directors during the year ended December 31, 2009 (December 31, 2008-TL 84).

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Directors' remuneration

The executive members of the Board of Directors and key management received remuneration totaling TL 5,678 during the year ended December 31, 2009 (December 31, 2008-TL 5,257). As of December 31, 2009 the key management personnel did not receive any termination benefits (December 31, 2008-TL nil).

The key management personnel of the Bank are as follows;

Mohammad S.A.I. ALOMAR	B.O.D. Chairman and Audit Committee Member
Abdullah TIVNIKLI	B.O.D. Vice Chairman
Azfar Hussain QARNI	B.O.D. and Audit Committee Member
Khaled Nasser Abdulaziz AL FOUZAN	B.O.D. Member
Kenan KARADENİZ	B.O.D. Member
Shaheen H.A. AL GHANEM	B.O.D. Member
Adnan ERTEM	B.O.D. Member
Ufuk UYAN	B.O.D. Member-Chief Executive Officer
Fawaz KH E AL SALEH	B.O.D. Member

Key management includes 9 other officers together with the above B.O.D. members.

25. Fees and commission income and expense

	2009	2008
Fees and commission income		
Commissions on loans	**47,652**	54,052
Commission income from commitments	**45,120**	32,011
Communication expense charges	**20,102**	18,719
POS commission income	**13,399**	12,332
Credit card fees and commissions	**12,658**	19,793
Import letter of credit commissions	**5,543**	4,019
Commissions from checks and notes	**2,460**	2,689
Income from agency activities	**511**	3,055
Other	**9,991**	4,345
Total	**157,436**	151,015

	2009	2008
Fees and commission expense		
Credit card machine and fees paid for credit cards	**22,265**	23,469
Brokerage fees on borrowings	**3,611**	833
ATM charges	**25**	162
Other	**2,651**	862
Total	**28,552**	25,326

26. Salaries and employee benefits

	2009	2008
Staff costs		
Wages and salaries	**81,513**	66,291
Bonus	**19,000**	13,750
Other fringe benefits	**12,987**	10,690
Social security premiums	**12,273**	11,722
Health expenses	**4,053**	4,079
Provision for employee termination benefits	**886**	1,067
Other	**3,585**	3,136
Total	**134,297**	110,735

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27. Other expenses

	2009	2008
Impairment on completed projects	-	-
Impairment on property and equipment	-	-
Impairment on investment property (Note 12)	1,259	28
Impairment on asset held for sale (Note 13)	10	-
Impairment charges	**1,269**	28
Insurance fund premium expense	9,769	7,654
Communication	7,144	6,388
Repair and maintenance expenses	6,916	4,995
Advertising expenses	6,222	5,154
Professional fees	5,904	4,302
Non taxable income	4,049	3,167
Cleaning expense	3,753	2,752
Loss from sale of assets	3,707	2,982
Energy expenses	3,480	2,566
Travel and representation expenses	2,945	2,655
Insurance and subscription expenses	1,472	1,395
Stationery and publishing expenses	1,358	1,173
Insurance expenses	395	1,811
Computer usage expenses	299	931
Other	4,444	510
Other expenses	**61,857**	48,435
Total	**63,126**	48,463

28. Commitments and contingencies

In the normal course of its banking activities, the Bank undertakes various commitments and incurs certain contingent liabilities that are not presented in the financial statements. Such commitments include mainly letters of guarantee, letters of credit and acceptance credits.

The following is a brief summary of significant contingencies and commitments as of December 31, 2009 and 2008:

	2009	2008
Letters of guarantee issued by the Bank	2,867,436	2,799,023
Letters of credit	426,991	363,745
Commitments	1,924,469	655,231
Acceptance credits	30,567	25,757
Other guarantees	5,637	4,775
Total	**5,255,100**	3,848,531

Letters of Guarantee--are mainly issued on behalf of domestic customers who entered into commitments in the domestic and international markets.

