



**KUVEYTTÜRK**

ANNUAL REPORT 2010



KUVEYT TÜRK  
ANNUAL REPORT 2010

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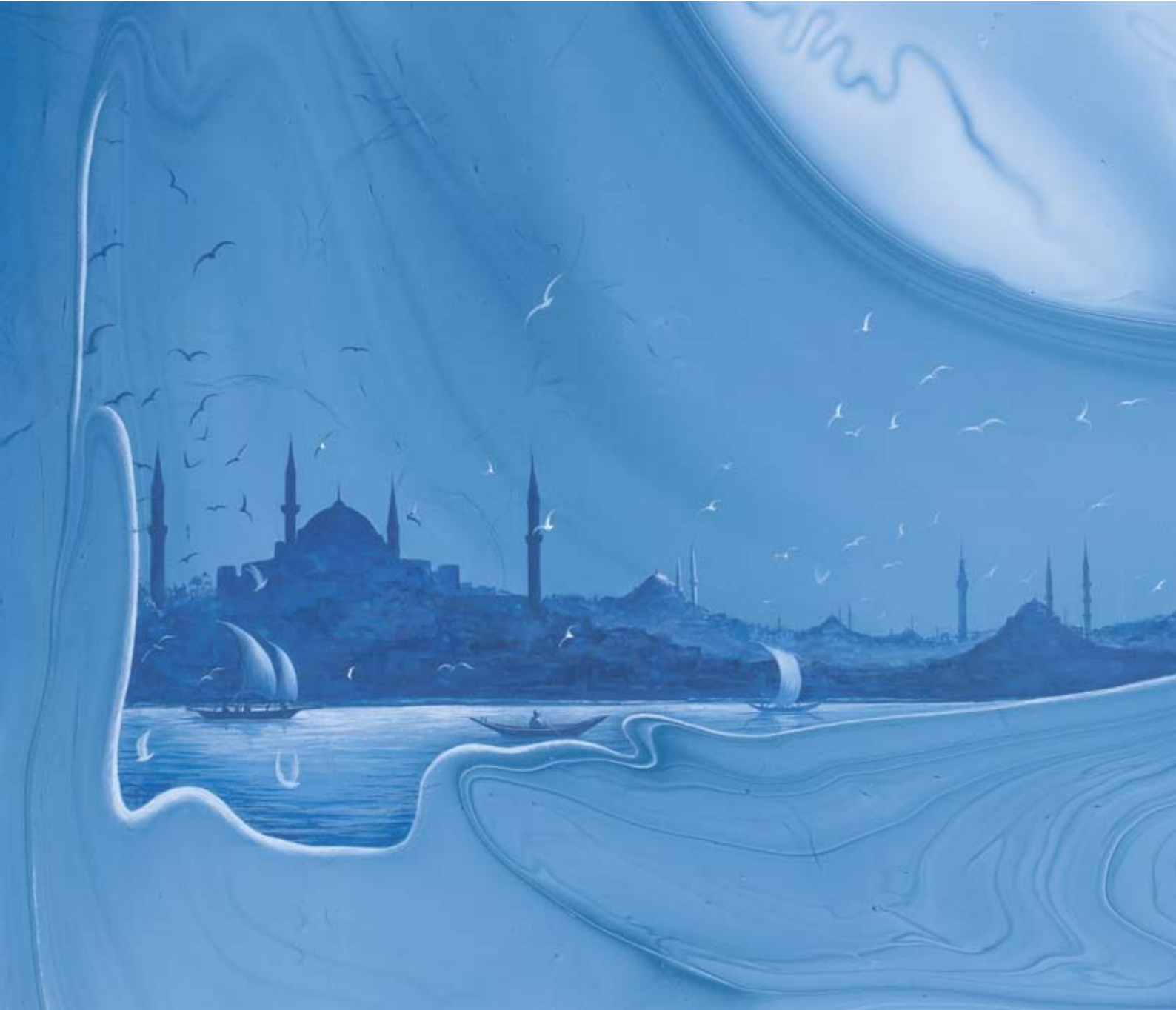
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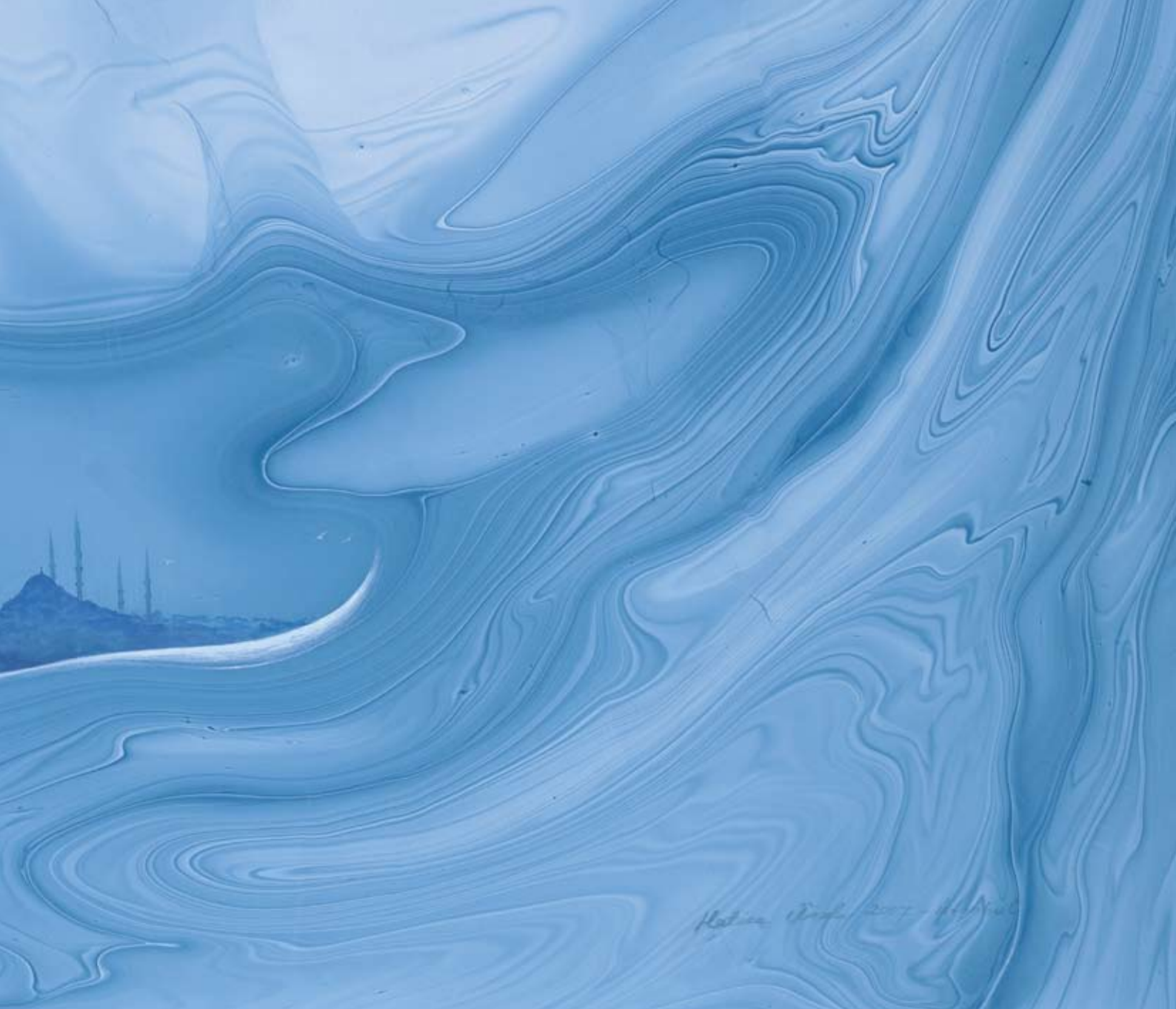
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An unmatched beauty that is a result of patience, passion and continuity: the art of marbling (ebru)...

Identical to, and built on the same principles as, the art of marbling (ebru); deriving its strength from real production based on patience and passion, ensuring its sustainability with the principle of continuous development and renewing itself in every period with an unrivaled product lineup; Kuveyt Türk continues to be the leader in participation banking, to make its resources available for the benefit of Turkey, and to grow and develop alongside the Turkish economy.

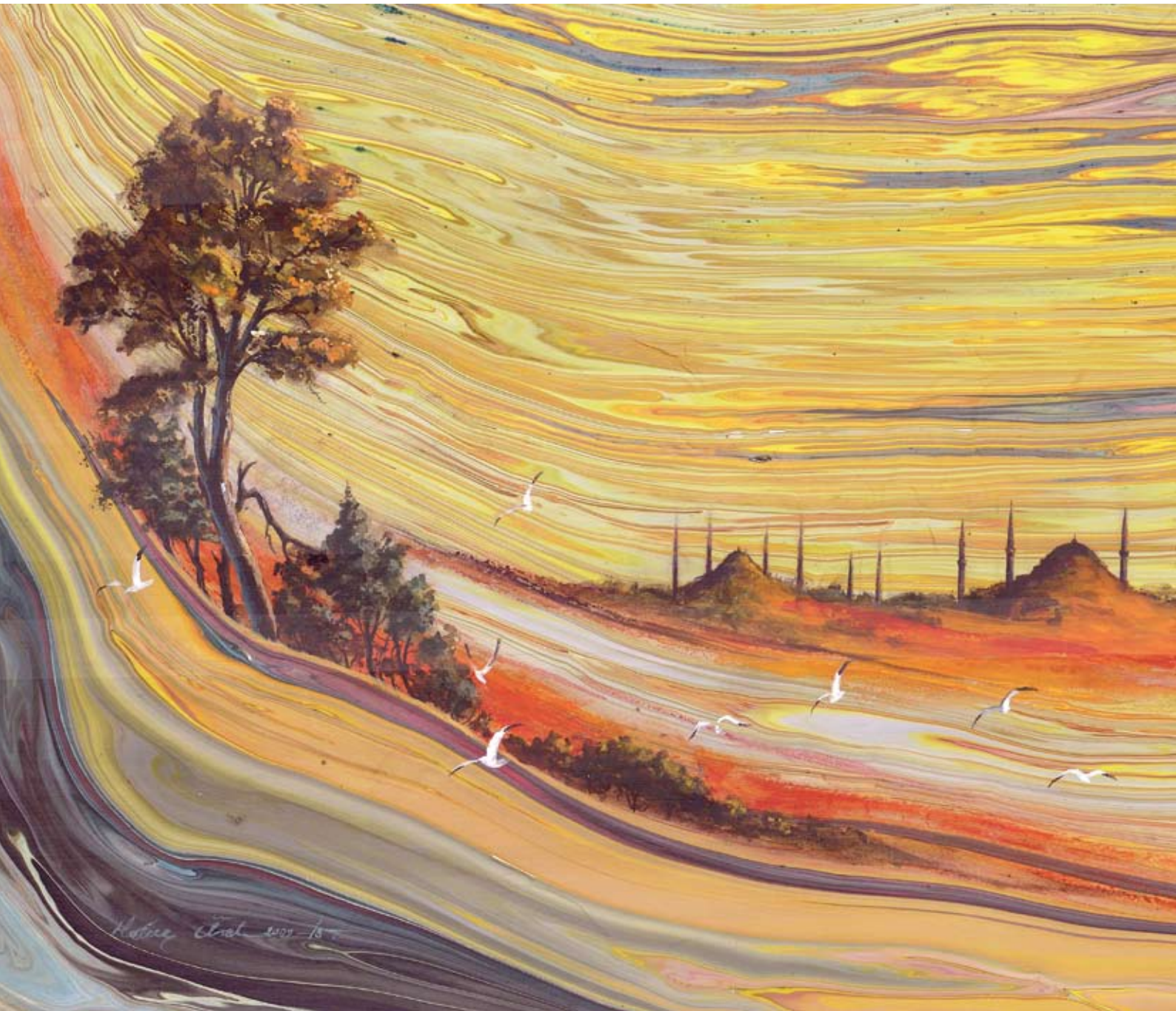


While its historical origins are not exactly known, Ebru is believed to be a decorating art originating with Eastern societies. Even though there are arguments among art historians that the art of Ebru originates from India, it is also claimed that it was born in Bukhara, Turkestan, and reached the Ottomans by way of Persia. Ebru has been known as “Turkish Paper” in the western world.



Ebru is an art form built upon patience and passion. It has been held in high esteem in dervish convents among the followers of Islamic mysticism and Sufism throughout the centuries. It was used as a vehicle for spiritual education. Accordingly, Ebru has come to be known as an art based on reflection and introspection.





The art of Ebru, with its centuries-old cultural background, requires the artist to develop his or her own technique starting during apprenticeship by considering many factors. These include weather conditions and the choice of water and dyes to be used. In addition to this demanding process, the artist must also respectfully yield to the moment where the art of Ebru reveals its own identity. At this very point the mystic dimension of the art of Ebru manifests itself. Submission to the visual spectacle in the work brought uncontrollably about by the consistency of the colors and water in the final instance greatly harmonizes with the concept of submitting one's will to God's will in Islamic mysticism. In addition, the fact that Ebru can only be produced on a single sheet of paper makes each work unique and unprecedented.





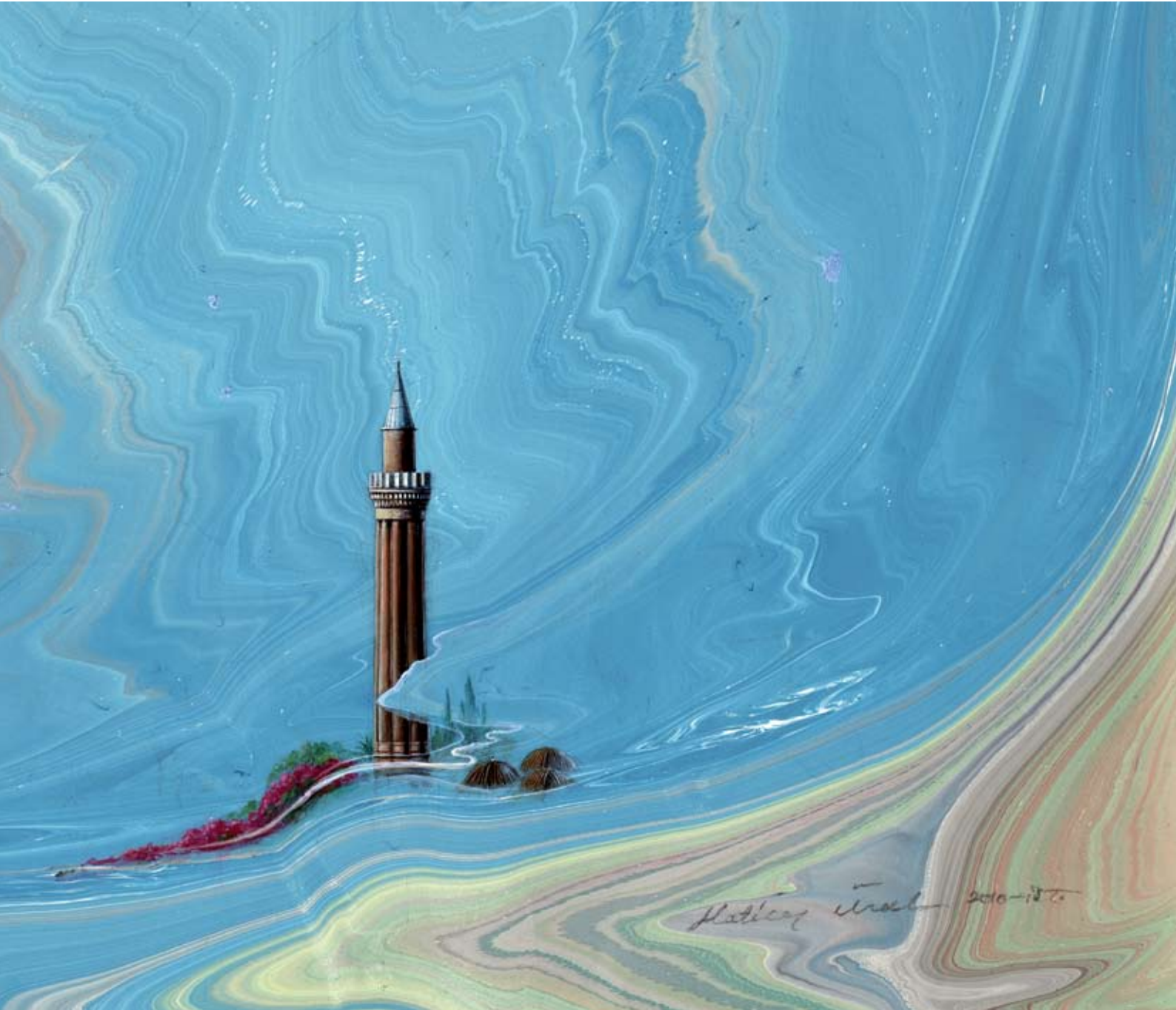
The lack of resemblance among each of these works of Ebru reminds us that there is no repetition in creation. The gum tragacanth solution is akin to the nature of God. The wide variety of colors and patterns that form on the surface are akin to the attributes of God. The water always exists and is the same, but images consisting of infinite colors and patterns are achieved on the surface.



Tertib-i Risale-i Ebri (Organised Treatise on Marbling), the oldest text on the art of Ebru was published in 1608 and specifies Mehmet Efendi as the first known Ebru artist. Many of the techniques in this book, which tells us how a work of Ebru is produced, are still used to this day.

Another Ebru artist who had become famous as the successor of Mehmet Efendi is Hatip Mehmet Efendi, who lived in the 18th century. He is known as “hatip” (preacher), because he was the preacher of Ayasofya Mosque. Because he invented ebru figures created by dropping concentric dyes and reshaping them with a needle, ebru papers containing such figures are called “hatip ebrusu.”





The journey of the art of Ebru continued and was invigorated in the skillful hands of Ethem Efendi and Nazif Efendi in the 19<sup>th</sup> century and Hattat Sami, Aziz Usta and Necmeddin Okyay in the 20<sup>th</sup> century. Necmettin Oktay, who is accepted as the last great master of the art of Ebru, is the creator of the flower ebru style that has become synonymous with the art of Ebru around the world today.

Today, the art of ebru is taught to arts lovers who have the enthusiasm for patience and learning at volunteering schools and centers. After coming dangerously close to being lost and forgotten in the previous century, this precious and rare art form is being followed with a growing interest and enthusiasm today.

## SUMMARY FINANCIAL HIGHLIGHTS

## Strong financial performance

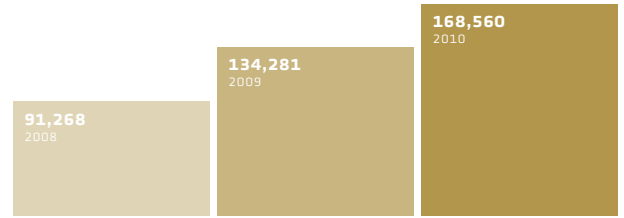
As of year-end 2010, Kuveyt Türk registered a 26% increase in the net profit for the period and 56% increase in total shareholders' equity compared to the previous year, to TL 168.5 million and TL 1,276 million, respectively.

SUMMARY FINANCIAL HIGHLIGHTS (TL THOUSAND)	2008	2009	2010
PROFIT SHARING INCOME	508,106	620,640	639,251
PROFIT SHARING EXPENSE	336,696	369,844	318,096
NET FEE AND COMMISSION INCOME	125,689	128,884	140,051
OTHER INCOME	96,077	96,124	110,508
OTHER EXPENSES	276,403	304,774	361,578
PROVISION FOR TAXES	25,505	36,749	41,576
NET PROFIT FOR THE PERIOD	91,268	134,281	168,560
TOTAL ASSETS	5,718,698	6,814,897	9,594,264
TOTAL SHAREHOLDERS' EQUITY	688,700	817,481	1,275,765
CAPITAL ADEQUACY RATIO (%)	15.63**	14.84	17.05

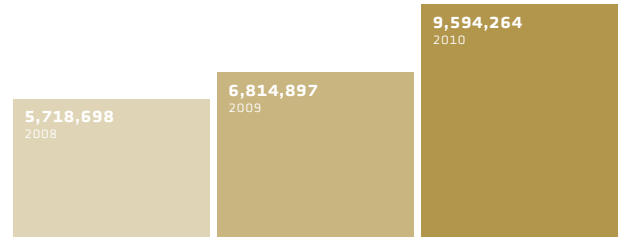
\* The "funds acquired" item cited in the annual report includes the "current and profit / loss sharing investors' accounts" and "due to other financial institutions and banks" items in the financial statements.

\*\* Non Consolidated Figure

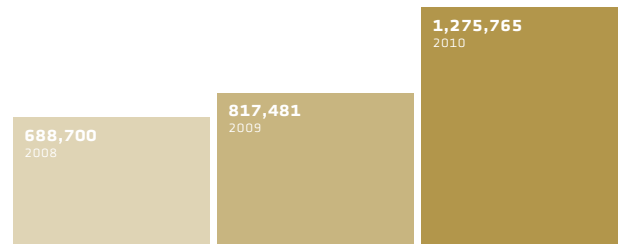
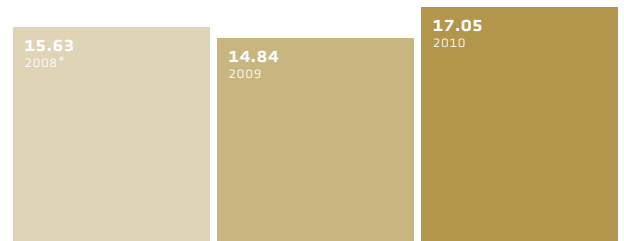
TL THOUSAND

**CONSOLIDATED NET PROFIT FOR THE PERIOD****TL 168.5 MILLION**

TL THOUSAND

**CONSOLIDATED TOTAL ASSETS****TL 9.6 BILLION**

TL THOUSAND

**CONSOLIDATED TOTAL SHAREHOLDERS' EQUITY****TL 1.27 BILLION****CONSOLIDATED CAPITAL ADEQUACY RATIO (%)****17.05**

\*Non Consolidated Figure



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Registering major accomplishments in financing the Turkish real sector throughout its 21-year history and pioneering the institutionalization of participation banking in Turkey with its loyalty-based longstanding customer relations, sound financial structure and innovative practices, Kuveyt Türk continues to progress toward its objectives of meeting the financial needs of its corporate and retail customers and being ranked among Turkey's 10 largest banks.

## AGENDA OF THE ORDINARY GENERAL ASSEMBLY MEETING

### RESOLUTION OF THE BOARD OF DIRECTORS MEETING OF KUYEYT TÜRK KATILIM BANKASI A.Ş.

**Location of Meeting** :  
**Date of Meeting** : March 11, 2011  
**Meeting No** : 1091  
**Board Members Attending the Meeting via the Circulation of Documents** : Mohammad S.A.I. ALOMAR  
 Abdullah TIVNİKLİ  
 Azfar Hussain QARNI  
 Khaled N. AL FOUZAN  
 Yusuf BEYAZIT  
 Adnan ERTEM  
 Fawaz KH E ALSALEH  
 Shaheen H. A. AL GHANEM  
 Ufuk UYAN

#### MEETING AGENDA

1. Determination of the date and agenda of the Annual Ordinary General Assembly Meeting.

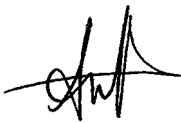
#### RESOLUTION NO: 1

It was resolved that the annual Ordinary General Assembly Meeting of Kuveyt Türk Katılım Bankası A.Ş. will take place on April 13, 2011, at 15:00 at the Company's Head Office to discuss the agenda shown below, and that the office of the CEO is authorized to make the necessary preparations and arrangements for this matter.

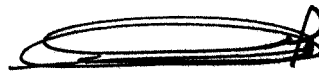
#### AGENDA

1. Election of the Presiding Committee.
2. Authorization of the Presiding Committee to sign the Minutes of the General Assembly.
3. Reading, deliberation and approval of the 2010 Annual Report.
4. Reading, deliberation and approval of the Statutory Auditors' Report.
5. Deliberation and approval of the Balance Sheet and Profit & Loss Statement for 2010.
6. Decision on the principles of distributing the 2010 profit.
7. Acquittal of the Board of Directors of its fiduciary responsibilities.
8. Acquittal of the Statutory Auditors of their fiduciary responsibilities.
9. Deliberation of and decision on the amendments to Articles 7 and 41 of the Articles of Association.
10. Determination of the Statutory Auditors' salaries for 2011.
11. Pursuant to Banking Law No. 5411 and related legislation, provision of information by the Board of Directors on independent audit activities.
12. Pursuant to the resolution of the Banking Regulation and Supervision Agency on profit distribution, provision of information on the bonuses paid to the employees.
13. Authorization of the Members of the Board of Directors to perform the transactions stipulated in Articles 334 and 335 of the Turkish Commercial Code.
14. Other necessary issues, wishes and petitions.

The Chairman and the Members of the Board of Directors, whose names are listed above and who are foreign nationals, read, understood and concurred with the content of this Resolution.



Abdullah TIVNİKLİ



Mohammad S.A.I. ALOMAR



Azfar Hussain QARNI



Khaled N. AL FOUZAN



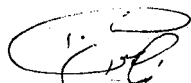
Yusuf BEYAZIT



Adnan ERTEM



Fawaz KH E ALSALEH



Shaheen H. A. AL GHANEM



Ufuk UYAN

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Providing the full array of banking products and services, from retail banking to investment banking, to its clients under a one-stop shop approach with its strong shareholding structure and extensive service network in accordance with its profit and loss sharing principle, Kuveyt Türk continues to be the leader in active participation and to contribute to the Turkish economy.

## KUVEYT TÜRK IN BRIEF

# The leader in active participation

The leader among the participation banks in Turkey with its robust capital structure and economic power, Kuveyt Türk has a paid-in capital of TL 850 million as of year-end 2010.

Pursuant to the authorization issued by the Central Bank of Turkey on February 28, 1989, Kuveyt Türk Katılım Bankası A.Ş. was founded on March 31, 1989 with the status of a Private Financial Institution under the commercial title of "Kuveyt Türk Evkaf Finans Kurumu A.Ş." Like other private financial institutions, Kuveyt Türk became subject to the Banking Law No. 4389 on December 1999. In April 2006, the business title of the Bank was changed to Kuveyt Türk Katılım Bankası A.Ş. (Kuveyt Türk).

### Sound shareholding structure

As of year-end 2010, Kuveyt Türk's shareholders' equity stands at TL 1.27 billion. Of the Bank's outstanding 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 largest shareholder of Kuveyt Türk, is a financial giant with billions of dollars in total funds and modern banking services and is one of the world's leading institutions in interest-free banking.

### Extensive service network

Kuveyt Türk serves its clients with 159 branches throughout Turkey providing corporate and retail banking services domestically, as well as branches in Bahrain and Mannheim internationally. As of December 31, 2010, the Bank has 2,837 employees.

### All financial products and services under a single roof

The core business of Kuveyt Türk is to channel the funds acquired domestically and internationally via "special current accounts" and "profit and loss participation accounts," as well as its strong equity capital, into supporting the development of the Turkish economy and, to that end, providing a full range of financial products and services.

### Contributing to the national economy via "Interest-Free Banking"

Carrying out all of its financial activities in accordance with the principles of "interest-free banking," Kuveyt Türk supports the agricultural, industrial and commercial investments of individuals and companies, participates in these activities and forms joint ventures.

With its investments and participations in the textile, metal and real estate industries; Kuveyt Türk converts the savings of its profit sharing clients into sound and lucrative investments while providing funding for the real economy, creating new employment opportunities, and making a significant contribution to Turkey's economic development and growth. Due to its support of the economy and its achievements in export finance in particular, the Bank has received numerous awards from public agencies and professional associations including the Undersecretariat of Treasury and Foreign Trade, the Istanbul Chamber of Commerce and the Istanbul Textile & Apparel Exporters Association.

### The first sukuk issuance by a Turkish bank

Kuveyt Türk is opening new horizons in the banking sector thanks to its senior management team that boasts deep-seated banking experience, a strong leadership vision as well as its competent and highly qualified employees. Kuveyt Türk became the first Turkish bank in 2010 to issue a sukuk security. As the participation bank with the broadest 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.

### Strong position in the Gulf Region

Kuveyt Türk's mission is to contribute to the development of the Turkish economy and its primary goals are to play a more prominent role in foreign trade and to

increase the channels of access to the Gulf investors and funding sources. Capitalizing on Kuwait Finance House's global relations and experience in interest-free banking in this area, Kuveyt Türk aims to further expand its commercial activities via its Bahrain branch and solidify its leading position in the Gulf Region thanks to its robust capital structure.

### First participation bank in Turkey to launch an exchange-traded fund

Kuveyt Türk became the first participation bank in Turkey to launch an exchange-traded fund with the GoldPlus Gold Exchange-Traded Fund. It was also the first bank to launch foreign-currency forward trading with a fixed exchange rate to protect export and import companies from abrupt fluctuations in foreign exchange rates stemming from economic uncertainties.

### First participation bank to engage in Retail Banking

Kuveyt Türk made the best use of its advantage as the first participation bank to engage in retail banking and maintained its pioneering position in this area with its ability to develop new products. As the participation bank with the widest range of products made available to customers, Kuveyt Türk also has the largest portfolio in residential real estate. In addition, Kuveyt Türk is the first participation bank to group its client base into segments and focuses on creating a loyal customer portfolio and maintaining long-term relations with customers to achieve high-quality customer service.

The leader among the participation banks in Turkey with its robust capital structure and economic power, Kuveyt Türk has a paid-in capital of TL 850 million as of year-end 2010. The Bank's consolidated total assets grew by 41% to reach TL 9,594 million at year-end 2010, from TL 6,815 million as of year-end 2009.

## MILESTONES

# The Story of Firsts and Innovations in Turkish Participation Banking

Kuveyt Türk, which has been one of the most important supporters of the Turkish economy in general and in the real economy in particular for 21 years, launched countless groundbreaking products and practices that played a key role in the development of interest-free banking in Turkey.

**1989 Kuveyt Türk is founded to provide interest-free financial products and services.**

**1990 Founding capital doubles**  
Kuveyt Türk's contributions to the apparel industry were acknowledged with a Gold Medal.

**1991 253% increase in foreign exchange funds**  
Total funds increased by 164% over the previous year while foreign exchange funds were up by 253%. Kuveyt Türk's profit reached TL 20.4 billion with a 140% increase compared to the previous year.

As a result of the international banking services rendered during the year, the Bank facilitated total foreign exchange inflows of US\$ 39 million from exports and invisible items.

**1992 A first among private financial institutions: Telephone banking**

The rate of growth in Kuveyt Türk's funds acquired in 1992 outperformed the banking sector averages by a wide margin. The Bank's funds acquired totaled TL 1.2 trillion as a result of 38,854 account openings. The total number of employees reached 165.

Breaking new ground among private financial institutions, the Bank began providing telephone banking service to its clients.

Gulf funds were extended to State Economic Enterprises for the first time. As part of this effort, the Bank extended US\$ 50 in loans originating from the Gulf countries.

**1993 Head Office and branches linked online with each other**

Online initiatives, the Bank's most significant automation investment, were completed for the head office and the branches and made ready to begin operation.

The Istanbul-Pendik and Konya branches commenced service. Total personnel and number of branches reached 236 and eight, respectively.

**1994 177% increase in profitability despite the crisis**

Despite the economic crisis, profit grew by 177% on the previous year to reach TL 152 billion. With the automation of the Foreign Business Operations Unit, online connection between the Treasury and Correspondent Relations Department and foreign correspondent banks was established.

The Main Branch relocated to its new building in April.

Kuveyt Türk completed its first mass housing project, Huzur Sitesi, and delivered the units to the homeowners.

**1995 Gold medal for contribution to exports**

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

**1996 Restructuring project got under way**

Continuing to expand its branch network, the Bank opened a new branch in Bursa and two new branches in Istanbul-Merter; as a result, the total number of branches reached 11. Kuveyt Türk prioritized the textile, food and leasing sectors in its investments and total leasing transactions reached TL 3,749 billion. The total number of employees reached 330, up by 52 over the previous year.

