


2012
ANNUAL
REPORT



KUVEYTÜRK

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What is Kûfi/ma`kili?

The 13th, 14th and 15th centuries in particular are considered to be the golden age of this calligraphic style. In this era, the timeless principles of the art of Ma`kili were laid down. The main characteristics of this calligraphy style are an absolute plainness and a demanding simplicity, with the use of a completely geometric shape. Veritable masters of this technique, the Seljuks transformed it into an ornamental art form in perfect harmony with architecture.

Kûfi/ma`kili is recognized as the oldest style in the art of calligraphy, and the precursor of other styles of Arabic script.

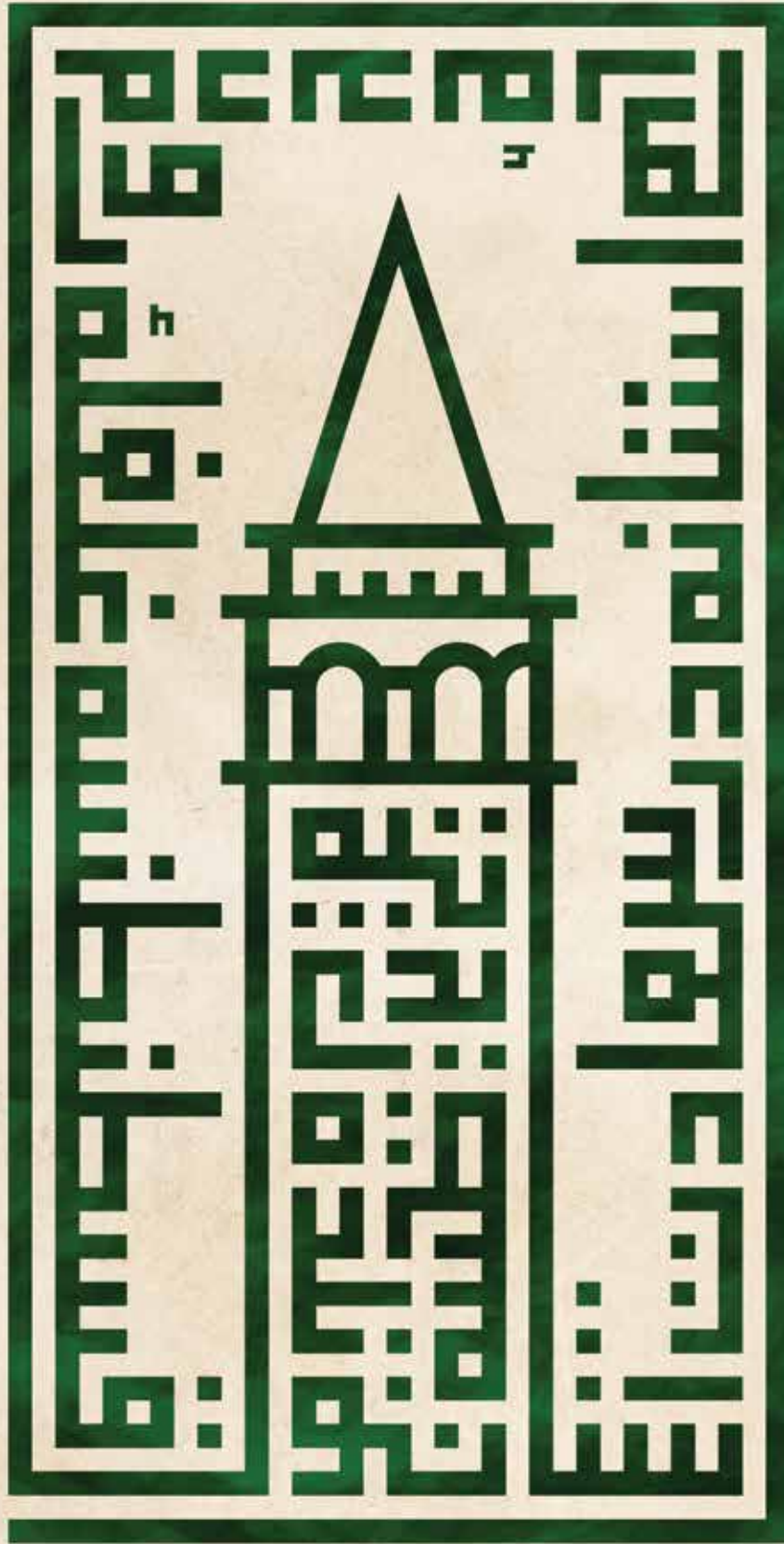
About Our Artworks

Due to its simple appearance, Kûfi/Ma`kili calligraphy is complements the minimalist style in modern design, and thus provides ample inspiration and opportunity for contemporary art.

Istanbul's seven names (Galata Tower)

“Dersaadet, Konstantiniyye, Âsitâne, Gulgule-i Rûm, Debdebe-i Rûm, Belde-i Tayyibe, Yeditepe”

Centered around the Galata Tower, one of Istanbul's oldest and most characteristic landmarks, this work features seven names given to Istanbul by different cultures throughout history.

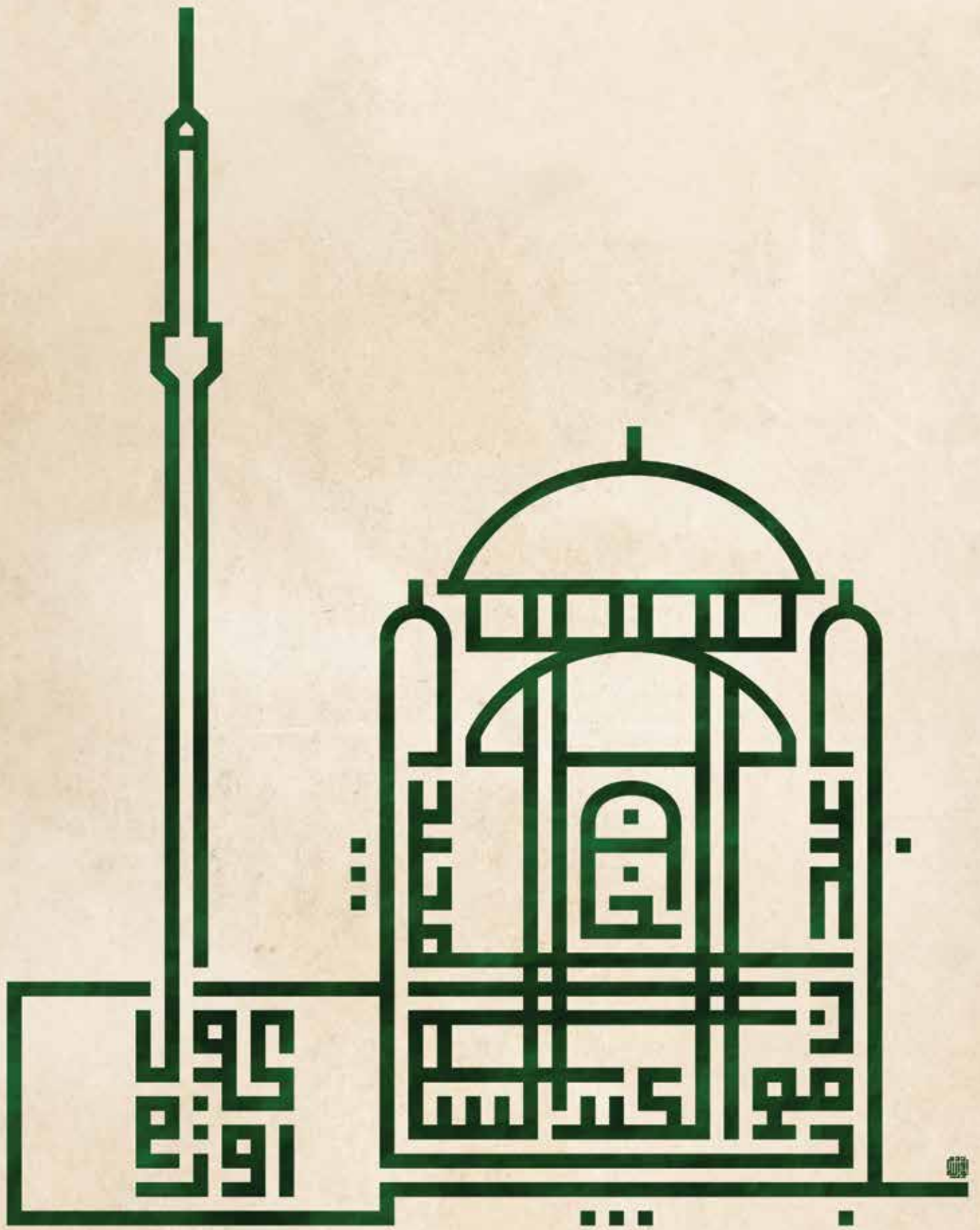


All across the city (Square-shaped City Silhouette)

The phrase “âh Istanbul” [oh, Istanbul!] reproduced four times at the center is surrounded by the great poet Bâki’s verse “Râh-ı gülzâre döner yolları İstanbul’un” [Istanbul’s roads spiral like a rose garden] and Mehmed Sâdi Bey’s verse “Gülzâre nazar kıldım vîrâne misâl olmuş” [I laid eyes on the rose garden; it is in ruins now]. The grid in the center is a classical motif, which can be interpreted as a reference to Ottoman Istanbul.

Ortaköy Mosque

This composition depicting the famous mosque situated in one of Istanbul's most splendid locations from profile, features an Arabic phrase which reads "Sultan Abdülmecîd's Grand Mosque and Ortaköy". The extensions of the letters were shaped to yield the silhouette of the mosque.



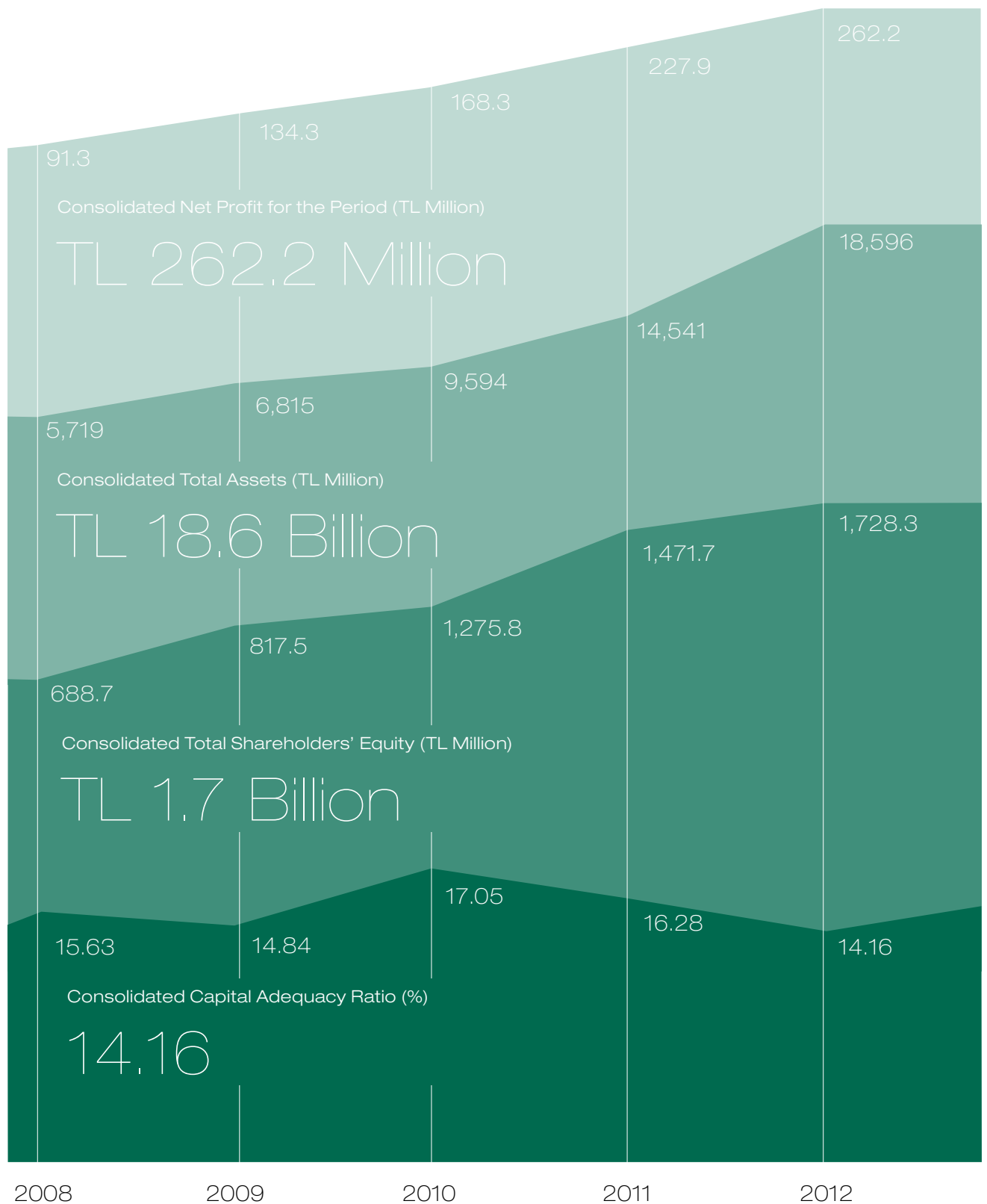
Summary Financial Highlights

We have sustained our strong financial performance

Powered by its robust partnership structure, Kuveyt Türk increased net profit in 2012 by 15% over the prior year to TL 262 million.