Commitments--are mainly check payment commitments, credit cards and other guarantees and commitments.

Except for the Head-Office and three branch buildings, all branch premises of the Bank are leased under operational leases. The lease periods vary between 2-10 years and lease arrangements are cancellable. There are no restrictions placed upon the lessee by entering into these leases.

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The Bank has TL 46,040, USD 5,781,286 (full), Euro 1,320,313 (full); total TL 57,595 (converted with period-end foreign exchange rates) operational lease obligations due to rent agreements of branches as of December 31, 2009. The allocation of these obligations within lease periods as of December 31, 2009 and 2008 is as follows:

	2009	2008
Within one year	**17,368**	14,446
After one year but not more than five years	**35,933**	34,414
More than five years	**4,294**	328
	57,595	49,188

Fiduciary activities

Other than checks and notes received for collections in favor of the customers, and which are not included in the accompanying financial statements, the Group holds fiduciary assets of TL 1,042 and TL 9,719 as of December 31, 2009 and 2008 respectively. As of December 31, 2009, the amounts of the checks and s are TL 965,756 (December 31, 2008-TL 858,409) and TL 197,233 (December 31, 2008-TL 147,863) respectively.

29. Financial risk management

Introduction

Risk is inherent in the Group's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. Procedures and operations throughout the Group are designed towards effectively addressing risk. The Group is exposed to credit risk, liquidity risk, market risk and operational risk. Also, the Banks' capital adequacy ratio has to exceed the minimum requirements of the Banking Regulations and Supervision Agency (BRSA). BRSA is the regulatory body for banking industry in Turkey.

The independent risk control process does not include business risks such as changes in the environment, technology and industry. They are monitored through the Group's Executive Management.

Organization of the risk management function

The Board of Directors is ultimately responsible for identifying and controlling risks; however, there are separate independent bodies responsible for managing and monitoring risks.

The mission of the Group Risk Management function is to ensure together with executive management that risks taken by the Group align with its policies and are compatible with its profitability and credit-rating objectives.

The Group Risk Management reports to the Board of Directors through the Audit and Risk Committee Audit Committee is responsible for identifying, measuring, monitoring and reporting Market, Credit, Liquidity and Operational Risk. These risks are continually monitored and controlled according to the policies and limits set by the Board of Directors by using tools and software for monitoring and controlling.

The risk management process consists of the stages of defining and measuring the risks; establishing the risk policies and procedures and their implementation; and the analysis, review, reporting, research, recognition and assessment of risks within the framework of the basis set by the Board, the Audit and Risk Committee and the Audit Committee.

Internal systems and risk management policies

The Group's Risk Management Policies established by the Board of Directors via Audit and Risk Committee are implemented and executed by Risk Management and Treasury Middle Office Department. The primary objectives of the Risk Management and Treasury Middle Office Department are to coordinate the integration of the Risk Management Policies among various business departments and to assess and analyze the risks associated with new products, business processes and key performance indicators. This risk assessment is carried by the credit risk, operational risk, liquidity risk and market risk that are supported by the Treasury Middle Office, which is responsible for, among other things, monitoring treasury operations and analyzing the reasonableness of profit share rates as compared to market rates. The Risk Management and Treasury Middle Office Department is managed by the Head of Risk Management and Treasury Middle Office. Internal Systems, which comprise of Risk Management and Treasury Middle Office, Board of Inspectors and Internal Audit and Internal Control Departments, are overseen by the Chief Risk Officer who reports directly to the Audit and Risk Committee and coordinates communication, reporting and monitoring between the Audit and Risk Committee and the Risk Management and Treasury Middle Office Department.

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Board of directors

The Board of Directors is responsible for the overall risk management approach and for approving the risk strategies and principles.