Körfez Gayrimenkul A.Ş. was established.

**1997 Number of branches reached 16**

As of year-end 1997, the number of Kuveyt Türk's accounts reached 73,169 and the total funds rose by 115% over the previous year to TL 62.5 trillion. With five new branches opening in Sivas, Afyon, Gebze, Isparta, Osmanbey and Istanbul, the total number of branches reached 16. In addition, the Güre Thermal Resort project was launched by Körfez Gayrimenkul, a subsidiary of Kuveyt Türk.

**1998 The credit card program was launched successfully**

**1999 Kuveyt Türk's attained an official status in the financial system**

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

**2000 Retail Banking services were launched**

Raising the number of branches to 24 and launching retail banking services, Kuveyt Türk became the first interest-free financial institution to obtain the ISO 9001-2001 Quality Certification in Europe.

**2001 Palmiye Card: First installment commercial card**

The total number of branches reached 29. The Palmiye Card that offers customers the convenience of making payments in installments was launched as the first installment commercial credit card in the first months of 2001.

**2002 Kuveyt Türk is the first private financial institution to become a direct member of VISA**

The Bank relocated its Head Office from Mecidiyeköy to its new and modern building in Esentepe, Istanbul.

**2003 Online banking introduced in every corner of Turkey**

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

**2004 Kuveyt Türk expanded into Europe**

Kuveyt Türk opened its first representation office in Europe in Munich.

The Bank raised its capital from TL 95 million to TL 199 million during the year.

183

1989 1990 1991 1992 1993 1994 1995 1996 1997 1998 1999

KUVEYT TÜRK'S TOTAL ASSETS SINCE ITS ESTABLISHMENT (TL MILLION)



### 2005 Kuveyt Türk was awarded for its contributions to the interest-free banking sector

Kuveyt Türk was deemed worthy of the achievement award at the Istanbul International Finance Forum for its contributions to the interest-free banking sector.

### 2006 Kuveyt Türk's growing reputation in international markets

The US\$ 200 million, two-year murabaha syndication secured by Kuveyt Türk from the banks in the Gulf Region and in Europe that was oversubscribed by US\$ 65 million was the most important financial achievement that highlighted the Bank's reputation in international markets.

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

The US\$ 50 million, four-year murabaha syndication secured by Kuveyt Türk for GAP Güneydoğu Tekstil became the longest maturity loan secured from the Gulf countries up to that time.

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

### 2007 The first and only participation bank in the Istanbul Gold Exchange

Kuveyt Türk began to sell gold by the gram as the first and only participation bank in the Istanbul Gold Exchange.

The Bank's capital increased by 30% from TL 200 million to TL 260 million.

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 participation bank first bank to launch foreign currency forward trading with a fixed exchange rate.

### 2008 Innovative products and services: Gold Swap, Gold for Gold, and GoldCheck

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

Despite the global financial crisis, the Bank's net profit and shareholders' equity grew by 36% and 70%, respectively, while its capital was increased from TL 260 million to TL 500 million.

### 2009 121 total domestic and overseas branches

Kuveyt Türk's shareholders' equity reached US\$ 543 million, participation fund volume US\$ 3,683 million, total loan volume US\$ 3,324 million and the number of employees reached approximately 2,500.

With the license pre-authorization of the Dubai Financial Services Authority (DFSA) dated October 19, 2009, Kuveyt Türk began to deliver its services through a Bank subsidiary with US\$ 12 million in capital at the Dubai International Finance Center (DIFC), which hosts many banks and financial institutions from all over the world.

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

### 2010 Kuveyt Türk issued the first Sukuk security in Turkey

Issuing the first Sukuk security under the lead-arrangement of LMH (Liquidity Management House) and Citibank, the Bank introduced this financial instrument used widely particularly in the Gulf Region and in Malaysia to Turkey. This issuance has a maturity of August 24, 2013. It was Turkey's first sukuk transaction and was oversubscribed 1.5 times and drew interest from a wide geographic area.

In the foreign trade sphere, Kuveyt Türk signed a US\$ 100 million export insurance cooperation agreement with the Islamic Corporation for Insurance of Investment and Export Credit (ICIEC), a subsidiary of the Islamic Development Bank.

Kuveyt Türk raised its paid-in capital by TL 300 million to TL 850 million.

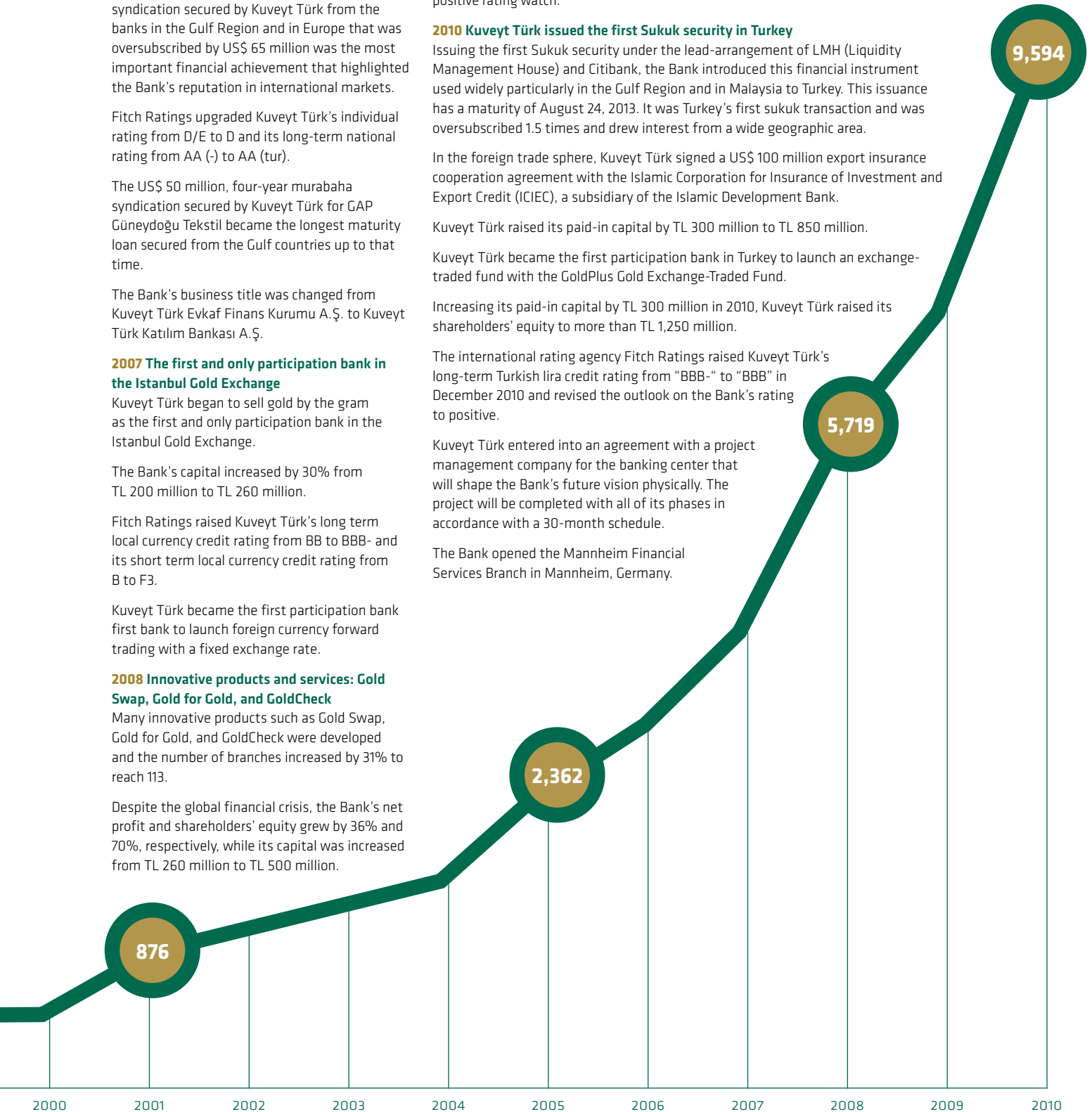
Kuveyt Türk became the first participation bank in Turkey to launch an exchange-traded fund with the GoldPlus Gold Exchange-Traded Fund.

Increasing its paid-in capital by TL 300 million in 2010, Kuveyt Türk raised its shareholders' equity to more than TL 1,250 million.

The international rating agency Fitch Ratings raised Kuveyt Türk's long-term Turkish lira credit rating from "BBB-" to "BBB" in December 2010 and revised the outlook on the Bank's rating to positive.

Kuveyt Türk entered into an agreement with a project management company for the banking center that will shape the Bank's future vision physically. The project will be completed with all of its phases in accordance with a 30-month schedule.

The Bank opened the Mannheim Financial Services Branch in Mannheim, Germany.



## VISION, MISSION AND QUALITY POLICY

### KUVEYT TÜRK'S MISSION

To be a bank that is loyal to its core corporate principles (interest-free financial transactions and operations),

Has moral values,

Focuses on customer-oriented banking,

Embraces corporate social responsibility.

### KUVEYT TÜRK'S VISION

To offer tailored and new financial solutions,

To be ranked among Turkey's top five banks in service quality by 2014 and among 10 largest banks in total assets in Turkey by 2018 in light of its know-how and experience as an international bank.

### KUVEYT TÜRK'S QUALITY POLICY

#### **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 participatory management policy focused on continuous education, knowledge and experience jointly with the employees who are proud to be working for Kuveyt Türk.

#### **In regards to customer-oriented banking,**

to utilize alternative service channels to develop new products and services to meet customer expectations, to increase interest-free service points, and to be open to customer suggestions.

### KUVEYT TÜRK'S SERVICE PRINCIPLES

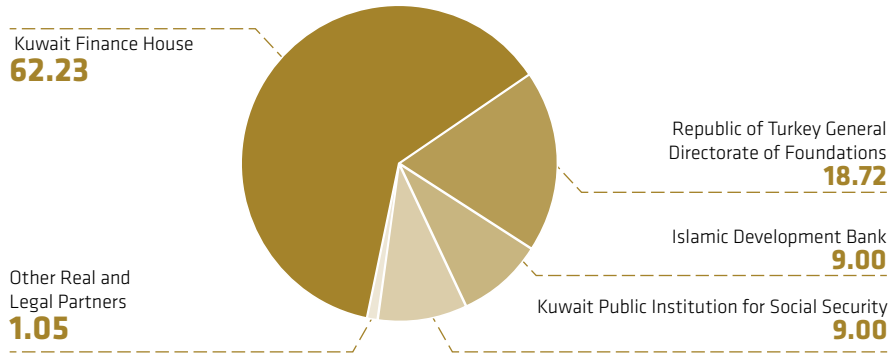
Kuveyt Türk pursues the following service principles to sustain uninterrupted maximum service quality:

- Generating quick solutions to problems
- Business-partnership approach to clients
- Innovativeness
- Customer focus
- Hospitality

## CHANGES IN SHAREHOLDING AND CAPITAL STRUCTURE AND ARTICLES OF ASSOCIATION

NAME/TITLE OF PARTNER	TOTAL SHARE VALUE (TL THOUSAND)	SHARE RATIO (%)
1. KUWAIT FINANCE HOUSE	528,994	62.23
2. REPUBLIC OF TURKEY GENERAL DIRECTORATE OF FOUNDATIONS	159,114	18.72
3. KUWAIT PUBLIC INSTITUTION FOR SOCIAL SECURITY	76,500	9.00
4. ISLAMIC DEVELOPMENT BANK	76,500	9.00
5. OTHER REAL AND LEGAL PARTNERS	8,892	1.05
<b>TOTAL</b>	<b>850,000</b>	<b>100.00</b>

\* The total percentage of shares held by the Chairman and members of the Board of Directors, the CEO and Executive Vice Presidents is 0.20%.



### CHANGES IN ARTICLES OF ASSOCIATION

The Bank's paid-in capital was raised to TL 850,000,000 with an increase of TL 350,000,000, TL 300,000,000 of which is in cash and TL 50,000,000 from the 2009 profit.

## MESSAGE FROM THE CHAIRMAN

# Continuing to grow together with Turkey

Developing policies and strategies in accordance with the objective to be ranked among Turkey's top ten largest banks by 2018, Kuveyt Türk increased its shareholder equity from US\$ 543 million in 2009 to US\$ 825 million in 2010.



**MOHAMMAD S.A.I. ALOMAR** CHAIRMAN

Esteemed Shareholders,

Pioneering the institutionalization of participation banking in Turkey thanks to its visionary management and highly qualified human capital as well as the experience and support of its parent bank Kuwait Finance House, Kuveyt Türk registered many accomplishments while continuing its strong support for the Turkish economy during 2010.

The year 2010 turned out to be a year of recovery for markets worldwide after the global crisis that devastated real and financial sectors and was felt acutely on a global scale throughout 2010. Managing the crisis period successfully thanks to the rational policies it pursued, Kuveyt Türk conducted profitable activities in its area of interest-free banking in 2010 and stayed on the stable growth path it has sustained for many years. Kuveyt Türk, Turkey's second fastest-growing bank regarding participation funds, successfully managed its clients' participation funds and once again demonstrated that it is the representative of Kuwait Finance House's prestigious and respected standing in the international financial community in Turkey.

Undoubtedly, Kuveyt Türk's accomplishments in 2010 are closely linked to the impressive growth performance of the Turkish economy. Achieving the best economic growth performance among OECD countries with its growth rate of 8.9% while developed economies grappled with major problems such as a spiraling debt crisis and a slow recovery process, Turkey is encouraging the market players to make investments for the future as well as growth-oriented plans. In this regard, with its strong economy that is a candidate to be a member of the BRIC (Brazil, Russia, India and China) category of emerging markets that are in the advanced stage of their development as well as its dynamic demographic structure made up mostly of young people; Turkey is inspiring Kuveyt Türk to further accelerate the stable growth it has achieved over the recent years and to launch innovative practices and applications for the benefit of its shareholders and customers.

During its establishment, Kuveyt Türk formulated its mission and vision to be among the leading financial institutions in the Gulf Region. It took major steps in pursuit of this goal based on the solid capital

structure, vast experience and extensive international relations of its parent bank, Kuwait Finance House. The Bank took advantage of its easy access to funding resources in the Gulf Region to finance many large-scale projects in the Turkish real sector even during turmoil in the global economy. Developing policies and strategies in accordance with its goal to be ranked among Turkey's ten largest banks by 2018, Kuveyt Türk increased its shareholders' equity from US\$ 543 million in 2009 to US\$ 825 million in 2010. Total funds of the Bank reached TL 8,119 million in 2010, up from TL 5,928 million in 2009. As another indication of its strong financial foundations, the Bank reported a profit of TL 168.5 million at year-end 2010. Believing that success in the banking industry is achieved by developing long-standing relationships with customers and establishing a strong service infrastructure, Kuveyt Türk increased the total number of branches to 141 with the opening of 20 new branches in 2010; the Bank's number of employees reached 2,837.



Adopting the principle of continuous development to reach the targets set in accordance with its vision and mission, Kuveyt Türk offered many unique products and services with regard to participation banking during 2010. I would like to share the pride and satisfaction of issuing the first Sukuk bond in Turkey with all of the Kuveyt Türk family. Thanks to this financial instrument widely used in Malaysia and Indonesia, the Bank secured a US\$ 100 million resource. Maturing on August 24, 2013, this issue was oversubscribed 1.5 times.

Launching GoldPlus, a Gold Exchange-Traded Fund, in 2010, Kuveyt Türk strengthened its market position as the first participation bank to roll out an exchange-traded fund. Kuveyt Türk unveiled the Sale Plus and İhtiyaç Credit Cards during the year and registered a significant market share in the credit card market, a segment where the Bank had wanted to expand for a long time. Standing out with innovative features, the Sale Plus Credit Card leaped ahead of the other cards in its category by offering convenient installment and discount options. İhtiyaç Card was designed for customers who require a credit card for just a limited period of time. Allowing only a three-month usage period with a limited balance, this product filled a glaring gap in the credit card market.

Accomplishing major milestones in the financing of the Turkish real sector throughout its 21-year history and pioneering the institutionalization of participation banking in Turkey thanks to its reassuring financial structure and innovative practices, Kuveyt Türk will continue to mobilize all of its resources to meet the financial needs of its corporate and retail clients. The Bank is motivated by its objective to rank among Turkey's top ten largest banks by 2018. I am confident that Kuveyt Türk will accomplish this goal supported by its parent Bank, Kuwait Finance House and all shareholders as well as its highly-qualified staff.

Fortunately, I would like to take this opportunity to thank our shareholders to whom we owe our existence, our employees who always show that they truly are members of the Kuveyt Türk family by their dedicated efforts, our customers with whom we have long-standing relationships based on profit and loss sharing and also our social stakeholders.

Respectfully yours,



## MESSAGE FROM THE CEO

# Innovative powerhouse of participation banking: Kuveyt Türk

Standing out with its financial and operational performance in 2010, Kuveyt Türk increased its total assets by 41% over 2009 figures to total TL 9,594 million; its funds rose by 37% to reach TL 8,119 million.



**UFUK UYAN** CEO

Esteemed Shareholders,

2010 was marked by the dominance of affirmative financial indicators in the global markets, interpreted as the lowest point of the global financial crisis being visible only in the rearview mirror. The global recovery, led by the emerging markets of which Turkey is also a part, offers significant parameters and clues about the future course of the international economic system for professionals like us who steer the companies in which they serve as decision-makers. In line with the successful performance of the Turkish economy during the year, Kuveyt Türk registered positive financial indicators in funding facilities extended to customers, profitability, new branch openings and return on equity (ROE) and maintained its leadership in the participation banking sector. Formulating its vision for the future as being ranked among Turkey's top ten largest banks by 2018, the Bank became Turkey's second fastest-grower with regard to participation funds among all banks in 2010; once again demonstrating that Kuveyt Türk is making solid strides toward its primary objectives.

Commencing operation 21 years ago with a single branch in Istanbul, Kuveyt Türk today delivers interest-free banking services to its customers with an extensive product lineup through 159 branches countrywide and its 2,969 employees. Taking heart from its parent Bank, Kuwait Finance House's international experience and reputation in global finance, Kuveyt Türk has solidified its privileged standing in the Turkish financial sector by continuing to expand its branch network and launching new customer-oriented products and services in the interest-free banking area.

Standing out with its financial and operational performance in 2010, Kuveyt Türk increased its total assets by 41% over 2009 figures to total TL 9,594 million; its funds rose by 37% to reach TL 8,119 million. During the year, total financing provided to customers leaped by 50% from TL 4,587 million to TL 6,869 million. The Bank's total non-cash loan default risk exposure rose by 12% from TL 3,331 million in 2009 to TL 3,730 million in 2010.

Raising its paid-in capital by TL 300 million in 2010 as a result of stable growth in recent years, Kuveyt Türk increased its total shareholders' equity to more than TL 1.25 billion. The Bank's capital adequacy ratio

stood at 17.05% at year-end 2010 and profit surged by 26% to TL 168.5 million.

As always being the representative of innovations and dynamism in the interest-free banking business line based on profit and loss sharing, Kuveyt Türk rolled out many new financial products for its customers in 2010. In this regard, the Bank issued the first Sukuk bond in Turkey with a maturity date of August 24, 2013 in cooperation with the LMH (Liquidity Management House) and Citibank. Securing a US\$ 100 million funding resource with this transaction, Kuveyt Türk also bolstered its capital structure by obtaining this facility.

Another major service added to Kuveyt Türk's financial service portfolio in 2010 was the signing of a US\$ 100 million export cooperation agreement with the Islamic Corporation for Insurance of Investment and Export Credit (ICIEC), a subsidiary of the Islamic Development Bank. This agreement signed between Kuveyt Türk and ICIEC, renders comprehensive insurance services for export receivables and investments and also holds the distinction of being a first in its area. Under the agreement, Turkish exporters will be insured against the risk of non-collection of receivables related to the export transactions to approximately 150 countries.



Breaking more new ground during the year, Kuveyt Türk launched GoldPlus, a Gold Exchange-Traded Fund to become the first participation bank to roll out an exchange-traded fund in Turkey. The Bank launched two new-generation credit cards in 2010 and leaped ahead of its rivals in the Turkish credit card market-among the fastest-growing in Europe. Thanks to the Sale Plus Credit Card that offers discounts as well as convenient installment options to cardholders, the Bank registered a significant market share in the credit card market. Offering a limited balance and a three-month usage period, the İhtiyaç Card appeals to customers who would require a credit card for just a limited period of time.

Kuveyt Türk also took major steps in the private pension and insurance markets in 2010. After legislation dealing with interest-free private pension took effect, the Bank entered into an agreement with Vakıf Emeklilik (Vakıf Pension) to benefit from this company's experience in this market. As the first order of business, we offered a private pension package to our employees under convenient terms with matching funds from Kuveyt Türk. The Bank will start interest-free private pension package sales to customers at its branches in 2011. Kuveyt Türk carried on with its intensive activities in the insurance marketing area in 2010 through Neova Sigorta (Neova Insurance), a subsidiary of the Bank.

Focusing on innovation and technology investments to increase service quality at all times, Kuveyt Türk intensified its efforts in 2010 to set up an R&D center that will conduct studies on venture capital. The center, to be established with an incentive from the Ministry of Industry and Trade of Turkey, will conduct research on information technology and venture capital. We believe that the center, which will be located within Kuveyt Türk's Operations Center currently under construction in the Kurtköy district of Istanbul, will lead to a major improvement in the service quality of the Bank.

Kuveyt Türk designated SMEs, an increasingly important segment of the Turkish economy, as the target group of its business banking activities. In an effort to promote the Bank's financial products and services to SME segment entrepreneurs, Kuveyt Türk is organizing a series of meetings under the "Anatolia Get-together" concept, the first of which took place in Elazığ in 2010. The Bank plans to provide a significant number of project finance loans to SMEs in

the upcoming period in accordance with its operating principle of profit and loss sharing.

2011 will be a year of increasing competition in the Turkish financial sector paralleling the growth in the Turkish economy. As it has in the past, Kuveyt Türk will continue to serve its clients with long-standing relationship with via an extensive portfolio of products with superior service quality as it maintains its privileged standing in the Turkish finance industry.

Fortunately, as I conclude my remarks, I would like to express my gratitude to our parent, Bank Kuwait Finance House and all other shareholders for their support. To our employees who diligently work to boost Kuveyt Türk to the leading position that it deserves. To our customers that we serve in accordance to the principle of establishing long-standing relationships and also to our social stakeholders. I am looking forward to working together with you again in projects that will bring gains and happiness to all of our stakeholders in the future.

Respectfully yours,

**REVIEW OF OPERATIONS IN 2010**

# Continuous Development

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Embracing the principle of continuous development to accomplish the goals it has set in accordance with its vision and mission, Kuveyt Türk launched many new participation banking products and services in line with this principle in 2010 and proved that it is at all times the representative of innovation and dynamism.

## CORPORATE AND COMMERCIAL BANKING

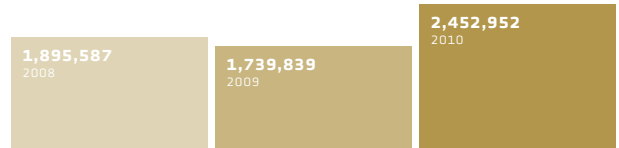
## Innovative and customer-oriented

Having adopted the principle of meeting all banking needs of its clients with an innovative and customer-oriented service approach, Kuveyt Türk's total participation funds reached US\$ 1.9 billion from 26 thousand corporate and commercial clients as of year-end 2010.

TL THOUSAND

## CORPORATE BANKING PARTICIPATION FUNDS

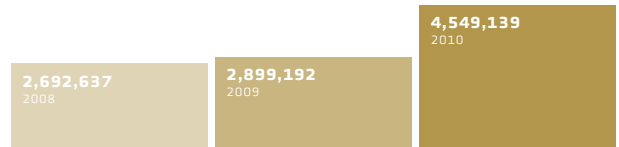
TL 2.45 BILLION



TL THOUSAND

## CORPORATE BANKING LOANS

TL 4.54 BILLION



Kuveyt Türk's objective in the corporate and commercial banking segment is to meet the needs of large and medium-sized industrial and commercial enterprises with interest-free financial products. In addition to offering foreign trade, cash management and treasury products through its staff who are experienced in this field, the Bank also provides advisory, evaluation and technical infrastructure support to its customers.

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

The year 2010 has been successful for the Turkish economy where it registered rapid growth in the aftermath of the crisis. Kuveyt Türk further increased the uninterrupted support it gives the Turkish economy during this growth year and extended US\$ 8.1 billion in total funds to the real sector, US\$ 4.4 billion in cash and US\$ 3.7 billion in non-cash loans.

In accordance with its principle of collaborating with large and robust firms in the contracting sector, Kuveyt Türk continued to participate in various major projects in 2010, particularly in the Turkic Republics, the Gulf Region and North Africa.

Having adopted the principle of meeting all of its clients' banking needs with innovative corporate banking and treasury products devised in accordance with the Bank's

service excellence approach, Kuveyt Türk's total participation funds from 26 thousand corporate and commercial clients reached US\$ 1.9 billion as of year-end 2010.

#### Breaking a great deal of new ground with an innovative and customer-oriented banking approach

Providing effective solutions for its customers through its corporate banking products, Kuveyt Türk's Corporate Banking Product Development Department developed various products for the needs of its clients with an innovative and customer-oriented banking approach and broke a great deal of new ground in participation banking.

- Direct Collection and Debiting System, a cash flow and payment system specially designed for the financial needs of corporate clients, is being implemented successfully.
- In line with the banking sector's latest developments, the Financing with Early Payment Option facility was introduced in response to customer needs and demands.
- In order to facilitate the business processes of corporate clients, the Continuous Check Program was developed and offered to customers free of charge.
- After the initiation of forward foreign exchange transactions in 2007, Kuveyt Türk added British pound sterling, Swiss franc and Japanese yen quotations to the foreign currencies traded to better serve its client base and provide advantages to its customers who deal in different currencies. New enhancements were made in the forward products portfolio in 2010 in accordance with customer demands and market trends.

#### Gold Forward

After achieving a breakthrough in participation banking with the initiation of forward foreign exchange transactions in 2007, Kuveyt Türk broke more new ground in the Turkish banking sector and launched forward gold transactions in 2009.

#### Forward Transactions on Loan Limits

Operating on the main principle of meeting customer needs and demands, Kuveyt Türk introduced Forward Transactions on Loan Limits, in addition to margin forward transactions.

#### Basket Loans

Basket Loans are products offered by Kuveyt Türk that allow customers who want to reduce or diversify foreign exchange risk with foreign exchange-indexed loans to borrow in two or three different currencies for the same project.

#### Dual Currency Accounts

Dual currency accounts, with its infrastructure established by Kuveyt Türk in 2010 and to be offered to customers in 2011, will provide participation fund clients with the opportunity to earn higher returns.

Always striving to become the main bank of its customers, Kuveyt Türk's Corporate and Commercial Banking Group will focus on new corporate banking products by taking into account changing market conditions. It will continue to meet all banking needs of its customers in the period ahead by leveraging its 21 years of experience and high-quality service policy.

## LOANS

# Meticulously developed loan appraisal processes

As of year-end 2010, Kuveyt Türk evaluated 3,041 new loan requests and extended more than US\$ 3.4 billion in total new loans.

### Corporate and Commercial Loans

The Corporate and Commercial Credits Department's function is to submit requests received from the branches as well as the Financial Analysis and Intelligence (FAI) studies and reports that it drafts to the relevant committees. It updates the loan appraisal processes in line with the latest banking industry developments and works in cooperation with the branches and other related banking units.

Assessing the projects they evaluate with particular focus on repayment and collateralization, Kuveyt Türk's loan specialists employ methods such as customer visits, financial analysis, and information gathering and reporting. Thanks to its meticulous loan appraisal processes, Kuveyt Türk has one of the highest international ratings among all financial institutions in Turkey.

The Corporate and Commercial Credits Department carefully examined the financial position of companies requesting loans and made determinations on 12,106 loan applications. All evaluations were conducted on the basis of customer visits, financial standing of the companies and the type of investment the requested credit limits will be used for.

As of year-end 2010, Kuveyt Türk evaluated 3,041 new loan requests and extended more than US\$ 3.4 billion in total new loans.

As part of the initiative to restructure the corporate lending process initiated in February 2008 to provide faster and higher quality service to clients, the software used by the Financial Analysis and Intelligence Department was upgraded. Branch corporate marketing personnel were administered nine-day classroom training on theory and contemporary applications as well as three-month on-the-job training. The marketing personnel who successfully completed these training courses were authorized to draft credit appraisal reports on companies.

The Corporate and Commercial Credits Department, which will put in service the new Fund Allocation and Fund Disbursement screens in 2011, will continue to provide quick and high-quality service to its clients thanks to its advanced infrastructure and competent staff.

### Financial Analysis and Intelligence

The Financial Analysis and Intelligence Department's function is to draft credit appraisal reports on companies that apply for loans as the basis for the final determinations of credit committees. It develops these reports based on various criteria such as the activities, characteristics, capacity, liquidity, financial position and profitability of the companies as well as intelligence at hand and other market information.

It is crucial to accurately identify customer needs when determining repayment terms, amount, maturity, collaterals and pricing of the credit. The reports of the Financial Analysis and Intelligence Department, which

drafted credit appraisal reports on more than 400 companies in 2010, are also important for minimizing risk and maintaining profitability in the Bank's lending decisions as well as for proper access to this data.

In 2010 the reporting authority for the loans under the responsibility of the Head Office Credit Committee began to be used in all branches. Ten internal instructors administered 66 days of classroom training to 236 company employees for all corporate segment clients with an active credit line to be reported over the system.

During the year, Kuveyt Türk subscribed to the Corporate Inquiry service that is rendered by the Kredi Kayıt Bürosu (Turkish Credit Bureau). As a result, the Bank gained online access to the limit and risk exposure information of customers, without a credit line from Kuveyt Türk, at more than 40 other banks that are members of the Kredi Kayıt Bürosu, as well as detailed information on clients who currently have outstanding loans from the Bank. As of year-end 2010, 430 Corporate Credits and Corporate Marketing employees of the Bank received passwords and began using this service. With the authorization of Retail Marketing staff, number of users of this system is expected to reach 1,000 in 2011.

The SAS project initiated to conduct the internal rating of customers for whom financial analysis studies will be performed is still ongoing. The Financial Analysis and Intelligence Department will continue to provide quick and high-quality service to Kuveyt Türk clients in the period ahead with its advanced infrastructure and competent staff.



## RETAIL BANKING AND BUSINESS BANKING

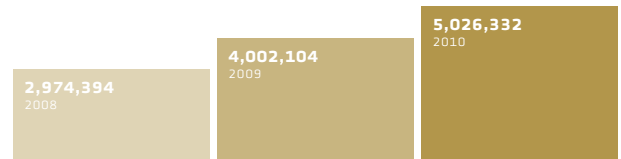
# Innovative product and service approach

Kuveyt Türk's total retail lending reached US\$ 1.5 billion.

TL THOUSAND

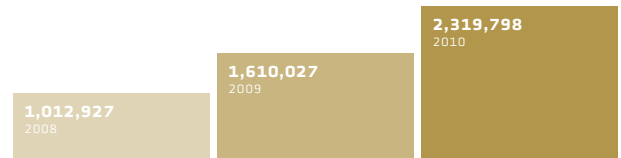
### RETAIL AND BUSINESS BANKING PARTICIPATION FUND

TL 5.02 BILLION



### RETAIL AND BUSINESS BANKING LOANS

TL 2.3 BILLION



As the first participation bank to establish a presence in the retail banking segment, Kuveyt Türk continued to make its retail banking products and services available in 2010 quickly and effectively through multiple channels including 141 branches, two of which are located abroad, ATMs, the internet branch and telephone banking.

Pioneering many new products and services in the sector in the Retail Banking segment as well, the Bank launched two more innovative products as a first in Turkey in 2010. Sales Plus offers an installment plan for purchases independent of the POS and the member merchant. İhtiyaç Card provides the opportunity to make payments in up to 36 monthly installments for purchases made in every store, even though the card itself expires in three months.