SUMMARY FINANCIAL HIGHLIGHTS (TL THOUSAND)	2010	2011	2012
Profit Sharing Income	639,251	882,153	1,182,236
Profit Sharing Expense	318,096	437,367	610,562
Net Fee and Commission Income	140,051	172,813	220,518
Other Income	110,508	130,996	148,371
Other Expenses	361,578	466,576	606,690
Provision for Taxes	41,576	49,731	59,997
Net Profit for the Period	168,252	227,920	262,228
Total Assets	9,594,264	14,540,661	18,596,049
Total Shareholders' Equity	1,275,765	1,471,716	1,728,337
Capital Adequacy Ratio (%)	17.05	16.28	14.16

* IFRS Consolidated Figures



Agenda of the Ordinary General Assembly Meeting

MEETING AGENDA

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

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 2012 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 2012.
6. Release of the Board of Directors from its fiduciary responsibilities.
7. Release of the Statutory Auditors from their fiduciary responsibilities.
8. Decision on the principles of distributing the 2012 profit.
9. Deliberation of and decision on the capital increase issue.
10. Election of the Statutory Auditors.
11. Deliberation of and decision on the attached draft amendment to the Articles of Association.
12. Deliberation of and decision on the In-House Regulation Governing the Operating Principles of the General Assembly.
13. Deliberation of and decision on the attendance fees, salaries, bonuses, premiums and/or dividends from the annual profit to be paid to the Chairman and Members of the Board of Directors for their services on the Board and other committees.
14. Provision of information by Board of Directors on independent audit activities, pursuant to Banking Law No. 5411 and applicable legislation.
15. Pursuant to the resolution of the Banking Regulation and Supervision Agency on profit distribution, provision of information on the bonuses paid to employees.
16. Pursuant to Article 14/2 of the Regulation on the Procedures and Principles for Determination of Qualifications of Loans and other Receivables by Banks and Provisions to be Set Aside, approval of "reflecting in accounts of expenses the portion of provisions that correspond to participation accounts, provided that the provisions of the Turkish Commercial Code are observed".
17. Authorization of the Members of the Board of Directors to perform the transactions stipulated in Articles 395 and 396 of the Turkish Commercial Code.
18. Suggestions and petitions.

Kuveyt Türk in Brief

We have continued to lead the way in participation banking

Kuveyt Türk makes a significant contribution to Turkish economic development, in accordance with the principles of interest-free banking.

Pioneering and Innovative in Participation Banking

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 under the commercial title of “Kuveyt Türk Evkaf Finans Kurumu A.Ş.” The Bank has made significant contributions to the development of participation banking in Turkey with its dynamic corporate governance approach and innovative products offered to customers. It has operated under the status of a Private Financial Institution, and like other private financial institutions, became subject to Banking Law No. 4389 in 1999. In 2006, the business title of the Bank was changed to Kuveyt Türk Katılım Bankası A.Ş. (Kuveyt Türk), the name the Bank continues to use today.

Robust Shareholding Structure

As of year-end 2012, Kuveyt Türk’s shareholders’ equity stands at TL 1.7 billion. Of the Bank’s outstanding shares 62.24% are owned by Kuwait Finance House, 18.72% by the Turkish General Directorate of Foundations, 9% by the Kuwait Public Institution for Social Security, 9% by Islamic Development Bank, and the remaining 1.04% by other real and legal persons. Kuveyt Türk’s main shareholder, Kuwait Finance House, boasts billions of dollars in total funds and an efficient international service network, and is thus the primary pillar supporting the Bank’s consistent development.

Vast and Efficient Service Infrastructure

Kuveyt Türk efficiently provides its clients with a vast array of financial products and services via 219 branches throughout Turkey, as well as overseas branches in Bahrain and Mannheim. As of year-end 2012, the Bank has 3,939 employees.

Products and Services Add Value to Client Investments

Kuveyt Türk designs financial products that add value to its clients’ investments through the funds acquired domestically

and internationally via “special current accounts” and “profit and loss participation accounts.”

Continuous Support to the Real Economy

Kuveyt Türk, operates in accordance with “interest-free banking” principles, and is among the major players in the national finance industry in terms of equity capital adequacy. The Bank has always stood by investors who are real and legal persons through direct financing support, or else participation by way of joint ventures, and has thus always supported the actors of the real economy. Since its establishment, the Bank has received many awards from numerous public agencies and trade associations including the Undersecretariat of Treasury and Foreign Trade, Istanbul Chamber of Commerce and the Istanbul Textile & Apparel Exporters Association. Meanwhile, keen on creating greater value for the savings of its clients, each of whom is a profit partner of the Bank, Kuveyt Türk views the development of innovative projects as an indispensable component of its core activities.

Pioneer of Sukuk Issuance in Turkey

Drawing strength from its main partner Kuwait Finance House’s international know-how, Kuveyt Türk broke ground in the Turkish banking sector by completing two sukuk issuances worth US\$ 450 million in 2010 and 2011. These sukuk transactions backed by lease certificates not only added significant force to Kuveyt Türk’s financial strength, but also gained nationwide recognition. In 2012, Kuwait Finance House’s subsidiary Liquidity Management House became one of the three companies to support the Undersecretariat of Treasury in its five-year sukuk issuance worth US\$ 1.5 billion -the first of its kind in Turkey. This issuance was oversubscribed eight times, and drew much interest from international markets, particularly the Gulf Region.

A Financial Bridge between Turkey and the Gulf Region

By honing Kuwait Finance House’s extensive correspondent network and deep-seated interest-free banking experience into a competitive edge, Kuveyt Türk functions like a financial bridge for Turkish investors seeking to access the funding opportunities of the Gulf Region. And with its major contribution to burgeoning trade between Turkey and the Gulf Region through its Bahrain Branch, the Bank strives to develop projects that will present new investment opportunities.

Leading the Sector in Gold Banking

Providing its clients with a full range of gold products ranging from the GoldPlus Gold Exchange-Traded Fund to ATMs selling gold by the gram, Kuveyt Türk has played a key role in the development of gold banking in Turkey. The Bank has developed effective projects which have succeeded in recycling under-the-mattress gold back into the economy, and in the coming period, plans to offer its clients gold-based funding mechanisms.

First Participation Bank to Engage in Retail Banking

In line with its principle of operating in the light of customer needs and expectations, Kuveyt Türk offers its clients a large number of retail banking products and services. As the first participation bank to venture into the retail banking segment, Kuveyt Türk expands its client portfolio consistently, and introduces groundbreaking practices to the banking industry thanks to its ability to develop high quality products.

Set apart from its rivals with a robust capital structure and dynamic corporate governance approach, Kuveyt Türk has a paid-in capital of TL 1.1 billion as of year-end 2012. The Bank’s consolidated total assets grew by 28% to reach TL 18.6 billion at year-end 2012, from TL 14.5 billion as of year-end 2011.

Milestones

1990

Kuveyt Türk was deemed worthy of the Gold Medallion for contributions to the ready-to-wear industry.

Kuveyt Türk's founding capital doubled.

1992

State Economic Enterprises were granted their first loan from the Gulf Region thanks to Kuveyt Türk. Total funding extended by Gulf nations amounted to US\$ 50 million.

1993

Kuveyt Türk's Head Office and branches became linked online.

1996

Körfez Gayrimenkul A.Ş. was established as a subsidiary of Kuveyt Türk.

1997

Kuveyt Türk's total branch network reached 16.

1998

Kuveyt Türk launched its first credit card.

2002

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

2003

In order to offer interest-free banking services nationwide, Kuveyt Türk reached an agreement with the Turkish Postal System (PTT), which has nearly 1,000 branches.

2004

Kuveyt Türk opened its first representative office in Mannheim, Germany.

2006

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

2007

Kuveyt Türk became the first participation bank to launch foreign currency forward trading with a fixed exchange rate.

2008

The two-year, US\$ 200 million murabaha syndication secured by Kuveyt Türk from banks in the Gulf Region and Europe was not only oversubscribed by US\$ 65 million, but also significantly bolstered the Bank's reputation in international markets. Kuveyt Türk unveiled many innovative products such as Gold Swap, Gold for Gold, and GoldCheck.

2010

Issuing the first Sukuk security under the co-leadership of LH (Liquidity Management House) and Citibank, the Bank introduced Turkey to this financial instrument used widely across the Gulf Region and Malaysia. The three-year, US\$ 100 million issuance was 1.5 times oversubscribed as a result of ample interest from the world's major financial centers.

International rating agency Fitch Ratings raised Kuveyt Türk's long term local currency credit rating from "BBB-" to "BBB" in December 2010, while also raising its outlook to "positive".

2011

In 2011, Kuveyt Türk completed its second Sukuk issuance backed by lease certificates, securing a US\$ 350 million foreign resource for the Turkish economy. Improving its service network in terms of quality and speed, Kuveyt Türk increased its total number of domestic and overseas branches to 180.

2012

Kuwait Finance House's subsidiary, Liquidity Management House, became one of the three companies to support the Undersecretariat of Treasury in its five-year sukuk issuance worth US\$ 1.5 billion -the first of its kind in Turkey.

Following its Gold Plus Gold Fund, Kuveyt Türk also issued silver funds under the name Silver Plus. The Silver Plus Investment Fund commenced trading on the Istanbul Stock Exchange.

Mission, Vision, Quality Policy and Service Principles

Our Mission

To be a bank that is loyal to its core corporate principles (interest-free financial transactions and operations),
To sustain moral values,
To focus on customer-oriented banking,
To embrace corporate social responsibility.

Our Vision

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

Our 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 employees, who are proud to be working for Kuveyt Türk.

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

Our Service Principles

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

- Generating quick solutions to problems,
- A business-partnership approach to clients,
- Innovativeness,
- Customer focus,
- Hospitality.