The Audit and Risk Committee of Board of Directors, which consists of four non-executive directors, oversees, develops and monitors all of risk management and internal systems, policies and guidelines as well as the scope and structure of overall risk management organization and activities ("Internal Systems Regulations and Risk Management Policies"). The Internal System Regulations were initially prepared on year 2002 and they have been updated, published and approved by the Board of Directors at the beginning of year 2007. Current Risk Management Policies were initially approved by Board of Directors at the beginning of year 2007 and will be updated in case of necessities. The Audit and Risk Committee oversees the efficiency and adequacy of internal control and internal audit systems, the functioning of these systems and any related accounting, reporting or legal matters. In addition, the Audit and Risk Committee is responsible for coordinating the work of Internal Audit Department, preparing internal audit plans and providing information to the Board of Directors about any non-compliance with the relevant regulations and deficiencies in internal controls, including those highlighted by the BRSA or internal auditors.

Audit committee

The Audit Committee is in charge of and responsible for monitoring the effectiveness and efficiency of the internal systems of the Group, the operation of these systems as well as the accounting and reporting systems within the framework of the Banking Law and relevant regulations and the integrity of the information generated, making preliminary assessments as necessary for the Board of Directors' election of independent auditing firms as well as rating institutions, evaluation and support services firms, monitoring on a regular basis the activities of these establishments which are elected by the Board of Directors and with which contracts are concluded, ensuring the maintenance and coordination, on a consolidated basis, of the internal auditing activities of partnerships which are subject to consolidation pursuant to regulations which take effect as per the Banking Law.

Risk management and treasury middle office deportment

Risk Management Function was constituted in order to assess the main risks of the Group. In accordance with the Risk Policies, Risk Management Activities are composed of the following activities;

- Identification of risks that the Group exposes,
- Measurement of risks,
- Monitoring of risks,
- Control and reporting of risks.
- Business Continuity Plan, Process and Procedures

Board of inspectors and internal audit

Risk management processes throughout the Group are audited annually by the internal audit function, which examines both the adequacy of the procedures and the Group's compliance with the procedures. Internal Audit discusses the results of all assessments with management, and reports its findings and recommendations to the Audit Committee.

Credit risk

Credit risk represents risk that the Group will incur a loss because a customer, client or counterparty fails to fulfill, either partially or totally, its contractual obligations.

A customer's credit limit is established taking into consideration the customer's financial performance and is then used to monitor the customer's credit risk.

The risks and limits generated from Treasury are followed up daily and the Board of Directors determines transaction limits for the derivative and other similar agreement positions held by the Group.

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Maximum exposure to credit risk without taking account of any collateral and other credit enhancements

The table below shows an analysis of the Group's maximum exposure to credit risk for the components of the balance sheet, including derivatives. The maximum exposure is shown gross, before the effect of mitigation through the collaterals. Where financial instruments are recorded at fair value, the amounts shown represent the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

Gross maximum exposure	**2009**	2008
Cash and balances with Central Bank (excluding cash on hand)	**401,613**	398,433
Deposit with banks and financial institutions	**903,319**	938,608
Due from financing activities	**4,586,786**	3,879,553
Minimum financial lease payments receivable	**53,512**	113,475
Financial assets-held to maturity	**7,529**	7,583
Other assets	**180,637**	23,246
Derivative financial instruments	**9,925**	13,933
Total	**6,143,321**	5,374,831
Contingent liabilities	**3,294,427**	3,162,768
Other guarantees	**36,204**	30,532
Commitments	**1,924,469**	655,231
Total	**5,255,100**	3,848,531
Total credit risk exposure	**11,398,421**	9,223,362

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Risk concentrations of the maximum exposure to credit risk

Concentration of risk is managed by counterparty and by industry sector.

The maximum cash credit exposure to any counterparty other than the Central Bank as of December 31, 2009 was TL 89,956 (December 31, 2008-TL 93,514) and non cash credit exposure as of December 31, 2009 was TL 144,788 (December 31, 2008-TL 145,423) before taking account of collateral or other credit enhancements.