Kuveyt Türk extended a total of US\$ 600 million in consumer loans; mortgages made to the ongoing and completed residential housing projects that constitute 20% of the Bank's overall consumer loan portfolio.

In the small business banking segment, the Bank extended a total of US\$ 840 million in working capital loans and TTK (Central Union of Turkish Agricultural Credit Cooperatives) loans. Kuveyt Türk's total lending reached US\$ 1.5 billion.

The total funds acquired from Retail Banking customers stands at US\$ 3.3 billion as of year-end 2010.

In the upcoming period, the Bank will continue to focus on expanding its branch and alternative distribution network and continuously broadening its innovative product and service lineup.

Kuveyt Türk offered the following innovative products and services to its clients in 2010:

#### Loan Guarantee Fund (KGF)

Executing a membership agreement with the Loan Guarantee Fund in 2009, Kuveyt Türk became a partner of the fund. Initiating Treasury-Supported transactions in 2010, the Bank is currently undertaking system development efforts for equity-financed transactions. The number of applications for Treasury-supported KGF transactions reached 37 at the end of 2010, while lending volume topped TL 2 million.

#### Petkim Direct Collection & Direct Debiting System Integration

In 2010 the Bank completed the technology infrastructure integration with Petkim Petrokimya A.Ş., which began to work with its dealers and distributors using an online ordering system in 2009. Kuveyt Türk became the first participation bank to complete this integration.

#### Profession-Based Packages

Packages consisting of products for lawyers, financial advisors, pharmacists, physicians and engineers were offered for current Kuveyt Türk clients as well as new customers. The packages feature advantageous banking products such as financing at convenient profit shares, free PINmatic, free money transfer and EFT transactions at the internet branch, and special quotations for foreign exchange transactions performed at the internet branch.

#### Neova Sigorta

Kuveyt Türk completed the infrastructure for its joint initiatives with Neova Sigorta to fill the void in interest-free insurance in Turkey and began offering insurance products to customers in 2010. Sales of need-driven products such as comprehensive automobile insurance, personal accident insurance and earthquake insurance commenced via the Bank's channels.

#### Credit Cards

#### Sale Plus Installment and Point

**Infrastructure:** The points earned with Sale Plus Installment that adds installment to the Sale Plus product for purchases independent of the POS and the member merchant were converted to grams of gold on statement dates and were deposited into customers' accounts. With the features of offering installments for purchases made at all stores and conversion of points into gold, Sale Plus established a global first.

## ► RETAIL BANKING AND SMALL BUSINESS BANKING

The Bank launched two more innovative products as a first in Turkey in 2010. Sales Plus offers an installment plan for purchases independent of the POS and the member merchant. İhtiyaç Card provides the opportunity to make payments in up to 36 monthly installments for purchases made in every store even though the card itself expires in three months.

**Kuveyt Türk İhtiyaç Card:** İhtiyaç Card provides convenient financing for the needs of individuals in order to grab a larger share of the general purpose loan market. It allows customers to pay for their purchases in up to 36 monthly installments while offering installments for other purchases. İhtiyaç Card is the first in Turkey with these features.

#### Social Security Institution (SGK)

**Transactions:** In addition to SGK's pension salary payments to retirees and its payments to healthcare service providers, Kuveyt Türk also began to accept Bağkur payments in 2010.

#### Alternative Distribution Channels (ADC)

**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 quickly access information on banking services, particularly financial reports, both in Turkish and in English. The Bank is currently working on visual and conceptual design changes in parallel with the corporate identity initiative. In addition, the web site also provides access to Kuveyt Türk's Internet Branch.

Customers can perform nearly all transactions at the Internet Branch that they normally would at the branches. Transactions performed via the Internet Branch are free of charge and available to both retail and corporate customers. Kuveyt Türk's Internet Branch provides its customers a practical, user-friendly and secure online banking medium equipped with various security service solutions including Account Locking, Identified Receiver Limitation, Country and IP Limitation, SMS Passwords, PINmatic, and Turkcell Mobile Signature. A wide range of transactions including Gold, Silver and Platinum transactions, mass money transfers, POS transaction information, stock trading, bill and tax payments, and purchasing prepaid minutes can be carried out easily via the web site.

**ATM:** Web-based screens and animations have been launched at Kuveyt Türk ATMs. As a result, the Bank offers user-friendly screens that can be used by customers of all ages. The Bank administers all ATMs centrally thanks to the improvements made in infrastructure services. Consequently, Kuveyt Türk can immediately intervene and centrally generate rapid solutions in case of a malfunction or a security breach. Also known as İşlematik Özel, Kuveyt Türk ATMs began offering transactions without the use of cards such as money deposits and credit card balance payments are credited immediately. In addition, almost all ATMs can disburse change, thereby facilitating bill payments.

ATM card holders can also benefit from services such as foreign exchange trading, gold transactions, and purchasing prepaid minutes. Customers visiting from abroad can access ATM screens in foreign languages and withdraw cash in US dollars. Users can also easily access their IBAN numbers via the ATMs. In 2010, the Bank installed ATMs outside of the branch premises to provide customers with better service and to expand its ATM network. The new name (İşlematik), new screen designs and new concept appearances gave Kuveyt Türk ATMs an easy-to-use, original and unique identity. ATMs are meant to undertake some of the transactions performed at the branches to reduce the branches' workload and help customers save time.

**POS:** During the past year Kuveyt Türk completely overhauled its infrastructure and the services it utilizes. As a result, the processes between the marketing and operations units have become faster. Thanks to the centralized system, major improvements were registered in services for POS devices such as malfunction monitoring and software installations. Upon their request, member companies can accept payments in installments, which also increases the Bank's product diversity. After their infrastructure was modernized and names changed to Net POS

and Net COLLECTION, the POS software programs operating on the internet were added to the Bank's product lineup as services that meet diverse customer needs. Thanks to these products, customers have more flexibility, particularly on virtual shopping sites, as regards to products aimed at schools, associations and private educational establishments. In addition, the infrastructure of the Net COLLECTION POS product 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 a new product in Turkey. Breaking new ground yet again in the sector, Kuveyt Türk has put the ATS into service in Turkey. ATS accelerates transactions, saves time for users and minimizes operational risks such as counterfeit money or cash deficit. Constituting a complete bank counter all by itself, ATS can count money, identify counterfeit money, sort and order banknotes and, upon request, allow the customer to withdraw the money that has been sorted. In this way, once a customer is at the counter, instead of making cash transactions and other banking transactions with different employees, he or she can deposit money to his or her account while generating banking solutions at the same time with the help of a single employee. The ATS device is equipped with an eight-roll system that allows it to work with all currencies. Because, ATS is integrated with the banking system, deposited amount goes immediately into the system.

Thanks to these benefits, ATS also leaves the Bank with more time to personally tend to its customers. This extra time allows employees to listen to customers' needs and expectations, give them information on new products or services and recommend new products that could suit their needs. Kuveyt Türk prioritizes the installation of the ATS devices in branches with higher workloads 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 bank opened its first counterless branch in Bahçeşehir, Istanbul, in 2009. All transactions performed at the counters at conventional branches can be made via customer representatives at counterless branches, in addition to the services and advice already delivered by these representatives. As part of this new concept, a relaxed and comfortable café inside the branch provides a social space for customers where they can meet with their business partners or spend time with their families. Kuveyt Türk plans to provide 24/7 service at these new-concept branches via a technology section called "Techno-lobby" currently under development as well as the "Kiosk" product that features a specially designed booth. The aim of this new service concept is to ensure that customers in the Kiosk can perform 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 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:** Again displaying its leadership, Kuveyt Türk integrated into its system Moneygram's "Agent Connect" software that recently began to be used globally. Normally a software program in a foreign language (English) that must be physically installed on every computer, Agent Connect has been translated to Turkish and now can be accessed online. After the customer is authorized, he or she can easily access channels such as the Internet Branch and ATMs. The simplification and acceleration of Agent Connect's use contributed significantly to the increase in both the number and volume of transactions.

#### **Equity Trading**

In early 2008, Kuveyt Türk signed an agency agreement with Bizim Menkul Değerler A.Ş. and began brokering equity trading. Stock trades are executed via the Bank's Internet Branch and Call Center.

#### **Precious Metal Banking Gold Support**

**Transactions:** Kuveyt Türk further reinforced its specialist position with precious metal transactions in 2009 and increased its support for gold managers with its Gold Support product. Thanks to this service, producers can meet their gold raw material demands under favorable terms.

**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 groundbreaking service: the opportunity to invest in silver and platinum. Kuveyt Türk continues to be the only bank in Turkey to provide these services. The silver and platinum the Bank's customers buy for investment purposes are kept on their behalf at the Istanbul Gold Exchange.

**Kuveyt Türk Gold Gram:** Having proven its leadership in gold banking with innovative products such as Gold Depot Account, Gold for Gold Participation Account, GoldCheck and Gold 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 1, 2.5, 5, 10, 20, 50 and 100 gram coins

and bars and is stamped by the prestigious Istanbul Gold Refinery. Sales and purchases can easily be made without a bank account or via a Turkish lira, 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 convert 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 as little as 10 grams of gold, allows customers to save and earn a return at the same time. Every gram of gold deposited to this account is invested in the real sector. The ensuing profit is returned to the customer as gold. The Participation Account is offered in maturity options of 3 months, 6 months and 1 year. It 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 secure gold sale and purchase without the worries associated with transporting or storing gold. In addition, no labor cost is involved in these gold sales and purchases.

## TREASURY, INTERNATIONAL BANKING AND INVESTMENT BANKING

# Effective global correspondent network

The projects launched and continued by the International Banking Group in 2010 reflect Kuveyt Türk's determination to accomplish its objectives. These objectives include becoming an international brand, meeting the banking needs of its customers domestically and internationally, and becoming the preferred business partner of its clients in foreign trade thanks to its effective global correspondent network.

### SUKUK

## US\$ 100 MILLION

Thanks to its robust capital structure and the effective presence of its main partner, Kuwait Finance House in the Gulf Region, Kuveyt Türk can provide financing to large-scale projects in the countries of this region as well as in international markets. Kuveyt Türk's International Banking Group provides financing to large-scale projects undertaken by the private sector and supports Turkish companies in bolstering their competitive edge in the global markets.

The International Banking Group is made up of the Treasury, International Banking, Investment Banking, and International Organization & Investor Relations departments. It carries out its activities in accordance with the main vision of being a global bank. The fundamental responsibilities and objectives of the International Banking Group are as follows:

- To establish and expand the global correspondent banking network that the Bank needs in the intermediation of foreign trade and international payment transactions,
- To invest the Bank's idle funds,
- To manage the Bank's foreign currency position and liquidity balance within the framework of the Bank's policies,
- To perform the necessary work to secure long-term and low-cost foreign funding using the Bank's international branch and correspondent banking network,
- To meet customers' funding needs through structured financing products such as murabaha syndications and club-loan transactions,

- To meet the medium- and long-term project financing needs of clients operating in the major industries such as energy, health, education and manufacturing.

In 2010, the International Banking Group took giant strides forward. The first bank sukuk security in Turkey and in Europe was issued by Kuveyt Türk in 2010. Pioneering the introduction of a brand-new instrument into the Turkish finance industry with its unique structure, this transaction was deemed worthy of awards by many foreign institutions.

After Kuveyt Türk's Bahrain Branch, which displayed a successful performance in securing foreign funds, especially in channeling Gulf Region funds to Turkey, Kuwait Turkish Participation Bank Dubai Ltd., a Kuveyt Türk subsidiary located in Dubai, commenced operation pursuant to the banking license it obtained in 2009. With the Mannheim Financial Services Branch that began operations in Germany in 2010, Kuveyt Türk launched the first interest-free banking venture in the region. In addition, Kuveyt Türk carried on with its activities at its representative office in Kazakhstan, which has been chosen as the center for the Bank's plans to expand in Central Asia.

The projects launched and continued by the International Banking Group in 2010 reflect Kuveyt Türk's determination to accomplish its objectives of becoming an international brand, meeting the banking needs of its customers domestically and internationally, and becoming the preferred business partner of its clients in foreign trade thanks to its effective global correspondent network.

### Treasury Department

Responsible for the management of the Bank's liquidity and market risks, the Treasury Department continued to pursue a conservative approach during 2010 and managed to attain the profit objectives set at the beginning of the year. The Treasury Department consists of the Money Markets, Foreign Exchange Markets, and Precious Metals and Commodity Markets units.

The Money Markets Unit is responsible for managing the Bank's liquidity and interest rate risks. Thanks to Kuveyt Türk's robust capital structure and ample liquidity, the Unit increased the number of banks it lends to in the interbank market.

The Foreign Exchange Markets Unit manages the Bank's foreign exchange position risk. The Unit increased its trading volume by 75% in 2010 over the previous year to US\$ 21 billion.

The Precious Metals and Commodity Markets Unit launched the interest-free Goldplus Exchange-Traded Fund (GOLDP) on the Istanbul Stock Exchange in August 2010 as a trailblazing product in Turkey. Enabling its customers to trade not only in gold, but also in silver and platinum; the Unit also began executing commodity transactions in copper, nickel, aluminum, lead, zinc and tin in the closing months of 2010. Kuveyt Türk collaborates with major international refineries and banks on the world precious metals market and continues to provide effective and fast service to its clients.

The Unit submitted a membership application to the London Bullion Market Association (LBMA), which is the association of banks, refiners, shippers, fabricators and brokers involved in precious metals trading. In 2011 the Unit aims to further expand its product lineup particularly in commodity transactions.

After the opening of the Kapalıçarşı branch in 2010, Kuveyt Türk began physical gold bullion trading and intermediated jewelry firms' gold transfer transactions in Dubai.

### International Banking

Using its active correspondent relations with more than 1,000 financial institutions in over 100 countries, the International Banking Department successfully executed all of the Bank's international activities, particularly international payments, external guarantees, foreign trade and overseas financing transactions, in 2010. The Department supported international banking activities through Kuveyt Türk's subsidiary in United Arab Emirates, Bahrain Branch, Germany Financial Services Branch and Kazakhstan Representation Office, in addition to its correspondent banking network.

Closing 2010 with a rating upgrade from the international rating agency, Fitch Ratings, the second straight year the Bank's credit ratings were raised, Kuveyt Türk reinforced its trusted standing in the international markets. Fitch Ratings raised Kuveyt Türk's long-term TL credit rating from "BBB-" to "BBB" in December 2010 and revised the outlook on the Bank's rating to positive. The agency reaffirmed the Bank's long-term foreign currency credit rating as "BBB-" and revised the outlook on this rating from stable to positive.

The ratings upgrades of the previous two years raised Kuveyt Türk to an investment-grade bank and then further improved this status. As a result, international financial institutions increased the lines of credit they allocated to the Bank and improved the terms under which the Bank can access these facilities. Consequently, Kuveyt Türk's correspondent relations and international presence are now built on much sounder ground. All of these developments increased the quality of international banking services the Bank provides to its clients.

Thanks to its ratings from international credit rating agencies as well as its overseas branches, subsidiaries and representation offices Kuveyt Türk continues to lead and

be the pioneer among participation banks; It provided major support to foreign trade companies and Turkish businessmen doing business overseas, particularly in the Gulf Region, Turkic Republics, Middle East and North Africa, in 2010. Turkish companies were supported especially in transactions such as letters of credit and counter guarantees that require collaboration with correspondent banks. Thanks to the International Banking Department's effective correspondent-relations management customer satisfaction constitutes the Bank's highest priority at all times. Compared to the previous years, the Bank increased its competitive power in pricing particularly in overseas letters of guarantee in 2010.

The Foreign Trade Marketing Unit formed under the International Banking Department established a new service concept at the branches and achieved positive improvements in the quality and speed of service provided to the customers.

As part of the new products developed for foreign trade financing, an agreement was entered into with ICIEC, a subsidiary of the Islamic Development Bank which, in turn, is a shareholder of Kuveyt Türk, in regards to insuring export receivables from nearly 150 countries.

In similar vein, the Bank launched the MRPA (MASTER RISK PARTICIPATION AGREEMENT) based on the principle of risk sharing with correspondent banks that serves to guarantee export receivables.

In addition to the currently serviced foreign currencies, the Bank began conducting transactions in the Chinese Yuan, United Arab Emirates Dirham and Russian Ruble.

As part of the Bank's strategic emphasis on foreign trade transactions, the International Banking Department will continue to deepen its relations with financial institutions, particularly with overseas-based banks. Further, it will expand its international banking network in accordance with Kuveyt Türk's priorities and its customers' needs.

### International Organization & Investor Relations Department

The Department is responsible for conducting the work on a potential public offering as well as economic research and international organization. It assumed functions and responsibilities in these two main areas of activity.

The Department's primary objective with regard to its Investor Relations and Economic Research has several functions. These include administering relationships between the Bank and third parties and the Board of Directors, closely monitoring relevant legislation as well as the developments in domestic and international markets and conducting economic research and studies. Finally, it presents the results to senior management, employees and customers via reports and bulletins in accordance with the core corporate governance principles it has adopted during and after the public offering process.

The Department's main products in this area are the daily and monthly economy bulletins sent to the internal and external customers, Monthly Bulletin and Monthly Monitor publications prepared in English to be sent to international institutions and correspondent banks, and monthly bulletins that analyze trends in inflation, unemployment, growth, budget and capacity utilization rates.

Similarly, the Department coordinates preparatory work for the weekly Assets and Liabilities Committee meetings as part of its investor relations and economic research function. In addition, the Department drafts global and national economic evaluation reports, in English and in Turkish, for the senior management prior to each Board of Directors meeting.

The Department's primary objective with regard to its international organization function is to administer and coordinate the Bank's international organization, to draft feasibility reports on new banks or countries targeted by Kuveyt Türk, to present these reports to the senior management, and to contribute to the strengthening of the Bank's international presence by increasing Kuveyt Türk's recognition in the countries where the Bank owns assets. Some activities carried out by the Department in 2010 in this area are as follows: Disbursement of the first loans and allocation of credit lines to certain Kazakhstan-based Turkish companies through the Kazakhstan Representation Office; commencement of operation of the Germany Financial Services Branch in May 2010; Execution of first transactions of Kuveyt Türk's subsidiary in Dubai and investment of the Bank's excess liquidity in that region under more favorable terms; initiation of business expansion efforts by the subsidiary and the drafting of policy/process documents. In addition to these initiatives,



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Kuveyt Türk acquired the necessary authorization from the Banking Regulation and Supervision Agency of Turkey (BDDK) to restructure the Kazakhstan Representation Office as a subsidiary with a banking license and began efforts in this direction.

**The Department's work plan for 2011 consists of the following:**

In investor relations and economic research, the Department aims to diversify its economic reports while monitoring general developments in the sector regarding the public offering. In addition to the periodic reports currently published in Turkish, the Department also plans to generate new reports on regional developments (Gulf Report, Central Asia, North Africa Report, etc.) and economic-financial vehicles (gold, oil, precious metals, etc.).

In the area of international organization, the Department in 2011 will focus mostly on integration of existing overseas assets, drafting business plans and making them more active.

**Investment Banking Group**

**Investment Banking**

In accordance with its unique organization among participation banks in Turkey, the Investment Banking Department continued its successful performance in 2010.

The Department maintained and expanded its stable operations thanks to its longstanding deep-seated healthy relationships with international financial markets; experience in various sectors, business lines, transactions and products; and solid know-how. Serving in intermediation and advisory roles in many financing projects in the Gulf Region to date, Kuveyt Türk became the bank of choice of the Region's reputable and leading financial institutions in this field.

Kuveyt Türk continues to work on gaining maturity and price advantage by diversifying its sources of funding resulting in increased competitive advantage, and providing lower cost and longer term financing facilities to its clients. As part of its efforts to expand funding facilities, the Bank issued a three-year, US\$ 100 million sukuk security in August 2010. After the transaction closed successfully, this sukuk bond was listed on the London Stock Exchange. This sukuk

transaction, the first of its kind in Turkey, was oversubscribed thanks to the interest it drew from a diverse geographical area. Thanks to this groundbreaking transaction, Kuveyt Türk introduced this financial vehicle, used widely particularly in the Gulf Region and in Malaysia, in Turkey, and provided international investors who want to invest in interest-free products with an opportunity to invest in Turkey. The security was assessed with a "BBB" rating by the international ratings agency, Fitch Ratings.

Managing to increase the diversity and volume of its international structured financial products thanks to its innovative approach, the Department continued to gain market share throughout 2010. Continuing to offer products and services that can be classified as murabaha syndications, club transactions and structured financing transactions to its clients, the Investment Banking Department also has ongoing efforts to develop new products and alternative financing structures that will meet customer needs most effectively in an increasingly competitive environment.

In the "Project Finance" area it has targeted as a new growth and business area, Kuveyt Türk aims to provide funding for customers' conforming and profitable investment projects in various industries, focusing particularly on energy projects, and to extend medium and long-term funding facilities to customers in accordance with the principles of interest-free banking. Breaking a great deal of new ground in the area of Interest-free banking in Turkey, Kuveyt Türk began providing long-term financing to investment projects in 2010.

In accordance with its domestic and overseas branch network that is growing on solid ground, broadening client base, and its strategy to devise competitive marketing practices and providing better service to its customers; Kuveyt Türk opened its first corporate branch in 2010 in Istanbul to work with large-scale companies effectively and efficiently conditions. Planning to expand its corporate branch network in 2011, Kuveyt Türk aims to leverage its experience and product diversity in investment banking to serve Turkey's leading corporations and multinational companies with conventional banking products as well as in various high value-added areas. These include foreign trade finance, derivative products and structured financing.

As in the previous years, the Department played an intermediary role in Gulf-sourced financing transactions. As a result, Kuveyt Türk became a preferred bank of many Gulf Region-based large-scale financial institutions. Continuing to make the resources it secures from the Gulf region via its Bahrain Branch available to its customers, the Department is increasing its transaction volume within the framework of a business plan that is built on solid foundations.

**Treasury Marketing and Product Development**

Having assumed a pioneering mission in the Turkish participation banking sector both new product development and effectiveness, the Treasury Marketing and Product Development made a contribution to the significant growth in new products and services offered to Kuveyt Türk customers as well as in treasury products transaction volume and income figures in 2010.

In an effort to provide the branches with technical know-how to help them channel their efforts towards active and profitable customers and pursue effective marketing practices, the Department pursued several activities. These included focusing on potential branches, conducting many customer visits and providing technical know-how and experience support to the branches.

As a result of the customer visits, the number of customers for whom Kuveyt Türk renders market advisory and pricing service increased at a stratospheric rate. In accordance with a customer satisfaction-based business approach, the number of clients receiving service and advisory directly from the Department also increased sharply. As a result, Kuveyt Türk helped customers to stay informed and take faster action in money markets.

In addition, after the corporate branch began operation, the Department also started to support the branches in developing and marketing treasury products tailored to the needs of corporate segment clients. The Department focused on marketing efforts to provide custom service to clients at the Kapalıçarşı Branch in accordance with marketplace requirements. Kuveyt Türk continues to reinforce its leading market position with new products in this area to shield its customers from adverse money market developments.

## FINANCIAL CONTROL

# High control effectiveness

The Financial Control and Reporting Group consists of four departments: Accounting, Financial Control, Budget and Management Reporting, and External Reporting. The Group's objective is to execute these functions with a superior quality service using its reliable technological infrastructure and specialist staff.

The Financial Control and Reporting Group performs all analytical information management and notification tasks for tracking, controlling and budget-based planning and guidance of Kuveyt Türk's profitability and risk/resource productivity on the basis of customers, products and services, and profit centers.

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

- Creating and improving the infrastructure of the Bank's complete accounting and record-keeping system, and overseeing the proper functioning of the system,
- Reporting identified problems in a timely manner so they can be responded to and resolved immediately,
- Creating an effective budgeting and reporting system based on accurate data to ensure reliable management,
- Generating the reports to be disclosed to the public and sent to public agencies promptly and based on accurate data.

The Financial Control and Reporting Group consists of four departments: Accounting, Financial Control, Budget and Management Reporting, and External Reporting. The Group's objective is to execute these functions with a superior quality service using its reliable technological infrastructure and specialist staff.

### Accounting Department

The Accounting Department is responsible for the functioning of the Bank's accounting system. These tasks include ensuring that transactions are accurately reflected in records for financial statements and regulatory reports that must be prepared pursuant to the Banking Law, Turkish Accounting Standards, regulations and communiqués of the Banking Regulation and Supervision Agency, tax laws and other related legislation to be based on material facts. Other tasks are fulfilling tax and other

responsibilities and liabilities and overseeing their payments, recording, payment and control of the Bank's expenses and fixed assets.

The main functions performed by the Accounting Department are as follows:

- Monitoring the Banking Law, Turkish Accounting Standards, regulations of the Banking Regulation and Supervision Agency, tax laws and other related legislation amendments related to the accounting practices and the Chart of Accounts, and making the necessary arrangements,
- Contributing to the preparation of the Bank's monthly, periodic and annual financial statements and monitoring the dealings with other units,
- Carrying out the transactions with shareholders, units, and public agencies,
- Taking part in internal and external audits, as well as in Banking Regulation and Supervision Agency independent audits,
- Conducting the transactions of the Bank with its domestic and overseas subsidiaries and affiliates, overseas branches and free zones, and performing the necessary controls,
- Ensuring that taxes and other liabilities overseen by the Head Office are fulfilled, creating the necessary records and performing their controls,
- Overseeing the approval and printing of the Bank's required books,
- Conducting the reconciliation and control of the Bank's accounts at all domestic and foreign banks and correspondent banks,
- Performing the Bank's accounting and financial control transactions related to its fixed assets,
- Carrying out the Bank's interim and year-end inventory and checkout transactions,
- Recording all bills and documents related to the Bank's purchases of goods and services, making the payments, and controlling the expenses and other related items,

- Providing technical support, advisory service and training to the units, branches and product development departments in matters regarding accounting, legislation and other issues, as well as carrying out transactions related to accounting.

In accordance with the Bank's vision and objectives for 2014, the Accounting Department monitors technological developments and the domestic and international legislation closely to increase productivity, raise the level of internal and external customer satisfaction, support innovative product development processes, and facilitate continuous development.

### Financial Control Department

In addition to creating and developing a reliable accounting infrastructure with its specialist and dynamic staff, the Financial Control Department ensures a realistic presentation of the Bank's operating results and risk position by performing effective finance and accounting controls.

The other main functions of Financial Control are as follows:

- Ensuring instant detection and correction of errors through periodic controls performed on a daily, weekly and monthly basis so all transactions will be reflected accurately in accounting records in accordance with the uniform system of accounts and the relevant legislation and communiqués,
- Facilitating the prompt generation of internal and external reports based on accurate and reliable data,
- Conducting analyses on the Bank and the banking sector to support Bank management's decision making process,
- Conducting daily controls and analyses of the Bank's income and expenses; overseeing the calculation of profit shares and the proper reflection of these on customers' accounts,

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- Ensuring that the tax and similar liabilities of the Bank are tracked and fulfilled, providing advisories to units on tax-related matters and carrying out the correspondence with tax authorities,
- Providing accounting and systems infrastructure support to other divisions for their new products and demands, in addition to improving existing controls and establishing new control points.

The Accounting and Financial Control Departments are jointly responsible for resolving problems regarding accounting practices submitted by the branches and the Head Office, making suggestions to users and administering the necessary training. In addition, they also perform functions such as performing the necessary work for the monthly financial reports, undertaking the interim and year-end transactions, coordinating the efforts of internal and external audit processes, providing information to the auditors, and preparing the requested information and documents.

The Department's aim for 2011 is to make the best use of information technologies to increase the efficiency and quality of its 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. Budgeting plays a critical role for the management to fulfill its command and control functions at Kuveyt Türk, which is increasing the number of its branches in line with its growth targets. This importance has increased in the last few years as the basic variables in the markets proliferated, volatility increased and the structure and nature of customers, products and risks changed rapidly. Monitoring each branch's performance, steering the Bank in accordance with its basic policies and strategies and ensuring financial and

managerial integrity by controlling the Bank's activities the Budget and Reporting Department facilitates a productive and reliable working environment at the Bank.

The Budget and Management Reporting Department draws up the financial roadmap for the current year, and controls and monitors Bank operations to ensure they are conducted in accordance with this road map.

The Department communicates the Bank's annual targets in line with the strategic goals set by the Senior Management and the management plans drafted to achieve these goals clearly to the related branches and units. It monitors the financial development of management units at monthly or more frequent intervals, identifies deviations, if any, assesses their reasons and suggests corrective action, and conducts performance measurements and evaluations in accordance with the target's realization rates. As a result of these operations, the Department prepares the reports needed by Bank's management.

A Management Reporting Unit was created under the Budget and Management Reporting Department, which was restructured so management could monitor and assess the Bank's performance more closely. The Unit reports to the shareholders, the Senior Management and the Bank's related units, branches and departments, periodically or upon request, and offers analyses and interpretations of the reports.

In addition, as part of the restructuring, a Reporting Database Unit was created under the Budget and Management Reporting Department. The Unit will perform the functions of ensuring that reporting tasks are carried out more dynamically, flawlessly and promptly. Further, it operates to strengthen its communication with the Information Technology Department and generates many reports internally within the Department without resorting to assistance from other units.

#### **External Reporting Department**

As part of the Bank-wide restructuring undertaken in 2009, the External Reporting Department split from the Budget and Management Reporting Department. In addition to information disclosed to the public or submitted to the public agencies pursuant to legal obligations, the reports drafted for the Bank's main partner Kuwait Finance House are also generated by the External Reporting Department. The Department prepares approximately 140 financial reports each year and sends these to public agencies on daily, weekly, bi-weekly, monthly, quarterly and annual intervals. The External Reporting Department has two main functions:

##### **Domestic Reporting**

The domestic reporting tasks consist primarily of preparatory work for independent audit reports and periodic and instantaneous reports submitted to public agencies. In addition, the External Reporting Department also draws up the charts and tables regarding legal and regulatory levels and ratios that must be monitored and attained pursuant to relevant laws and regulations (Capital Adequacy Ratio, Foreign Currency Net General Position, Credit Limits, Central Bank of Turkey Statutory Reserves, etc.). Generating the reports requested by auditors and investigators who are auditing the Bank, as well as various other transactions that must be reported to public agencies including branch openings and address changes, transfer processes of expired participation funds, receivables and deposits to the Savings Deposit Insurance Fund of Turkey are also overseen by the Department.

##### **Overseas Reporting**

Overseas reporting activities consist of generating the IFRS report and reports prepared to meet the consolidation needs of the bank's main partner, Kuwait Finance House, jointly with the independent auditor, reports mandated by the Central Bank of Kuwait, and capital adequacy studies performed within the scope of Basel II efforts.

## AUDIT AND RISK MANAGEMENT

# Risk-oriented perspective

Conducting its operations from a risk-oriented perspective, the Internal Audit Department assumed an important mission for the Bank in managing risks, ensuring compliance of operations with internal and external regulations and increasing efficiency and service quality.

### Internal Audit Department

The Internal Audit Department was established to create a disciplined and systematic audit structure to assess and improve the effectiveness of the Bank's risk management, control and governance processes. The Department is responsible for diligently performing all types of compliance audits encompassing all of the Bank's activities and units and administering a risk-oriented audit process. The Internal Audit Department carries out its activities under the supervision of the Audit and Risk Committee and provides periodic reports to the Audit Committee.

Conducting its operations from a risk-oriented perspective, the Internal Audit Department assumed an important mission for the Bank in managing risks, ensuring compliance of operations with internal and external regulations and increasing efficiency and service quality.

Kuveyt Türk's Audit Plan is drawn up annually and takes effect after the compliance approval of the Internal Systems Officer and the resolution of the Board of Directors. In accordance with this plan, the audit is carried out in four distinct areas: branch network, Head Office units, subsidiaries, and Information Technology applications and systems.

The Bank's Internal Audit Department performed its activities for 2010 in accordance with the plan's requirements and stakeholder expectations; special examinations as well as legal and administrative investigations were conducted in some areas and under certain circumstances. As was the case in 2009, these audit activities focused primarily on credit risk and operational risk. In addition, business-development efforts and other initiatives to improve audit effectiveness and efficiency continued. Audit results were reported to the Senior Management, the Audit Committee, and the Audit and Risk Committee.