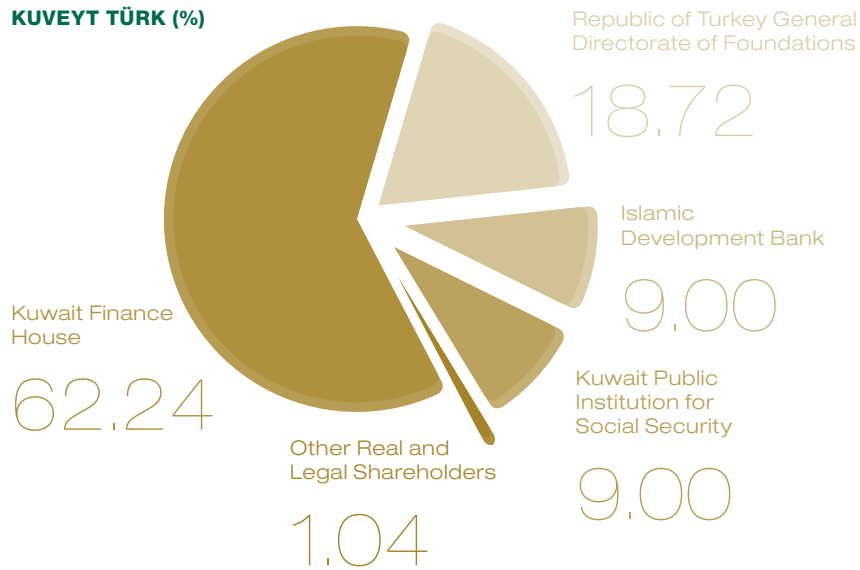
Changes in Shareholding and Capital Structure and Articles of Association

We draw strength from our robust shareholding structure

Kuveyt Türk's success rests on a robust shareholding structure.

NAME/TITLE OF SHAREHOLDER	SHARE CAPITAL (TL THOUSAND)	OWNERSHIP SHARE (%)
1. Kuwait Finance House	684,654	62.24
2. Republic of Turkey General Directorate of Foundations	205,912	18.72
3. Kuwait Public Institution for Social Security	99,000	9.00
4. Islamic Development Bank	99,000	9.00
5. Other Real and Legal Shareholders*	11,434	1.04
Total	1,100,000	100.00

*The total percentage of shares held by the Chairman and Members of the Board of Directors, Statutory Auditors, CEO and Executive Vice Presidents is 0.19%.



Amendments to the Articles of Association

Article 7 of the Articles of Association was amended to increase the capital of Kuveyt Türk Katılım Bankası A.Ş. from TL 950,000,000 to TL 1,100,000,000 by means of a transfer of TL 150,000,000 out of the profit for the year 2011.

Message from the Chairman

Kuveyt Türk, Turkey's pioneering force of participation banking in one of the fastest-growing areas in the world of finance today, continued to make major strides in 2012 to ensure the sustainability of its sound financial and corporate structure.

262
TL Million

We continued to increase our net profit

Kuveyt Türk posted net profit of TL 262 million in 2012, up 15% over the previous year.

Esteemed Shareholders,

While the risks related to the global economy began to diminish in 2012, the restraint on growth stemming from ongoing instability in the Eurozone area keeps worries alive about the sustainability of the economic recovery. Meanwhile, the lack of clear indicators of recovery in developed economies also leads to downward revisions of growth projections for the periods ahead. Coupled with political uncertainty, these developments led economic forecasters to raise the possibility of a recession that takes hold in the industrialized world and later spreads to emerging markets.

The problems continuing to plague the global economy in 2012 also caused Turkey to achieve economic growth of only 3% for the year, below its potential. With Europe's troubles impacting only its commercial ties, Turkey is looking to 2013 with optimism due to a number of positive factors, including increasing trade with the Middle East and Africa and relatively strong domestic demand. The expansionary monetary policy pursued by the Central Bank of Turkey to support financial stability and growth, coupled with the improvements in fiscal discipline and in the current account deficit, show

that the country's economy is managed in a healthy and prudent manner, affirming its increased resilience in the face of external impacts. Thus, it was no surprise that Fitch Ratings upgraded Turkey's sovereign credit rating to investment-grade in November; neither would it be an overstatement to expect that other rating agencies are now more likely to raise Turkey's rating in the coming periods. The drop in the country's risk premium in response to these developments is expected to positively impact all areas of the economy, and the banking industry in particular.

Kuveyt Türk, Turkey's pioneering force in participation banking, one of the fastest-growing areas in the world of finance today, expended great efforts in conjunction with Kuwait Finance House, its main partner, and made significant strides during the year toward accelerating its healthy and sustainable growth. Supporting our strong performance with new assignments for experienced members of the senior management team and new executive appointments, we lifted our productivity and competitive edge to a whole new level. To continue this momentum, Kuveyt Türk aims to rank among the top 10 banks in the sector by 2018 in terms of both asset size and profitability.



In pursuit of these ambitious objectives, Kuveyt Türk continued to invest in human resources and technology while remaining committed to its corporate values and principles last year. The Bank provided services to its clients with a customer-oriented approach via 3,939 highly skilled employees at 221 branches. The Bank's year-end results affirm the soundness of our banking philosophy. Kuveyt Türk attained sparkling success in 2012, recording net profit of TL 262 million, up a robust 15% over the previous year. Fitch Ratings' upgrade of Kuveyt Türk's long term local currency credit rating from BBB to BBB+, and long term foreign currency credit rating from BBB- to BBB, in the fourth quarter served as a capstone to our successful year.

In line with our vision of becoming an international participation bank, Kuveyt Türk stepped up its overseas activities in 2012. Our initiative to expand our experience and know-how in "Interest-free Banking" into Germany by applying for a full-banking license in the country is the most recent manifestation of this expansion strategy. After the authorization process is complete, we aim to deliver our service quality to a mass market, first in Germany and then in other European countries.

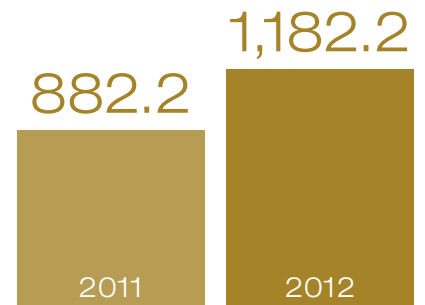
Embracing current account deficit reduction efforts as a core component of its activities, Kuveyt Türk continues to create value for the Turkish economy via initiatives that foster savings. The Bank's ever-expanding portfolio of products and services, especially in the "Gold Banking" segment, is held in high regard not only in Turkey, but also internationally.

Founded in 1989, Kuveyt Türk enters 2013 with a strong ownership structure, sound financial structure, consistent management approach and a deep human resources pool. These key elements also provide the strength that Kuveyt Türk will need in its continued pursuit of sustainable growth. I would like to acknowledge the major role our stakeholders have played in making the Bank what it is today and express my deepest gratitude to each and every one of our shareholders, customers and employees.

Respectfully yours,

MOHAMMAD S.A.I. AL OMAR
CHAIRMAN OF THE BOARD OF
DIRECTORS

Profit Sharing Income (TL Million)



Message from the CEO

Kuveyt Türk expanded its funding base and provided significant resources for the Turkish economy through its 14 distinct Gold Banking products offered to clients.

Esteemed Shareholders,

As the world leaves behind a year when uncertainties in the Eurozone lingered on and concerns about the global economy clouded the economic outlook, Turkey sustained its steady growth albeit at a relatively slower pace. Further strengthening its healthy structure with solid profits, the banking industry contributed significantly to Turkey's becoming an investment-grade country. Kuveyt Türk also played a highly visible role in this positive scenario that made all of us proud.

Thanks to the measures taken that resulted in a corporate structure centered on innovation, highly skilled human resources and accurate projections, Kuveyt Türk closed 2012 with an extremely healthy and robust balance sheet composition. While total assets grew 28% to reach TL 18.6 billion, the Bank's capital adequacy ratio, thanks to its asset mix, stood above the industry average at 13.97% in 2012, the first year of implementation of Basel II standards. Reflecting its unique position in the sector based on a product and service delivery approach of addressing all client needs in both a comprehensive and profit-focused manner, Kuveyt Türk reported an impressive net profit of TL 262 million. As of year-end 2012, the Bank's total funds acquired from customers surged to TL

12.9 billion, up 28% over the previous year while lending volume rose 15%, to TL 11.8 billion. We believe that this strong performance is due in significant part to the review we conducted of our corporate strategy to better align it with our main partner, Kuwait Finance House.

Kuveyt Türk's innovativeness and expertise in gold banking further deepened in 2012. During the year, we launched 14 Gold Banking products, conducted physical gold collection campaigns with an effective communications strategy, and introduced Gold Kiosks, a first in the sector; these activities helped us increase our share of this burgeoning market while maintaining our committed support for the Turkish economy by integrating household gold stock into the financial system. Kuveyt Türk's focus on this emerging area is a clear result of its approach to increase the country's savings rate and offer a safe harbor for small savers. In addition, Kuveyt Türk's Gold Plus and Silver Plus exchange-traded funds that began trading on the Istanbul Stock Exchange in 2012 diversified the alternatives for customers seeking interest-free, high-yield instruments.

We are also pleased to see that Sukuk, which we worked to ensure that it attracts the attention it deserves in the national economy, is now accepted as a high

18.6

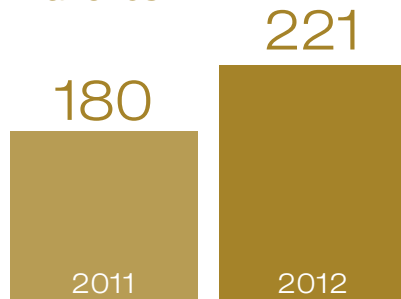
TL Billion

Total Assets

Raising its total assets to TL 18.6 billion as of year-end 2012, Kuveyt Türk attained a capital adequacy ratio higher than the industry average thanks to its sound asset composition.



Number of Kuveyt Türk Branches



value-added economic asset. So, it was a source of great pride for us that Liquidity Management House, a subsidiary of our main partner Kuwait Finance House, was one of the three lead arrangers in the first Sukuk issuance of the Undersecretariat of the Treasury. We believe that the heavy interest in the Bank's Sukuk issuance last year played a major role in the government's issue, which will attract those looking to invest in Turkey under Islamic principles while offering an alternative for conventional fixed-income securities investors.

While growing domestically through a branch network expansion that accelerated in 2012 by opening 41 new branches across Turkey, Kuveyt Türk also took the first step in expanding its value-generating services overseas. We embarked on a venture to establish a Kuveyt Türk-subsiary bank with seed capital of €45 million in Germany at the conclusion of the legal application process. Through this venture, Kuveyt Türk aims to reach a mass market that wants to receive interest-free banking services in Germany as well as in rest of Europe while serving as a commercial financing bridge between Germany, Turkey and the Gulf countries.

Serving SMEs with a solution-partnership approach, Kuveyt Türk continued to visit craftsmen and small businesses in Anatolia in order to share its knowledge and experience in 2012 under the "As a Matter of Fact" concept. In another effort to help SMEs grow, the Bank launched the "Dynamic SME" portal in 2012; this innovation provides advisory services through the web and social media on many financial topics, including liquidity, debt and investment management, to clients whom we cannot reach in person. As a result of these initiatives, the share of SME loans in the Bank's overall lending rose to 15.5% demonstrating that we greatly value SMEs, which are the apple of the Turkish economy's eye.

Another gratifying development for us was the Fitch Ratings upgrade of Kuveyt Türk's credit rating in the last quarter of the year. Suggesting that we will be able to secure resources from the international capital markets at much lower costs and with longer maturities in the coming periods, this news clearly shows why "growth" was one of the Bank's key watchwords in 2012. However, we are also aware that we should work even harder to achieve more rather than to proudly sit back and merely observe these favorable developments as they occur. In 2013, when we expect the banking industry's profit margins to shrink, we will continue to expend our best efforts to grow our existing investments in human resources and technology in order to generate cost savings and efficiencies.

I firmly believe that our accomplishments will continue, and grow even greater, in 2013 with our new strategy and stronger organizational structure. I would like to express my most sincere gratitude to our main shareholder Kuwait Finance House as well as all of our shareholders, customers and colleagues.