An industry sector analysis of the Group's financial assets, before taking into account collateral held or other credit enhancements, is as follows:

	2009	2008
	Gross exposure	Gross exposure
Construction and materials	2,598,052	2,000,939
Financial services	3,302,596	1,590,039
Manufacturing	747,025	1,176,063
General retailers	836,214	1,033,007
Mining operations	535,504	619,587
Electricity	229,971	224,542
Telecommunications	215,597	191,891
Health care and social services	265,292	198,183
Forestry	70,614	142,017
Food and beverages	51,505	52,814
Real estate	28,455	19,603
Other	2,517,596	1,974,677
Total	**11,398,421**	9,223,362

Collateral and other credit enhancements

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty.

The main types of collateral obtained are as follows:

For commercial lending, charges over real estate properties, vehicles, cash blockages and trade receivables.

For retail lending, mortgages over residential properties.

Management monitors the market value of collateral during its review of the adequacy of the allowance for impairment losses, and when necessary requests additional collateral in accordance with the underlying agreement.

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Credit quality per class of financial assets

The credit quality of financial assets is managed by the Group using internal credit ratings. The table below shows the credit quality by class of asset for due from banks, central bank and reserve deposit balances, financing and leasing receivables, letters of credit, letters of guarantee and other guarantees, based on the Group's credit rating system. The Group classifies the Central Bank of Turkey as high grade. Banks and financial institutions located in Turkey, European Union, United States of America and other OECD countries are graded as standard. Banks, which are located in other countries, are graded as sub-standard by the Bank. Customers of financing and leasing receivables, letters of credit, letters of guarantee and other guarantees are graded in accordance with their transaction volume, payment performance and income generation of the Group from the customer.

2009	High grade	Standard grade	Sub-standard grade	Past due or individually impaired	Unrated (*)	Total
Due from banks, central bank and reserve deposits (excluding cash on hand)	401,614	885,242	18,077	-	-	1,304,933
Financing and leasing receivables	-	-	427,187	286,967	3,926,144	4,640,298
Corporate lending	-	-	427,187	141,111	1,911,101	2,479,399
Small business lending	-	-	-	58,996	427,311	486,307
Consumer lending	-	-	-	68,110	1,499,573	1,567,683
Credit cards	-	-	-	18,750	88,159	106,909
Contingent liabilities and other guarantees	-	33,105	839,736	-	2,457,790	3,330,631
Commitments	-	1,265,074	-	-	659,395	1,924,469
Total	**401,614**	**2,183,421**	**1,285,000**	**286,967**	**7,043,329**	**11,200,331**

2008	High grade	Standard grade	Sub-standard grade	Past due or individually impaired	Unrated (*)	Total
Due from banks, central bank and reserve deposits (excluding cash on hand)	398,433	881,383	57,225	-	-	1,337,041
Financing and leasing receivables	-	103,990	289,920	511,138	3,087,979	3,993,027
Corporate lending	-	103,990	289,920	298,690	1,801,102	2,493,702
Small business lending	-	-	-	25,252	450,754	476,006
Consumer lending	-	-	-	153,926	730,033	883,959
Credit cards	-	-	-	33,270	106,091	139,361
Contingent liabilities and other guarantees	-	466,007	393,585	-	2,333,708	3,193,300
Commitments	-	209,039	-	-	446,192	655,231
Total	**398,433**	**1,660,419**	**740,730**	**511,138**	**5,867,879**	**9,178,599**

(*) The Group's rating approach is applicable for financial assets with outstanding risk above TL 3,000.