Actions arising from the reports are monitored by follow-up programs. Results of monitoring efforts are reported to

the relevant authorities when necessary. Similarly, reports on operational activities are submitted to the Audit and Risk Committee, the Audit Committee and the Board of Directors at least once each quarter.

### Internal Control Department

The Internal Control Department was established to design, implement, manage and monitor internal control activities and to report the results to management levels insure that the Bank performs its activities in accordance with both external and internal regulations.

In line with the Bank's 2018 strategy and the expansion of its branch network, the Internal Control Department organized its activities into three groups: on-site control activities, central control and monitoring activities, information systems control and internal control system design activities. This realignment is intended to increase the audit's efficiency and effectiveness resulting from business process specialization and continuous controls.

In conformity with the Bank's organizational structure, the On-site Control activities consist of internal control activities of departments, units, branches and processes. Efforts within this scope are carried out using the control services formed for the sectors at Region Offices and the Head Office. In 2010 the Department performed numerous control tasks at various Head Office departments and processes with a risk-oriented approach. Business processes of these departments as well as control points in these processes were updated. In addition, control activities were conducted at the branches based on the control plan drafted at the beginning of the year; results were reported to the Senior Management.

Central Control and Monitoring activities were performed under the coordination of the Central Control and Monitoring Service formed within the Department. Using ACL (Audit Command Language) software as well as other computer-aided audit techniques, the Service aims to continuously control bank-wide transactions.

Information systems and internal control system design activities were performed under the coordination of the Information Systems Control and Internal Control System Design Service. In 2010 some activities carried out within the information systems, various Banking processes, and recently developed products and services were evaluated from the perspective of the internal control system. By contributing to efforts in this area, the Service aimed to improve the bank-wide internal control system and facilitate widespread adoption of the control culture.

In addition, the Internal Control Department coordinated the independent external audit activities in 2010, monitored the findings in related audit reports and the actions taken as a result of them and assisted in the resolution of the problems. The Department presented its report to the Banking Regulation and Supervision Agency of Turkey as well as to the Board of Directors.

The Internal Control Department planned the central and on-site controls of branches, departments and processes for 2011 with a risk-based approach. It will conduct its activities according to the schedule and timeline it has set.

### Risk Management and Treasury Control Department (RMTCD)

RMTCD operates in accordance with the Banking Law and the regulations of the Banking Regulation and Supervision Agency of Turkey. The Department plays an active role in defining, monitoring, measuring, controlling, reporting and managing risks that the Bank may encounter and be exposed to. In addition, the Department submits reports on related matters to the Audit and Risk Committee, a body that reports directly to the Board of Directors.

The functions of the RMTCD concerning risk management include ensuring that Kuveyt Türk is governed in accordance with the risk management practices stipulated in the laws and regulations currently in effect; setting the risk management strategies and policies to be followed by the Bank on a consolidated and unconsolidated basis; and presenting

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these strategies and policies for the Audit and Risk Committee's assessment and the Board of Directors' opinion and approval.

The analyses that the RMTCD presents to the Audit and Risk Committee and to the Audit Committee in accordance with Kuveyt Türk's strategies, risk policies and vision, include credit risks, market risks, liquidity risks, operational risks and IT risk assessments. Additionally, the Department performs stress tests and scenario analyses regarding capital adequacy in accordance with market movements and the course of the economy and the Bank's financial growth. Further, it analyzes Turkish and global economic developments to be submitted to the Audit and Risk Committee and to the Board of Directors. These analyses make a major contribution to the Bank's Senior Management's decision-making processes for capital adequacy and future outlook.

Conducting credit risk taking appetite studies as part of its Credit Risk Management efforts, the RMTCD set limits for sector, country and region concentration portfolios in conjunction with the Senior Management. The resulting policy took effect, following approval by the Board of Directors.

As part of Kuveyt Türk's efforts to transition to Integrated Risk Management, RMTCD specialists performed examinations at KFH-Kuwait and KFH-Bahrain in 2010.

As part of the Bank's efforts to implement Basel II Advanced Approaches, the Department initiated the Internal Credit Scoring-Rating Modeling Project. In addition, the QIS-TR3 Report was drafted to be submitted to the Banking Regulation and Supervision Agency of Turkey. The RMTCD also continued its training programs with the objective of raising risk awareness among the Bank personnel.

As part of the Operational Risk Management efforts; in parallel with risk control and self-assessment (RCSA) studies, the Department gathered its loss data and launched an application to determine control points in the bank's business processes. Within this scope, BBB/ECC/PI and D&O policies, which are operational risk insurances, were purchased and Kuveyt Türk was insured against operational risks. In addition, initiatives were undertaken regarding the Bank's Key Risk Indicators (KRI).

As part of the Market-Risk Management efforts, the RMTCD calculates exchange rate risk using the standard and advanced methods daily that are shared with the Audit and Risk Management Group executives.

The RMTCD drafts Credit Risk Portfolio Analyses each month and sends them to

KFH-Kuwait. The Market Risk Analysis Report where exchange rate risk, equity risk, risks associated with derivative products and commodity risk are calculated using the standard methods is submitted to the Banking Regulation and Supervision Agency of Turkey.

The business continuity plans developed by the RMTCD took effect during the year after the approval of the Board of Directors. In addition, efforts commenced to establish the Ankara Business Continuity Center within Kuveyt Türk. As part of the Department's IT risk-assessment studies, monitoring activities were performed regarding the findings and action plans made in 2009.

In 2010 the RMTCD controlled and monitored all transactions conducted by Kuveyt Türk's Treasury Department and reported these transactions to the Audit and Risk Management Group executives.

In 2011 the RMTCD will continue to manage the risks that may arise in accordance with Kuveyt Türk's mission, vision and growth strategy. In this context, in addition to efforts regarding credit and market risks, liquidity risk, operational risks and all limits, and IT risks, several other activities will occur in 2011. These include internal retail scoring and corporate rating modeling, IT risk assessment, operational-loss database, key-risk indicators, operational-risk insurances, market-risk calculations, control of Treasury activities, asset and liability risks and liquidity risks, and transition to Basel II.

### Regulation and Compliance Department

The Regulation and Compliance Department is responsible for the effective, adequate and appropriate implementation of regulatory-compliance policy, anti-money laundering efforts and the policy of Kuveyt Türk (and its subsidiaries subject to consolidation) combating the financing of terrorism as well as setting and developing standards for this purpose.

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

The Regulation and Compliance Department, which operates under the Audit and Risk Committee, has three primary functions: Regulation, Compliance and Financial Crimes Investigation Board Compliance.

### Regulation Function

- Monitoring regulatory developments and making necessary announcements to the Bank,

- Providing advisory service to the branches and departments on legal and regulatory requirements,
- Supporting the relevant departments in preparing internal and external publications,
- Determining measures to prevent the execution of transactions in breach of legal and regulatory requirements and taking the lead in revising the Bank's internal regulations accordingly,
- Overseeing the development of necessary training programs about compliance with legal and regulatory requirements.

### Compliance Function

- Overseeing the compliance of all of the Bank's current and planned operations, new products and transactions development, with legal and regulatory requirements, internal policies and procedures, and banking best practices,
- Reporting to the relevant authorities regarding the Department's regulatory compliance monitoring activities,
- Overseeing the fulfillment of the requirements of the work plans of external audit reports.

### Financial Crimes Investigation Board Compliance Function

- Ensuring compliance with legislation to prevent money laundering and financing of terrorism,
- Maintaining customer quality through the application of the "Know Your Customer" principles,
- Preventing the Bank from being used for money laundering and financing of terrorism,
- Providing detailed information to the Kuveyt Türk employees on the related legal obligations,
- Evaluating the Bank's clients, transactions and services with a risk-oriented approach and developing the rules and responsibilities to reduce potential risks for the Bank,
- Ensuring the necessary compliance and cooperation in correspondent relations.

The Regulation and Compliance Department carried out its activities in 2010 in line with stakeholder expectations and undertook efforts in the necessary circumstances and areas. Due to the major legislative and regulatory changes for the banks, the Department continued to perform business development efforts as well as undertaking initiatives to increase the compliance processes effectiveness and efficiency. The results of these efforts were reported to the Senior Management and to the Audit and Risk Committee. Due to the reverberations of the financial crisis that shook the international markets, more frequent and tighter regulations are anticipated in 2011, on both the national and international levels.

## BANKING SERVICES GROUP

# Continuous and efficient service

The Operations Center administers process management to increase business effectiveness as well as supporting the processes with technology infrastructure and performing the integration tasks.

### OPERATIONS CENTER

Kuveyt Türk's Operations Center executes the operational transactions of the corporate, retail and international banking groups. Carrying out its activities with the goal of achieving the maximum increase in quality and minimizing operational costs, the Operations Center comprises the Credit Operations, Banking Operations, and Foreign Trade and Treasury Operations departments.

The Operations Center administers process management to increase business effectiveness as well as supporting the processes with technology infrastructure and performing the integration tasks. As Kuveyt Türk steadily increases the number of branches and transaction volume, the Operations Center develops its functional organization accordingly. It continuously and efficiently delivers the best possible service to the Bank's clients.

### Credit Operations

The Credit Operations Department conducts the Bank's retail and corporate lending projects and leasing transactions in accordance with the Bank's operating principles and legal and regulatory requirements. In addition, the Department also carries out letter of guarantee controls and approvals, insurance of the collaterals taken by the Bank and the control and approval of insurance policies.

In 2010 the number of credit transactions carried out in the Credit Operations Department increased by 40% over the previous year to reach 77,050 while total lending surged by 66% to US\$ 5,850 million.

The number of insurance transactions rose by 55% to reach 82,150 in 2010, from 52,000 in 2009.

In 2010 the Credit Operations Department processed 43,000 new letters of guarantee approvals and 31,000 revision transactions,

for a total of 74,000 letters of guarantee approval transactions.

### Credit Operations Department's activities in 2010

- The Department went live with the "new letter of guarantee system" at the beginning of 2010.
- The Department successfully controlled the letters of guarantee entered by the branches.
- The Department made necessary revisions in the insurance access screens after signing the agency contract with Neova Sigorta, the Department created systems designed to allow the Bank's branches to issue policies underwritten by Neova Sigorta and to collect the monthly premiums.
- The Department on parallel with the Bank's Neova agency initiative, administered the required training; the number of branch employees certified by SEGEM (Insurance Training Center) reached 185.
- With the changes implemented in the credit system during the year, Kuveyt Türk began sending the loan installment information to the related customer's cell phone as an SMS message.
- With the launch of the "multiple payment system," the credit transaction tasks involving multiple payments began to be performed easily and accurately using only a single click.
- Kuveyt Türk began sending product sales confirmations to its customers via system-generated e-mails or SMS messages, removing this task from the Bank's branches.
- The Bank went live with the automatic installment system for the installment commercial loan payments of retail and small business segment customers.
- A full accord was achieved between the e-lien structure and the Bank's system for placing a lien on a vehicle, which allows the Bank to receive an accurate and quick response regarding whether a lien has been placed on a vehicle and to record the

information into the system.

- The Document Management System was upgraded so documents added by other units appear in the common pool. The need for branches to add duplicate documents is thus eliminated.
- The Department switched to the OPM structure to record the work demands of the branches from the Department and to conclude the demands quickly.

### Banking Operations

The Department consists of Call Center, Cash Management, Branch Coordination, Clearing, Data Entry and Official Correspondence units.

### Call Center

The Call Center, which operates on a 7/24 basis, carries out telephone banking, branch calls (VoIP), support services and insurance sales activities.

The number of incoming calls received in 2010 increased by 33% on 2009, reaching 1,722,337. In addition to incoming calls, the Call Center also organized various outgoing call campaigns and made 165,022 outgoing calls as part of this effort.

The number of calls received from the branches connected to the VoIP network rose to 687,999 in 2010, a 54% increase on 2009. Further, 55% of the calls received by way of the branches were concluded by the Call Center.

The number of banking transactions conducted through the Call Center reached 34,560 in 2010, a 32% increase on 2009. The total volume of banking transactions grew by 53% to TL 136.3 million.

The Bank obtained TL 215,334 in premium commission income and TL 35,847 in workforce income from Neova Sigorta policy sales that were conducted as part of the Department's sales activities. In addition, 14,683 automatic bill payment instruction sales were made.



## ► BANKING SERVICES GROUP

## The number of banking transactions conducted through the Call Center reached 34,560 in 2010, a 32% increase over 2009.

In 2010 DRC call center was established in Balgat, Ankara and customer representatives began taking calls.

The Bank plans to form telemarketing and outgoing call teams within the call center in 2011.

### Cash Management

The Unit organizes the cash flow of all Istanbul branches as well as provincial branches near Istanbul.

Beginning to perform its cash transactions over a single system in 2010, the Cash Management Unit provides group service to the 65 Istanbul branches (Istanbul) while also monitoring the transactions of the provincial branches.

Working in shifts for the group transactions, the Unit performed 31,668 transactions worth US\$ 9.5 billion in 2010.

The Cash Management Unit also carries out gold-gram delivery to the Bank's Istanbul and provincial branches.

### Clearing

The Clearing Unit clears the checks and promissory notes deposited to the Bank's branches via the Clearinghouse and correspondent banks and deducts them from customers' accounts.

The Unit also prints checkbooks that cleared the Bank's approval mechanisms on a daily basis and delivers them to the branches.

The Clearing Unit processed 431,632 checks, up 5% on the previous year, by way of the Clearinghouse. The Unit also certified 686,252 checks in 2010, an increase of 1% compared to the previous year. Thanks to Akbank, correspondent bank of Kuvyet Türk, the number of promissory notes processed grew by 24% to 30,443.

The Unit also prints checkbooks that cleared the Bank's approval mechanisms on a daily basis and delivers them to the branches. The number of check leafs printed grew by 12% over the previous year to 1,146,294. Sending

notifications to promissory note debtors was transferred from the branches to the centralized system during the year.

In 2010 Kuvyet Türk joined the foreign exchange check clearing system launched for checks drawn in foreign currencies traded in the interbank market. This system facilitates more effective use of foreign exchange checks in the market. The system applications over the BOA infrastructure was launched for the first time and the Bank made total payments of US\$ 308,862,562 for 13,330 checks during 2010.

The number of other banks' checks drawn in foreign currencies submitted for clearing increased by 42% on the previous year to 7,259, while the total value of such checks reached US\$ 138,080,294.

After the amendments to the law governing the use and processing of checks in Turkey (Law No. 5941) took effect in December 2009, Kuvyet Türk made the changes mandated by the legislation. The system infrastructures were updated and were brought into compliance with the requirements of the new law. The Bank began printing the new check leafs that were redesigned in accordance with the new law as of July 1, 2010.

The Unit's objectives for 2011 include taking over from the branches the responsibility to report bounced checks to the Central Bank of Turkey and performing this function centrally within the Unit. Further, as part of the software transformation efforts, actions will include taking part in the process of programming the check and promissory note modules in accordance with the BOA and helping the efforts to improve and develop the system.

### Official Correspondence

The Official Correspondence Unit is responsible for responding to all official correspondence received by the main office and the branches and archiving these correspondences electronically. The number of official correspondences responded to by the Unit in 2010 rose 72% to 92,168 as of year-end. Creating a control stage to conclude

the correspondence it responds to without an error, the Unit went live with modules that can monitor and report the correspondence transmitted by the branches during the year.

With a pilot project implemented at the Bank until the end of 2009, the E-lien project of the Ministry of Finance of Turkey operated to query at least 1,000 and a maximum of 5,000 taxpayers per day. In 2010 the system was implemented in its entirety in the real environment and was able to query the bank accounts of 20,000 taxpayers and automatically place a lien annotation.

### Data Entry Unit

The Data Entry Unit controls the collateral, check and promissory note images sent electronically by the branches in accordance with formal requirements. It performs the necessary transactions along with process improvements.

As part of the Unit's Collateral transactions, the Loan Guarantee Fund, a new form of collateral, was put into process as of July. The e-lien system that can place liens electronically went live in September.

In 2010 collateral entries grew by 34% to 75,000 while check entries increased by 4% to reach 647,000. In addition, the number of promissory note entries was unchanged from the previous year's total of 95,000.

The Unit's objectives for 2011 include completing the initiative to perform the EFT and money transfer transactions centrally and developing the BOA screen software for check, promissory note and collateral transactions.

### Branch Coordination

The Branch Coordination Unit carries out activities such as performing support functions to enhance operational performance at the branches, measuring the operational performance, determining the size of the branch staff according to the workload as well as promotion and assignment of the operations personnel.

## Adding tawarruq transactions to its functions during the year, the Foreign Trade Unit shortened the transaction times thanks to the infrastructure initiatives as well as a more effective integration with the brokers.

### Branch Coordination Unit's Activities in 2010

The optimum amount of cash to be maintained in the ATMs was determined based on the criteria of cost reduction and customer satisfaction. In accordance with these rates, the problems of running out of cash or putting too much cash in the ATMs were eliminated. As a result of the monitoring and control activities performed in 2010, personnel-driven ATM service interruptions were reduced to the minimum level.

As a result of the new ADC targets assigned to the branch operations staffs in 2010, ATMs began to be used more actively and effectively. The ratio of ATM transactions to teller transactions rose from 30% to 39%.

A system was created for the certification of the Bank's checks and check certification transactions inquired directed to tellers; performance criteria were developed for these transactions.

Developing the BOA system as part of its banking transformation program, Kuveyt Türk switched to the new system for the screens such as cash depositing and withdrawal, pass book printing, account blocking, safe deposit box rental, and cash register handover. Automation code for transfer and extension transactions is being written. They will be integrated into the real environment in the upcoming period.

The Department deployed its seven branch support teams in Istanbul, two in Ankara and one in Izmir in case of personnel shortages at the branches and continued to ensure the continuity of service.

All outdated currency counting machines at the branches were replaced with the state-of-the-art technology I-Hunter machines. These new machines were integrated into the system; the banknotes counted in the new system automatically appear on Kuveyt Türk's banking screens. This innovation also eliminates the banknote inventory problem.

With the adjustments made to the business processes in 2010, 14 out of the 26 operations personnel employed as branch staff were assigned to newly opened branches. The result was increased workforce productivity and meeting the staffing needs of the new branches without hiring additional employees.

In 2010 420 visits were paid to 136 Kuveyt Türk branches. The physical condition of the branches was examined, their needs and demands were assessed and expectations concerning operations personnel were communicated to them.

The Unit took part in mid-year performance evaluation meetings at the region offices as the Branch Coordination performed the branch operations score assessments and raised awareness regarding branches and region offices operations scores.

The operations staff of the branches that opened in 2010 was determined as 1+1. At year-end, six branches (Çiğli, Pınarbaşı, Sivas Bulvarı, Etlik, Esenyurt, GOP) operated in accordance with this policy. This policy serves to prevent cost overruns due to idle capacity at newly opened branches where sufficient transaction volume has not yet been attained. An "Employee of the Month" was selected from among the personnel who perform their functions in a fast and error-free fashion at the branches and Operations Center units; the designations were published on the Unit's portal.

The Branch Coordination Unit aims to implement the individual performance measurement system for certain job titles in 2011. Operations score training is being planned at the head office for Istanbul branches and at the region offices for the Anatolian branches.

Integration of the Q-matic system into the banking system will be completed as part of the BOA initiative in 2011. The Unit will continue the efforts to update the business flows and allocation of tasks in conjunction with related sectors and to increase customer satisfaction.

### Foreign Trade and Treasury Operations

The Foreign Trade and Treasury Operations Department is responsible for banking services related to import and export transactions; incoming and outgoing foreign currency transfers of customers; the control and oversight of the Moneygram, SWIFT and EFT systems; and back office functions related to Treasury transactions.

The Department's total transaction volume in 2010 was up by 30% over the previous year.

Adding tawarruq transactions to its functions during the year, the Foreign Trade Unit shortened the transaction times thanks to the infrastructure initiatives as well as a more effective integration with the brokers. In addition, branches were identified and system infrastructure established to provide banking services to the clients of Kuwait Finance House, the Bank's parent company.

Thanks to the controls established and improvements made in the EFT infrastructure, the Treasury Operations Unit achieved an automation rate 90% in reflecting the incoming EFTs in customer accounts.

Based on the Straight Through Process (STP) standards, the Department operated with an accuracy rate of 99% and higher in domestic and international money transfers made via correspondent banks.

### Information Technologies (IT)

As part of Kuveyt Türk's vision for 2014, the "Vision 2014 Strategic Transformation Program" was launched on January 18, 2010, to develop innovative products and services and to establish a competitive edge in the sector. The technology infrastructure of this program (BOA) set a new world record in the tests conducted at Microsoft's labs in Germany and in the United States and it was published as a case study. As part of the project, a great majority of the teller and account applications that are part of core banking were implemented in 2010. The banking transformation, restructuring of business process, new operations center, external transactions, treasury, MIS, credits, and data mining projects will continue in 2011.

## ► BANKING SERVICES GROUP

**An R&D Center was formed in the Information Technologies Unit to reduce foreign dependency in the sector by converting ideas and solutions into competition-enhancing products, to contribute to the national economy, and to undertake projects that will establish the university-industry collaboration.**

A Testing Service was formed within the Information Technologies Unit to achieve the objective of implementing and developing the transformation program with the minimum number of errors.

An R&D Center was formed within the Information Technologies Unit to reduce foreign dependency in the sector by converting ideas and solutions into competition-enhancing products, to contribute to the national economy and undertake projects that will establish the university-industry collaboration. The Kuveyt Türk R&D Center holds the distinction of being the first and only bank R&D center registered by the Ministry of Industry of Turkey.

The Service Desk, which oversees the continuity of the systems, reached first-level support ratio of 85% as well as a customer satisfaction ratio of 80% in terms of call resolution speed.

The Emergency Center, which was established to ensure that the Bank's systems continue to operate from a different location in case of a potential disaster, was relocated to the Ankara Türk Telekom Campus. Two comprehensive Emergency Center drills were successfully completed during the year.

In addition to the Core Banking Transformation program, many other important projects were also implemented:

#### **Mannheim – Germany Branch Banking System**

After the Bahrain and Dubai branches, with a solution developed based on overseas banking system, were put into service, the Germany Branch began operations in accordance with local regulations and branch-specific business flow processes.

#### **Portfolio-based Budget System**

The Portfolio-based Budget System has the features of budgeting and monitoring realization data at the marketing portfolio level of the branches and possesses flexible reporting functions that represents a major step forward in the transformation of Kuveyt Türk's financial reporting system. It was completed and placed in service.

#### **Portfolio Performance Scorecards System**

Using the Portfolio-based Budget System, the Information Technologies Unit developed and went live with a system allowing the performance of retail, small business and corporate marketing portfolios as well as the performance of marketing activities of the branches to be monitored and reported daily. Related performance criteria can be evaluated based on targets and realizations with a flexible scoring and weight management system and performance scores can be calculated.

#### **Corporate Performance Management System – Phase One**

Kuveyt Türk developed a flexible and user-friendly reporting and performance measurement model to be used in monitoring compliance with its strategic objectives and the unit-level components of these strategic objectives at every organizational level. These are treated as key performance indicators providing the ability to monitor the goals of units with regard to their responsibilities and functions.

#### **Business Intelligence**

Customer, participation form, credit, foreign trade, Social Security Institute of Turkey, donation, bill, tax, salary payment, internet branch, call center and IVR data are made available to the users. This information can be accessed as as listing reports, OLAP analyses, ad hoc reports, dashboards and analytical reports as part of a model in the data warehouse. In 2011, the Unit plans to model the credit card, ATM and POS applications.

#### **Mobile Banking**

The Unit aims to facilitate the execution of major banking services such as EFT, money transfer and salary payment using 3G cell phones and to enable the generation of OTP (one-time password) by all cell phones instead of physically using OTP devices.

#### **Internet Branch Modernization**

The Unit aims to improve the Bank's internet branch with a user-friendly approach to enhance the ease and speed of access of customers to the banking products and services.

#### **Bancassurance (Insurance Integration)**

This project, which began service in January 2011, was initiated to ensure the accurate recognition and accounting of insurance policies issued at Kuveyt Türk branches and to establish the credit collateral link automatically between Kuveyt Türk and Neova Sigorta.

#### **CRM**

Launched to meet sales force automation and customer satisfaction needs and to ensure the management of marketing activities with the highest level of efficiency, the project is planned to begin in February 2011 after completing pilot applications.

#### **Loan Transformation Allocation**

This project facilitates monitoring and managing lending business flow processes within the authorization of the branches, region offices and the head office. In addition, this system also allows the collaterals to be entered separately for each lending decision and assigning an upper limit for these collaterals. Product-based limit allocation and management of collateral transfers were engaged with the implementation of this system.

#### **Electronic Signature**

The Unit went live with the process of signing the documents originally signed with a wet signature using the Central Signature System with an e-signature, which is equivalent to a wet signature pursuant to Law No. 5070.

#### **Corporate Rating and Scoring**

Planned for completion at year-end 2011, the Corporate Rating and Scoring Project is intended to develop the application scorecards of corporate, SME and retail customers. Developing scorecards will facilitate the acceleration of several processes. These include lending decision and credit appraisal process, making lending decisions based on the sector of the applying client, customer-risk based pricing and limit allocation, and creating the technology infrastructure of internal rating and scoring models that will be mandated by the Banking Regulation and Supervision Agency of Turkey in the future as part of Basel II compliance efforts.

The “New Branch Concept Project”, initiated to modernize the existing branch concept in accordance with changing and evolving needs and to support Kuveyt Türk’s new corporate identity with a new architectural identity format, was completed. The Kuveyt Türk New Architectural Concept Catalog was produced.

#### Kuveyt Türk Wireless Access Service Project

Kuveyt Türk offers wireless access at its head office, operations center and Nevtron location. Providing visitors access to wireless network. As a result of development in this area, the Bank can monitor the internet activity of visitors as well pursuant to Law No. 5651.

#### E-Collection System

Switching to e-collection in the Tax Collection system and obtaining the necessary certification, the Bank undertook the initiatives mandated by the Revenue Administration and facilitated online payment of many types of taxes within the tax collection system. Consequently, taxpayer payments are instantly credited to their accounts by the Ministry of Finance. In addition, with the launch of online tax reconciliations, the operational workload was reduced.

#### Call Center Emergency Center

A substitute of the call center systems that will operate on an active-passive basis was established at the Emergency Center. In addition, as part of the business continuity project, the Bank enabled an Ankara-based call center team to receive calls from the Istanbul Call Center and operate as a second office.

#### Purchasing-Expense Management-Fixed Assets

The system registration stages of the process initiated by the employees by creating a purchasing request, as supply-payment and requested asset, were converted into an easy-to-follow structure.

#### ADMINISTRATIVE SERVICES GROUP

The Administrative Services group comprises the Purchasing, Administrative Services, Construction and Project Development, and Communication and Security Services desks.

The Administrative Services Group provides all goods and services needed by Kuveyt Türk, all maintenance and repair services, security services, all restorations and refurbishing of branch offices and other bank locations including project drafting, furnishing as well as operation and maintenance processes of all communication lines, as well as cargo, mail, and other consignment services.

#### Administrative Services Group’s activities in 2010

The “New Branch Concept Project”, was initiated to modernize the existing branch concept in accordance with the changing and evolving needs and to support Kuveyt Türk’s new corporate identity with a new architectural identity format. It was completed and the Kuveyt Türk New Architectural Concept Catalog was produced.

Twenty-five new branches in 15 different provinces were inaugurated with the new concept in 2010: Esenyurt, Kapalıçarşı, Bostancı, Eminönü, Corporate, Pendik, Dolayoba, Kavacık branches in Istanbul; Etlik, Ümitköy, Çankaya branches in Ankara; Buca branch in Izmir; Aspendos branch in Antalya; Kayapınar branch in Diyarbakır; Sivas Bulvarı branch in Kayseri; Büsan branch in Konya; Fatih Sultan Mehmet Bulvarı and İnegöl branches in Bursa; Osmaniye branch in Adana; Sanayi branch in Eskişehir; as well as Bolu, Zonguldak, Giresun, Kars and Niğde branches.

In addition, the location leased in Bursa for the newly established Marmara Region Office commenced service after completing restoration and refurbishing work in 2010. The Central Anatolia Region Office, Dağkapı branch in Diyarbakır, and Sultanbeyli and Avcılar branches in Istanbul were relocated to their newly restored and decorated venues.

The Germany Mannheim Branch location commenced service in 2010.

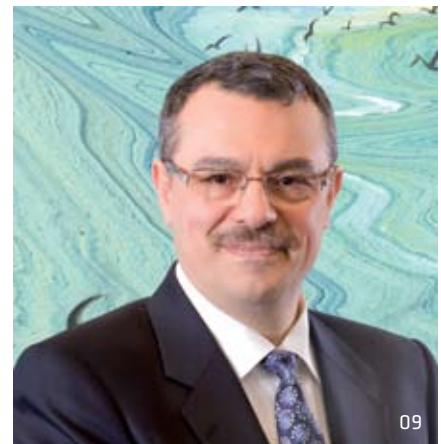
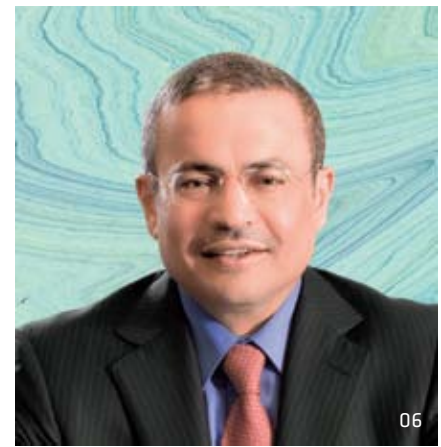
As part of the construction efforts for the Kuveyt Türk Banking Center, which is one of the most important initiatives that will physically shape the Bank’s vision for the future, a project management company was selected to administer the project. The project process consists of five phases, from constituting the design idea for the project to delivering the project. Kuveyt Türk initiated the design portion of the process in conjunction with the selected project management company. The banking center construction project is expected to be completed with all of its phases and delivered to Kuveyt Türk in accordance with a 30-month schedule.

The Kuveyt Türk Logistics and Archive Center, which has a total indoor area of 4,250 square meters, was put in service. With this Logistics and Archive Center, that is miles ahead of its peers in the sector, a major project was completed within the framework of Kuveyt Türk’s self-imposed objective of being a pioneer.

The recording duration capacity of CCTV security camera systems at all branches and locations was increased to 90 days, which allows the Bank to conduct a longer-term, backward-looking investigation for the detection of potential illegal acts that may transpire in these locations.



## BOARD OF DIRECTORS



**Mohammad S.A.I. AL OMAR (01)****Chairman of the Board of Directors**

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 Manager of 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 Executive Vice President for the Investment Sector at the Kuwait Finance House in 1999, Mr. Al Omar has served as CEO of Kuwait Finance House since 2007. Serving as the Chairman of the Board of Directors of Kuveyt Türk Katılım Bankası A.Ş. since 2000, Mohammad Al Omar is also a member of the Bank's Credit Committee. He resigned from his positions as the member of the Audit Committee and the Audit and Risk Committee as of October 19, 2010.

**Abdullah TİVNIKLİ (02)****Vice Chairman of the Board of Directors**

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

**Dr. Adnan ERTEM (03)****Member of the Board of Directors**

Born in Erzincan in 1965, Adnan Ertem graduated from Istanbul University, Faculty of Political Sciences in 1987. He received a Master's degree in Political Science from the Institute of Social Sciences of the same university in 1990 and was awarded a doctorate degree in 1998 for his thesis on Social Structure and Social Change. Dr. 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, Adnan Ertem is also a member of the Bank's Corporate Governance Committee and Audit and Risk Committee. After serving as a Deputy Undersecretary to the Prime Minister of Turkey between 2007 and 2010, Dr. Ertem was appointed as General Director of General Directorate of Foundations in 2010.