Respectfully yours,

FUUK UYAN
CEO

Review of Operations in 2012

We have continued to expand our funding base

Kuveyt Türk Commercial Banking Group has extended TL 7.9 billion in funds to clients in 2012.

COMMERCIAL BANKING GROUP

In accordance with Kuveyt Türk's strategic goals, the previous corporate segment has been divided into commercial and corporate segments. The Corporate Banking business was merged with the International Banking Group, and the Commercial Banking business was restructured.

Kuveyt Türk's Commercial Banking Group provides a full range of banking services in particular to medium and large scale clients in line with the principles of interest-free banking and high customer satisfaction. In providing such services, the Bank focuses on deepening its relations with clients through enhanced portfolio management and productivity. In the year 2012, the Commercial Banking Group has largely reached its financial targets on the strength of this perspective and consistent endeavor.

The year of 2012 was a dynamic period for the banking industry and financial markets in general. At the beginning of the year, the Central Bank of Turkey took action to put a brake on loan growth with a view to bringing the current account deficit under control, which limited loan expansion until end-May. Then in early summer, the

Central Bank relaxed its monetary and interest rate policy, triggering increased liquidity in the market and a downtrend in interest rates. And in the final quarter of the year, Fitch assigned Turkey an investment grade rating, which precipitated a rapid decline in interest rates. As a result, the Bank increased its total fund volume to TL 3.4 billion, and extended a total of TL 7.9 billion in funds to clients. Aside from loan products, the Bank also provided its clients a vast array of payment and brokerage solutions.

The Commercial Banking Group aims at continued growth in 2013, in line with the Bank's strategic plan underpinning the target of joining the top 10 banks by 2018.

Commercial Product Development Department

The Commercial Product Development Department has been a veritable pioneer in the industry, introducing many innovations. In 2012, the Department played an active role in activities geared towards the new banking transformation system, by means of improving current products and processes. Indeed, when the transformation system is launched in 2013, the Bank will step up its efforts to develop new products and processes.

3.4
TL Billion

Corporate and Commercial Banking Participation Funds

Having gone from strength to strength in 2012 in line with its financial objectives, Kuveyt Türk brought its corporate and commercial banking fund volume to TL 3.4 billion.

We diversified our products and services

Kuveyt Türk assessed a total of 3,733 new loan applications and allocated new loan limits totaling TL 5.3 billion as of year-end 2012.

LOANS

Corporate and Commercial Loans

The Corporate and Commercial Credits Departments submit requests from the branches, and draft financial analyses and reports for the Bank's relevant committees. They update the loan appraisal processes in cooperation with the Bank's related units in accordance with the latest developments in the banking industry. They update the loan appraisal processes in cooperation with the Bank's related units in accordance with the latest developments in the banking industry.

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

The Corporate and Commercial Credits Departments meticulously examined the financial position of companies requesting loans and evaluated 14,197 loan applications in 2012. Loan assessments are conducted in accordance with such criteria as customer visits, financial position of companies, and the type of investment the requested line of credit will be used for. Aside from these criteria, loan assessment score cards were prepared, and the Corporate Rating Model launched to measure clients' credit worthiness.

As of year-end 2012, Kuveyt Türk had evaluated 3,733 new loan requests and recorded US\$ 5.3 billion in new loan originations.

In the year, the Corporate and Commercial Credits Departments mainly focused on introducing new practices that play an innovative and pioneering role across the sector. credit committees made extensive use of the Committee Information Display, which enables an efficient and productive assessment of customer financial analysis reports. This project was further enhanced with the launch of the Committee Information Display iPad Application, which allows Credit Committee members to access company financial analysis reports from anywhere via their tablet PCs. Separately, the Credits Dashboard Reporting Module was launched to enable the Corporate and Commercial Credits Departments to track operational results and take swift and timely action whenever necessary. Information on limits, risks, arrears and collaterals was integrated into a screen display, allowing for instantaneous access to the operations of all units.

The Corporate and Commercial Credits Departments plan to continue efforts to boost operational quality in 2013. The main objectives include the enhancement of forecasts produced by the Corporate Rating Model, and the creation of a rating model on the basis of Credit Risk Groups. Furthermore, the performance of risk-prone corporate clients will be monitored systematically to support the decision-making processes of the Corporate and Commercial Credits Allocation team.

Financial Analysis and Intelligence

The Financial Analysis and Intelligence Department's function is to draft credit appraisal reports on companies applying for loans as the basis for the final determinations of credit committees. It develops these reports according to various criteria such as the business, characteristics, capacity, liquidity, financial position and profitability of the companies, as well as intelligence at hand and other market information. Within this scope, the Department completed 325 such Financial Analysis Reports in 2012.

In order to ensure that firm assessments are carried out in an efficient fashion by the Financial Analysis and Intelligence Department and branches, Financial Analysis and Intelligence Reports have been produced through the Financial Analysis Reporting System since 2009. Junior Corporate and Retail Marketing experts recruited by the branches receive extensive training on the workings and language of the Financial Analysis Reporting System, as well as on the interpretation of financial ratios. Aside from its core business activities, the Financial Analysis and Intelligence Department delivered financial analysis and reporting training to a total of 610 employees from marketing and other business departments in 2012.

Kuveyt Türk plans to reinforce its integration with the Credit Registry Bureau (KKB) in terms of financial intelligence in 2013, in order to gather more reliable data more rapidly.

Review of Operations in 2012

The widest product range in gold banking

Kuveyt Türk gained 330,000 new depositors and expanded its total fund volume 31% by generating TL 2.2 billion in new funds in 2012.

RETAIL AND SMALL BUSINESS BANKING

As the first participation bank to offer retail banking services, Kuveyt Türk continued to perform successfully in this segment through a service network of close to 230 branches, 41 of which were inaugurated in 2012; as well as ATMs located in major commercial and industrial hubs; the Internet branch designed in keeping with the latest technology; and its telephone banking infrastructure.

Kuveyt Türk extended a total of US\$ 600 million in consumer loans in 2012, whereas home mortgages made to the ongoing and completed housing projects constituted 30% of the Bank's overall consumer loan portfolio.

In 2012, Kuveyt Türk gained 330,000 new deposit customers, and raised TL 2.2 billion in new funds from customers, thus increasing its total fund volume by 31% over the prior year. Among participation banking institutions, the Bank's market share in fund volume rose from 27.6% to 29.3%.

Meanwhile, Kuveyt Türk's precious metals accounts rose by 12.4% over year-end 2011. Its market share of such accounts climbed to 12.2% of the entire banking industry, and to 52.8% among participation banks.

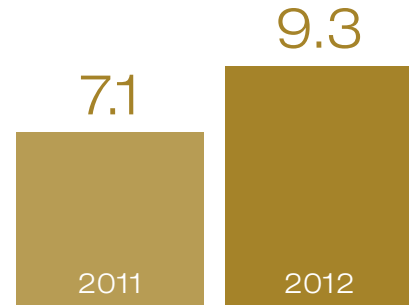
As for small and medium size business banking, Kuveyt Türk extended TL 2.7 billion in TTK (Central Union of Turkish

Agricultural Credit Cooperatives) loans and working capital loans in 2012. As a result, the Bank's total lending in the Retail and Small Business Banking segment reached TL 3.7 billion. The total funds acquired from Retail Banking customers stand at TL 9.3 billion as of year-end 2012.

In 2012, Kuveyt Türk held SME conferences entitled "Robust Financial Decisions" in the provinces of Antalya, Konya, İzmit, Düzce, Kayseri, Gaziantep and Bursa in order to better understand the financial difficulties faced by small businesses, and to raise their awareness. At these events, Bank officials met with the representatives of around 3,400 SMEs. It also launched the web site www.dinamikmobi.com.tr as a means to provide solutions to businesses' financial difficulties and offer them financial consultancy. Designed to provide useful information to small businesses, the web site features a total of 81 short videos and 46 articles, as well as FAQs answered by experts in their fields.

The Retail and Small Business Banking Marketing Department initiated a customer segmentation project in 2012 in order to make more efficient and productive use of its resources. Accordingly, retail customers were divided into five different segments in the light of various assessments. The Bank has not only started to develop campaigns and service models for these specific segments, but also added cross-sale interfaces to its

Retail and Business Banking - Total Fund Volume (TL Billion)



4.0

TL billion

Retail and Business Banking - Funds Allocated

In a drive to increase funding support to customers, Kuveyt Türk raised its retail and business banking loan volume up to TL 4 billion in 2012.

core banking software in order to offer customers products that they have yet to utilize, at any point of contact. Furthermore, the Bank has started making instantaneous and marketing notifications to customers to create added value.

Retail and Small Business Banking Product Development

In the year 2013, Kuveyt Türk will further expand its branches and alternative distribution channels to offer its service suite to a much larger clientele. The main products and services offered by Kuveyt Türk to clients in 2012 in the retail and small business segments follow.

CRM

Work is underway to render the CRM Dynamics program launched in 2011 even more efficient. Designed to get to know Kuveyt Türk clients better, and to spot opportunities, this program enables the Bank to monitor clients' personal data, product data, meeting information, sales opportunities and feedback in a single interface. In the period ahead, the program will be rendered more practical and beneficial, thus becoming one of the key components of Kuveyt Türk's marketing operations.

Credit Cards & POS

Credit Cards

Business Plus: The Business Plus card is designed for small businesses, especially the micro business segment. This card allows clients to divide payments into installments, regardless of the POS device and member merchant in question, as long as they indicate the number of installments and the maturity before the transaction. Also, a portion of the Business Plus card limit can be used for cheque, tax and Social Security Institution payments.

Business card application system:

Kuveyt Türk has enhanced its BOA infrastructure and transferred business card applications to the BOA system. Additionally, the credit allocation process was integrated in to the

system, such that a business card whose allocation is assigned can now be sent directly to print via the BOA system. Accordingly, branches were granted business card allocation powers by branch category.

Card printing at the branches: The card printing system established at all Kuveyt Türk branches is now active, and enables Bank officers to immediately print ATM cards and deliver them to customers. At the second stage, credit cards will also be printed in this manner, and accordingly delivery problems will be eradicated and customer satisfaction increased.

Debit Cards

Use of ATM cards for e-commerce:

In parallel with the soaring e-commerce volume, Kuveyt Türk ATM cards were opened for e-commerce transactions at member merchants where 3D Secure is available. The Bank's target for ATM cards is to allow customers to use these cards not only for their cash needs, but in all of their transactions.

Cash Plus card: The Bank completed the branding process of ATM cards, re-launching the Cash Plus card with a completely new design.

Gold points in ATM cards: Kuveyt Türk clients now gain gold points for their transactions via ATM cards. Gold points gained after transactions are calculated at the beginning of every month, and once points have exceeded a certain threshold they are automatically converted to gold and transferred to clients' gold accounts.

POSmoney: Kuveyt Türk's ATM cards have joined the POSmoney system provided by the Interbank Card Center (BKM), which allows clients to draw cash from member merchants, once they exceed a certain sum while shopping. As such, clients can now draw cash from member merchants, and thus are not obliged to seek ATMs when in urgent need of cash.

Review of Operations in 2012

POS

In 2012, Kuveyt Türk gave priority to increasing the number and activity of its POS member merchants. As a result of the competitive pricing strategy, the number of POS devices in the field grew by 33%, and turnover by 50% over the previous year.

Visa payWave certification: The integration of Kuveyt Türk POS devices with the payWave system is now complete. As such, appropriate Bank POS devices can be utilized for payments of less than TL 35 with VISA contactless cards. Kuveyt Türk now ranks third in the sector in terms of the number of POS devices that support contactless payments.

POS applications via BOA: The Bank employs its enhanced BOA infrastructure to coordinate POS applications, and has carried out a system upgrade to significantly slash process duration and workload. With this upgrade, the system can now automatically retrieve all necessary information from its database, rather than requiring personnel to re-enter such data.