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Aging analysis of past due but not impaired loans per class of financial assets:

2009	**Less than 30 days**	**31 to 60 days**	**61 to 90 days**	**More than 91 days**	**Total**
Due from financing activities:					
Corporate lending	**4,823**	**60,698**	**4,009**	**-**	**69,530**
Consumer lending	**1,567**	**28,174**	**14,851**	**-**	**44,592**
Small business lending	**3,916**	**26,916**	**6,868**	**-**	**37,700**
Credit cards	**198**	**4,080**	**4,463**	**-**	**8,741**
Total	**10,504**	**119,868**	**30,191**	**-**	**160,563**

2008	Less than 30 days	31 to 60 days	61 to 90 days	More than 91 days	Total
Due from financing activities:					
Corporate lending	137,554	11,711	38,338	-	187,603
Consumer lending	64,423	51,373	11,720	-	127,516
Small business lending	40,074	21,423	7,262	-	68,759
Credit cards	6,801	8,928	3,798	-	19,527
Total	248,852	93,435	61,118	-	403,405

Collaterals obtained from customers for the past due or impaired loans as of December 31, 2009 and 2008 comprise of blocked accounts, property and machinery pledges.

The table below shows the carrying amount for renegotiated financial assets, by class:

	2009	2008
Due from financing activities:		
Corporate lending	**384,742**	2,768
Small business lending	**-**	-
Total renegotiated financial assets	**384,742**	2,768

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Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its payment obligations when they fall due under normal and stressed circumstances. The ability to fund existing and prospective debt requirements is managed by maintaining the availability of adequate committed funding lines from high quality lenders.

Analysis of financial liabilities by remaining contractual maturities on an undiscounted basis:

Financial liabilities	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
As at December 31, 2009						
Due to other financial institutions and banks	-	79,952	303,216	5,654	-	388,822
Derivative financial instruments(*)	-	846,977	21,269	-	-	868,246
Current accounts	1,300,992	-	-	-	-	1,300,992
Profit and loss sharing accounts	-	3,340,726	437,210	466,273	-	4,244,209
Other financial liabilities	-	1	2	-	-	3
Total undiscounted financial liabilities	**1,300,992**	**4,267,656**	**761,697**	**471,927**	**-**	**6,802,272**
As at December 31, 2008						
Due to other financial institutions and banks	-	501,980	310,105	25,406	-	837,491
Derivative financial instruments	-	854,091	2,491	-	-	856,582
Current accounts	877,146	-	-	-	-	877,146
Profit and loss sharing accounts	-	2,942,312	298,605	1,397	-	3,242,314
Other financial liabilities	-	-	-	4	-	4
Total undiscounted financial liabilities	877,146	4,298,383	611,201	26,807	-	5,813,537

(*) as such derivatives will be settled in gross amounts, notional amounts have been disclosed.

The table below shows the contractual expiry by maturity of the Group's contingent liabilities and commitments.

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
December 31, 2009						
Contingent liabilities and other guarantees	629,969	559,693	863,683	1,006,593	270,693	3,330,631
Commitments	1,924,469	-	-	-	-	1,924,469
Total	**2,554,438**	**559,693**	**863,683**	**1,006,593**	**270,693**	**5,255,100**
December 31, 2008						
Contingent liabilities and other guarantees	1,880,747	309,575	292,087	335,802	375,089	3,193,300
Commitments	655,231	-	-	-	-	655,231
Total	2,535,978	309,575	292,087	335,802	375,089	3,848,531

Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as foreign exchange rates, interest rates and equity prices.

The exchange rate risk of the financial positions taken by the Group related to balance sheet and off-balance sheet accounts are measured.

The Group has determined market risk management operations and has taken precautions in order to economically hedge market risk within its financial risk management purposes, in accordance with the Communiqué on "Internal Systems of Banks".

The Board of Directors of the Group evaluates basic risks that it can be exposed to and determines limits accordingly. Those limits are revised periodically in line with the strategies of the Group. Additionally, the Board of Directors oversees that the Risk Management Group and Senior Management have taken precautions to describe, evaluate, control and manage risks faced by the Group.