**Yusuf BEYAZIT (04)****Member of the Board of Directors**

Born in Niksar in 1962, Yusuf Beyazit is a graduate of Ankara University, Faculty of Law. Beginning his professional career at Ministry of National Education's Data Processing Directorate General, Center for Measurement Evaluation and Placement, Mr. Beyazit subsequently worked at Ministry of National Education's Board of Education and Morality Office of Law, Ankara Bar Association, and Istanbul Metropolitan Municipality. Serving at Istanbul Water and Sewage Administration (İSKİ) as a Legal Advisor from 2000 to 2002, Yusuf Beyazit was the General Director of the General Directorate of Foundations between 2003 and 2010. He has been serving as a member of the Board of Directors of Kuveyt Türk Katılım Bankası A.Ş. since 2010.

**Azfar Hussain QARNI (05)****Member of the Board of Directors**

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

**Khaled N. AL FOUZAN (06)****Member of the Board of Directors**

Born in Kuwait in 1954, Khaled N. Al Fouzan graduated from Kuwait University, Department of Business Administration in 1978. Mr. Al Fouzan began his professional career at Kuwait Commercial Bank, later working as Director of Participations at the Kuwait Social Security Institution for six years. Appointed as Manager of the Banking Department in 1984, he continued his career at the Social Security Institution after 2004 as the Executive Vice President of Finance & Management. Al Fouzan served as a member of the Board of Directors at Körfez Gümrük A.Ş., Kuwait Industry Bank and Al Manar Leasing. Mr. Al Fouzan has been serving as a member of the Board of Directors at Kuveyt Türk Katılım Bankası A.Ş. since August 2006 and a member of the Audit and Risk Committee since 2007.

**Shaheen Hamad Abdulwahab****AL GHANEM (07)****Member of the Board of Directors**

Born in Kuwait in 1968, Shaheen Hamad Abdulwahab Al Ghanem graduated with a commercial license degree in Accounting from Kuwait University School of Commerce, Department of Economics and Political Science in 1994. Having completed Harvard University's General Management Program, Mr. 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 the 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 still holds. Al Ghanem has been serving as a member of the Board of Directors and the Corporate Governance Committee of Kuveyt Türk Katılım Bankası A.Ş. since 2006 as well as a member of the Audit and Risk Committee since 2007.

**Fawaz AL SALEH (08)****Member of the Board of Directors**

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

**Ufuk UYAN (9)****CEO**

Born in Eskişehir in 1958, Ufuk Uyan graduated from Boğaziçi University, Department of Economics in 1981 and received a Master's degree from the Department of Business Administration at the same university in 1983. After beginning his professional career as a Research Assistant at the Boğaziçi 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. Mr. 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 as Executive Vice President in 1993 and later Executive Assistant to the CEO. Ufuk 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 STATUTORY AUDITORS



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|--|--|
| <p>(1) <b>Ufuk UYAN</b><br/>CEO</p>  | <p>(6) <b>İrfan YILMAZ</b><br/>Executive Vice President, Retail Banking and Business Banking</p>                       |
| <p>(2) <b>Ahmet KARACA</b><br/>Executive Vice President, Financial Control (Chief Financial Officer)</p> | <p>(7) <b>Dr. R. Ahmet ALBAYRAK</b><br/>Executive Vice President, Banking Services Group</p>                           |
| <p>(3) <b>A. Süleyman KARAKAYA</b><br/>Executive Vice President, Corporate and Commercial Banking</p>    | <p>(8) <b>Murat ÇETİNKAYA</b><br/>Executive Vice President, Treasury, International Banking and Investment Banking</p> |
| <p>(4) <b>Bilal SAYIN</b><br/>Executive Vice President, Credits (Chief Credit Officer)</p>               | <p>(9) <b>Nurettin KOLAÇ</b><br/>Executive Vice President, Risk, Monitoring and Legal Affairs</p>                      |
| <p>(5) <b>Hüseyin Cevdet YILMAZ</b><br/>Head of the Audit and Risk Group</p>                             |  |



### Ufuk UYAN CEO

Please refer to the Board of Directors section for Mr. Uyan's background information.

### Ahmet KARACA Executive Vice President, Financial Control (Chief Financial Officer)

Born in Konya in 1970, Ahmet Karaca graduated from Ankara University, Faculty of Political Sciences, Department of Public Administration in 1990. Starting his career as Assistant Sworn Bank Auditor at the Undersecretariat of the Treasury in 1992, Mr. Karaca was promoted to Sworn Bank Auditor in 1995. Joining the Banking Regulation and Supervision Agency of Turkey with the same title and function in 2000, he became the Deputy Chief Sworn Bank Auditor at the Banking Regulation and Supervision Agency of Turkey between 2002 and 2003, and was appointed Chief Sworn Bank Auditor in 2004. Between 2004 and 2006, Ahmet Karaca attended the State University of New York at Albany for a Master's degree in Economics and with the subject of his Master's thesis on International Banking and Capital Markets. Mr. Karaca joined Kuveyt Türk Katılım Bankası A.Ş. in July 2006 as Executive Vice President of Financial Control (Chief Financial Officer), a position he continues to hold.

### A. Süleyman KARAKAYA Executive Vice President, Corporate and Commercial Banking

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

### Bilal SAYIN Executive Vice President, Credits (Chief Credit Officer)

Born in Sakarya in 1966, Bilal Sayın graduated from the Middle East Technical University, Department of Public Administration in 1990. Mr. Sayın started his banking career as a Specialist at Albaraka Türk in 1990. He joined Kuveyt Türk as Supervisor in the Projects and Investments Department in 1995. Appointed as Manager of the Corporate and Commercial Credits Department in 1999, Bilal Sayın has served as the Executive Vice President of Credits (Chief Credit Officer) since 2003.

### Hüseyin Cevdet YILMAZ Head of the Audit and Risk Group

Born in Istanbul in 1966, Hüseyin Cevdet Yılmaz graduated from Boğaziçi University, Faculty of Economics and Administrative Sciences, Department of Business Administration in 1989. Mr. Yılmaz began his banking career as an Assistant Auditor at Esbank's Internal Audit Board in March 1991. After serving in various positions within this organization, he joined Kuveyt Türk Katılım Bankası A.Ş. in September 2000 as the Head of the Internal Audit Department. Hüseyin Cevdet 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 Banking and Business Banking

Born in Hakkari in 1970, İrfan Yılmaz is a graduate of Istanbul Technical University, Department of Management Engineering in 1989. Beginning his banking career at the Financial Affairs Department of Kuveyt Türk in 1990, Mr. Yılmaz was assigned to the Internal Audit Department in 1996 and later served as the Head of the Internal Audit Department between 1998 and 2000. Appointed as Manager of Retail Banking in 2000, İrfan Yılmaz was promoted to Executive Vice President of Retail Banking and Small Business Banking in 2005 after serving in the Retail Banking Department for five years.

### Dr. R. Ahmet ALBAYRAK Executive Vice President, Banking Services Group

Born in Istanbul in 1966, Dr. R. Ahmet Albayrak graduated from Istanbul University, Department of Industrial Engineering in 1988 and received his Master's degree in Organizational Leadership and Business from North Carolina State University in 1993. Mr. Albayrak earned his PhD from Istanbul Technical University in 2007 for his research on Business Management. Beginning his banking career as a Specialist at Albaraka Türk Katılım Bankası A.Ş. in 1988, Dr. Albayrak joined Kuveyt Türk Katılım Bankası A.Ş. in 1994 and served in the Financial Analysis and Marketing departments until 1996. Serving as Project Leader in the Performans Yönetimi Danışmanlık Şirketi (Performance Management Consulting Company) from 1996 to 1997, he rejoined Kuveyt Türk as acting Executive Vice President of Branch Operations in 2002. Dr. Albayrak was appointed as Executive Vice President of Operations, Technology, and Administrative Services in 2005. Since the reorganization undertaken in 2008, the Human Resources, Training and Development, Organization and Quality departments also report to Ahmet Albayrak, who currently serves as Executive Vice President of the Banking Services Group.

### Murat ÇETİNKAYA Executive Vice President, Treasury, Investment Banking and International Banking

Born in Çorlu in 1976, Murat Çetinkaya is a graduate of the Boğaziçi University with a double major in the Faculty of Economic and Administrative Sciences, Department of International Relations and in the Faculty of Arts and Sciences, Department of Sociology. Mr. Çetinkaya received his Master's degree at the same university's Institute of Social Sciences and is pursuing his PhD studies on International Finance/Economics-Politics at the same university. Beginning his professional career at Albaraka Türk Katılım Bankası, Mr. Çetinkaya worked at various positions including Overseas Transactions, Treasury and Correspondent Relations. Joining Türkiye Halk Bankası in 2003, Murat Çetinkaya served as the Head of International Banking and Structured Finance and then as Executive Vice President of International Banking and Investor Relations. During this period, he also served on the Boards of Directors of various Halk Bankası subsidiaries, and at Halk Yatırım Menkul Değerler A.Ş. in his last two years at this company. Joined the Kuveyt Türk family in January 2008, Murat Çetinkaya currently serves as Executive Vice President of Treasury, International Banking and Investment Banking.

### Nurettin KOLAÇ Executive Vice President, Risk, Monitoring and Legal Affairs

Born in 1966, Nurettin Kolaç is a graduate of Marmara University, Faculty of Law. Beginning his professional career as a freelance attorney, Mr. Kolaç subsequently joined Halkbank's Leasing department as an Attorney. He was employed as a Legal Advisor at Birlik Sigorta from 2000 to 2003, and as a Department Head at Banking Regulation and Supervision Agency of Turkey between 2004 and 2010. Nurettin Kolaç has been Executive Vice President of Risk, Monitoring and Legal Affairs of Kuveyt Türk Katılım Bankası A.Ş. since 2010.

## BOARD OF STATUTORY AUDITORS

### Mikdat YETİM Member

Born in İspir in 1953, Mikdat Yetim graduated from Istanbul Atatürk Institute of Education, Department of Mathematics in 1980. Married and the father of three, Mr. Yetim began his career at Istanbul Regional Directorate of Foundations in 1977. He was subsequently employed as a Supervisor at the Department of Real Estate and then as the Assistant Head of Real Estate at Istanbul Metropolitan Municipality in 1994. Mikdat Yetim has been the Istanbul Regional Deputy Director of the General Directorate of Foundations since 2003. He was appointed as a Member of the Board of Statutory Auditors of Kuveyt Türk, filling the seat vacated by Ayhan Bayram.

### Güven OBALI Member

Born in Konya in 1943, Güven 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 earned the title of Auditor. From 1971 to 1972, Mr. Obalı pursued studies in Germany on the adaptation of the Value Added Law to Turkey. Resigning from his position at the Ministry of Finance in 1975, Güven Obalı joined 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, Mr. Obalı became a member of the Board of Statutory Auditors at Kuveyt Türk, filling the seat vacated by Professor Sabahattin Zaim.

### Ömer Asım ÖZGÖZÜKARA Member

Born in Gaziantep in 1942, Ömer Asım Özgözükara graduated from Ankara University, Faculty of Political Sciences, Department of Economics and Finance in 1964 and joined the Ministry of Finance as an Assistant Auditor immediately after his graduation. He passed the Auditor Exam and began working at the same organization as an Auditor in 1967. In subsequent years, Özgözükara served as Vice president of Istanbul Group Auditors and Vice President of the Board of Auditors. He resigned from his post as Auditor at the Ministry of Finance and joined the private sector in 1975. He was employed as Financial Affairs Manager at Altinyıldız Group of Companies, Faculty Member at Boğaziçi University, and Vice Chairman of the Board of Directors and Executive at Kiğılı Group of Companies, respectively. After Law No. 3568 governing the Financial Advisor profession took effect in 1999, Ömer Asım Özgözükara began working as a Certified Financial Advisor. He continues to serve in that capacity at a financial advisory company which he helped to found.

## SUMMARY REPORT OF THE BOARD OF DIRECTORS TO THE GENERAL ASSEMBLY

Esteemed Shareholders,

Kuveyt Türk Katılım Bankası has successfully completed a year in which the repercussions of the global financial crisis continued to linger, albeit to a lesser extent. In the 21st anniversary of the establishment of our Bank, we are proud to share this success with you, our distinguished shareholders.

Aiming to expand its branch network in line with its growth strategy, the Bank increased the number of its branches to 158 as of the date of this report. Keen on expanding its overseas as well as domestic branch network, Kuveyt Türk added the Financial Services Branch in Germany to its Bahrain Branch and Kuwait Turkish Participation Bank Dubai Ltd that it had established with a capital of US\$ 12 million. Concurrent with increasing the number of branches and expanding the head office organizational structure, the number of employees reached 2,837 as of year-end.

The Bank increased its paid-in capital by TL 300 million, all in cash, to TL 850 million and further strengthened its core equity. During this period, the Bank issued Turkey's first sukuk security in the international markets, which closed as a three-year, US\$ 100 million offering. In addition, the Gold Exchange-Traded Fund launched by Kuveyt Türk began trading on the Istanbul Stock Exchange under the GOLDP stock symbol.

In 2010 Kuveyt Türk made very significant achievements in financial indicators and operational results. During this period, the size of the Bank's consolidated balance sheet grew by 41% over the previous year to TL 9,594,764 thousand and total consolidated funds acquired increased by 37% to TL 8,106,347 thousand. The Bank's lending volume was up 50% to TL 6,956,410 thousand.

Kuveyt Türk closed 2009 with consolidated net profit of TL 134,281 thousand, an increase of 26% over the previous year and reached TL 168,560 thousand, while the Bank's shareholders' equity was up by 56% over 2009 and reached TL 1,275,765 thousand. The Bank's long-term TL credit rating of investment-grade "BBB-" assigned by Fitch Ratings in 2009 was raised to "BBB" by Fitch Ratings in 2010, while the outlook was revised to positive. Consolidated BRSA Capital Adequacy Ratio of the Bank is also raised to %17.05 from %14.84.

As the Board of Directors, we would like to express our deepest gratitude and best wishes for success to all of our shareholders, management team and employees, who have made major contributions to Kuveyt Türk's success in 2010.

Respectfully yours,

**Board of Directors**

## INTERNAL SYSTEMS EXECUTIVES

### Committees

#### Supporting Committees Reporting to the Board of Directors

##### Internal Systems Executives

Name/Surname	Position	Education Level
H. Cevdet YILMAZ	Head of Audit and Risk Group	Bachelor's Degree
Bahattin AKÇA	Head of Internal Audit 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 Regulation and Compliance Department	Bachelor's Degree

##### Audit Committee

Name/Surname	Position	Date of Appointment	Education Level
Adnan ERTEM	Chairman, Member of the Board of Directors	October 19, 2010	PhD
Azfar Hussain QARNI	Member, Member of the Board of Directors	May 27, 2003	Master'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 auditors about the discharge of their functions,
- Notifies the Board of Directors of any issues that might negatively impact the continuity and secure conduct of the Bank's operations or any breach of legal and regulatory requirements or internal regulations,
- Presents to the Board of Directors, at least semi-annually, the results of its activities and its opinions on corrective actions that must be taken, required practices, and on other matters deemed important for the continuity and secure conduct of the Bank's operations.

##### Audit and Risk Committee

Name/Surname	Position	Date of Appointment	Education Level
Adnan ERTEM	Chairman, Member of the Board of Directors	March 29, 2007	PhD
Shaheen Hamad Abdulwahab Al GANEM	Member, Member of the Board of Directors	March 29, 2007	Bachelor's Degree
Azfar Hussain QARNI	Member, Member of the Board of Directors	March 29, 2007	Master's Degree
Khaled Nasser Abdulaziz AL FOUZAN	Member, Member of the Board of Directors	March 29, 2007	Bachelor's Degree

##### Duties and Responsibilities

- Determines and documents in writing the strategies, policies and implementation procedures for the activities of units constituting the internal systems; overseeing 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 of Turkey or by the independent auditors related to internal systems practices in order to take corrective actions,
- Evaluates the identified errors or deficiencies and directs the control and internal audit activities toward those areas where the same or similar deficiencies or errors might occur.

► INTERNAL SYSTEMS EXECUTIVES

### Corporate Governance Committee

Name/Surname	Position	Education Level
Adnan ERTEM	Chairman, Member of the Board of Directors	PhD
Shaheen Hamad Abdulwahab AL GANEM	Member, Member of the Board of Directors	Bachelor's Degree

#### Duties and Responsibilities

- Ensures compliance with corporate governance principles, monitors the actions taken, undertakes improvement efforts 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
Bilal SAYIN	Executive Vice President, Credits (Chief Credit Officer)
R. Ahmet ALBAYRAK	Executive Vice President, Banking Services Group
İrfan YILMAZ	Executive Vice President, Retail Banking and Small Business Banking
Ahmet KARACA	Executive Vice President, Financial Control (Chief Financial Officer)
Nurettin KOLAÇ	Executive Vice President, Risk, Monitoring and Legal Affairs
Ömer KARAKUŞ	Head of Corporate Marketing and Product Development Group
Tamer Selçuk DURMAN	Head of Risk Management and Treasury Control
Erdal ÖZBİLİR	Vice President, Corporate and Commercial Credits
Sinan AKDEM	Vice President, Retail and Small Business Credits
Ahmet Kudsi ARSLAN	Vice President, Corporate and Commercial Credits II
Latif OKTAY	Vice President, Financial Analysis and Intelligence
Zekeriya ALTUN	Vice President, Credit Risk Monitoring
Mehmet KELEŞ	Vice President, External Reporting

#### Duties and Responsibilities

- Reviews the Bank's strategies, policies and processes in accordance with Basel II principles and the regulations of the Banking Regulation and Supervision Agency of Turkey in this area and reports its final work to the Senior Management and to the Board of Directors.

### Other Supporting Committees

#### Executive Committee

Name/Surname	Position
Mohammad S.A.I. AL OMAR	Chairman of the Board of Directors
Abdullah TİVNİKLİ	Member, Vice Chairman of the Board of Directors
Ufuk UYAN	Member, Member of the Board of Directors, CEO

#### Duties and Responsibilities

- Performs many types of tasks assigned by the Board of Directors,
- Discharges the requirements of its authority on purchasing immovable properties, affiliates and inventories up to 10% of the Bank's shareholders' equity and makes decisions on participation in projects, partnerships and investments.



### Credit Committee

Name/Surname	Position
Mohammad S.A.I. ALOMAR	Chairman, Chairman of the Board of Directors
Abdullah TIVNİKLİ	Vice Chairman of the Board of Directors
Ufuk UYAN	CEO

#### Duties and Responsibilities

- Makes the lending decisions for loans amounting to between 1% and 10% of the Bank's shareholders' equity.

### Assets-Liabilities Committee

Name/Surname	Position
Ufuk UYAN	CEO
H. Cevdet YILMAZ	Head of Audit and Risk Group
A. Süleyman KARAKAYA	Executive Vice President, Corporate and Commercial Banking
Ahmet KARACA	Executive Vice President, Financial Control (Chief Financial Officer)
Bilal SAYIN	Executive Vice President, Credits (Chief Credit Officer)
İrfan YILMAZ	Executive Vice President, Retail Banking and Small Business Banking
R. Ahmet ALBAYRAK	Executive Vice President, Banking Services Group
Murat ÇETİNKAYA	Executive Vice President, Treasury, Investment Banking and International Banking
Nurettin KOLAÇ	Executive Vice President, Risk, Monitoring and Legal Affairs

#### Duties and Responsibilities

- Is the senior management committee responsible for the bank's assets and liabilities as well as its financial management. It meets regularly on a weekly basis.

#### Attendance in Committee Meetings

In accordance with the Articles of Association, the Bank's Board of Directors convenes whenever necessary and makes decisions as needed. The Board of Directors convened six times in 2010, and all members were present at all meetings unless they reported valid excuses.

The Audit Committee monitors the audit and risk management activities of the Bank in accordance with laws and regulations, particularly the Banking Law, and takes necessary actions. The Audit Committee convened seven times during 2010. In addition, seven Audit and Risk Committee meetings were held in 2010 with the participation of managers of the units constituting the internal systems in order to ensure more effective risk management.

The Executive Committee, which performs the tasks assigned by the Board of Directors, assembled three times in 2010.

The Credit Committee, authorized to assess and approve loans up to 10% of the Bank's shareholders' equity, assembled 21 times in 2010 to perform this task.

The Assets-Liabilities Committee, responsible for the Bank's financial management and for overseeing the asset-liability balance, assembled 50 times during 2010.

## HUMAN RESOURCES POLICIES

# Human resources are our capital

Kuveyt Türk attaches importance to both internal and external customer satisfaction. It is the kind of place where result-oriented people who are interested in interest-free banking and are successful team players, possessing strong communication and persuasion skills want to work.

Kuveyt Türk which considers human resources to be its most valuable capital, continued to invest in that area at an increasing pace in 2010. Having long ago implemented world-class HR systems, Kuveyt Türk made changes in the Human Resources department in 2010 to further increase employee satisfaction and HR service quality.

Kuveyt Türk attaches importance to both internal and external customer satisfaction. It is the kind of place where result-oriented people who are interested in interest-free banking and are successful team players, possessing strong communication and persuasion skills want to work.

As of the end of 2010, 88% of Kuveyt Türk employees hold at least a Bachelor's degree; The average age of the Bank's personnel is 31. Along with its branch network expansion efforts in 2010, Kuveyt Türk also accelerated its investments in educating and developing its employees. As part of this effort, the Bank undertook initiatives to reinforce the recruitment, career/skill development and back-up processes.

Breaking new ground in the participation banking sector in 2010, Kuveyt Türk made yet another addition to its long list of human sources investments. In 2010, the AİLEM (My Family) private pension system with matching contributions from Kuveyt Türk was launched. As part of the AİLEM private pension system (designed with the assistance of Vakıf Emeklilik in accordance with interest-free banking principles) Kuveyt Türk makes contributions of 2% of each employee's monthly salary into their private pension system accounts each month. The families of the Bank's personnel are also eligible to benefit from the advantages of this fund, which is provided to Kuveyt Türk's employees with smaller expense deductions than the market offers.

Striving to recruit talented young people to Kuveyt Türk, the Human Resources Department participated in various career fairs, organizations and conferences in 2010. The objective was to reach out to these young people, to accurately portray and promote the Bank and increase its recognition.

As part of the Campus in the Bank program, a social responsibility project launched in 2009, visits were made to universities in İstanbul, Bursa, Antalya, Antep, Konya and Ankara in 2010 to reach a wider group of students. As a result of the interviews and evaluations conducted by the Department, nearly 150 students received Bank internships and on-the-job training commenced in various locations and positions.

This initiative is aimed at third and fourth-year university students who are preparing for their professional life and contemplating a career in the banking industry. Students admitted to the program, after attending training in banking and personal development, become interns at the branches and departments where they get the opportunity to become familiar with the banking sector, to demonstrate their performance in accordance with their assigned objectives, to determine career progression, and accelerate their personal development. Students who complete their on-the-job training and internships successfully receive priority consideration in joining Kuveyt Türk after graduation.

In 2010 the Management Trainee program, created as part of the Bank's rapid branch-network expansion and growth strategy to recruit the young people who will be Kuveyt Türk's management team in the future continued at full speed in 2010. Candidates chosen from among graduates of Turkey's top universities are subjected to a stringent Assessment Center process and put through a long training and rotation process.

Supported by competitive salaries and benefit packages, management trainees also have the opportunity to attend MBA programs to spur the development of their managerial capabilities as well as programs designed exclusively for Kuveyt Türk their staff. There are similar programs for positions such as Assistant Controller and Assistant Internal Auditor.

The HR Communication and Marketing Service expanded club activities in 2010 to establish effective communication between employees, bring people together outside work and enhance a culture of cooperation. The clubs formed within Kuveyt Türk for this purpose include the Theatre Group, Literature, Music, Travel, Photography, Innovation and Technology, Cinema and Professional Development clubs, as well as the Women Entrepreneurs Platform.

### Recruitment Process

The Bank's recruitment team, consisting of subject matter experts and specialists, employs multiple techniques to recruit suitable candidates. The number of employees increased from 2,448 at year-end 2009 to reach approximately 2,900 as of year-end 2010. Recruitment activities continued at full speed in 2010, creating an opportunity to implement new projects. The year 2009 was one of projects for Human Resources, particularly in regards to the diversifying recruitment methods and choosing the right candidate for the right job.

The recruitment processes were enhanced with competence-based interviews, general aptitude tests, group interviews, case studies, simulations, role-playing and personality inventories. Information from these various applications is discussed in detail at Recruitment Committee meetings, introduced in 2009 and held periodically, where decisions about recruiting candidates are made.

### Compensation System

The compensation management system, premised on the policy of compensation based on the job rather than the person, aims to motivate employees to perform beyond their assigned objectives. Further, it is intended to identify employees performing at different levels, and to implement performance-based compensation. The compensation structure is based on the concept of the "Total Compensation Package" consisting of salary, foreign language bonus, transportation assistance, performance bonus and other side payments. In an effort to remain competitive in the market, Kuveyt Türk also offers various side benefits to its employees including private health insurance that also covers the employee's spouse and children, a private pension system with company contribution, and clothing assistance.

### Performance System and Career Development

With performance evaluations carried out transparently based on competence, measurable targets and regular feedback, Bank managers and employees are supported in their continuous development process.

The new portfolio system allows branch employees to receive monthly and annual performance scorecards in a more robust fashion. As of year-end 2009, the Corporate Performance Management Project was also completed. Department-based performance indicators were determined for the head office, which represents a major step toward more objective performance evaluations.

With the acceleration of branch network expansion, Kuveyt Türk enriched the career opportunities it offers its employees by giving priority to the Directors in the Career Development Program who have developed from within the Bank and who have distinguished themselves with their performance in new managerial appointments. As part of this effort, 26 Directors from the Career Development Group were appointed as branch managers in 2010.

The Human Resources Department's career development initiatives will continue at an increasing pace in 2011.

### Training and Development

Kuveyt Türk, which undertakes initiatives to sustain the professional and personal development of its employees and provide advanced level of support to its qualified human capital, implements new practices in this area every year.

The Bank continued to allocate a major share of its budget to employee training and development activities in 2010.

Organizing intensive classroom training and distance-learning programs, the Bank also offers Master's and MBA education opportunities in cooperation with universities. Throughout the year, the Bank organized 1,010 classroom training sessions on various subjects; the average classroom training per employee was 10 days. In addition, employees whose jobs require proficiency in English continued to attend foreign language courses in Turkey and abroad.

In parallel with its strategic targets, Kuveyt Türk constantly expands its branch network and increases the number of its employees. Taking this into consideration, the Human Resources Department added a Core Banking Training Package to its training program aimed at new recruits; Thus, 404 employees who started at the Bank in 2010 benefited from this package. The package consists of training programs on banking basics, laws and regulations, communication skills, customer satisfaction, common corporate culture and the structure of Kuveyt Türk.

In addition, employees were presented with various training sessions and tests via the online training center. All employees received an average of five training sessions through this system and 13,696 online training sessions were completed in 2010. The Manager Development Program also continued in 2010 and a group of 40 employees had an average of 16 days training per person.

As part of the Mentoring Project initiated in 2009 to enhance employee loyalty and reduce workforce turnover, students who took part in the "Campus in the Bank" program were provided with mentoring support.

The 2010 MT Recruitment & Training process, which recruits new graduates from Turkey's top universities to the Bank, was completed. A six-month training schedule of classroom and on-the-job training was administered for the MT group comprising 11 people.

The first stage of the Service Culture Project developed by the Quality and Strategy Oversight Department was implemented in 2009. As part of the project's second stage, 124 Service Culture training sessions were given via the in-house instructor staff at the regions in 2010. These training sessions were attended by all employees. The Bank supports the development of all employees in accordance with the Service Quality principle of Vision 2014.

In addition, in-house conference programs open to general participation and aimed at raising awareness about contemporary banking issues were organized in 2010 with 358 employees attending.

### Quality and Strategy Oversight

The Quality and Strategy Oversight Department implemented important projects for process management, information management, improving service quality, corporate performance management, and customer services management in 2010.

A project was drawn to correct deficiencies identified in the Sound Idea Platform and the second version of the Sound Idea Platform was created. Eight appeals were published during the year and a total of 1,962 suggestions, either submitted directly or shared ex officio, were received in response to these requests. In 2010, 56 ideas were recognized; projects were drafted for 10 of these while the remaining 46 were deemed worthy of acknowledgement even though they were not chosen for implementation.

## ► HUMAN RESOURCES POLICIES

The franchise loan suggestion, which was received through the sound idea platform, was implemented in April 2010 and was rewarded with the award of 50 grams of gold, the largest prize in this system.

Seeking ideas from outside the Bank, an agreement was entered into with the [www.acikinovasyon.com](http://www.acikinovasyon.com) web site and a Kuveyt Türk page was created on this site. Two requests were published in 2010 and the person who submitted the one idea, from among many suggestions received, that was deemed worthy of implementation was rewarded with 10 grams of gold in accordance with the Bank's Award Policy.

In addition to the Information Management efforts, portal pages were created for other departments on the intranet in line with the requests.

In an effort to reduce e-mail traffic within the Bank and ensure that published announcements are read and job appointments are followed, the DÜRBÜN – Job and Announcement System was created. The project for the documents (regulation, policy, process, implementation principle, etc.) published in the DÜRBÜN system to be signed using e-signature was completed. The e-signature integration with the DÜRBÜN system was established.

The head office meeting reservation system was implemented under the Meeting Management System name and it also encompasses the branches. The software stage of the system was completed as a result of coordinated efforts in conjunction with the Administrative Services and Branch Coordination Departments. As part of the project, the system will be put in service after the head office meeting rooms are equipped with LCD screens.

The Quality and Strategy Oversight Department completed 10 Six Sigma projects in 2010. In addition, to achieve Kuveyt Türk's vision and objectives in the banking industry, projects to strengthen the banking infrastructure, set process standards and

improve the processes were launched as part of vision 2014. The BOA transformation processes of checkbook and treasury processes were completed in a way that encompasses the internal control, risk and performance management subjects as well. BOA transformation of the Bank's processes will continue in 2011.

Training programs for the Service Culture Project, launched by the Bank on June 15, 2009, to achieve superior service quality, one of Kuveyt Türk's strategic priorities, began on April 2010 under the Training Department's leadership. Designated as a high priority, Service Culture Training was developed in conjunction with the ADS Consulting Group and training of In-House Instructors began. As part of the process that began with the "Training of the Instructor," initiatives were undertaken with the staff consisting of 50 instructor candidates. Fifteen In-House Instructors were chosen from among these candidates with the help of experienced instructors. The designated instructors administered "Service Culture" training sessions throughout the year that were also attended by Executive Vice Presidents, Group Heads and Unit Managers.

Because the project aims to establish coherence between Kuveyt Türk's image and messages with the services that it offers. Further it aspires to foster a common language and approach at every point where domestic or foreign customers are served, thus achieving a high level of customer satisfaction at every point of customer contact and to create customer loyalty. Promotion efforts aimed at employees and customers are carried out as part of the project. The mascot that will represent the service culture basic service principles was chosen in 2010. Brochures, surveys and promotional merchandise featuring this mascot were produced and distributed to the branches.

In addition to service quality initiatives, the Bank continued to conduct internal customer satisfaction, latent customer satisfaction and customer satisfaction surveys and shared the results with the related units in 2010. Three

latent customer satisfaction surveys, two internal customer satisfaction surveys, and three customer satisfaction surveys were conducted. Studies were conducted to reflect the results of these surveys in the goals of the Bank's employees.

Five branches that were successful as a result of the latent customer survey, and one department and one region office that were successful as a result of the internal customer satisfaction survey were awarded with five grams of gold.

"Customer Services Committee Meetings" under the responsibility of the "Customer Satisfaction Service," which joined the Quality and Strategy Oversight Department in 2010, were conducted alongside activities performed to increase customer satisfaction and prevent issues that caused complaints from being completed.

Kuveyt Türk's strategic business plan, coordinated by the Quality Department, drafted by senior management and approved by the Board of Directors, was put into practice under the Vision 2014 phrase within the context of projects stipulated in the roadmap.

To ensure that the Bank's projects and activities are undertaken in accordance with this strategy, the strategy oversight function was executed and a strategy oversight meeting was held with the senior management.

A Corporate Performance Management (CPM) Project was launched to serve the strategy oversight function. It shows the contribution made by departments to the vision and strategic objectives that were defined as part of Vision 2014 and indicates the position of the Company in relation to these strategic objectives. The reporting software infrastructure which allows all head office units, region offices and branches to monitor their contribution to the Bank's objectives using key performance indicators and the Balanced Scorecard methodology was created. Reporting to senior management using this methodology began.