Automatic POS approval system: This system, designed to manage POS applications and pricing, allows the monitoring of the POS profit-loss situation on a monthly basis, and affords the user a time window for related action.

Alternative Distribution Channels (ADC)

Kuveyt Türk's user-friendly corporate web site provides customers with detailed information on the Bank's products and services, as well as up-to-date financial data including financial reports, both in Turkish and English. The web site also functions as an entry point to Kuveyt Türk's Internet Branch.

Kuveyt Türk continued to enhance its web site in 2012, by allowing customers to open bank accounts, file loan and private pension applications, and access the rich content of the financial portal.

Dynamic SME, a web site designed to support SMEs, went online in 2012. This web site functions as a portal that provides consultancy to SMEs on financial management issues. Furthermore, the Silver Plus web site was launched to provide data on the Bank's silver fund, which went public in 2012.

Work continued in 2012 on the Bank's new web site WebPLUS+, designed to offer Kuveyt Türk clients a customizable, as well as more esthetic, rapid and user-friendly service through its smart menu, short cuts and account expert functions.

Kuveyt Türk's active Internet banking customers reached 190,000 as of the fourth quarter of 2012. The Internet Branch hosted approximately 127 million transactions amounting to TL 28 billion. It provides comprehensive solutions to both individual and corporate customers, and offers numerous services such as money transfer and EFT, free-of-charge.

Additionally in 2012, the Bank began to develop an application for those customers who prefer to access the Kuveyt Türk Internet Branch via their tablet devices.

ATM: Kuveyt Türk continued to increase its number of ATMs outside branch premises in 2012. The sale of physical gold at ATMs was launched in 2012 as a global first, and this groundbreaking service drew ample interest from both domestic and international media. The Bank enhanced this service further by enabling all national credit cards to benefit from this service. As of year-end 2012, a monthly average of 2,000 grams of gold was sold at around 245 ATMs.

Opting to install ATMs in locations where no other financial institutions have ATMs, Kuveyt Türk initiated a project to install Recycle ATMs as a pilot application at its Operations Center. In 2012, the Bank continued

its work on this project by procuring further equipment from suppliers.

In 2012, the Bank successfully completed process improvements for evaluating requests for ATMs and taking quick action in response to these requests. As a result of these efforts, Kuveyt Türk's transaction volume through the ATM channel exceeded TL 1 billion, while the number of ATM transactions rose to the order of TL 3 million.

Unmanned Branch (XTM): Under the coordination of the R&D office, Kuveyt Türk is undertaking an initiative to develop its unmanned branch project that will allow the comprehensive execution of banking transactions on a self-serve basis, or via a Call Center customer representative. Work was underway in 2012 on the infrastructure and processes to enable counter services and fund allocation via XTMs. Over 50 stakeholders from within and outside the Bank participated in these efforts. The Bank's project team paid a visit to GRG Banking of China to inspect the devices procured and oversaw them on site prior to the completion of the manufacturing process. Moreover, from among several options presented by designers and architects, the Bank selected the design that best expressed the concept and vision. A separate XTM Management Center was established to enable XTM customer representatives to answer calls via video. The software and hardware to be utilized was customized for this center, and authorized personnel received training. Kuveyt Türk plans to ensure that in the future XTMs deliver all services normally provided by a branch.

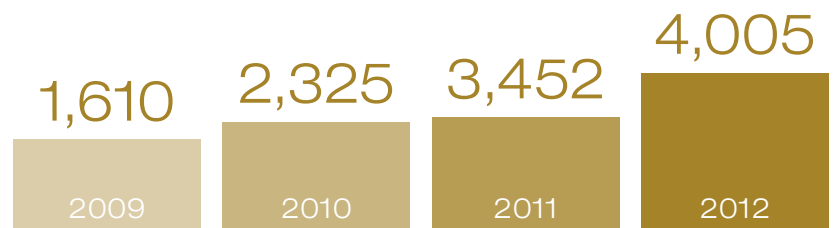
MoneyGram: In the year 2012, the entire array of MoneyGram transactions was transferred to the BOA infrastructure. And in 2013, the system will come to include transactions in US dollars and Euros, as well as the option to send and receive TL.

Mobile Banking: In 2012, Kuveyt Türk introduced numerous upgrades to its mobile banking application allowing customers to perform transactions rapidly from anywhere. As a result of these efforts in 2012, the second version of the Mobile Branch was made available via applications stores such as Apple's App Store and Google Play. Compatible with more advanced smartphone models recently introduced to the market, this new version of the Mobile Branch supports investment menu transactions such as foreign exchange trading and gold trading; card menu transactions such as paying card balances and changing the number of installments; and payment menu transactions such as uploading money to mobile phones. Furthermore, the design of the Mobile Branch underwent a complete overhaul, and was presented to clients with a more up-to-date and user-friendly interface.

Gold Corner: In 2011, Kuveyt Türk made plans for the Gold Corner, a device exclusively dedicated to the sale of gold. Yet another breakthrough for the Turkish banking industry, Gold Corner was launched in February 2012, allowing individuals unable to trade in gold during work hours to purchase grams of physical gold by cash or credit card 24/7, at attractive prices. At present, such devices actively sell gold in three selected wedding centers. Customers have the opportunity to purchase grams of three different types of gold, and can choose between five different language options.

Fund Collection and Gold Banking ÖSYM Collections: Kuveyt Türk entered into an agreement with the ÖSYM (Measurement, Selection and Placement Center of Turkey) for the collection of test fees and completed construction of the requisite infrastructure. Under the new system, fees for all tests administered by the ÖSYM can be paid at all Kuveyt Türk branches and on the Internet Branch. In 2012, the Bank carried out 155,000 such transactions totaling TL 6 million in volume.

Retail and Business Banking - Loans (TL Million)



Bill and Tax Collections: Kuveyt Türk added nearly 30 new firms to the list of contracted companies it accepts bill payments for in 2012. The Bank accepts payments for electricity, water and natural gas bills at its branches, as well as at its Internet Branch and via direct debit. In addition, the Bank also accepts tax payments for municipalities affiliated with its collection service.

Equity Trading: In early 2008, Kuveyt Türk signed an agency agreement with Bizim Menkul Değerler A.Ş. and commenced equity trading. Also executing stock trades via its Internet Branch and Call Center, the Bank has been steadily growing its brokerage client base. And as of 2012, the bank has 8,000 clients engaging in equity trading.

Silver and Platinum Trading: In addition to giving customers the opportunity to trade in gold and invest in precious metals at market prices, Kuveyt Türk took its leadership position to a whole new level by offering its clients the opportunity to also invest in silver and platinum. Kuveyt Türk remains the only bank in Turkey to provide these services, and keeps the silver and platinum products it buys on behalf of its customers at the Istanbul Gold Exchange. In the year 2012, Kuveyt Türk facilitated 40,000 silver trading transactions worth TL 250 million, as well as 5,000 platinum trading transactions worth TL 40 million.

Kuveyt Türk Gold Gram: Known for its innovative products, such as the Gold Deposit Account, Gold for Gold Participation Account, GoldCheck and Gold Support, Kuveyt Türk further solidified its leadership in precious metal banking with Gold Gram, its latest product in this segment. This product offers an alternative investment opportunity with low labor cost to those investors who wish to trade in gold physically, rather than via bank accounts, or those who prefer to deposit their gold at a bank. The Kuveyt Türk gold sold at 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 (IGR). Sales and purchases can easily be made without a bank account, or else via a Turkish lira, US dollar or gold account at the branch. The Kuveyt Türk gold purchased from branches and other gold products carrying IGR certification can be resold to all branches, once the necessary security checks are performed, and as long as the package is not damaged. This product can also be traded at jewelry shops. In addition, customers can also convert their gold to IGR certified gold grams via jewelry shops. In 2012, the Bank carried out 25,000 Gold Gram transactions with a total sales volume of 170 kilograms.

Review of Operations in 2012

We increased our private pension system client base

Kuveyt Türk increased the number of its Private Pension System clients to 10,000 and its fund volume to TL 20 million.

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 economy, and the ensuing profit is returned to the customer as gold. The Participation Account, offered in maturity options of three months, six months and one year, can be opened at Kuveyt Türk branches, or via the Internet Branch, allowing customers to start saving immediately. The Gold for Gold Participation Account facilitates secure gold trading without the worries associated with transporting or storing gold. In addition, no labor cost is involved in these gold sales and purchases.

In the year 2012, customers opened new Gold for Gold Participation Accounts amounting to eight tons of gold.

Physical Gold Collection Campaign:

Gold collection campaigns are organized at Kuveyt Türk branches according to a predetermined schedule to deposit 24 carat gold grams in customer accounts in exchange for their gold jewelry items without any money changing hands. In the year 2012, 178 Kuveyt Türk branches organized 489 Gold Collection Campaigns and collected 3.2 tons of gold.

Fund Allocation

Packages for Professions and Chambers: Packages consisting of products for lawyers, financial advisors, pharmacists, physicians and engineers were offered to both existing Kuveyt Türk clients and new customers. The packages feature advantageous banking products such as financing at attractive profit shares, free PINmatic, free money transfers and EFT transactions at the internet branch, and special rates for foreign exchange transactions performed at the Internet branch. In addition to these specific professional groups, the Bank plans to extend funds with special advantages to members of industrial and commercial chambers.

Consumer Finance Applications via Kuveyt Türk Corporate Web Site:

In the year 2012, the Bank started to receive applications for real estate, car and consumer finance loans via its corporate web site, under the menu Hemen Başvur (Apply Right Away).

2B Financing: Kuveyt Türk now extends funds for those who file applications with the state to purchase plots of land falling under the category of 2B. The Bank plans to start accepting such applications in the year 2013.

Private Pension System (BES)

Since February 2011, Kuveyt Türk has offered its customers Private Pension System (BES) plans featuring funds in

accordance with interest-free pension systems, such as Sukuk, Equities, Participation Accounts, Gold and Silver Accounts, known as the Robust Pension System (SES).

In the year 2012, Kuveyt Türk promoted SES among clients via television and radio, as well as social media channels such as YouTube, Facebook and Twitter, and started organizing “BES Days” as part of its marketing efforts.

Starting from 3,500 BES sales in 2011, Kuveyt Türk had raised its BES customer number to 10,000 as of year-end 2012. The volume of BES funds reached TL 20 million.

Neova Sigorta

Neova Sigorta abides by the principles of “tekâfül”, or interest-free insurance, in all of its operations and contracts across its business lines, and is the only insurance company to provide such a service in Turkey. Kuveyt Türk has been cooperating with Neova Sigorta since 2010, and has strengthened this relationship further in 2012. Neova Sigorta raised insurance premiums worth TL 28,820,201 via Kuveyt Türk in 2012 and generated TL 4,035,636 in commission fees. Focused on meeting all the financial needs and expectations of its customers in accordance with interest-free banking principles, Kuveyt Türk can cater to the insurance needs of its customers through the robust collateral structure and alternative product packages of Neova Sigorta.

We shaped our operations according to our 2018 vision

Kuveyt Türk implemented over 60 strategic initiatives in line with its 2018 vision.

28
TL million

Insurance Premium Production

Neova Sigorta raised TL 28 million in insurance premiums via Kuveyt Türk in 2012, earning TL 4 million in commission fees.

STRATEGY GROUP

In the last quarter of the year 2012, in parallel with the growth targets and organizational structure of Kuveyt Türk's main partner Kuwait Finance House, the Strategy Group was formed in order to manage and implement the Bank's strategy from a single hub. The Quality and Organization Department and Corporate Communications Department now report to the recently formed Strategy Group. In addition, the Strategy Planning and Corporate Performance Management Department and Strategic Program Management Office Department were established under the Strategy Group.

Strategic Planning and Corporate Performance Management

The Strategic Planning function, which reported to the Quality and Strategy Monitoring Department, and Corporate Performance Management, which reported to the Human Resources Department until the final quarter of 2012, began operating under the umbrella of Strategic Planning and Corporate Performance Management Department established in November 2012.