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Market risk-Non-trading

The Group classifies exposures to market risk into either trading or non-trading portfolios. Trading portfolio of the Group is not significant. Except for the concentration within foreign currency, the Group has no significant concentration of market risk. The Bank has precious metal transactions. Such transactions have also market risk. The analysis below calculates the effect of a reasonably possible movement of the gold price against the TL, with all other variables held constant on the income statement and equity. A negative amount in the table reflects a potential net reduction in income statement or equity, while a positive amount reflects a net potential increase.

		December 31, 2009				December 31, 2008
Precious metal	**Increase/ decrease in metal price in %**	**Effect on profit before tax**	**Effect on equity**	Increase/ decrease in etal price in %	Effect on profit before tax	Effect on equity
Gold	**+10**	**23,357**	**-**	+10	9,976	-
Gold	**-10**	**(23,35)**	**-**	-10	(9,976)	-

Interest risk

The Group operates in non-interest banking sector. The only interest risk sensitive financial asset of the Group is Sukuk, which is classified as held to maturity in the financial statements (Note 6). The Group assesses the interest risk arising from this asset as insignificant to the financial statements.

Currency risk

Exchange rate risk indicates the possibilities of the potential losses that the Group is subject to due to the exchange rate movements in the market. The Group does not enter into any derivative contracts to hedge its foreign exchange exposure. This exposure is managed by using natural hedges that arise from offsetting foreign currency denominated assets and liabilities.

The analysis below calculates the effect of a reasonably possible movement of the currency rate against the TL, with all other variables held constant on the income statement and equity. A negative amount in the table reflects a potential net reduction in income statement or equity, while a positive amount reflects a net potential increase.

		December 31, 2009				December 31, 2008
Precious metal	**Increase/ decrease in metal price in %**	**Effect on profit before tax**	**Effect on equity**	Increase/ decrease in etal price in %	Effect on profit before tax	Effect on equity
USD and Other	**+10**	**(4,420)**	-	+10	(93)	-
USD and Other	**-10**	**4,420**	-	-10	93	-
EUR	**+10**	**1,141**	-	+10	5,921	-
EUR	**-10**	**(1,141)**	-	-10	(5,921)	-

The concentrations of assets, liabilities and off balance sheet items:

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December 31, 2009

	EUR	USD	Other	TL	Total
Cash and balances with the Central bank	8,685	14,152	777	215,476	239,090
Deposits with other banks and financial institutions	374,739	371,209	15,096	142,274	903,318
Reserve deposits at the Central Bank	-	216,694	-	1,995	218,689
Financial assets-available-for-sale	-	714	-	3,806	4,520
Financial assets-held for trading	-	-	-	27	27
Financial assets-held to maturity	-	7,529	-	-	7,529
Investment in an associate	-	-	-	12,315	12,315
Due from financing activities, net	493,378	1,465,610	-	2,627,798	4,586,786
Minimum finance lease payments receivable, net	10,860	14,309	-	28,343	53,512
Derivative financial instruments	245	1,165	-	8,515	9,925
Other assets (*)	-	-	409,584	180,637	590,221
Construction projects, net	-	-	-	3,025	3,025
Investment properties, net	-	-	-	47,207	47,207
Assets held for sale and disposal of group, net	-	-	-	9,547	9,547
Property and equipment, net	-	4	-	108,176	108,180
Intangible assets, net	-	-	-	8,256	8,256
Deferred tax assets	-	-	-	12,750	12,750
Total assets	**887,907**	**2,091,386**	**425,457**	**3,410,147**	**6,814,897**
Due to other financial institutions and banks	-	383,681	-	-	383,681
Current and profit/loss sharing investors' accounts	844,982	1,342,250	183,610	3,174,359	5,545,201
Other liabilities	4,159	21,588	246	23,429	49,422
Provisions	-	-	-	7,107	7,107
Income taxes payable	-	-	-	5,774	5,774
Derivative financial instruments	134	5,225	-	872	6,231
Liabilities directly associated with assets classified as held for sale, net	-	-	-	-	-
Equity	-	-	-	817,481	817,481
Total liabilities and equity	**849,275**	**1,752,744**	**183,856**	**4,029,022**	**6,814,897**
Net Balance Sheet Position	**38,632**	**338,642**	**241,601**	**(618,875)**	**-**
Net Off-Balance Sheet Position	**(27,220)**	**(388,809)**	**(235,633)**	**651,662**	**--**

(*) Other column of "Other Assets" mainly consists of gold transactions.