## OUTSOURCED SERVICES

Service Provider	Nature of Service
AD Yazılım San. ve Danışmanlık Hiz. A.Ş.	Maintenance of information systems software services
Aktif Arşiv Belge Bilgi Yönetimi Organizasyon Yayıncılık San. ve Tic. Ltd. Şti.	Archive
Banksoft Bilişim Bilgisayar Hizmetleri Ltd. Şti.	Automated teller machine (ATM) operation and point of sale (POS) device operation
Bilişim Alternatif Dağıtım Kanalları ve Ödeme Sistemleri A.Ş.	Debit card, credit card, checkbook and account statement printing and electronic delivery of account statements
Brink's Taşıma Hizmetleri A.Ş.	Transportation of all types of cash, securities and precious metals
Collection Platform Yazılım ve Danışmanlık A.Ş.	Call Center
Corbuss Kurumsal Telekom Servis Hizmetleri A.Ş.	Maintenance of information systems software services
Cybersoft Enformasyon Teknolojileri Ltd. Şti.	Maintenance of information systems software services
Eastern Networks Çözümleri Tic. A.Ş.	Maintenance of information systems software services
Elektronik Sanal Ticaret ve Bilişim Hizmetleri A.Ş.	Maintenance of information systems software services etc
BASE Yazılım ve Bilişim Teknolojileri Ltd. Şti.	Maintenance of information systems software services
Fujitsu Technology Solutions Bilişim Ltd. Şti.	Automated teller machine (ATM) operation and point of sale device (POS) operation
Hostamedia Bilişim Teknolojileri Türk Telekomünikasyon A.Ş.	Maintenance of information systems software services
İnnova Bilişim Çözümleri A.Ş.	Maintenance of information systems software services
Microsoft Co.	Maintenance of information systems software services
Securicor Verdi Güvenlik Hizmetleri ve Tic. A.Ş.	Transportation of all types of cash, securities and precious metals
Servus Bilgisayar A.Ş.	Automated teller machine (ATM) operation and point of sale (POS) device operation
Unisec Bilgisayar Hizmetleri Ticaret ve Sanayi Ltd. Şti.	Maintenance of information systems software services
Venus Eğitim Danışmanlık Telekomünikasyon Organizasyon Bilgisayar Sanayi ve Tic A.Ş.	Maintenance of information systems software services
Verifone Elektronik ve Danışmanlık Ltd.Şti.	Automated teller machine (ATM) operation and point of sale device (POS) operation
V.R.P. Veri Raporlama Programlama Bilişim Yazılım ve Danışmanlık Hiz. Tic. A.Ş.	Maintenance of information systems software services
Wincor Nixdorf Bilgisayar Sistemleri A.Ş.	Automated teller machine (ATM) operation and point of sale device (POS) operation

## RELATED PARTY TRANSACTIONS

Information on transactions conducted within the Bank's risk group is provided in detail on page 127 of the annual report.



## REPORT OF THE BOARD OF STATUTORY AUDITORS


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

### REPORT OF THE BOARD OF STATUTORY AUDITORS FOR 2010

After analyzing the transactions and accounts of Kuveyt Türk Katılım Bankası A.Ş. in 2010 in light of the Turkish Commercial Code, Articles of Association and other related regulations, we conclude that the Bank's Balance Sheet and Profit-Loss Statement are in compliance with the accounting records and the records are in compliance with the documents.

Based on this conclusion, we recommend that the Balance Sheet and Income Statement for 2010 presented for approval by the Board of Directors be approved and with all due respect we express our consent for the profit to be allocated and distributed according to the principles proposed by the Board of Directors.

Respectfully yours,



**Güven OBALI**  
Statutory Auditor



**Miktad YETİM**  
Statutory Auditor



**Ö.Asım ÖZGÖZÜKARA**  
Statutory Auditor

## ASSESSMENT OF THE AUDIT COMMITTEE REGARDING INTERNAL SYSTEMS

The Bank's units constituting the internal systems are the Internal Audit Department, Internal Control Department, Risk Management and Treasury Control Department, and the Regulation and Compliance Department. As per the Bank's organizational structure, the units constituting the internal systems report directly to the Board of Directors. The Board of Directors has delegated its duties and responsibilities with regard to internal systems to the Audit and Risk Committee, which is appointed in charge of Internal Systems and consists of four Members of the Board of Directors. These units operate under the supervision and coordination of the Audit and Risk Committee.

Due to the global crisis whose repercussions continue to linger, as well as the developments in Turkey's commercial and social life; the concepts of risk, control and compliance remain on our agendas as areas that require particular attention. Within this scope, the departments constituting the internal systems performed their activities in 2010 as an element of the banking operations.

In accordance with the regulations of the Banking Regulation and Supervision Agency of Turkey, the Internal Audit Department carried out its audit activities with a risk-oriented approach. Accordingly, the audit priorities of branches and head office units were determined according to risk assessments and the most risky areas were given priority during the execution of these activities. Audits were conducted according to the audit plan and the internal control system and the risk management level of the audited areas were evaluated. Activities were undertaken in accordance with the plan.

In line with the Bank's strategy and its expanding branch network, the Internal Control Department organized its activities into three groups: On-site Control Activities, Central Control and Monitoring Activities, Information Systems Control and Internal Control System Design Activities. In this context, the Internal Control Department conducted a diverse set of control activities at the unit, branch and process level with a proactive approach and contributed to the improvement of the internal control system's effectiveness throughout the Bank. In conformity with the Bank's organizational structure, the On-site Control activities consist of internal control activities of units, branches and processes. Efforts within this scope are carried out via the control services formed regarding the sectors at region offices and the head office. The Central Control and Monitoring activities are performed under the coordination of the Central Control and Monitoring Service that was formed within the Department. As part of the Information Systems and Internal Control System Design, performing various analyses and contributing to the improvements regarding banking processes, new products and services, and information systems. The Department contributed to the improvement of the internal control system and the widespread adoption of the internal control culture.

Risk Management performs risk analyses, IT risk assessment studies, stress tests and scenario analyses with regard to the credit, market and operational risks the Bank may be exposed to. As part of its operational risk initiatives, the Unit took part in the Bank-wide process modernization and modeling project and contributed to the efforts to determine the risk points of the Bank's processes and IT risk assessment efforts. As part of Basel II compliance, the infrastructure work for switching to advanced methods is ongoing. Detailed plans were drawn up to prevent business interruption and ensure business continuity in the case of emergency situations. The Unit also performed the control and monitoring activities of the Bank's treasury transactions.

Kuveyt Türk operates in a sector subject to detailed legal and regulatory requirements. The Regulation and Compliance Department, responsible for overseeing the Bank's compliance with existing and new legal and regulatory requirements and carrying out control activities in this area, was organized as a standalone department. Related units were notified about the changes in laws and regulations that concern the Bank's operations and initiatives were undertaken regarding the Bank's internal regulations that must be changed. The Department rendered advisory service concerning existing and new laws and regulations and performed activities regarding the design and offer of new products and services in compliance with legal and regulatory requirements. The Department has ongoing efforts regarding the compliance of newly opened and planned overseas branches with the local laws and regulations.

The Audit Committee held seven meetings during 2010. The departments constituting the Bank's internal systems undertook their activities in cooperation with the other departments of the Bank in accordance with the principles of independence, objectivity, effectiveness, adequacy and separation of powers.



**Adnan ERTEM**  
Audit Committee Chairman



**Azfar Hussain QARNI**  
Audit Committee Member

## ASSESSMENT OF FINANCIAL POSITION, PROFITABILITY AND DEBT SERVICING CAPACITY

As of year-end 2010, Kuveyt Türk Katılım Bankası increased its total assets by 41% to TL 9,594 million and its shareholders' equity by 56% to TL 1,275 million. Accordingly, the Bank's capital adequacy ratio stood at 17.05%, above the legally required limit. The Bank continues to use its resources effectively and productively and to increase its profit. Detailed information on the Bank's financial position, profitability and debt servicing capacity can be found in the financial statements and independent auditor's report section.

## RATINGS OF KUYEYT TÜRK BY INTERNATIONAL RATING AGENCIES

The ratings issued by international rating agencies that were authorized in accordance with the Regulation on the Principles regarding the Authorization and the Activities of Rating Agencies, and their contents, are presented below.

### Fitch Ratings

Foreign Currency		National	
Long Term	<b>BBB-</b>	Long Term	<b>AAA (tur)</b>
Short Term	<b>F3</b>	General Outlook	<b>Stable</b>
General Outlook	<b>Positive</b>	Individual	<b>D</b>
		Support	<b>2</b>
Local Currency		Country Risk	
Long Term	<b>BBB-</b>	Foreign Currency Long Term	<b>BB+</b>
Short Term	<b>F3</b>	Local Currency Long Term	<b>BB+</b>
General Outlook	<b>Positive</b>	General Outlook	<b>Positive</b>
		Country Ceiling	<b>BBB-</b>

## INFORMATION ON RISK MANAGEMENT POLICIES

### Credit Risk Management Policies and Procedures

The fundamental objectives of Kuveyt Türk's credit risk policy is to measure the counterparty risks assumed in the course of credit transactions, to monitor risk within the framework of legal and Bank limits, to research new techniques and practices in measuring and controlling risks, to monitor overdue receivables, to analyze reasons for such payment delays and to take the necessary measures.

In accordance with the CRD/Basel II document and the recommendations of the Banking Regulation and Supervision Agency of Turkey, the fundamental principle for the Bank's senior management is to administer and oversee credit policies. The Risk Management and Treasury Control Department works in conjunction with the Bank's senior management to set these strategies.

The credit risk policy in general encompasses guidance and explanatory information on enforcement and procedures regarding target customer selection, authority of extending and disbursing loans, transfer of authority, the organizational structure of the Credit Committee, credit limits, provisions and collaterals, principles of allocating limits, risk monitoring, control and improvement, risk analysis of new products, key risk points and risk mitigation measures for risk points.

### Market Risk Management Policies and Procedures

The fundamental objective of the market risk policy is to achieve the Bank's profitability and growth targets by minimizing risks that may arise from all kinds of foreign exchange, gold, stock and derivative transactions as well as structural interest rate risk that the Bank may be exposed to during these transactions and to maintain the Bank's capital adequacy ratio in accordance with these goals.

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 Committee, the prevailing market conditions and trends and in accordance with frequently updated long- and short-term market forecasts by way of portfolio diversification. To this end, transaction and portfolio limits set by the Assets-Liabilities Committee and approved by the senior management are used as a guidance tool.

The acceptable risk level in Treasury operations is determined using such guidance tools as management-approved customer limits, transaction limits, permissible transaction types, counterparty and country limits. To avoid assuming excessive market and liquidity risks, the Bank also monitors the liquidity position, the stock and foreign exchange positions and their profitability, the total daily profit-loss status and the balance of the nostro accounts on a daily basis. The Maturity Mismatch (GAP) Analysis Report generated weekly also allows the Assets-Liabilities Committee to closely monitor the Bank's maturity mismatch risks. In response to the possibility of positions exceeding the Bank's risk limits, hedging trades that can be put on by the Treasury Department instantaneously reduce Kuveyt Türk's mismatch and position risks down to reasonable levels within commensurate limits.

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

- Ensuring that risk management concept works in practice,
- Risk-taking activities are compatible with the Bank's risk-taking capability and capacity,
- Ensuring that levels of risk are managed consistent with both the markets where risks are taken and with the Bank's risk-taking capacities.

### Operational Risk Management Policies and Procedures

Kuveyt Türk has established a management structure that is compatible with operational risk policies and implementation procedures in all business lines, risk management functions and control areas.

The operational risk points are responsible for managing external functions such as insurance, benefits and taking collateral, as well as procurement of services from third parties. In this process, these points are responsible for effectively communicating with the personnel engaged in managing credit, market and other risks.

Kuveyt Türk's operational risk framework takes into consideration all structural flaws, deficiencies and difficulties found in business line areas of activity. For this reason, while establishing its operational risk profile, implementation procedures and oversight infrastructure for risk management, the Bank takes reviews the level and degree of importance of all operational risks. The Bank's risk-management principle is to minimize risk to the maximum extent as well as review solution-oriented functional benefits. In this context, the Bank evaluates and manages operational risks by also taking into account the operational capabilities and workload of its extensive branch network and banking service groups.

The operational risk management process consists of defining and measuring risks by appropriate policies and processes, as well as testing and controlling activities through an effective internal control system.

## FIVE-YEAR SUMMARY FINANCIAL INFORMATION

	2006	2007	2008	2009	2010
Profit sharing income	269,592	354,008	508,106	620,640	639,251
Profit sharing expense	165,060	216,149	336,696	369,844	318,096
Net fee and commission income	57,983	92,144	125,689	128,884	140,051
Other income	14,756	34,939	96,077	96,124	110,508
Other expenses	137,600	179,025	276,403	304,774	361,578
Provision for taxes	286	18,839	25,505	36,749	41,576
Net profit for the period	39,957	67,078	91,268	134,281	168,560
Total assets	2,951,434	3,860,015	5,718,698	6,814,897	9,594,264
Total shareholders' equity	270,122	404,422	688,700	817,481	1,275,765
Capital adequacy ratio (%)	15.01*	14.72*	15.63*	14.84	17.05

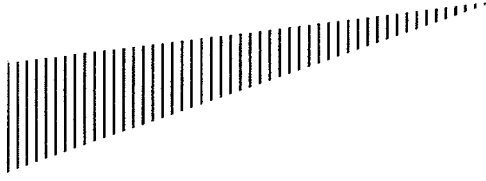
\* Unconsolidated figures

**KUVEYT TÜRK KATILIM BANKASI  
ANONİM ŐİRKETİ**

**CONSOLIDATED FINANCIAL  
STATEMENTS TOGETHER WITH  
INDEPENDENT AUDITORS' REPORT  
DECEMBER 31, 2010**







**ERNST & YOUNG**

**Güney Bağımsız Denetim ve  
SMMM AŞ**

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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, 2010**

We have audited the accompanying consolidated 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, 2010 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 and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with 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 financial statements are free from material misstatement.

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

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

**Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of December 31, 2010, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

*Ernst & Young*

March 9, 2011  
Istanbul, Turkey

## KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

### CONSOLIDATED STATEMENT OF FINANCIAL POSITION

#### AS AT DECEMBER 31, 2010

(CURRENCY-IN THOUSANDS OF TURKISH LIRA-TL)

	Notes	2010	2009
<b>Assets</b>			
Cash and balances with the Central Bank	4	415,764	239,090
Balances with other banks and financial institutions	4, 30	933,913	903,319
Reserve deposits at the Central Bank	5	329,844	218,689
Financial assets-held for trading	6, 30	32,738	9,952
Derivative financial instruments	21, 30	28,480	9,925
Share Certificates		27	27
Gold Fund		4,231	-
Financial assets-available-for-sale	6, 30	4,520	4,520
Financial assets-held to maturity	6, 30	-	7,529
Due from financing activities, net	8, 30	6,868,937	4,586,786
Minimum finance lease payments receivable, net	9, 30	87,473	53,512
Precious Metals		507,311	409,854
Other assets	10, 30	165,004	180,367
Construction projects, net	11	3,167	3,025
Investment in associate	7	-	12,315
Investment properties, net	12	55,975	47,207
Property and equipment, net	15	137,046	108,180
Intangible assets, net	16	13,158	8,256
Deferred tax assets	19	13,400	12,749
		9,568,250	6,805,350
Assets and a disposal group held for sale	13	26,015	9,547
<b>Total assets</b>		<b>9,594,265</b>	<b>6,814,897</b>
<b>Liabilities and equity</b>			
Due to other financial institutions and banks	17	482,972	383,681
Sukuk securities issued	17	156,433	-
Current and profit/loss sharing investors' accounts	18	7,479,284	5,545,201
Derivative financial instruments	21	14,300	6,231
Other liabilities	20	171,938	49,422
Provisions	20	7,909	7,107
Income taxes payable	19	5,663	5,774
		8,318,499	5,997,416
Liabilities directly associated with assets classified as held for sale	13	-	-
<b>Total liabilities</b>		<b>8,318,499</b>	<b>5,997,416</b>
Share capital	22	850,000	500,000
Share premium	22	23,250	23,250
Legal reserves and retained earnings	23	402,208	294,231
Currency translation differences		308	-
<b>Total equity attributable to equity holders of the parent</b>		<b>1,275,766</b>	<b>817,481</b>
<b>Total liabilities and equity</b>		<b>9,594,265</b>	<b>6,814,897</b>

The policies and explanatory notes on pages 6 through 60 form an integral part of these consolidated financial statements.

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**  
**LIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

(CURRENCY-IN THOUSANDS OF TURKISH LIRA-TL)

	Notes	2010	2009
<b>Income from financing activities:</b>			
Profit on originated loans from profit/loss sharing accounts		362,672	427,298
Profit on originated loans from current accounts and equity		249,196	150,245
Profit on deposits with other banks and financial institutions		22,727	35,878
Profit on finance leases		4,656	7,219
<b>Total income from financing activities</b>		<b>639,251</b>	<b>620,640</b>
Profit shares distributed to participation accounts		(303,553)	(349,348)
Profit shares distributed to other banks and financial institutions		(14,543)	(20,496)
<b>Net financing income</b>		<b>321,155</b>	<b>250,796</b>
Provision for impairment of amounts due from financing activities and lease receivables	8, 9	(62,431)	(64,821)
<b>Net financing income after provision for impairment in due from financing activities and lease receivables</b>		<b>258,724</b>	<b>185,975</b>
Foreign exchange gain, net		40,115	32,731
<b>Net financing income after net foreign exchange gain/(loss)</b>		<b>298,839</b>	<b>218,706</b>
Fees and commission income	26	164,884	157,436
Income/(loss) from construction projects, net		1,865	642
Net trading income		23,852	47,762
Other income		44,857	10,904
Share of profit/(loss) of an associate	7	(489)	30
<b>Total other operating income</b>		<b>234,969</b>	<b>216,774</b>
Fees and commission expense	26	(24,833)	(28,552)
Staff costs	27	(162,903)	(134,297)
Depreciation and amortization expense		(21,681)	(18,216)
Withholdings and other taxes		(11,366)	(4,503)
Rent expense		(23,777)	(19,811)
Other expenses	28	(79,420)	(63,126)
<b>Total other operating expense</b>		<b>(323,980)</b>	<b>(268,505)</b>
<b>Income before taxation</b>		<b>209,828</b>	<b>166,975</b>
Current tax charge	19	(42,227)	(34,902)
Deferred tax (charge)/credit	19	651	(1,847)
<b>Net income for the year from continuing operations</b>		<b>168,252</b>	<b>130,226</b>
Net income/(loss) after tax for the year from a discontinued operation	13	-	4,055
<b>Net income for the year</b>		<b>168,252</b>	<b>134,281</b>
<b>Other comprehensive income for the year</b>		<b>308</b>	<b>-</b>
Exchange differences on translation of the foreign subsidiary		308	-
<b>Total comprehensive income for the year</b>		<b>168,560</b>	<b>134,281</b>
Basic and diluted earnings per share for net income attributable to the ordinary equity holders of the Group during the year (in full TL per share)	24	0.253	0.244
Basic and diluted 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	24	0.253	0.237

The policies and explanatory notes on pages 6 through 60 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, 2010**

(CURRENCY-IN THOUSANDS OF TURKISH LIRA-TL)

	Notes	Share capital	Share premium	Legal reserves	Retained earnings	Currency translation differences	Total
<b>Balances at January 1, 2009</b>		500,000	23,250	12,312	153,138	-	688,700
Transfer from retained earnings to legal reserves		-	-	5,754	(5,754)	-	-
Dividends paid	23	-	-	-	(5,500)	-	(5,500)
Total comprehensive income for the year		-	-	-	134,281	-	134,281
<b>Balances at December 31, 2009</b>		500,000	23,250	18,066	276,165	-	817,481
Share capital increase	22	350,000	-	-	(50,000)	-	300,000
Transfer from retained earnings to legal reserves		-	-	7,498	(7,498)	-	-
Dividends paid	23	-	-	-	(10,275)	-	(10,275)
Total comprehensive income for the year		-	-	-	168,252	308	168,560
<b>Balances at December 31, 2010</b>		850,000	23,250	25,564	376,644	308	1,275,766

The policies and explanatory notes on pages 6 through 60 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, 2010**  
(CURRENCY-IN THOUSANDS OF TURKISH LIRA-TL)

	Notes	2010	2009
<b>Cash flows from operating activities:</b>			
Income from continuing operations before taxation		209,828	166,975
Income/(loss) from discontinued operations before taxation		-	4,055
Depreciation and amortization	12, 15, 16	21,681	18,216
Provision for employee termination benefits and personnel bonus accrual	20	10,246	1,715
Provision for impairment in due from financing activities and lease receivables	8, 9	62,431	64,821
Provision for impairment in intangible assets, property and equipment and investment properties	12	175	1,259
Income accrual of funds invested		(2,325)	201,660
Expense accrual of participation accounts	18	9,912	13,285
Income accrual from deposits at the Central Bank of Turkey		1,638	1,608
Income taxes paid		(42,338)	(40,615)
Expense accrual of funds borrowed		2,530	(8,154)
Net change in derivative financial instruments	21	(10,486)	(15,425)
Loss/(gain) on sale of property and equipment, intangible assets, investment properties and asset held for sale		(10,480)	1,707
Gain on sale of discontinued operation		-	5,392
Exchange gain of held to maturity investment	6	-	54
<b>Operating income before changes in operating assets and liabilities</b>		<b>252,812</b>	<b>416,553</b>
<b>Net changes in:</b>			
Reserve deposits at the Central Bank of Turkey		(112,793)	(6,875)
Due from financing activities	8	(2,352,090)	(973,227)
Minimum finance lease payments receivables		(35,210)	59,475
Other assets and construction projects		15,221	(168,250)
Current accounts and profit/loss sharing investors' accounts	18	1,924,171	1,412,455
Other liabilities		115,704	820
Payment for employee termination benefits	20	(1,080)	(829)
Precious Metals		(97,457)	(309,822)
<b>Net cash provided by operating activities</b>		<b>(290,722)</b>	<b>430,300</b>
<b>Cash flows from investing activities:</b>			
Purchase of available-for-sale, held-to-maturity and held-for-trading securities	6	(4,231)	(3,158)
Proceeds from sale of available-for-sale, held-to-maturity and held-for-trading securities	6	7,529	64
Purchase of property and equipment, intangible assets and investment properties	12, 15, 16	(59,275)	(63,314)
Proceeds from sale of property and equipment, intangible assets and investment properties		28,419	6,239
Additions to assets and liabilities held for sale	13	(16,278)	(7,130)
Proceeds from sale of asset and liabilities held for sale	13	12,092	4,023
(Purchase)/sale of investment in associate/subsidiary	14	(15,999)	15,143
<b>Net cash used in investing activities</b>		<b>(47,743)</b>	<b>(48,133)</b>
<b>Cash flows from financing activities:</b>			
Dividends paid	23	(10,275)	(5,500)
Increase in due to financial institutions and banks		103,801	(429,119)
Sukuk securities issued		154,600	-
Increase in share capital	22	300,000	-
<b>Net cash provided by financing activities</b>		<b>548,126</b>	<b>(434,619)</b>
<b>Net increase in cash and cash equivalents</b>		<b>209,661</b>	<b>(52,452)</b>
Net foreign exchange difference on cash and cash equivalents		(2,393)	7,265
Cash and cash equivalents at the beginning of the year	4	1,142,409	1,187,596
<b>Cash and cash equivalents at the end of the year</b>	<b>4</b>	<b>1,349,677</b>	<b>1,142,409</b>
Profit share received		636,926	804,925
Profit share paid		314,016	384,060

The policies and explanatory notes on pages 6 through 60 form an integral part of the consolidated financial statements.



# KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### DECEMBER 31, 2010

CURRENCY-IN THOUSANDS OF TURKISH LIRA-TL UNLESS OTHERWISE INDICATED)

#### 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 February 28, 2011. 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, 2010, 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 had signed an agreement with Hayat Investment Company (resident in Kuwait) on November 23, 2009 to transfer 51% of the shares of Körfez in exchange for USD 10,613,000 and TL 2,450. The remaining 49% of its shares had been classified under investments in an associate in the previous year's financial statements. Subsequently, On June 6, 2010, the Group bought back 51 per cent of the outstanding ordinary shares of Körfez, and obtained full control of Körfez by having 100 percent shareholding(Note 7).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 subsidiary, Kuveyt Turk Sukuk Ltd. has been established on August 24, 2010 in United Kingdom as a special purpose vehicle (SPV) in order to issue Sukuk Securities amounting to USD 100,000,000.

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 Turkish 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. Dubai Limited maintains its books of account in accordance with the laws and regulations in force in the country in which it is registered.

##### 2.2 Changes in accounting policies

The accounting policies adopted in the preparation of the financial statements as of December 31, 2010 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 2010 year-end

The new standards which are effective as of January 1, 2010 and changes and interpretations of current standards are as follows:

- Amendments to IFRS 2 'Group cash settled sharebased Payment Transactions';
- IFRS 3;Business Combinations' (Revised) and IAS 27; and Separate Financial Statements' (Amended),
- IAS 39 Financial Instruments: Recognition and Measurement-'Eligible Hedged Items';
- IFRIC 17 'Distributions of Non-cash Assets to Owners' (Effective for annual periods beginning on or after 1 July 2009)
- Improvements to IFRSs (May 2008)
- Improvements to IFRSs (April 2009)

The above changes do not have any impact on financial position and performance of the Group other than IFRS 3 (Revised) for which related disclosures are made in the notes.

IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended): The revised IFRS 3 introduces a number of changes in the accounting for business combinations which will impact the amount of goodwill recognized, the reported results in the period that an acquisition occurs, and future reported results. Such changes include the expensing of acquisition-related costs and recognizing subsequent changes in fair value of contingent consideration in the profit or loss (rather than by adjusting goodwill). The amended IAS 27 requires that a change in ownership interest of a subsidiary is accounted for as an equity transaction. Therefore such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary.

#### New and amended standards and interpretations issued that are effective subsequent to December 2010 year-ends:

Standards issued but not yet effective as to the date of issuance of the Group's financial statements and which are not early adopted by the Group are listed below:

- Amendments to IFRS 7 Financial Instruments: Disclosures – Amendments enhancing disclosures about transfers of financial assets (Effective for periods beginning on or after 1 July 2011)
- IFRS 9 Financial Instruments (Effective for periods beginning on or after 1 January 2013),
- Revisions to IFRS 9 Financial Instruments-Addition of requirements to IFRS 9 on classification and measurement of financial liabilities.
- IAS 24 Related Party Disclosures (Revised) (Effective for periods beginning on or after 1 January 2011),
- IAS 32 Classification of Rights Issues (Amendment) (Effective for periods beginning on or after 1 February 2010),
- IFRIC 14 Prepayments of a Minimum Funding Requirement (Amendment) (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).
- IAS 12 "Deferred Tax: Recovery of Underlying Assets" (Amendments to IAS 12)

#### Improvements to IFRSs (issued in May 2010):

In May 2010 the IASB issued its third omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. The effective dates of the improvements are various and the earliest is for the financial year beginning July 1, 2010. Early application is permitted in all cases

- IFRS 3: Transition requirements for contingent consideration from a business combination that occurred before the effective date of the revised standard
- IFRS 3: Measurement of non-controlling interests
- IFRS 3: Un-replaced and voluntarily replaced share-based payment awards
- IFRS 7: Clarification of disclosures
- IAS 1: Clarification of statement of changes in equity
- IAS 27: Transition requirements for amendments arising as a result of IAS 27 Consolidated and Separate Financial Statements
- IAS 34: Significant events and transactions
- IFRIC 13: Fair value of award credits

Except for IFRS 9 the above changes are either not relevant to the Group or not expected to have an 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 amortized 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. The Group is assessing the impact of the new standard.

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##### 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 are discussed below:

*Employee benefits:* The principal actuarial assumptions used in accounting for the employee benefits are disclosed in Note 20.

*Impairment of financial assets:* 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.

*Going concern:* The Group's management has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group 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 Group's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

*Deferred taxes:* 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.

*Fair value of financial instruments:* 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.

##### 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, 2010 and 2009 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.

##### Consolidation of subsidiaries

The consolidated financial statements comprise the consolidated balance sheet of the Bank and its subsidiaries, as at December 31, 2010 and 2009 and the consolidated statements of comprehensive income, changes in equity and cash flows of the Bank and its subsidiaries for the years ended December 31, 2010 and 2009, 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 year 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.

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

Name of subsidiary	Country of incorporation	Effective shareholding by the Bank (%)	
		December 31, 2010	December 31, 2009
"Körfez" (*)	Turkey	100%	49%
"Körfez Tatil Beldesi"	Turkey	100%	100%
"Dubai Limited"	Turkey	100%	100%
"Kuveyt Turk Sukuk Ltd. (SPV)	United Kingdom	-	-

(\*) 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 had been classified under the investment in an associate in the financial statements prepared as of December 31, 2009. Subsequently, On June 6, 2010, the Group bought back 51 per cent of the outstanding ordinary shares of Körfez, and obtained full control of Körfez by having 100 percent shareholding (Note 14).

#### 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, 2008	1.51	2.14
December 31, 2009	1.51	2.16
December 31, 2010	1.54	2.04

#### 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 1.5118 average exchange rate for the year. Exchange differences arising on translation are taken directly to a separate component of equity.

#### 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.

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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. Land is not depreciated.

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.

#### 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.

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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.

#### *Precious metal accounts*

Gold transactions are accounted under "precious metal depot account" 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.



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#### 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.

#### Business combinations and goodwill

Business combinations are accounted for using the acquisition method. This involves recognizing identifiable assets (including previously unrecognised intangible assets) and liabilities (including contingent liabilities but excluding future restructuring) of the acquired business at fair value. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If the cost of acquisition is less than the fair values of the identifiable net assets acquired, the discount on acquisition is recognised directly in the income statement in the year of acquisition. Goodwill acquired in a business combination is initially measured at cost, being the excess of the cost of the business combination over the bank's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities acquired.

In business combinations from 1 January 2010, if the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss. Furthermore any acquisition costs incurred are expensed.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually, or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the bank's cash-generating units (CGUs) or group of CGUs, which are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a CGU (or group of CGUs) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the CGU retained.

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#### 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.

#### 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 Group 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 Group.

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.

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##### *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.

##### *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.

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#### 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.

#### 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 collected 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.

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#### 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.

#### 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 it 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.

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#### 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.

#### 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 2010 or 2009.

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, 2010 and 2009, respectively.