The main functions of the Department are determining the medium and long term strategies of Kuveyt Türk in line with the instructions of the Board of Directors and Senior Management, and setting relevant targets for this purpose.

Kuveyt Türk has determined its strategy for the period ahead by analyzing domestic and international markets and economies, and by collecting feedback from its customers and employees. More than 60 strategic initiatives were formulated to realize the Bank's vision for 2018. These initiatives were prioritized together with the relevant business departments and a road map was laid out. In this regard, more than 10 critical projects were launched simultaneously. Furthermore, in line with the vision for 2018, Kuveyt Türk's organizational chart was created through a strategic perspective and implemented. The financial modeling function, a component of Strategy Planning, was activated to prepare the Bank's budget for the fiscal year 2013.

In order to transform the strategies for the period ahead into measurable targets, the Bank plans to define its key performance criteria in the year 2013. For this purpose, all units will work in coordination to increase the efficiency of the corporate performance function across the Bank.

Within the scope of business development activities, an integral part of the Strategy Planning function, new business lines that will serve the Bank's strategic targets will be analyzed, investment opportunities will be assessed and relevant economic research will be conducted from 2013 onwards.

Review of Operations in 2012

We added value to our international operations

Thanks to its robust capital structure and high liquidity, Kuveyt Türk allocated funds to a considerably larger number of banks in the interbank market.

CORPORATE AND INTERNATIONAL BANKING

In line with Kuveyt Türk's strategic targets, the corporate segment was divided into its commercial and corporate components, and the Corporate Marketing Department was transferred to International Banking as of October 2012. As such, the Treasury, International Banking and Investment Banking Group was renamed as Corporate and International Banking. In December 2012, the departments of the Group were restructured, and the Product Development function of the Treasury Marketing and Product Development Department were transferred to the recently established Performance and Product Management Department. The Corporate and International Banking Group, which comprises the Treasury Group, International Banking, Investment Banking, Corporate Marketing, Performance and Product Management, strives to sharpen the Bank's domestic competitive edge, offer customers a wider array of high quality products and services, and make progress towards regional structuring. For this purpose, the Group focused on the following objectives.

- To establish and expand the global correspondent banking network required by the Bank in the intermediation of foreign trade and international payment transactions,

- To invest the Bank's funds more effectively and profitably,
- 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 in cooperation with international institutions using the Bank's overseas branch and correspondent banking network,
- To transform Kuveyt Türk's international branches and/or subsidiaries into profit centers,
- To meet customers' funding needs through structured financing products such as sukuk, murabaha syndications and club-loan transactions,
- To increase the Bank's resource diversity and maturity structure through new products,
- To meet the medium and long term project financing needs of clients operating in major industries such as energy, health care, education and manufacturing,
- To manage the process for meeting the international banking product and service needs of corporations with a qualified portfolio approach,
- To manage the cash flow of corporate customers via the Bank,
- To improve the Treasury products via innovative approaches, sustaining the Bank's competitive edge in this segment, and continuing to make positive contributions to the Bank's profitability,
- To continue the Bank's leading and innovative role in establishing the interest-free capital markets in Turkey.

Treasury Group Department

In charge of the management of the Bank's liquidity and market risks, the Treasury Department continued to pursue a risk and profitability-oriented approach in 2012. With the establishment of the Asset & Liability Management Department under the umbrella of this group in December 2012, an important step was taken towards the more efficient management of the Bank's general cash flow and fund generation and allocation processes.

The number of banks Kuveyt Türk extended funds to in the interbank market increased thanks to its sound capital structure and high level of liquidity. Able to transact with most of the banks chartered in Turkey, the Bank also continues to expand its business with stable banks abroad.

By including in its portfolio lease certificates in US dollars and Turkish lira issued by the Undersecretariat of the Treasury, the Bank increased the weight of securities in its total assets up to 3%. The Bank plans to issue lease certificates in Turkish lira in 2013 and increase the diversity of its products based on these certificates.

BBB+

Long Term TL Credit Rating

In November 2012, the international credit rating agency Fitch upgraded Kuveyt Türk's long term TL credit rating to "BBB+", and its long term foreign currency credit rating to "BBB".

As Fitch increased Turkey's long term local and foreign currency credit rating in the second half of 2012, the Treasury Group Department decreased the cost of long term funds in foreign currency considerably, in comparison with the year 2011 and the first half of 2012.

The Bank's foreign currency transaction volume soared by 24% over the prior year to US\$ 56 billion. In 2012, the Bank also issued its first interest-free Silver Stock Exchange Investment Fund Silverplus.

In 2012, Kuveyt Türk became the number one bank in terms of transaction volume on the Istanbul Gold Exchange. The Department aims to carry its market making position in Turkey one step further, and become a significant player across the region.

Kuveyt Türk plans to have received authorization for cash clearance transactions on the Istanbul Gold Exchange by February 2013.

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 2012. In addition to its correspondent banking network, the Department supported international banking activities through Kuwait Turkish Participation Bank Dubai Ltd., Kuveyt Türk's subsidiary in the United Arab Emirates; as well as the Bahrain Branch; the German Financial Services Branch; and the Kazakhstan Representative Office.

In November 2012, Fitch Ratings upgraded the Bank's long term TL credit rating from "BBB" to "BBB+", and its long term foreign currency credit rating from "BBB-" to "BBB". As such, Kuveyt Türk consistently sustains its position as an investment-grade bank.

As a result of the ratings upgrades of the past three years that raised Kuveyt Türk to an investment-grade bank and then further improved this status, 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. All of these developments took the quality of international banking services the Bank provides to its clients to a higher level.

Affirming its expertise and experience in international banking with its ratings from international credit rating agencies, Kuveyt Türk diligently continued to provide high quality, swift and modern financing services to foreign trade companies in 2012. Establishing ties primarily with Turkish companies doing business in the Gulf Region, Middle East and Turkic Republics during the year, the Bank provided its clients with effective, rapid and competitive solutions in transactions such as foreign trade, which require collaboration with correspondent banks.

In line with Kuveyt Türk's emphasis on international banking activities in its growth strategy, the International Banking Department will continue to deepen its relationships with overseas financial institutions and expand its international banking network.

International Organization and Investor Relations Department

As a result of the restructuring across Kuveyt Türk and the Group, this Department was closed in December 2012, and its functions delegated to other relevant departments. Kuveyt Türk's overseas growth targets will be monitored by the Strategy Group, whereas, the performance of new branches and /or subsidiaries will be tracked by the Corporate and International Banking Group's Performance and Product Management Department. The Investor Relations function, on the other hand, will be assigned to the Strategy Group.

Review of Operations in 2012

Performance and Product Management

The Corporate and International Banking Performance and Product Management Department was established in December 2012 to assess the performance of corporate branches, and overseas branches and /or subsidiaries, analyze business models and requirements, develop new products that will contribute to growth and profitability targets, develop the IT system to meet the needs of these units, and improve the current IT system infrastructure, in line with the Bank's strategic and financial targets.

Investment Banking Group Department

Investment Banking

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

In 2012, Kuveyt Türk continued to work on gaining maturity and price advantage by diversifying its sources of funds resulting in increased competitiveness, and providing lower cost and longer term financing facilities to its clients. As part of its efforts to expand funding facilities, the Bank performed -following two prior sukuk issuances in August 2010 and October 2011- Turkey's first ever Undersecretariat of Treasury lease certificate issuance, worth US\$ 1.5 billion. The issuance was completed on September 26, 2012 and reaches maturity on March 26, 2018. The transaction stands out as a milestone in Turkey's efforts to access alternative

capital markets and a new investor group. Kuveyt Türk participated in the transaction as Co-Lead Manager; its main partner KFH's wholly-owned subsidiary Liquidity Management House for Investment Co. K.S.C.C. participated as Joint Lead Manager & Bookrunner.

In October 2012, the Undersecretariat of the Treasury issued lease certificates worth approximately TL 1.6 billion in the domestic market. Kuveyt Türk participated in the working groups that conducted the preliminary studies for the transaction, and made significant contributions to its structuring. As such, Kuveyt Türk continued to contribute to the establishment and development of Turkey's interest-free capital markets in the year 2012.

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 2012. And while 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 most effectively meet customer needs in an increasingly competitive environment.

As the unit of Kuveyt Türk in charge of project finance, the Investment Banking Department accepted applications to fund a large variety of investment projects including alternative sources of energy, infrastructure, company acquisitions and mergers, and the building of factories and manufacturing facilities, and ultimately performed project finance transactions of considerable quantity and volume.

The financing of hydroelectric and solar power plants remained a prominent business line in the year 2012. Moreover, Kuveyt Türk plans to secure long term funds via sukuk and extend even more long term funding for its clients' investment projects in the year 2013.

In 2012, Kuveyt Türk began to achieve the desired results from its corporate branches established in order to work with large-size companies under more effective and productive conditions in accordance with its domestic and overseas branch network that is growing on solid ground, a broadening client base, and a strategy to devise competitive marketing practices and provide better service to its customers. Having expanded its corporate branch network in 2012, 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 high value-added areas including foreign trade finance, hedging-oriented derivative products and structured finance.

Kuveyt Türk restructured its organizational chart in late 2012. The Bank transferred the marketing coordination activities of corporate branches to the recently established Corporate Marketing Department, in order to help the Investment Banking Department to specialize in structured finance and project finance.

In 2012, as in 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-size 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 in this area within the framework of a business plan that is built on solid foundations.

We boosted resource productivity

The Financial Affairs Group continued to fulfill its functions in a sophisticated and comprehensive manner with its robust technological infrastructure and specialist staff.

FINANCIAL AFFAIRS GROUP

The Financial Affairs 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 Affairs 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 for immediate response and resolution,
- Creating an effective budgeting and reporting system based on accurate data to ensure reliable management,
- Generating reports to be disclosed to the public and sent to public agencies, promptly and based on accurate data.

The Financial Affairs 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 include the fulfillment of tax and other responsibilities and liabilities and the overseeing of their payment and recording, and the payment and control of the Bank's expenses and fixed assets.

The other 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 legislative amendments related to the accounting practices and Charter of Accounts, and making necessary arrangements,
- Contributing to the preparation of the Bank's monthly, periodic and annual financial statements and monitoring dealings with other units,
- Carrying out transactions with shareholders, units, and public agencies,
- Taking part in internal and external audits, as well as in the independent audits of the Banking Regulation and Supervision Agency,
- Conducting the transactions of the Bank with its domestic and overseas subsidiaries and affiliates, overseas branches and free trade 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 publications,
- 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 units, branches and product development departments in matters regarding accounting, legislation and other issues, as well as carrying out accounting related transactions.

Review of Operations in 2012

Thanks to our long-run strategies, we reached our budget targets

One of the Budget Planning and Monitoring Department's main functions is ensuring the sustainability of Kuveyt Türk's financial and managerial integrity.

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

Financial Control Department

The core duties of the Financial Control Department, which makes significant contributions to Kuveyt Türk's corporate development with its specialist and dynamic staff, are as follows:

- Creating and developing a reliable accounting infrastructure, conducting effective financial and accounting controls, and ensuring that internal and external reporting is performed with timely, accurate and reliable data,
- 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,
- Conducting analyses on the Bank and the banking sector to support Bank management's decision making process,
- Conducting daily control and analysis of the Bank's income and expenses; overseeing the calculation of profit shares and the proper reflection of these on customers' accounts,
- Tracking the Bank's foreign currency and precious metals positions in an effective manner, and ensuring the correct implementation of decisions concerning foreign exchange, derivatives and precious metals,
- Providing accounting and systems infrastructure support during systemic overhauls at the Bank, enhancement of existing products and development of new ones.

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 conducting the required training activities. In addition, these two departments are also tasked with performing functions such as conducting 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 statutory auditors, and preparing the requested information and documentation.

The Financial Control Department's aim for 2013 is to update its checks with a risk-focused perspective, raise cost awareness through expenditure control, and make meaningful contributions to daily profit/loss reporting and new systemic studies.