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December 31, 2008

	EUR	USD	Other	TL	Total
Cash and balances with the Central bank	10,185	23,510	206	215,087	248,988
Deposits with other banks and financial institutions	263,911	637,794	9,870	27,033	938,608
Reserve deposits at the Central Bank	-	209,488	-	3,933	213,421
Financial assets-available-for-sale	-	577	-	812	1,389
Financial assets-held for trading	-	-	-	64	64
Financial assets-held to maturity	-	7,583	-	-	7,583
Due from financing activities, net	505,240	1,587,576	-	1,786,737	3,879,553
Minimum finance lease payments receivable, net	52,675	39,758	-	21,042	113,475
Derivative financial instruments	207	3,828	-	9,898	13,933
Other assets (*)	-	772	99,762	22,474	123,008
Construction projects, net	-	-	-	3,087	3,087
Investment properties, net	-	-	-	67,586	67,586
Assets held for sale and disposal of group, net	-	-	-	6,410	6,410
Property and equipment, net	-	12	-	84,138	84,150
Intangible assets, net	-	-	-	2,847	2,847
Deferred tax assets	-	-	-	14,596	14,596
Total assets	**832,218**	**2,510,898**	**109,838**	**2,265,744**	**5,718,698**
Due to other financial institutions and banks	3,533	817,421	-	-	820,954
Current and profit/loss sharing investors' accounts	694,329	1,284,705	10,024	2,130,402	4,119,460
Other liabilities	750	8,030	552	36,782	46,114
Provisions	-	-	-	6,319	6,319
Income taxes payable	-	-	-	11,487	11,487
Derivative financial instruments	-	2,651	-	23,013	25,664
Liabilities directly associated with assets classified as held for sale, net	-	-	-	-	-
Equity	-	-	-	688,700	688,700
Total liabilities and equity	**698,612**	**2,112,807**	**10,576**	**2,896,703**	**5,718,698**
Net Balance Sheet Position	**133,606**	**398,091**	**99,262**	**(630,958)**	**-**
Net Off-Balance Sheet Position	**(74,392)**	**(422,637)**	**(73,785)**	**571,947**	

Pricing risk

The Group utilizes funds with a pre-determined profit rate and receives deposits on the understanding that the depositors participate in the profit or loss resulting from the investment activities and funds utilized by the Group, rather than giving them a pre-determined rate of profit. In this aspect, there is no repricing structure for the financial assets and liabilities of the Group.

Operational risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Group cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, it is managing the risks. Controls include segregation of duties, access, authorization and reconciliation procedures, staff education and assessment processes, including the use of internal audit.

Capital adequacy

To monitor the adequacy of its capital, the Bank uses ratios established by the BRSA and is obliged to comply with the minimum requirements of the capital adequacy ratio. These ratios measure capital adequacy (minimum 12% as required by BRSA) by comparing the Bank's eligible capital with its balance sheet assets, off-balance sheet commitments and market and other risk positions at weighted amounts to reflect their relative risk. As of December 31, 2009 and 2008, the Bank's statutory capital adequacy ratio exceeded the minimum requirement of BRSA.

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Capital management

The primary objectives of the Bank's capital management are to ensure that the Bank complies with externally imposed capital requirements and that the Bank maintains strong credit ratings and healthy capital ratios in order to support its business.