For the year ended December 31, 2010	Retail Banking	Corporate and commercial Banking	International and Investment Banking and Treasury	Unallocated	Total
<b>Revenue</b>					
Third party	134,097	385,618	51,691	-	571,406
Intersegment (*)	140,191	(131,567)	(8,624)	-	-
Total operating income	274,288	254,051	43,067	-	571,406
Credit loss expense	(25,795)	(36,636)	-	-	(62,431)
Impairment losses on financial investments	-	-	-	-	-
<b>Net operating income</b>	<b>248,493</b>	<b>217,415</b>	<b>43,067</b>	<b>-</b>	<b>508,975</b>
<b>Results</b>					
Net profit share income/(expense)	185,054	137,141	(1,040)	-	321,155
Net fees and commission income	52,875	88,630	(1,454)	-	140,051
Net trading income	315	2,146	21,391	-	23,852
<b>Segment profit/(loss)</b>	<b>238,244</b>	<b>227,917</b>	<b>18,897</b>	<b>(275,230)</b>	<b>209,828</b>
Income tax expense				(41,576)	
<b>Net profit for the year</b>	<b>238,244</b>	<b>227,917</b>	<b>18,898</b>	<b>(316,806)</b>	<b>168,252</b>
<b>Asset and liabilities as of December 31, 2010</b>					
<b>Assets</b>					
Capital expenditures					
Property and equipment	-	-	-	49,488	49,488
Other intangible assets	-	-	-	7,722	7,722
<b>Total assets</b>	<b>2,325,389</b>	<b>4,729,899</b>	<b>2,206,488</b>	<b>332,489</b>	<b>9,594,265</b>
<b>Total liabilities</b>	<b>5,026,332</b>	<b>2,355,141</b>	<b>653,704</b>	<b>283,322</b>	<b>8,318,499</b>

(\*) 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, 2009	Retail Banking	Corporate and commercial Banking	International and Investment Banking and Treasury	Unallocated	Total
<b>Revenue</b>					
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	-	-	-	-	-
<b>Net operating income</b>	<b>171,450</b>	<b>186,433</b>	<b>49,045</b>	<b>-</b>	<b>406,928</b>
<b>Results</b>					
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
<b>Segment profit/(loss)</b>	<b>194,843</b>	<b>213,472</b>	<b>45,218</b>	<b>(282,503)</b>	<b>171,030</b>
Income tax expense	-	-	-	(36,749)	(36,749)
<b>Net profit for the year</b>	<b>194,843</b>	<b>213,472</b>	<b>45,218</b>	<b>(319,252)</b>	<b>134,281</b>
<b>Asset and liabilities as of December 31, 2009</b>					
<b>Assets</b>					
Capital expenditures					
Property and equipment	-	-	-	44,063	44,063
Other intangible assets	-	-	-	6,577	6,577
<b>Total assets</b>	<b>2,004,585</b>	<b>2,901,781</b>	<b>1,520,268</b>	<b>388,263</b>	<b>6,814,897</b>
<b>Total liabilities</b>	<b>3,767,615</b>	<b>1,602,384</b>	<b>389,912</b>	<b>237,505</b>	<b>5,997,416</b>

**4. Cash and balances with banks**

	2010	2009
Cash on hand	121,619	58,161
Balances with the Central Bank	294,145	180,929
<b>Cash and balances with the Central Bank</b>	<b>415,764</b>	<b>239,090</b>
Balances with foreign banks	552,554	512,128
Balances with domestic banks	376,266	384,770
Current accounts in participation banks	5,093	6,421
<b>Balances with other banks and financial institutions</b>	<b>933,913</b>	<b>903,319</b>
<b>Cash and cash equivalents</b>	<b>1,349,677</b>	<b>1,142,409</b>

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As of December 31, 2010 and 2009, "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:

	2010				2009			
	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	302,531	150,488	6.90%	0.63%	104,000	249,515	6.84%	0.32%
<b>Total</b>	<b>302,531</b>	<b>150,488</b>			<b>104,000</b>	<b>249,515</b>		

#### 5. Reserve deposits at the central bank of Turkey

	2010		2009	
	Foreign currency (full)	TL	Foreign currency (full)	TL
US\$	213,122,227	329,487	143,915,787	216,694
TL	-	357	-	1,995
		<b>329,844</b>		<b>218,689</b>

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. The required reserve rate is %6 in Turkish Lira and 11% in foreign currency.

In accordance with the "Communiqué Regarding Change in the Communiqué Regarding the Reserve Requirements" published in the Official Gazette dated 23 September 2010 No. 27708 interest payments over the TL reserve requirements have been annulled. As of December 31, 2010, the interest rate applied for Turkish Lira reserve deposits is nil (December 31, 2009-5.20%).

#### 6. Financial assets

##### Available-for-sale

	2010	2009
<b>At cost</b>		
Unlisted shares (*)	4,520	4,520
<b>Total available-for-sale financial assets</b>	<b>4,520</b>	<b>4,520</b>

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

	Nature of business	2010		2009	
		%	Amount	%	Amount
Islamic International Rating Agency (IRA)	Financial information	8.99	714	8.99	714
Neova Sigorta A.Ş.	Insurance	6.99	1,806	6.99	1,806
Kredi Garanti Fonu AŞ (KGF)	Financial institution	1.67	2,000	1.67	2,000
			<b>4,520</b>		<b>4,520</b>

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.

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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

Sukuk investment amounting to TL 7,529 that was invested by the Bahrain branch of the Bank has matured in February 2010 (December 31, 2009-TL 7,529).

#### Held for trading

Financial assets held for trading includes share certificates and B Type Gold Fund listed in the Istanbul Stock Exchange (ISE) amounting to TL 27 and TL 4,231 (December 31, 2009-TL 27) respectively.

The movement in financial assets excluding derivatives may be summarized as follows:

Financial investments	2010			2009		
	Available for sale	Held to maturity	Held for trading	Available for sale	Held to maturity	Held for trading
At the beginning of the year	4,520	7,529	27	1,389	7,583	64
Exchange differences	-	-	-	-	(54)	-
Additions (*)	-	-	4,231	3,131	-	27
Disposals (sale and redemption)	-	(7,529)	-	-	-	(64)
Fair value movement	-	-	-	-	-	-
Impairment losses	-	-	-	-	-	-
<b>Balance at the end of the year</b>	<b>4,520</b>	<b>-</b>	<b>4,258</b>	<b>4,520</b>	<b>7,529</b>	<b>27</b>

(\*) The Group has established Type B Gold fund listed in ISE and classified it under held for trading as of December 31, 2010.

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

*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

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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, 2010 are given in the table below:

Current period	Level I	Level II	Level III	Total
<b>Financial assets</b>				
Financial assets held for trading	4,231	28,480	-	32,711
Forward transactions	-	22,612	-	22,612
Swap transactions	-	5,868	-	5,868
Futures transactions	-	-	-	-
Options	-	-	-	-
Other	4,231	-	-	4,231
<b>Financial liabilities</b>				
Financial liabilities held for trading	-	14,300	-	14,300
Forward transactions	-	9,361	-	9,361
Swap transactions	-	4,939	-	4,939
Futures transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
<b>Prior period</b>				
<b>Financial assets</b>				
Financial assets held for trading	-	9,925	-	9,925
Forward transactions	-	1,425	-	1,425
Swap transactions	-	8,500	-	8,500
Futures transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
<b>Financial liabilities</b>				
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	-	-	-	-

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#### 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 and recognized gain of TL 5,392. The remaining 49% of its shares have been classified under the investment in an associate in the prior year's financial statements. On June 6, 2010, the Group bought back 51 per cent of the outstanding ordinary shares of Körfez, and obtained full control of Körfez because there are legal issues with local municipality related with land of Kartal shopping mall and residence project, which prevented the construction to begin, and the Group has accepted to buy Körfez back. 49% of the loss which is incurred from Körfez until the date of the acquisition had been recognized as share profit of an associate in the statement of comprehensive income. Starting from June 6, 2010, the Group commenced to fully consolidate Körfez (Note 14, Business Combinations).

	2010 (*)	2009
<b>Share of the associate's statement of financial position:</b>		
Current assets	7,300	5,588
Non-current assets	43,993	18,322
Current liabilities	(5,207)	(1,624)
Non-current liabilities	(21,321)	(9,971)
<b>Equity</b>	<b>24,765</b>	<b>12,315</b>
	2010 (*)	2009
Income	114	544
Expense	(603)	(514)
<b>Net income/(loss)</b>	<b>(489)</b>	<b>30</b>

(\*) Until the date of acquisition of the full control.

#### 8. Due from financing activities, net

	2010	2009
<b>Performing</b>		
Funds invested from profit/loss sharing accounts	3,896,841	2,695,133
Funds invested from current accounts and equity	2,789,516	1,653,503
Income accruals on due from financing activities (*)	127,189	115,271
	<b>6,813,546</b>	<b>4,463,907</b>
<b>Funds in arrears</b>		
Funds invested from profit/loss sharing accounts	141,148	178,259
Funds invested from current accounts and equity	116,455	126,770
	<b>257,603</b>	<b>305,029</b>
<b>Total</b>	<b>7,071,149</b>	<b>4,768,936</b>
<b>Impairment allowance</b>		
Funds invested from profit/loss sharing accounts	(111,102)	(92,115)
Funds invested from current accounts and equity	(91,110)	(90,035)
	<b>(202,212)</b>	<b>(182,150)</b>
<b>Total due from financing activities</b>	<b>6,868,937</b>	<b>4,586,786</b>

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



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For the year ended December 31, 2010 the Bank took possession of collateral (lands and buildings) from customers amounting to TL 35,247 (December 31, 2009-TL 19,804), 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:

	2010	2009
Balance at the beginning of the year	182,150	157,668
Provisions-participation accounts	36,206	51,613
Provisions-bank	59,597	64,164
Recoveries of amounts previously provided for	(50,557)	(14,279)
Reserves written off in current year (*)	(25,184)	(77,016)
<b>Balance at the end of the year</b>	<b>202,212</b>	<b>182,150</b>

(\*) In 2010, non-performing loans for which a 100% provision was made in prior periods amounting in total to TL 25,184 were written off (2009-TL 77,016).

The impairment allowance of TL 202,212 (December 31, 2009-TL 182,150) 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:

	2010	2009
Balance at beginning of year	20,919	19,469
Provisions-bank	1,627	3,636
Provisions-participation accounts	(2,252)	(2,186)
<b>Allowance at the end of the year</b>	<b>20,294</b>	<b>20,919</b>

#### 9. Minimum finance lease payments receivable, net

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

	2010	2009
Gross investment in finance leases	98,725	55,403
Unearned finance income	(14,964)	(5,417)
Total impaired receivables	8,111	4,809
Impairment allowance	(4,399)	(1,283)
<b>Minimum lease payments receivable, net</b>	<b>87,473</b>	<b>53,512</b>

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

	2010	2009
<b>Balance at 1 January</b>	<b>1,283</b>	<b>6,074</b>
Provisions-participation accounts	3,365	2,164
Provisions-Bank	2,834	657
Recoveries of amounts previously provided for	(3,083)	(4,428)
Impairment allowance written off in current year	-	(3,184)
<b>Balance at the end of the year</b>	<b>4,399</b>	<b>1,283</b>

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Gross investment in finance leases as to their maturity:

	2010	2009
Not later than 1 year (*)	56,663	37,224
Later than 1 year and not later than 5 years	48,432	22,973
Later than 5 years	1,741	15
Minimum lease payments receivable, gross	106,836	60,212
<b>Less: Unearned finance income</b>	<b>(14,964)</b>	<b>(5,417)</b>
Net investment in finance leases	91,872	54,795
Less: Allowance for impairment	(4,399)	(1,283)
<b>Minimum lease payments receivable, net</b>	<b>87,473</b>	<b>53,512</b>

(\*) includes total impaired receivables amounting to TL 8,111 (December 31, 2009-TL 4,809).

As of December 31, 2010 TL 57,264 (December 31, 2009-TL 48,103) gross lease receivables are denominated in foreign currency (US\$ and EUR).

Net investment in finance leases as to their maturity:

	2010	2009
Not later than 1 year (*)	50,745	34,775
Later than 1 year and not later than 5 years	39,684	20,007
Later than 5 years	1,443	13
<b>Net investment in finance leases</b>	<b>91,872</b>	<b>54,795</b>

(\*) includes total impaired receivables amounting to TL 8,111 (December 31, 2009-TL 4,809).

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

#### 10. Other assets

Other assets comprise the following:

	2010	2009
Clearing accounts	80,904	58,833
Receivables from precious metals transactions	40,596	7,647
Blockage for letter of guarantee (*)	17,443	100,290
Prepaid expenses	5,744	2,862
Value added tax (VAT) receivable	2,964	904
Receivable from assets sold	1,890	1,827
Receivables from Banking Operations	1,543	840
Other	13,920	7,164
	<b>165,004</b>	<b>180,367</b>

(\*) Includes guarantees given to foreign correspondent banks in the name of customers to obtain cash or non cash loans.

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**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.

	2010	2009
Completed construction projects (inventories)	13,281	13,139
Receivables from construction projects	-	218
	13,281	13,357
(Less) Reserve for net realizable value	(10,114)	(10,114)
(Less) Reserve for doubtful receivables	-	(218)
<b>Total construction projects, net</b>	<b>3,167</b>	<b>3,025</b>

**12. Investment properties, net**

	2010	2009
Balance at the beginning of the year	47,207	67,586
Additions	35,247	12,674
Disposal	(29,586)	(27,199)
Depreciation charge	(907)	(950)
Transfer from assets held for resale (Note 13)	5,504	6,739
Addition from purchase of Körfez Gayrimenkul (Note 14)	16,699	-
Reversal/(Charge) of Provisions for Investment Property	(175)	(1,259)
Transfer to assets held for resale (Note 13)	(18,014)	(10,384)
<b>Balance at the end of the year</b>	<b>55,975</b>	<b>47,207</b>
Cost	62,084	52,277
Accumulated depreciation	(4,531)	(3,667)
Accumulated impairment	(1,578)	(1,403)
<b>Net carrying amount</b>	<b>55,975</b>	<b>47,207</b>

Fair value of the investment properties is TL 75,649 (December 31, 2009-TL 60,843) which is determined based on the valuations performed by independent qualified valuers on December 2010.

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.

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#### 13. Assets and a disposal group held for sale

At December 31, 2010, the Bank classified non-current assets; mainly land and buildings; being collateral repossessed in this period amounting to TL 16,278 (December 31, 2009-TL 7,130), 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:

	2010	2009
<b>Balance at the beginning of the year</b>	<b>9,547</b>	<b>6,410</b>
Additions	16,278	7,130
Transfer from investment property (Note 12)	18,014	10,384
Transfer to investment property (Note 12)	(5,504)	(6,739)
Disposal	(12,092)	(7,628)
Impairment	(228)	(10)
<b>Balance at the end of the year</b>	<b>26,015</b>	<b>9,547</b>

Gain on sale of assets held for sale amounting to TL 9,767 is included in other income in the income statement (December 31, 2009-TL 1,786).

The partially disposal of Körfez Gayrimenkul had 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. In June 2010 the Bank has re-purchased Körfez Gayrimenkul and consolidated in its financial statement (Note 14).

#### 14. Business combinations

The Bank had signed an agreement with Hayat Investment Company (resident in Kuwait) on November 23, 2009 to transfer 51% of the shares of Körfez in exchange for USD 10,613,000 and TL 2,450. The remaining 49% of its shares had been classified under investments in an associate in the previous year's financial statements.

On 6 June 2010, the Group bought back 51 per cent of the outstanding ordinary shares of Körfez because there are legal issues with local municipality related with land of Kartal shopping mall and residence project, which prevented the construction to begin and the Group has accepted to buy Körfez back, accordingly obtained full control of Körfez by having 100 percent shareholding. 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 goodwill of TL 6,619 arising from the acquisition consists of difference between the fair value of the net assets of Körfez at the acquisition date amounting to TL 12,671 (51% of the total) and the purchasing price amounting to TL 19,290 (10,572,000USD (16,840 TL) and TL 2,450). The Group has provided full reserve for the goodwill since the goodwill is measured as not recoverable.

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The provisional fair value of the identifiable assets and liabilities of Körfez as at the date of the acquisition was:

	Fair value recognized on acquisition
<b>Assets</b>	
Property, plant & equipment-net	21,368
Investment property	16,699
Other non-current assets	3,754
Other current assets	6,254
Cash & due from banks	841
Inventory	204
	<b>49,120</b>
<b>Liabilities</b>	
Long Term Bank Borrowings	21,184
Due to related parties	2,955
Other current liabilities	75
Provision for employee termination benefits	61
	<b>24,275</b>
Total identifiable net assets at fair value for 100% of the shares	24,845
Less: previously acquired non-controlling shares at fair value	(12,174)
Goodwill arising on acquisition	6,619
<b>Purchase consideration transferred(*)</b>	<b>19,290</b>
Goodwill arising on acquisition	6,619
Impairment (-)	(6,619)
<b>Balance at the end of the period</b>	<b>-</b>

(\*) The Group has paid USD 10,572,000 (16,840 TL) in cash and cancelled its receivable from Hayat Investment which arose from sale of 51% shares of Körfez amounting to TL 2,450.

**Analysis of cash flows on acquisition**

Net cash acquired with the subsidiary	841
Cash Paid	16,840
<b>Net Cash Outflow</b>	<b>(15,999)</b>

The fair value of property plant and equipment amounts to TL 21,368. The gross amount is TL 19,816 and the fair value difference results from valuation prices prepared by independent real estate valuation firm.

Transaction costs amounting to USD 41,000 has been paid by Hayat Investment.

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Income statement of Körfez for the mentioned periods are as follows;

	01.01.2010- 31.12.2010	01.07.2010- 31.12.2010
Income	1,515	1,282
Expense	(2,392)	(1,161)
Net Income	(877)	121

**15. Property and equipment, net**

	Land and buildings	Furniture and office equipment (*)	Leasehold improvements	Motor vehicles	Construction in progress	Total
At January 1, 2009, 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)
<b>At December 31, 2009, net of accumulated depreciation and impairment</b>	<b>54,661</b>	<b>39,160</b>	<b>13,743</b>	<b>560</b>	<b>56</b>	<b>108,180</b>
Additions(**)	22,802	17,041	9,642	3	-	49,488
Disposals	(1,338)	(678)	(626)	-	-	(2,642)
Depreciation charge for the year	(1,159)	(8,881)	(7,781)	(159)	-	(17,980)
<b>At December 31, 2010, net of accumulated depreciation and impairment</b>	<b>74,966</b>	<b>46,642</b>	<b>14,978</b>	<b>404</b>	<b>56</b>	<b>137,046</b>

(\*) TL 1,901 (net) and TL 3,731 (net) of furniture and office equipment consist of assets obtained through financial leasing as of December 31, 2010 and 2009, respectively. There is no property and equipment that are pledged for borrowings.

(\*\*) Includes TL 21,368 land and building and TL 11 office equipment addition from acquisition of Körfez.

	Land and buildings	Furniture and office equipment (*)	Leasehold improvements	Motor vehicles	Construction in progress	Total
<b>At December 31, 2009</b>						
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)
<b>Net carrying amount</b>	<b>54,661</b>	<b>39,160</b>	<b>13,743</b>	<b>560</b>	<b>56</b>	<b>108,180</b>
<b>At December 31, 2010</b>						
Cost	83,390	94,544	47,092	3,091	56	228,173
Accumulated depreciation	(7,762)	(47,902)	(32,115)	(2,685)	-	(90,464)
Accumulated impairment	(663)	-	-	-	-	(663)
<b>Net carrying amount</b>	<b>74,965</b>	<b>46,642</b>	<b>14,977</b>	<b>406</b>	<b>56</b>	<b>137,046</b>

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The cost of property and equipment, which are fully depreciated but still in use as of December 31, 2010 and 2009 is as follows:

	2010	2009
Motor vehicles	58	58
Leasehold improvements	8,753	6,729
Furniture and office equipment	7,133	3,876
	15,944	10,663

**16. Intangible assets, net**

	Software
At January 1, 2009	2,847
Additions	6,577
Disposals	-
Amortization charge for the year	(1,168)
<b>At December 31, 2009, net of accumulated amortization</b>	<b>8,256</b>
Additions	7,722
Disposals	(26)
Amortization charge for the year	(2,794)
<b>At December 31, 2010, net of accumulated amortization</b>	<b>13,158</b>
At December 31, 2009	
Cost (gross carrying amount)	14,896
Accumulated amortization	(6,640)
<b>Net carrying amount</b>	<b>8,256</b>
At December 31, 2010	
Cost (gross carrying amount)	22,629
Accumulated amortization	(9,471)
<b>Net carrying amount</b>	<b>13,158</b>

**17. Due to other financial institutions and banks and Sukuk Securities issued**

Due to other financial institutions and banks as of December 31, 2010 and 2009 is as follows ;

	Amount in TL	
Original foreign currency	2010	2009
US\$	472,542	383,681
Euro	10,355	-
Other	75	-
<b>Total</b>	<b>482,972</b>	<b>383,681</b>

As of December 31, 2010 borrowings remaining maturities of which is less than 12 months amount to TL 482,972 (As of December 31, 2009-TL 378,385).



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Sukuk securities as of December 31, 2010 and 2009 is as follows ;

	Amount in TL	
	2010	2009
Original foreign currency	2010	2009
Sukuk Issued	156,433	-
<b>Total</b>	<b>156,433</b>	<b>-</b>

The Bank has issued Sukuk securities, amounting to USD 100,000,000 on August 24, 2010 with maturity of 3 years and cost of 5,25%.

#### 18. Current and profit/loss sharing investors' accounts

	2010	2009
<b>Current accounts:</b>		
Turkish lira	1,066,562	748,450
Foreign currency	685,119	552,542
	<b>1,751,681</b>	<b>1,300,992</b>
<b>Profit/loss sharing investors' accounts:</b>		
Turkish lira	3,412,531	2,297,791
Foreign currency	2,242,936	1,820,352
	<b>5,655,467</b>	<b>4,118,143</b>
<b>Blocked accounts:</b>		
Turkish lira	20,632	23,404
Foreign currency	9,761	70,831
	<b>30,393</b>	<b>94,235</b>
<b>Total current accounts and profit/loss investors' accounts</b>	<b>7,437,541</b>	<b>5,513,370</b>
<b>Expense accrual on current accounts and profit/loss sharing investors' accounts</b>	<b>41,743</b>	<b>31,831</b>
<b>Total current accounts and profit/loss sharing investors' accounts</b>	<b>7,479,284</b>	<b>5,545,201</b>

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:

	2010 (in TL)			2009 (in TL)		
	TL	Foreign currency	Total	TL	Foreign currency	Total
Up to 1 month	3,196,630	1,714,583	4,911,213	2,146,768	1,648,789	3,795,557
From 1 month to 3 months	703,948	746,514	1,450,462	443,977	442,940	886,917
From 3 months to 1 year	123,207	201,311	324,518	83,290	54,239	137,529
Over one year	475,940	275,408	751,348	395,610	297,757	693,367
	<b>4,499,725</b>	<b>2,937,816</b>	<b>7,437,541</b>	<b>3,069,645</b>	<b>2,443,725</b>	<b>5,513,370</b>

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At December 31, 2010 and 2009, foreign currency and precious metals linked current and profit/loss sharing investors' accounts, excluding expense accruals, are as follows:

	2010		2009	
	Foreign currency (full)	TL equivalent	Foreign currency (full)	TL equivalent
<b>Current and blocked accounts:</b>				
US\$	256,974,774	397,283	256,008,997	385,473
Euro	83,614,270	171,334	80,301,458	173,475
Precious metals		124,032		58,207
Other		2,231		6,218
		694,880		623,373
<b>Profit/loss sharing investors' accounts:</b>				
US\$	1,954,070,352	1,318,536	685,807,862	1,032,621
Euro	1,244,337,121	576,002	310,106,481	669,923
Precious metals		348,398		117,808
		2,242,936		1,820,352
		2,937,816		2,443,725

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.

#### 19. 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, 2010, and 2009 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% deductible 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%.

With the decision dated at October 15, 2009 and numbered as 2006/95-2009/144 of the Constitutional Court, the phrase added to the end of the first paragraph of Article 69 of Law No. 193, "... only in the 2006, 2007 and 2008 years..." and "2" figure in the second paragraph of Article 15 of Law No. 5479 has been canceled.

In this context, as described in the article of Serial No. 276 issued by the Ministry of Finance Income Tax General Communiqué 2.3 "Investments which have been newly started in accordance with the abolished 19th article of income tax law and investments performed between the dates of January 1, 2006 and April 8, 2006 will be subject to the investment incentive exception." Such investment incentives, after indexing the amounts to 2010, can be deducted from the income tax base regardless from the Company had earnings in the related periods. In accordance with the provisions of the Communiqué, the amount of investment incentive deducted from the tax base can no exceed 25% of the related income and remaining tax base is subject to the applicable tax rate effective for the period. Investment incentive amount deducted from the tax base is TL 6,937.

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Investment incentive allowances which are subject to 19.8% withholding tax is TL 67,262 as of December 31, 2010. As the tax base, after usage of this incentive allowance, will be subject to 30% tax rate, the Group did not use this allowance at the end of 2008. In accordance with the fifth sentence of the communiqué, the Group have not used this investment at the end of 2010 and will not be able to use also in the future.

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.

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 (2006-2011), 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.

	2010	2009
Current tax expense	42,227	34,902
Prepaid tax (-)	36,564	29,128
<b>Income taxes payable</b>	<b>5,663</b>	<b>5,774</b>

	2010	2009
Current tax expense	(42,227)	(34,902)
Deferred tax credit/(charge)	651	(1,847)
<b>Total income tax (charge)/credit</b>	<b>(41,576)</b>	<b>(36,749)</b>

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, 2010 and 2009 is as follows:

	2010	2009
Profit before income tax from continuing operations	209,828	166,975
Gain/(loss) before tax from a discontinued operation	-	4,055
<b>Profit before income tax</b>	<b>209,828</b>	<b>171,030</b>
At Turkish statutory income tax rate of 20%	41,966	34,206
Effect of change in tax rate	-	-
Effect of income not subject to tax	(3,389)	(1,841)
Effect of expenditure not allowable for income tax purposes	3,008	4,521
Effect of restatement pursuant to IAS 29 and other permanent differences	(9)	(137)
<b>Income tax charge</b>	<b>41,576</b>	<b>36,749</b>

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Deferred income tax as of December 31, 2010 and 2009 is attributable to the following items:

	Deferred tax assets/(liabilities)	
	2010	2009
Due from financing activities	5,555	10,642
Reserve for employee termination benefits	1,416	952
Deferred income	12,283	758
Bonus accrual of personnel	602	3,825
Effect of other temporary differences	398	377
<b>Deferred tax assets</b>	<b>20,254</b>	<b>16,554</b>
Restatement and pro-rate depreciation of property and equipment, intangible assets and other non-monetary items	(3,033)	(2,525)
Accounting for finance leases	(574)	(542)
Derivative accrual	(2,836)	(738)
Effect of precious metals valuation	(411)	-
<b>Deferred tax liabilities</b>	<b>(6,854)</b>	<b>(3,805)</b>
<b>Deferred tax asset-net</b>	<b>13,400</b>	<b>12,749</b>

Movement of net deferred tax asset is:

	2010	2009
Balance at the beginning of the year	12,749	14,596
Deferred tax (charge)/credit recognized in income statement	651	(1,847)
<b>Balance at the end of the year</b>	<b>13,400</b>	<b>12,749</b>

#### 20. Other liabilities and provisions

	2010	2009
Clearing accounts	99,501	-
Personnel bonus accrual	25,993	19,127
Withholding tax and other tax payables	17,007	12,168
Payables to exporters and suppliers	10,465	7,908
Deferred revenue	5,103	3,330
Security premium for participation funds	3,539	2,692
Rent payables	447	1,025
Deductions on resource utilization fund	933	576
Other	8,950	2,596
<b>Total other liabilities</b>	<b>171,938</b>	<b>49,422</b>
<b>Provisions</b>		
Employee termination benefits	7,080	4,780
Other provisions	829	2,327
<b>Total provisions</b>	<b>7,909</b>	<b>7,107</b>
<b>Total</b>	<b>179,847</b>	<b>56,529</b>

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

	2010	2009
Balance at January 1	4,780	3,806
Utilized/paid	(1,080)	(829)
Arising during the year	2,517	1,715
Actuarial loss	863	88
<b>Balance at the end of the year</b>	<b>7,080</b>	<b>4,780</b>

**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 2.5 and TL 2.3 at December 31, 2010 and 2009, 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, 2010 and 2009, 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:

	2010	2009
Discount rate (%)	10	11
Expected salary/ceiling increase rate (%)	5.4	4.8

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#### 21. 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 foreign currency and precious metals forward and swap 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, 2010							
	Fair value assets	Fair value 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								
Inflows	28,480	-	1,439,739	945,163	78,245	99,941	314,885	1,505
Outflows	-	14,300	1,420,369	944,181	76,043	94,080	304,565	1,500
	28,480	14,300	2,860,108	1,889,344	154,288	194,021	619,450	3,005

	December 31, 2009							
	Fair value assets	Fair value 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								
Inflows	9,925	-	880,092	840,738	10,340	29,014	-	-
Outflows	-	6,231	868,246	836,577	10,400	21,269	-	-
	9,925	6,231	1,748,338	1,677,315	20,740	50,283	-	-

#### 22. Share capital

	2010	2009
Number of ordinary shares, 1 TL, par value. Authorized, issued and outstanding.	850.00 million	500.00 million

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

	2010		2009	
	Number	TL	Number	TL
At January 1	500,000,000	500,000	500,000,000	500,000
Shares issued in				
-bonus shares from retained earnings	50,000,000	50,000	-	-
-cash	300,000,000	300,000	-	-
At year end	850,000,000	850,000	500,000,000	500,000

The Bank has increased its share capital on March 14, 2010 and August 8, 2010. The share capital increase was funded from the retained earnings amounting to TL 50,000 and by cash payment of shareholders amounting to TL 300,000 respectively.

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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, 2010 and 2009, the composition of shareholders and their respective % of ownership can be summarized as follows:

	2010		2009	
	Amount	%	Amount	%
Kuwait Finance House	528,993	62.2	311,173	62.2
Directorate of Vakıf Foundations, Turkey	159,113	18.7	93,596	18.7
The Public Institution for Social Security, Kuwait	76,500	9.0	45,000	9.0
Islamic Development Bank	76,500	9.0	45,000	9.0
Other	8,894	1.1	5,231	1.1
<b>Total share capital</b>	<b>850,000</b>	<b>100</b>	<b>500,000</b>	<b>100</b>

#### 23. 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 10,275 (2009-TL 5,500).

	2010	2009
<b>Ordinary shares</b>		
Amount	10,275	5,500
TL (full) per share	0.021	0.011

#### 24. 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, 2010 and 2009.



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

	2010	2009
Net profit attributable to continuing operations of the Bank for basic earnings per share	168,252	130,226
Net profit/(loss) attributable to discontinued operations for basic earnings per share	-	4,055
Net profit attributable to ordinary equity holders of the Bank for basic earnings per share	168,252	134,281
Weighted average number of ordinary shares for basic earnings per share (thousands)	666,023	550,000
Basic earnings per share (expressed in full TL per share)	0.253	0.244
Basic earnings per share from continuing operations	0.253	0.237

#### 25. Related party disclosures

The Group is controlled by Kuwait Finance House, which owns 62.2% (December 31, 2009-62.2%) 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, 2009-18.7%), 9.0% (December 31, 2009-9.0%) and 9.0% (December 31, 2009-9.0%) of ordinary shares, respectively. For the purpose of these financial statements, shareholders of the Bank and parties under common control of the majority Shareholder 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, 2010 and 2009 and transactions have been entered into with related parties during the years ended:

##### i) Balances with financial institutions and due from financing activities:

		2010		2009	
		Foreign currency (full)	TL equivalent	Foreign currency (full)	TL equivalent
KFH-Bahrain	Kuwaiti Dinar	1,260	7	5,343	28
	US\$	35,076,197	54,228	122,169	184
	BHD	15,580	64	19,271	77
Auto Land A.S.	TL		20,163		19,657
Other related parties			36,083		-
			110,545		19,946

##### ii) Due to other financial institutions:

		2010		2009	
		Foreign currency (full)	TL equivalent	Foreign currency (full)	TL equivalent
Public Institute for Social Securities KW	US\$	182,629,366	282,345	128,535,974	193,537
			282,345		193,537

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

		2010		2009	
		Foreign currency (full)	TL equivalent	Foreign currency (full)	TL equivalent
Kuwait Finance House <sup>(1)</sup>	US\$	51,488,984	79,602	26,210,417	39,465
Kuwait Finance House <sup>(1)</sup>	TL		2,632	-	2,632
Kuwait Finance House <sup>(1)</sup>	XAU	181,090	12,719	-	-
Islamic Development Bank <sup>(1)</sup>	US\$	41,005,617	63,395	23,535,012	35,437
Directorate of Vakıf Foundations, Turkey <sup>(1)</sup>	TL		2,621	-	3
Neova Sigorta AS (*)	US\$	666,070	1,030	7,663,881	11,538
	TL		5,687	-	-
Other related parties	TL		30,783	-	12,171
			198,469		101,246

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

#### iv) Profit shares distributed:

		2010		2009	
		Foreign currency (full)	TL equivalent	Foreign currency (full)	TL equivalent
Kuwait Finance House <sup>(1)</sup>	US\$	35,158	54	45,054	68
Directorate of Vakıf Foundations, Turkey <sup>(1)</sup>	TL	99,426	99	-	-
Neova Sigorta AS (*)	US\$	205,612	318	535,299	806
	TL		152		
Public Institute for Social Securities KW	US\$	2,559,094	3,954	1,061,045	1,598
Other related parties	TL		703	-	612
			5,280		3,084

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

#### v) Non cash credits issued:

		2010		2009	
		Foreign currency (full)	TL equivalent	Foreign currency (full)	TL equivalent
Kuwait Finance House <sup>(1)</sup>	US\$	203,316	314	74,719	111
Other related parties	TL		5,158	-	10,438
			5,472		10,549

#### (1) Shareholders.

As of December 31, 2010 no provisions have been recognized in respect of loans given to related parties (December 31, 2009-nil).