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 Senior Management to fulfill its command and control functions at Kuveyt Türk, which is increasing the number of its branches with each passing day in line with its plans for the future.

Budget Planning and Monitoring Department

The Budget Planning and Monitoring Department's main functions include monitoring the performance of branches, controlling Kuveyt Türk's activities in accordance with its basic policies and strategies, and ensuring the sustainability of the Bank's financial and managerial integrity. The Department is also responsible for creating the financial roadmap for the current year and ensuring that the Bank's activities are conducted in accordance with this roadmap. Another major function of the Budget and Management Reporting Department

is to communicate the Bank's annual targets in line with the strategic goals set by Senior Management, and the management plans drafted to achieve these goals clearly to the related branches and units. As part of this effort, the Department monitors the financial development of management units at monthly intervals, identifies deviations, if any, assesses their causes and develops recommendations for corrective action. Conducting performance measurements and evaluations in accordance with the realization rates of targets, the Department prepares the reports that the Bank's Senior Management requires.

Management Reporting

A Management Reporting Unit was created within the restructured Budget and Management Reporting Department in 2011, in order to help the Senior Management oversee the Bank's performance more closely.

This new unit drafts reports for the Senior Management and the Bank's related units, branches and departments periodically, or upon request, and offers analyses and interpretation of these reports.

In addition, the Management Reporting Unit has a reporting database under its umbrella. The database team has the required technical qualifications, and prepares and submits periodic reports to the External Reporting Department via the ACL system.

The Management Reporting Unit is currently developing a Management Information System (MIS) and displays to meet the needs of the users from among Senior Management and relevant performance management departments. The Unit's 2013 targets include transferring the MIS system to the mobile platform and including branch managers in this service.

External Reporting Department

The External Reporting Department's duties include assembling the information disclosed to the public, or submitted to the public agencies pursuant to legal obligations, as well as the reports drafted for the Bank's main partner Kuwait Finance House. As part of this effort, the Department drafts approximately 140 financial reports annually and sends these to public agencies at daily, weekly, bi-weekly, monthly, quarterly and annual intervals. The External Reporting Department has two main functions detailed below.

Domestic Reporting

The domestic reporting tasks of the External Reporting Department consist primarily of drafting quarterly unconsolidated and consolidated independent audit reports and submitting them for the review of the independent auditors, and preparing the other periodic and ad hoc reports submitted to public agencies. In addition, the statements and reports regarding legal and regulatory limits and ratios that must be monitored and attained pursuant to related laws and regulations (Capital Adequacy Ratio, Foreign Currency Net General Position, Credit Limits, Central Bank of Turkey Reserve Requirements) are also drafted by the Domestic Reporting Department. Furthermore, the generation of the reports requested by auditors and inspectors 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 participation funds, collaterals and receivables, whose statutes of limitations have expired to the Savings Deposit Insurance Fund of Turkey, and the calculation of Deposit Insurance Premium rates, are overseen within the scope of the Department's domestic reporting activities.

International Reporting

The international reporting activities of the Department consist of drafting audit reports in accordance with International Financial Reporting Standards (IFRS) and submitting them for the review of the independent auditors; as well as the reports prepared to meet the consolidation needs of the Bank's main partner Kuwait Finance House; the reports mandated by the Central Bank of Kuwait; and the capital adequacy studies performed within the scope of Basel II efforts.

Activities in 2012

In 2012, Kuveyt Türk's External Reporting Department continued to meet the reporting demands of the domestic and overseas agencies, institutions and individuals that it cooperates with, in a complete and rapid manner. Furthermore, it provided the reports required by public agencies such as the BRSA and CBT in a swift and accurate fashion. The Department also prepared timely and detailed reports in line with the consolidation activities of the Bank's main partner Kuwait Finance House. Finally, the BRSA and IFRS audit reports required by external auditors were prepared in detailed form and submitted to them.

2013 Targets

In addition to the reports it currently produces, the Kuveyt Türk External Reporting Department plans to meet any new reporting demands in a systematic and swift fashion in the period ahead. And in line with Kuveyt Türk's target of becoming one of Turkey's top 10 banks by 2018, the reporting infrastructure is planned to be developed in accordance with customer expectations and needs.

Review of Operations in 2012

We managed financial risks with success

The Internal Audit Department carried out its 2012 activities in line with the requirements of the work plan and the expectations of stakeholders.

AUDIT AND RISK

Internal Audit Department

The Internal Audit Department was established to create a disciplined and systematic audit structure to assess and improve the effectiveness and efficiency of the Bank's risk management, internal control and corporate governance processes.

The vision of the Department is to execute its activities as an internal audit body that:

- a) Improves itself constantly with an approach consistent with international standards and best practices,
- b) Takes a proactive approach in order to eliminate the losses and errors that may hinder the Bank from achieving its goals with a process, business and risk-oriented perspective, rather than a person-, transaction- or error-oriented one,
- c) Creates value for the Bank and assists it in achieving its goals by making preventative and guiding recommendations,
- d) Is cited as an example within the Bank and in its industry for being competent, objective, meticulous, principled, hardworking and disciplined.

The Internal Audit Department carries out its activities under the supervision of the Internal Systems Committee (Internal Systems Officer) and provides periodic reports to the Board of Directors through

this committee. The Department operates within the framework of an annual work plan prepared through risk-focused audit planning which covers the Bank's entire business processes, units, branches and subsidiaries, as well as IT systems, without limitation.

The Internal Audit Department performed its activities for 2012 in accordance with its work plan's requirements and stakeholder expectations, conducting special examinations as well as legal and administrative investigations in certain areas and circumstances as required. Additionally, within the scope of the Management Declaration audits, a comprehensive assessment was performed regarding the effectiveness, adequacy and compliance of the information systems general controls and the business process controls of the Bank. These assessments form a sound basis for the Management Declaration that the Board of Directors was legally obligated to submit to the internal audit firm.

Actions arising from the reports are monitored by the Department via follow-up programs, with reports sent to the related authorities when necessary based on the results of these monitoring efforts. Similarly, reports on operational activities were submitted successfully to the Internal Systems Committee, Audit Committee, and the Board of Directors in at least quarterly intervals.

Having prioritized projects to improve its organizational structure, business model and processes in 2012 in line with

the Bank's strategic targets, the Internal Audit Department will implement projects designed to enhance its efficiency and productivity in the year 2013.

Internal Control Department

The Internal Control Department is in charge of the internal control function at Kuveyt Türk. The Department was established to design, implement, manage and monitor internal control activities, and to report the results at management level in order to ensure that the Bank conducts its activities in accordance with both external and internal regulations.

In line with Kuveyt Türk's strategic targets and policies and in accordance with internal/external regulations and international standards, 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. Designed to support specialization on the basis of business lines, this realignment boosted the efficiency, proficiency and compliance of operations and control systems through continuous controls. Within the scope of the 2012 Control Program, the Bank's various business lines, units, branches, processes, products and services were continuously analyzed and monitored through a proactive, dynamic and risk-centered perspective, and the results reported.

We continued our project development efforts with success

In 2012, the Internal Control Department actively participated in the Core Banking Transformation Project and the associated Process Modeling and Analysis Projects carried out in line with the Bank's 2018 strategy.

In conformity with the Bank's organizational structure and operations, the On-site Control Activities for 2012 consisted of the analysis and monitoring of branches under regional offices, overseas branches and subsidiaries, as well as of various products, services, transactions and processes, with regards to the internal control system and activities, and of reporting the findings to Senior Management. In 2012, the branch control program was divided into two periods that focused on different topics. Activities under this scope were undertaken by Internal Control personnel (auditors) located at Regional Offices, and who report to the Internal Control Department.

In conformity with the Bank's organizational structure and operations, the Central Control and Monitoring Activities for 2012 consisted of the analysis and monitoring of the activities, processes, new products and services of sectoral business lines at the Head Office, with regards to the internal control system and activities, and of reporting the findings to Senior Management.

The Internal Control Department actively participated in the Core Banking Transformation Project and in parallel Process Modeling and Analysis Projects, conducted in line with the Bank's 2018 strategy. As part of these efforts, the Internal Control Department analyzed processes together with the relevant business units, identified any potential risks to the processes, designed and established controls to counter these risks, and contributed to the creation and development of the internal control environment and systems across the Bank. Moreover, transactions and activities deemed important and risk bearing for the entire Bank were continuously and remotely analyzed and monitored through computer assisted audit programs and techniques (e.g. ACL). These activities were designed to keep transactions carried across the Bank under continuous control.

As for Information Systems and Internal Control System Design activities, activities and transactions carried out within the Information Systems

Department, various banking processes and recently developed products and services, as well as the findings of the internal and external audit were analyzed and evaluated from the perspective of the internal control system. These efforts were geared at establishing and improving a Bank-wide internal control system and standards, and at facilitating the widespread adoption of a risk and control culture. Related activities were performed under the coordination of the Information Systems Control and Internal Control System Design Service.

In addition, the Internal Control Department coordinated the independent external audit activities in 2012, monitored the findings in related audit reports and the actions taken as a result of them, and assisted in the generation of various solutions. The Department presented reports to the BRSA, as well as to the Board of Directors regarding this matter.

The Internal Control Department intends to plan the central and on-site controls of branches, departments and processes for 2013 with a risk-based approach, and to conduct its activities according to the schedule and timeline it has set.

Risk Management Department (RMD)

Assuming crucial functions in the determination and management of risk, the Risk Management Department implemented numerous projects in line with Kuveyt Türk's new and competitive strategy for 2012. Risk appetite studies for credit risk were revised, whereby the limits of the Bank's sector, concentration, country and regional risks were determined. In July 2012, at various stages of the Bank's transition to Basel II, the Risk Management Department carried out activities in coordination with relevant departments to ensure that Basel II is fully comprehended by all teams. The Risk Management Department Regulations, as well as the Bank's risk policies, were updated and submitted to the Board of Directors. Periodic stress tests and scenario analyses were performed and later presented at the meetings of the Audit Committee and Internal Systems

Review of Operations in 2012

Committee. The corporate score card scheme was completed and launched, and work continued on SME score cards during the year.

As part of operational risk studies in 2012, the Risk Management Department played an active part in the process update and improvement efforts across the Bank, determined process risks and worked in coordination with the relevant business units and the Internal Control Department to eradicate these risks. The insurance of operational loss remained an important issue in the year 2012. The Department actively participated in activities required by the Support Services Regulation, and in this light, prepared the Risk Management Program.

Market risk is periodically analyzed by Kuveyt Türk's Audit Committee and Internal Systems Committee, and reported to the BRSA in monthly and three-monthly periods. Additionally, the Bank's foreign exchange risk is calculated and reported daily via advanced means such as the Parametric, Historical and Monte Carlo Simulation methods.

Keeping business continuity plans up-to-date is also the responsibility of the Risk Management Department. The Department is in charge of ensuring that the Bank is prepared to face any emergency, training key personnel and conducting drills, as well as determining the division of labor for emergencies and subsequent alternative work locations.

The Risk Management Department conducts assessments on the information technology risks that constitute a strategically important area. In this regard, the Department assumes critical roles such as monitoring risks generated by technological change and following up on actions to counter such risks.

The Department also maintains a close watch on the transactions of the Treasury Department in terms of limits and risks, and communicates with the Department to take corrective action in such cases as limit breaches.

The Risk Management Department plans to continue contributing to Kuveyt Türk's competitive targets for the year 2018 through meticulous monitoring of the Bank's risks, and by increasing its investments and resources in areas of risk in the year 2013. To this end, the Department has already started to take crucial actions such as the calibration of corporate and SME score cards; development of score cards for retail loans, credit cards, micro credits and portfolios; and infrastructure efforts geared towards the development of new risk management software and the instantaneous monitoring of risks and risk appetite limits.