The Bank manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Bank may adjust the amount of dividend payments to shareholders. No changes were made in the objectives, policies and processes from the previous years. Below table is in accordance with financial statements prepared in accordance with BRSA accounting principles.

Regulatory capital

	2009	2008
Tier 1 capital	**785,364**	686,902
Tier 2 capital	**32,100**	24,959
Deductions from capital	**(21,715)**	-
Total capital	**795,749**	711,861
Risk weighted assets amount subject to market and operational risk	**5,465,599**	4,555,841

	Actual	Required	Actual	Required
Tier 1 capital ratio	14.37%	-	15.08%	-
Total capital ratio	14.56%	12%	15.63%	12%

30. Fair value of financial instruments

Fair values

The fair value of the fixed rate financial assets and liabilities carried at amortized cost are estimated by comparing market profit rates when they were first recognized with current market rates offered for similar financial instruments. As of December 31, 2009, the fair value of financing and leasing receivables has been estimated as TL 4,646,986 (December 31, 2008-TL 4,175,316) whereas their carrying amount is TL 4,665,232 (December 31, 2008-TL 3,993,028).

Fair value of borrowings at amortized cost is estimated as TL 384,891 (December 31, 2008-TL 821,732), whereas their carrying amount is TL 383,681 (December 31, 2008-TL 820,954). Fair values of profit/loss sharing accounts stated at amortized cost are considered to approximate their respective carrying values as the profit share rates applicable to those accounts are in line with the market rates and the maturities of these accounts are mainly short-term. Fair value of held to maturity investment (Sukuk Bond) is estimated as TL 7,541 (December 31, 2008-TL 6,994), whereas its carrying amount is TL 7,529 (December 31, 2008-7,583).

For other short-term financial assets and liabilities, fair value is estimated to approximate carrying value due to their short term or non-interest bearing structures.

To the extent relevant and reliable information is available from financial markets in Turkey, the fair value of financial instruments is based on such market data. The fair values of other financial instruments are determined by using estimation techniques that include reference to the current market value of another instrument with similar characteristic or by discounting the expected future cash flows at prevailing profit rates.

31. Subsequent events

a. The Board of Directors' meeting held on February 9, 2010, it has been decided to establish a new investment fund called Type B Gold Exchange Investment Fund and authorize Head Office for dealing with mandatory applications and other procedures.

b. At the Ordinary General meeting held on April 14, 2010, it has been decided to increase the Bank's capital from TL 500,000 to TL 550,000 and to propose to the shareholders for the transfer of TL 50,000 from the current year profit to the capital without being distributed in cash in accordance with Turkish Commercial Code at the first ordinary general assembly.

c. At the Ordinary General Meeting dated April 14, 2010 it has been decided to distribute TL 9,623 and TL 652 as dividend to its shareholders and BOD members, respectively.

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NUSRET ÇOLPAN
Istanbul
Turkish miniaturist and architect
Born: Bandırma, October 1, 1952
Died: Istanbul, May 31, 2008

Having completed primary school and junior high school in Bandırma, Nusret Çolpan later graduated from Zincirlikuyu Vocational High School and Yıldız University's Faculty of Architecture, both in Istanbul. In the same years he took lessons on Turkish Decorative Arts from Prof. Dr. A. Süheyl Ünver and Azade Akar in Istanbul University, Institute for Medical History and started his works on miniatures.

Çolpan was deeply influenced by the works of Matrakçı Nasuh, a miniaturist who lived under the reign of Suleiman the Magnificent. The discipline and perspective that he acquired in architecture allowed him to create a unique style and color in the art of miniature, yet complying by the general principles of the art form itself. The subjects of his works were also unique and had not been rendered before. The Master exhibited his works in numerous individual and collective exhibitions, both in Turkey and abroad. Çolpan created 300 miniatures in the 35 years he dedicated to this art form, most of which are currently part of various art collections in Turkey and abroad.

Nusret Çolpan passed away on Saturday, May 31, 2008, due to heart attack.

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