Loans amounting to TL 186 have been issued to directors during the year ended December 31, 2010 (December 31, 2009-TL 61).

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#### Directors' remuneration

The executive members of the Board of Directors and key management received remuneration totaling TL 6,058 during the year ended December 31, 2010 (December 31, 2009-TL 5,678). As of December 31, 2010 the key management personnel did not receive any termination benefits (December 31, 2009-TL nil).

The key management personnel of the Bank are as follows;

Mohammad S.A.I. ALOMAR	B.O.D. Chairman
Abdullah TIVNIKLİ	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. and Audit Committee 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.

#### 26. Fees and commission income and expense

	2010	2009
<b>Fees and commission income</b>		
Commissions on loans	60,297	47,652
Commission income from commitments	45,138	45,120
Communication expense charges	17,691	20,102
POS commission income	10,631	13,399
Credit card fees and commissions	7,506	12,658
Import letter of credit commissions	4,926	5,543
Income from agency activities	3,241	511
Commissions from checks and notes	2,214	2,460
Other	13,240	9,991
<b>Total</b>	<b>164,884</b>	<b>157,436</b>

	2010	2009
<b>Fees and commission expense</b>		
Credit card machine and fees paid for credit cards	20,433	22,265
Brokerage fees on borrowings	2,160	3,611
ATM charges	48	25
Other	2,192	2,651
<b>Total</b>	<b>24,833</b>	<b>28,552</b>

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**27. Salaries and employee benefits**

	2010	2009
<b>Staff costs</b>		
Wages and salaries	94,440	81,513
Bonus	25,250	19,000
Other fringe benefits	16,034	12,987
Social security premiums	13,917	12,273
Health expenses	4,594	4,053
Provision for employee termination benefits	2,517	886
Other	6,151	3,585
<b>Total</b>	<b>162,903</b>	<b>134,297</b>

**28. Other expenses**

	2010	2009
Impairment on goodwill (Note 14)	6,619	-
Impairment on investment property (Note 12)	175	1,259
Impairment on asset held for sale (Note 13)	228	10
<b>Impairment charges</b>	<b>7,022</b>	<b>1,269</b>
Insurance fund premium expense	12,645	9,769
Communication	7,733	7,144
Repair and maintenance expenses	8,345	6,916
Advertising expenses	6,570	6,222
Professional fees	8,401	5,904
Non taxable income	2,729	4,049
Cleaning expense	4,784	3,753
Loss from sale of assets	313	3,707
Energy expenses	4,372	3,480
Travel and representation expenses	2,795	2,945
Insurance and subscription expenses	2,051	1,472
Stationery and publishing expenses	1,470	1,358
Insurance expenses	678	395
Computer usage expenses	329	299
Other	9,183	4,444
<b>Other expenses</b>	<b>72,398</b>	<b>61,857</b>
<b>Total</b>	<b>79,420</b>	<b>63,126</b>

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#### 29. Commitments and contingencies

In the normal course of its banking activities, the Group 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, 2010 and 2009:

	2010	2009
Letters of guarantee issued by the Bank	3,150,355	2,867,436
Letters of credit	535,890	426,991
Commitments	1,284,671	1,924,469
Acceptance credits	39,285	30,567
Other guarantees	4,678	5,637
<b>Total</b>	<b>5,014,879</b>	<b>5,255,100</b>

*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.

The Bank has TL 86,505, USD 10,805,019 (full), Euro 504,794 (full); total TL 97,815 (converted with period-end foreign exchange rates) operational lease obligations due to rent agreements of branches as of December 31, 2010. The allocation of these obligations within lease periods as of December 31, 2010 and 2009 is as follows:

	2010	2009
Within one year	20,573	17,368
After one year but not more than five years	57,763	35,933
More than five years	19,479	4,294
	<b>97,815</b>	<b>57,595</b>

#### 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 1,428 and TL 1,042 as of December 31, 2010 and 2009 respectively. As of December 31, 2010, the amount of the checks and bonds in collection are TL 1,257,619 (December 31, 2009-TL 965,756) and TL 271,256 (December 31, 2009-TL 197,233) respectively.

#### 30. 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.

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#### 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. The 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.

#### 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.

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#### Risk management and treasury middle office department

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.

#### 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.

	2010	2009
<b>Gross maximum exposure</b>		
Cash and balances with Central Bank (including reserve deposits, excluding cash on hand)	623,989	401,883
Deposit with banks and financial institutions	933,913	903,319
Due from financing activities	6,868,937	4,586,786
Minimum financial lease payments receivable	87,473	53,512
Financial assets-held to maturity	-	7,529
Other assets	155,400	180,367
Derivative financial instruments	28,480	9,925
<b>Total</b>	<b>8,698,192</b>	<b>6,143,321</b>
Contingent liabilities	3,686,245	3,294,427
Other guarantees	43,963	36,204
Commitments	1,284,671	1,924,469
<b>Total</b>	<b>5,014,879</b>	<b>5,255,100</b>
<b>Total credit risk exposure</b>	<b>13,713,071</b>	<b>11,398,421</b>



## KUYEY TÜR KATILIM BANKASI ANONİM ŐIRKETİ AND ITS SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### DECEMBER 31, 2010 (CONTINUED)

CURRENCY-IN THOUSANDS OF TURKISH LIRA-TL UNLESS OTHERWISE INDICATED)

#### 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, 2010 was TL 145,418 (December 31, 2009-TL 89,956) and non cash credit exposure as of December 31, 2010 was TL 148,663 (December 31, 2009-TL 144,788) 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:

	2010	2009
	Gross exposure	Gross exposure
Construction and materials	3,970,832	2,598,052
Financial services	3,063,621	3,302,596
Manufacturing	1,377,026	747,025
General retailers	2,071,096	836,214
Mining operations	515,067	535,504
Electricity	426,899	229,971
Telecommunications	25,301	215,597
Health care and social services	378,077	265,292
Forestry	93,984	70,614
Food and beverages	447,936	51,505
Real estate	22,572	28,455
Other	1,320,660	2,517,596
<b>Total</b>	<b>13,713,071</b>	<b>11,398,421</b>

#### 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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#### DECEMBER 31, 2010 (CONTINUED)

CURRENCY-IN THOUSANDS OF TURKISH LIRA-TL UNLESS OTHERWISE INDICATED)

#### 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.

2010	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)	623,989	933,913	-	-	-	1,557,902
Financing and leasing receivables	221,613	3,063,049	128,234	-	3,543,514	6,956,410
Corporate lending	219,456	3,040,618	127,935	-	1,193,583	4,581,592
Small business lending	1,666	17,239	46	-	886,770	905,721
Consumer lending	-	-	-	-	1,392,133	1,392,133
Credit cards	491	5,192	253	-	71,028	76,964
Contingent liabilities and other guarantees	452,106	2,008,123	81,866	-	1,188,113	3,730,208
Commitments	625,386	-	-	-	659,285	1,284,671
<b>Total</b>	<b>1,923,094</b>	<b>6,005,085</b>	<b>210,100</b>	<b>-</b>	<b>5,390,912</b>	<b>13,529,191</b>

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)	401,613	903,319	-	-	-	1,304,932
Financing and leasing receivables	101,782	1,603,822	53,836	-	2,880,858	4,640,298
Corporate lending	99,342	1,580,945	53,319	-	1,072,181	2,805,787
Small business lending	2,043	18,415	450	-	462,484	483,392
Consumer lending	-	-	-	-	1,245,233	1,245,233
Credit cards	397	4,462	67	-	100,960	105,886
Contingent liabilities and other guarantees	270,845	1,620,451	50,850	-	1,388,485	3,330,631
Commitments	1,275,633	-	-	-	648,836	1,924,469
<b>Total</b>	<b>2,049,873</b>	<b>4,127,592</b>	<b>104,686</b>	<b>-</b>	<b>4,918,179</b>	<b>11,200,330</b>

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CURRENCY-IN THOUSANDS OF TURKISH LIRA-TL UNLESS OTHERWISE INDICATED)

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

2010	Less than 30 days	31 to 60 days	61 to 90 days	More than 91 days	Total
<b>Due from financing activities:</b>					
Corporate lending	9,111	3,491	13,062	-	25,664
Consumer lending	122,055	40,289	15,433	-	177,777
Small business lending	52,203	18,869	8,380	-	79,452
Credit cards	4,709	2,657	1,246	-	8,612
<b>Total</b>	<b>188,078</b>	<b>65,306</b>	<b>38,121</b>	<b>-</b>	<b>291,505</b>

2009	Less than 30 days	31 to 60 days	61 to 90 days	More than 91 days	Total
<b>Due from financing activities:</b>					
Corporate lending	88,568	19,483	16,449	-	124,500
Consumer lending	89,954	23,539	13,664	-	127,157
Small business lending	42,844	15,098	5,814	-	63,756
Credit cards	7,341	3,588	502	-	11,431
<b>Total</b>	<b>228,707</b>	<b>61,708</b>	<b>36,429</b>	<b>-</b>	<b>326,844</b>

Collaterals obtained from customers for the past due or impaired loans as of December 31, 2010 and 2009 comprise of blocked accounts, property and machinery pledges.

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

	2010	2009
<b>Due from financing activities:</b>		
Corporate lending	330,745	384,742
Small business lending	18,394	-
Consumer	8,155	-
<b>Total renegotiated financial assets</b>	<b>357,294</b>	<b>384,742</b>

## KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### DECEMBER 31, 2010 (CONTINUED)

CURRENCY-IN THOUSANDS OF TURKISH LIRA-TL UNLESS OTHERWISE INDICATED)

#### 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. In addition, the Group maintains a statutory reserve deposit with the Central Bank of Turkey.

The table below shows an analysis of assets and liabilities analyzed according to when they are expected to be recovered or settled.

Maturity analysis of assets and liabilities as of December 31, 2010

	Less than 12 months	Over 12 months	Total
<b>Assets</b>			
Cash and balances with the Central Bank	415,764	-	415,764
Balances with other banks and financial institutions	933,913	-	933,913
Reserve deposits at the Central Bank	329,844	-	329,844
Financial assets-held for trading	32,738	-	32,738
Derivative financial instruments	28,480	-	28,480
Share Certificates	27	-	27
Gold Fund	4,231	-	4,231
Financial assets-available-for-sale	4,520	-	4,520
Due from financing activities, net	4,401,171	2,467,766	6,868,937
Minimum finance lease payments receivable, net	46,346	41,127	87,473
Precious Metals	507,311	-	507,311
Other assets	165,004	-	165,004
Construction projects, net	-	3,167	3,167
Investment properties, net	-	55,975	55,975
Property and equipment, net	-	137,046	137,046
Intangible assets, net	-	13,158	13,158
Deferred tax assets	-	13,400	13,400
Assets and a disposal group held for sale	26,015	-	26,015
<b>Total assets</b>	<b>6,862,626</b>	<b>2,731,639</b>	<b>9,594,265</b>
<b>Liabilities</b>			
Due to other financial institutions and banks	482,972	-	482,972
Sukuk securities issued	-	156,433	156,433
Current and profit/loss sharing investors' accounts	6,903,366	575,918	7,479,284
Derivative financial instruments	14,285	15	14,300
Other liabilities	171,938	-	171,938
Provisions	-	7,909	7,909
Income taxes payable	5,663	-	5,663
<b>Liabilities</b>	<b>7,578,224</b>	<b>740,275</b>	<b>8,318,499</b>
<b>Net</b>	<b>(715,598)</b>	<b>1,991,364</b>	<b>1,275,766</b>

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**DECEMBER 31, 2010 (CONTINUED)**

CURRENCY-IN THOUSANDS OF TURKISH LIRA-TL UNLESS OTHERWISE INDICATED)

Maturity analysis of assets and liabilities as of December 31, 2009.

	Less Than 12 months	Over 12 months	Total
<b>Assets</b>			
Cash and balances with the Central Bank	239,090	-	239,090
Balances with other banks and financial institutions	903,319	-	903,319
Reserve deposits at the Central Bank	218,689	-	218,689
Financial assets-held for trading	9,952	-	9,952
Derivative financial instruments	9,925	-	9,925
Share Certificates	27	-	27
Gold Fund	-	-	-
Financial assets-available-for-sale	4,520	-	4,520
Financial assets-held to maturity	7,529	-	7,529
Due from financing activities, net	3,382,242	1,204,544	4,586,786
Minimum finance lease payments receivable, net	33,492	20,020	53,512
Precious Metals	409,854	-	409,854
Other assets	180,367	-	180,367
Construction projects, net	-	3,025	3,025
Investment in associate	12,315	-	12,315
Investment properties, net	-	47,207	47,207
Property and equipment, net	-	108,180	108,180
Intangible assets, net	-	8,256	8,256
Deferred tax assets	-	12,749	12,749
Assets and a disposal group held for sale	9,547	-	9,547
<b>Total assets</b>	<b>5,410,916</b>	<b>1,403,981</b>	<b>6,814,897</b>
<b>Liabilities</b>			
Due to other financial institutions and banks	378,385	5,296	383,681
Sukuk securities issued	-	-	-
Current and profit/loss sharing investors' accounts	5,078,928	466,273	5,545,201
Derivative financial instruments	6,231	-	6,231
Other liabilities	49,422	-	49,422
Provisions	-	7,107	7,107
Income taxes payable	5,774	-	5,774
<b>Liabilities</b>	<b>5,518,740</b>	<b>478,676</b>	<b>5,997,416</b>
<b>Net</b>	<b>(107,824)</b>	<b>925,305</b>	<b>817,481</b>

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CURRENCY-IN THOUSANDS OF TURKISH LIRA-TL UNLESS OTHERWISE INDICATED)

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
<b>As at December 31, 2010</b>						
Due to other financial institutions and banks	-	121,245	368,170	-	-	489,415
Sukuk Issued	-	-	-	179,314	-	179,314
Derivative financial instruments (*)	-	1,020,224	398,645	1,500	-	1,420,369
Current accounts	1,751,681	-	-	-	-	1,751,681
Profit and loss sharing accounts (**)	-	4,509,914	629,429	588,260	-	5,727,603
Other financial liabilities	-	-	-	-	-	-
<b>Total undiscounted financial liabilities</b>	<b>1,751,681</b>	<b>5,651,383</b>	<b>1,396,244</b>	<b>769,074</b>	<b>-</b>	<b>9,568,382</b>
<b>As at December 31, 2009</b>						
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
<b>Total undiscounted financial liabilities</b>	<b>1,300,992</b>	<b>4,267,656</b>	<b>761,697</b>	<b>471,927</b>	<b>-</b>	<b>6,802,272</b>

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

(\*\*) Customers have choice of demanding their accounts anytime by abandoning profit share income.

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CURRENCY-IN THOUSANDS OF TURKISH LIRA-TL UNLESS OTHERWISE INDICATED)

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
<b>December 31, 2010</b>						
Contingent liabilities and other guarantees (*)	805,928	657,537	909,108	1,170,194	187,441	3,730,208
Commitments	1,284,680	-	-	-	-	1,284,680
<b>Total</b>	<b>2,090,608</b>	<b>657,537</b>	<b>909,108</b>	<b>1,170,194</b>	<b>187,441</b>	<b>5,014,888</b>
<b>December 31, 2009</b>						
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
<b>Total</b>	<b>2,554,438</b>	<b>559,693</b>	<b>863,683</b>	<b>1,006,593</b>	<b>270,693</b>	<b>5,255,100</b>

(\*)Such liabilities may be liquidated and paid by the Group in case of default or the customers.

**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 precious metals 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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CURRENCY-IN THOUSANDS OF TURKISH LIRA-TL UNLESS OTHERWISE INDICATED)

#### 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.

Precious metal	December 31, 2010			December 31, 2009		
	Increase/decrease in metal price in %	Effect on profit before tax	Effect on equity	Increase/decrease in metal price in %	Effect on profit before tax	Effect on equity
Gold	+10	(429)		+10	5,478	-
Gold	-10	429		-10	(5,478)	-

#### Interest risk

The Group operates in non-interest banking sector therefore there is no interest risk.

#### 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. 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.

Currency	December 31, 2010			December 31, 2009		
	Increase/decrease in currency rate in %	Effect on profit before tax	Effect on equity	Increase/decrease in currency rate in %	Effect on profit before tax	Effect on equity
USD	+10	(1,453)	31	+10	(5,017)	-
USD	-10	1,453	(31)	-10	5,017	-
EUR	+10	875	-	+10	1,141	-
EUR	-10	(875)	-	-10	(1,141)	-

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#### DECEMBER 31, 2010 (CONTINUED)

CURRENCY-IN THOUSANDS OF TURKISH LIRA-TL UNLESS OTHERWISE INDICATED)

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

December 31, 2010	EUR	USD	Other	Precious Metals	TL	Total
Cash and balances with the Central bank	15,666	47,500	1,583	-	351,015	415,764
Deposits with other banks and financial institutions	17,345	557,971	29,979	-	328,618	933,913
Reserve deposits at the Central Bank	-	329,487	-	-	357	329,844
Financial assets-available-for-sale	-	714	-	-	3,806	4,520
Financial assets-held for trading	3,552	12,340	4,599	-	12,247	32,738
Due from financing activities, net	689,909	1,696,376	2	1,544	4,481,106	6,868,937
Minimum finance lease payments receivable, net	58,110	18,903	-	-	10,460	87,473
Precious metals	-	-	-	507,311	-	507,311
Other assets	3,900	38,905	3,203	-	118,996	165,004
Construction projects, net	-	-	-	-	3,167	3,167
Investment properties, net	-	-	-	-	55,975	55,975
Assets held for sale and disposal of group, net	-	-	-	-	26,015	26,015
Property and equipment, net	-	186	-	-	136,860	137,046
Intangible assets, net	-	-	-	-	13,158	13,158
Deferred tax assets	-	-	-	-	13,400	13,400
<b>Total assets</b>	<b>788,482</b>	<b>2,702,382</b>	<b>39,366</b>	<b>508,855</b>	<b>5,555,180</b>	<b>9,594,265</b>
Due to other financial institutions and banks	10,356	472,542	74	-	-	482,972
Sukuk Issued	-	156,433	-	-	-	156,433
Current and profit/loss sharing investors' accounts	785,506	1,672,681	12,680	472,433	4,535,985	7,479,285
Other liabilities	2,067	1,169	890	205	167,607	171,938
Provisions	-	-	-	-	7,909	7,909
Income taxes payable	-	-	-	-	5,663	5,663
Derivative financial instruments	188	8,494	17	-	5,601	14,300
Equity	-	-	-	-	1,275,765	1,275,765
<b>Total liabilities and equity</b>	<b>798,117</b>	<b>2,311,319</b>	<b>13,661</b>	<b>472,638</b>	<b>5,998,530</b>	<b>9,594,265</b>
<b>Net balance sheet position</b>	<b>(9,635)</b>	<b>391,063</b>	<b>25,705</b>	<b>36,217</b>	<b>(443,350)</b>	<b>-</b>
<b>Net off-balance sheet position</b>	<b>18,381</b>	<b>(405,594)</b>	<b>(51,824)</b>	<b>(13,724)</b>	<b>452,761</b>	<b>-</b>

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CURRENCY-IN THOUSANDS OF TURKISH LIRA-TL UNLESS OTHERWISE INDICATED)

December 31, 2009	EUR	USD	Other	Precious Metals	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
Precious Metals	-	-	-	409,584	-	409,584
Other assets	-	-	-	-	180,637	180,637
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
<b>Total assets</b>	<b>887,907</b>	<b>2,091,386</b>	<b>15,873</b>	<b>409,584</b>	<b>3,410,147</b>	<b>6,814,897</b>
Due to other financial institutions and banks	-	383,681	-	-	-	383,681
Current and profit/loss sharing investors' accounts	844,982	1,342,250	1,611	181,999	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
<b>Total liabilities and equity</b>	<b>849,275</b>	<b>1,752,744</b>	<b>1,857</b>	<b>181,999</b>	<b>4,029,022</b>	<b>6,814,897</b>
<b>Net balance sheet position</b>	<b>38,632</b>	<b>338,642</b>	<b>14,016</b>	<b>227,585</b>	<b>(618,875)</b>	<b>-</b>
<b>Net off-balance sheet position</b>	<b>(27,220)</b>	<b>(388,809)</b>	<b>(60,568)</b>	<b>(175,065)</b>	<b>651,662</b>	<b>--</b>

## KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### DECEMBER 31, 2010 (CONTINUED)

CURRENCY-IN THOUSANDS OF TURKISH LIRA-TL UNLESS OTHERWISE INDICATED)

##### Pricing risk

The Group issues loans 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, 2010 and 2009, the Bank's statutory capital adequacy ratio exceeded the minimum requirement of BRSA.

##### 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.

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#### Regulatory capital

	2010	2009		
Tier 1 capital	1,221,964	785,364		
Tier 2 capital	43,047	32,100		
Deductions from capital	(2,382)	(21,715)		
<b>Total capital</b>	<b>1,262,629</b>	<b>795,749</b>		
Risk weighted assets amount subject to market and operational risk	7,406,214	5,465,599		
	<b>Actual</b>	<b>Required</b>	<b>Actual</b>	<b>Required</b>
Tier 1 capital ratio	16.48%		14.37%	-
Total capital ratio	17.05%	12%	14.56%	12%

#### 31. 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 2010, the fair value of financing and leasing receivables has been estimated as TL 7,027,590 (December 31, 2009-TL 4,646,986) whereas their carrying amount is TL 6,956,410 (December 31, 2009-TL 4,665,232).

Fair value of borrowings at amortized cost is estimated as TL 484,421 (December 31, 2009-TL 384,891), whereas their carrying amount is TL 482,972 (December 31, 2009-TL 383,681). 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 the Sukuk issued is estimated as TL 158,666 whereas their carrying amount is TL 156,433.

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.

## KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

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#### DECEMBER 31, 2010 (CONTINUED)

CURRENCY-IN THOUSANDS OF TURKISH LIRA-TL UNLESS OTHERWISE INDICATED)

#### 32. Subsequent events

a. With the changes made in the "Communiqué Regarding the Reserve Requirements" on 17 December 2010 and 24 January 2011 the reserve requirement rates for TL liabilities are differentiated between 5% and 12% and funds obtained from repos except for the ones made with the Central Bank and domestic banks are included in the calculation basis.

TL Liabilities	Required reserve ratios (%)
Demand deposits, notice deposits and private current accounts	12
Deposits/participation accounts up to 1-month maturity (including 1-month)	10
Deposits/participation accounts up to 3-month maturity (including 3-month)	9
Deposits/participation accounts up to 6-month maturity (including 6-month)	7
Deposits/participation accounts up to 1-year maturity	6
Deposits/participation accounts with 1-year and longer maturity and cumulative deposits/participation accounts	5
Liabilities other than deposits/participation funds	9
Special fund pools	Ratios for corresponding maturities

b. According to the Board of Directors' meeting decision, numbered 1064, dated on January 4, 2011; it is decided to establish a subsidiary bank in Qatar.

c. According to the Board of Directors' meeting decision, numbered 1073, dated on February 22, 2011; it is decided to raise capital from TL 850,000 to TL 950,000 from previous year's reserves.

d. According to the Board of Directors' meeting decision, numbered 1076, dated on February 22, 2011; it is decided to establish a subsidiary bank in Germany.

## CONTACT INFORMATION AND BRANCH DIRECTORY\*

### Headquarters

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Credit Monitoring Dep. Fax: 354 10 94  
Security Office Fax: 354 11 22  
Human Resources&Quality  
Dep. Fax:354 11 32  
Accounting Dep. Fax: 354 11 03  
Intelligence Dep. Fax: 354 13 21  
Marketing Dep. Fax: 354 12 74  
Board of Inspectors Fax:354 13 42  
International Banking Dep. Fax: 354 12 26  
Investor Relations Dep. Fax 354 75 84  
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Sümer Meydanı, Gölbaşı Cad. No:13/B  
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### Afyonkarahisar Branch:

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### Alaaddin (Konya) Branch:

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### Altunizade Branch:

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### Ankara Branch:

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### Antakya (Hatay) Branch:

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### Antalya Branch:

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### Aspendos Bulvarı Branch:

Mehmetçik Mh.Aspendos Bulv. No:69/E  
ANTALYA  
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### Avcılar Branch:

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### Bağcılar Branch:

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Adnan Kahveci Bulvarı Ömür Sitesi  
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### Bahçeşehir Branch:

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### Balgat Branch:

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### Balıkesir Branch:

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### Bartın Branch:

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### Başakşehir Branch:

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### Başkent Corporate Branch:

Ziyabey Cad. No:53 Balgat-Çankaya/ANKARA  
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Atatürk Bul. Diyarbakır Cad.  
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### Bayrampaşa Branch:

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**Beyazıt Branch:**

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**Bostancı Branch:**

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**Büsan Branch:**

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**Carrefoursa Bayrampaşa Branch:**

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**Demirtaş-Bursa Branch:**

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**Denizli Branch:**

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**Eskişehir Sanayi Branch:**

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**Güneşli Branch:**

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**Güngören Branch:**

Güven Mh. İnönü Cd. No:23/1 Güngören/İST.  
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**Ihlamurkuyu Branch:**

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**İmes Branch:**

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**İzmir Branch:**

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**İzmit Branch:**

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**Kadıköy Branch:**

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**Kahramanmaraş Branch:**

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**Kapalıçarşı Branch:**

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**Karşıyaka Branch:**

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**Kavacık Branch:**

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**Kayapınar Branch:**

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Elmas Ap. Altı Kayapınar/DİYARBAKIR  
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**Kaynarca Branch:**

Fevzi Çakmak Mh.Cemal Gürsel  
C.135/1Pendik/İST.  
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**Kayseri Branch:**

Millet Cad. Ünlü Ap. No:39 KAYSERİ  
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**Keçiören Branch:**

Kızılarpınarı Cad. No:55/B Keçiören/ANKARA  
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**Kızılay Branch:**

Mithatpaşa Cad. No:31-32 Kızılay/ANKARA  
Tel: (0312) 431 01 73 (PBX) Faks: 431 01 85

**Kızıtaşı Branch:**

Sofular Mah. Macar Kardeşler Cad. No:43  
Tel: 212 5232303 Faks: 212 5232353

**Konya Branch:**

Ankara Cad. No:119 Selçuklu/KONYA  
Tel: (0332) 238 10 10 (PBX) Faks: 237 67 34

**Kurtköy Branch:**

Ankara Cd.203/B Efe İşmerk.Şişli-  
Kurtköy/İST.  
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**Kütahya Branch:**

Balıkli Mah.Itfaiye Sk. No:2 KÜTAHYA  
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**Laleli Branch:**

Ordu Cad. No:218-248/D Laleli/İSTANBUL  
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**Logistic Center:**

Organize Deri Yan San. Bölgesi YA5 Parsel  
Tuzla/İST.  
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**Malatya Branch:**

Ferhadiye Mah.Ferhadiye Sk. No:3 MALATYA  
Tel: (0422) 323 04 48 (PBX) Faks: 323 03 98

**Maltepe Branch:**

Bağdat Cd.No:418/A Maltepe/İSTANBUL  
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**Manisa Branch:**

Mustafa Kemal Paşa Cad. No:30/A MANİSA  
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**Mecidiyeköy Branch:**

Büyükdere Cad. No:77 Mecidiyeköy/İST.  
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**Megacenter (Bayrampaşa) Branch:**

Kocatepe Mh.Megacenter Sit.12.Sk.C Blok  
No:113 Bayrampaşa/İSTANBUL  
Tel: (0212) 640 00 60 (PBX) Faks: 640 63 00

**Central Branch:**

Büyükdere Cad. No:129/1A Esentepe-Şişli/İST.  
Tel: (0212) 354 28 28 (PBX) Faks: 354 28 15

**Mersin (İçel) Branch:**

Kuvay-i Milliye Cad. No:8 MERSİN  
Tel: (0324) 238 76 50 (PBX) Faks: 238 76 54

**Mersin Serbest Bölge Branch:**

Mersin Serbest Bölge F Ada 3 Parsel MERSİN  
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**Merter Branch:**

Fatih Cad. No:22 Merter/İSTANBUL  
Tel: (0212) 637 00 87 (PBX) Faks: 637 87 23

**Niğde Branch:**

Grand Hotel Niğde Yanı Hükümet  
Meydanı NIĞDE  
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**Nilüfer (Bursa) Branch:**

Üçevler Mh.Nilüfer Cd.No:6/2 Nilüfer/BURSA  
Tel: (0224) 443 51 11 (PBX) Faks: 443 52 62

**Operation Center:**

Büyükdere C.Raşit Rıza S.10/4  
Mecidiyeköy/İST.  
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**Osmanbey Branch:**

Halaskargazi Cad. No:100/B Şişli/İSTANBUL  
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**Osmangazi (Bursa) Branch:**

Fevzi Çakmak Cd. No:43/4 BURSA  
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**Osmaniye Branch:**

Alibeyli Mah. Cevdet Sunay Cad.  
No:35 OSMANİYE  
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**Ostim Branch:**

Ostim M.100.Yıl Bul.N.51 Y.Mahalle/ANKARA  
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**Pendik Branch:**

Dr.Orhan Maltepe Cd.No:50/B Pendik/İST.  
Tel: (0216) 390 85 45 (PBX) Faks: 390 85 49

**Pınarbaşı-İzmir Branch:**

Kemalpaşa Cad. No:41/1 Bornova/İZMİR  
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**Pursaklar-Ankara Branch:**

Belediye Cad. No:3/A Pursaklar/ANKARA  
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**Rize Branch:**

Tevfik İleri Cad. No:16/B RİZE  
Tel: (0464) 217 09 00 (PBX) Faks: 217 09 08

**Samsun Branch:**

Kale Mah.Kazım Paşa Cad.No:17 SAMSUN  
Tel: (0362) 431 36 61 (PBX) Faks: 431 36 38

**Sancaktepe Branch:**

Meclis Mah. Burç Sk. No:2H  
Sancaktepe/İSTANBUL  
Tel: (0216) 648 20 38 (PBX) Faks: 648 20 44

**Sincan Branch:**

Atatürk Mh.Meltem Sk.No:41  
Sincan/ANKARA  
Tel: (0312) 269 99 96 (PBX) Faks: 271 98 61

**Sirkeci Branch:**

Vasıfçınar Cd.No:106 Eminönü-  
Fatih/İSTANBUL  
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**Sivas Bulvarı (Kayseri) Branch:**

Mimar Sinan Mh. Sivas Bulvarı 197/A  
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## ► CONTACT INFORMATION AND BRANCH DIRECTORY

**Sivas Branch:**

Eskikale Mah. Bankalar Cad. No:8 SİVAS  
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Mehmet Akif Mh.Fatih Bulvarı No:167  
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**Şanlıurfa Branch:**

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**Şirinevler Branch:**

Şirinevler Mh.Meriç Sk.No:25 Şirinevler/İST.  
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**Şişli Branch:**

Halaskargazi Cad. No:202/1 Osmanbey-Şişli/  
İST.  
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**Taksim Branch:**

Tarlabaşı Cad. No:22 Taksim/İSTANBUL  
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**Tuzla Sanayi Branch:**

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Çayyolu Yenimahalle/ANKARA  
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**Ümraniye Branch:**

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**Van Branch:**

Cumhuriyet Cad.No:116 VAN  
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**Yenibosna Branch:**

Yıldırım Beyazıt Cd.No:106 Yenibosna-  
Bahçelievler/İST.  
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**Yeni Sanayi-Kayseri Branch:**

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Dadaloğlu Mah. Kozan Yolu Üzeri  
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TEM Yan Yolu Çetin Cad.Hüsrev Sk. No:6 K:4  
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