Regulation and Compliance Department

Under the umbrella of internal systems, the Regulation and Compliance Department defines, assesses, monitors, reports and provides consultancy on the regulation risks of Kuveyt Türk and its subsidiaries. The Department operates under the Internal Systems Committee and reports the results of its activities to the committee. The Department has three main functions:

Regulatory Function

- Monitoring regulatory developments and making necessary announcements to the concerned units,
- Providing an advisory service to branches and departments on legislation,
- 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 regarding 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,
- Realizing compliance control activities within the scope of the Compliance Control Program and Annual Compliance Control Plan,
- Ensuring that overseas branches and subsidiaries comply with legislation and provide periodic reports to the Department.

Financial Crimes Investigation Board Compliance Function

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

As technological developments facilitate access to financial instruments, financial institutions are increasingly preferred by criminals for money laundering and terrorism financing purposes. Accordingly, it has become obligatory to create domestic regulations to protect financial markets, in addition to the measures adopted by international corporations. As Kuveyt Türk increases the countries and business lines in which it is active, the Regulation and Compliance Department plans to continue its efficient and effective efforts in 2013, fully aware that compliance risk will remain as relevant as ever.

We raised our provisioning ratio up to 90%

In 2012, the Legal Affairs and Collection Group built on its superior 2010 and 2011 performance in the divestiture of current assets held for resale.

THE LEGAL AFFAIRS AND COLLECTION GROUP

As a result of the “soft landing” policies pursued by the economic leadership in 2012, the ratio of non-performing loans in the banking industry increased considerably. Despite this strong rise across the industry, Kuveyt Türk’s non-performing loan ratio increased only by a limited amount. In this regard, the Bank’s 2012 non-performing loan ratio was kept at 2.8%, and the successful performance of the years 2010 and 2011 sustained. Furthermore, asset quality, a critical indicator of the Bank’s 2018 targets, was significantly improved during the year. This development gave Kuveyt Türk a significant competitive edge against its rivals in the sector. Another field in which Kuveyt Türk achieved sustainable gains was the provisioning ratio, which stood at 90% as of year-end 2012.

In 2012, the Legal Affairs and Collection Group built on its superior 2010 and 2011 performance in the divestiture of current assets held for resale. Keen on taking decisive action in terms of converting fixed assets into current assets (cash), the Bank recorded sales revenue of TL 46.3 million and profit of TL 20.6 million in 2012 from the divestiture of current assets held for resale.

A new alignment was created with the establishment of the Legal Proceedings Department by bringing together the coordinating attorneys in the Corporate and Commercial Loans Collection Department and the Retail and Small

Business Loans Collection Department to enable more active involvement with the collection processes of customers against whom legal proceedings have been initiated, as well as with the affiliated legal offices. With the establishment of this new structure, the Bank reviewed the contracts executed with the affiliated legal offices as the first order of business, and amended these contracts in accordance with Kuveyt Türk’s principles, customer satisfaction and industry practices. As part of this process, Kuveyt Türk began working with regional and local legal offices with a strong infrastructure and banking references.

Corporate and Commercial Loans Collection Department

The goal of the Corporate and Commercial Loans Collection Department is to create risk monitoring awareness and perception with the active participation of all branches with a transparent, accountable and professional discipline in accordance with Kuveyt Türk’s principles, customer satisfaction and industry practices. As part of this effort, the Corporate and Commercial Loans Collection Department’s operating principles are summarized below:

- Closely monitoring the entire Corporate and Commercial Loans portfolio,
- Working to collect or pursue the Bank’s non-performing receivables, and/or receivables that may become non-performing in the future using administrative procedures before legal proceedings are initiated to collect such receivables; starting

legal proceedings promptly when successful resolution is not possible through administrative procedures, or in other necessary circumstances,

- Modifying and/or restructuring the debts of corporate and commercial banking clients whose payments have become irregular or delinquent, due to a temporary cash crunch but from whom, if supported, the Bank can reasonably expect to collect its receivables according to the analyses conducted in accordance with the procedures,
- Collecting the Bank’s receivables for which legal proceedings have been initiated through affiliated legal offices and working in coordination with the Legal Proceedings Department as part of this effort,
- Closely monitoring the non-performing loan practices of the participation banking sector and broader banking industry regarding delinquent receivables, non-performing loan ratio, provisioning ratio, at risk receivables, restructured loans and written off receivables, and devising strategies and policies within this scope by making up-to-date and accurate assessments of the Bank’s position and trend using the latest industry data,
- Performing customer segment, commercial sector and loan type analyses on non-performing loans, taking measures to reduce delinquent receivables, and offering relevant departments studies that can support the credit marketing and lending process,

Review of Operations in 2012

We established fruitful partnerships with our business partners

Kuveyt Türk periodically audits its affiliated law offices and issues daily and monthly reports.

- Calculating the “Performance Based Risk Monitoring Scores” of branches and regional offices in accordance with transparent and objective criteria, measuring the performances of branches and regional offices on a monthly basis, sharing the results along with the underlying data with the branches and regional offices, as well as the Marketing Group and the Human Resources Group,
- Identifying those customers to be written off,
- Working in coordination with the Asset Valuation Unit regarding the movable and immovable assets to be disposed of by way of a judicial sale as part of a legal proceeding, and determining the bid to be submitted on behalf of the Bank in accordance with procedures,
- Working in coordination with the Asset Valuation Unit to sell the movable and immovable assets that were foreclosed on by the Bank in accordance with procedures.

Additionally, a technical team within the Corporate and Commercial Loans Collection Department devises strategies and policies regarding general and special provisions in accordance with the Banking Regulation and Supervision Agency’s regulation on the procedures and principles for determining the qualifications of loans and other receivables by banks. It also determines the provisions to be set aside on behalf of the Legal Affairs and Collection Group, and manages the accounting process of provisions.

Retail and Small Business Loans Collection Department

The Retail and Small Business Loans Collection Department specializes in taking effective and swift actions regarding delinquent receivables arising from to Kuveyt Türk’s growing lending volume, in line with its rapid growth and the differences between the administrative and legal collection processes, and is divided into three sub-units.

The Retail Loans Collection Service is responsible for monitoring and legal proceeding transactions of housing, automobile, general purpose and other consumer loans, as well as personal commercial loans.

The Small Business Loans Collection Service is responsible for monitoring and ensuring the legal proceeding of transactions regarding loans extended to small and medium-sized enterprises.

The Credit Cards Collection Service is responsible for the monitoring of, and legal proceedings against credit card customers.

The Retail and Small Business Loans Collection Department’s objectives and areas of activity are:

- Closely monitoring the entire Retail and Small Business Loans customer portfolio,
- Attempting to collect or pursue the Bank’s non-performing receivables, and/or receivables that may become non-performing in the future using administrative procedures before legal proceedings are initiated to collect such receivables; starting legal proceedings promptly when successful resolution is not possible through administrative procedures, or in other necessary circumstances,
- Modifying and/or restructuring the debts of corporate and commercial banking clients whose payments have become irregular or delinquent due to a temporary cash crunch, but from whom, if supported, the Bank can reasonably expect to collect its receivables according to analyses conducted in accordance with procedures,
- Collecting the Bank’s receivables for which legal proceedings have been initiated through affiliated legal offices and working in coordination with the Legal Proceedings Department as part of this effort,
- Closely monitoring the non-performing loan practices in the participation banking sector and in the broader banking industry regarding delinquent receivables, non-performing loan ratio, provisioning ratio, at risk receivables, restructured loans and written off receivables, devising strategies and policies within this scope by making up-to-date and accurate assessments of the Bank’s position and trend using the latest industry data,

- Calculating the “Performance Based Risk Monitoring Scores” of branches and regional offices in accordance with transparent and objective criteria, measuring the performances of branches and regional offices on a monthly basis, and sharing the results along with the underlying data with the branches and regional offices, as well as the Marketing Group and the Human Resources Group,
- Identifying those customers to be written off,
- Working in coordination with the Asset Valuation Unit regarding the movable and immovable assets to be disposed of by way of a judicial sale as part of a legal proceeding, and determining the bid to be submitted on behalf of the Bank in accordance with procedures,
- Working in coordination with the Asset Valuation Unit to sell the movable and immovable assets that were foreclosed on by the Bank in accordance with procedures.

Collateral Monitoring Department

The Collateral Monitoring Department is responsible for controlling the procurement of appraisal services regarding the movable and immovable assets taken by Kuveyt Türk as collateral or owned by the Bank in accordance with the appraisal standards stipulated by the Capital Markets Board from authorized appraisal firms licensed by the Capital Markets Board, as well as the collateral requested by the Bank’s authorized credit committees pursuant to the resolutions of the credit committee. The Collateral Monitoring Department also performs the functions of updating collateral records when necessary; carrying out requisite work to improve collateral screening into a simpler and more reliable utility capable of serving all kinds of requirements; and finalization of the release processes of Kuveyt Türk’s collaterals without difficulty.

The Department ordered and controlled 19,753 appraisal reports, examined 76,881 collateral records, and performed 40,074 collateral release and registration correction transactions during the year. Due to the critical importance of the collateral monitoring processes, the

Department increased its number of qualified staff, thus taking a giant stride towards beating industry standards in terms of service time and quality. As of December 2012, the average time of the appraisal service stands at two days for residential properties and 2.3 days for all real estate types combined. Considering the importance of service procurement timing, quality and cost, the Department achieved significant reductions by entering into agreements with new appraisal firms and revising the terms of contracts with existing service providers.

With a view to centralizing and automating operational transactions, and thus to create competitive edge by boosting productivity, an expert appraisal program was launched in 2012. This program now covers such transactions as receiving demands for expert appraisals, distributing these to relevant appraisal firms, and collecting the reports from the firms. Additionally, the Bank has successfully transitioned to a more effective and accurate system by integrating new collateral displays with BOA.

The Collateral Monitoring Department’s primary objective is to ensure internal and external customer satisfaction by performing the tasks and transactions in its areas of responsibility swiftly and accurately without sacrificing quality in accordance with the principles of reliability, a scientific approach, competence, professional rigor and adherence to rules.

Asset Valuation Service

The duties of the Asset Management and Valuation Service are as follows:

- Assessing the estimated price of assets to be sold in judicial sales; this continues with a determination of bids to be submitted at auctions, and ends with an evaluation of the offers, the drafting of the deeds of trust and their delivery to Kuveyt Türk branches for accepted offers,
- Assessing the estimated price of assets to be sold in judicial sales, preparing the folder for the determination of the deposit sum, and submitting this to the Risk Monitoring Director,

- Monitoring of auction results,
- Recording the assets acquired by Kuveyt Türk on the balance sheet based on the registration certificate once the auction result is finalized,
- Obtaining requisite documents from the Trade Registry Office for title deed applications and passing them on to the attorneys,
- Overseeing eviction processes,
- Sending an appraiser to the vacated real estate, determining the sales price and publishing the price on the website,
- Submitting the bids received to the committee, preparing the letters of attorneys and sending these to the Bank’s branches in cases of a positive decision,
- Removing the asset from the balance sheet following the title deed transfer and requesting the Accounting Department to create the necessary accounting records.

The Asset Valuation Service’s objective is to sell more assets than it acquires in terms of number and value, and to reduce the Bank’s inventory compared to the previous year. In accordance with this primary goal, the Service divested 289 properties, while acquiring 262 properties in 2012. As a result, it sold 10% more properties than it purchased.

The total value of acquired properties was TL 33.7 million, while that of divestitures amounted to TL 46.3 million. In terms of value, the Department sold 37% more than it purchased.

The amount of inventories valued at purchase price declined from TL 62.9 million at year-end 2011, to TL 49 million as of year-end 2012. Consequently, the Bank reduced its inventories by 22%.

A real estate web site was designed to ensure the divestiture of current assets held for resale in the shortest timeframe possible. Thus, real estate for sale was published on the Internet, bids were received online, and as a result sales were completed swiftly.

Review of Operations in 2012

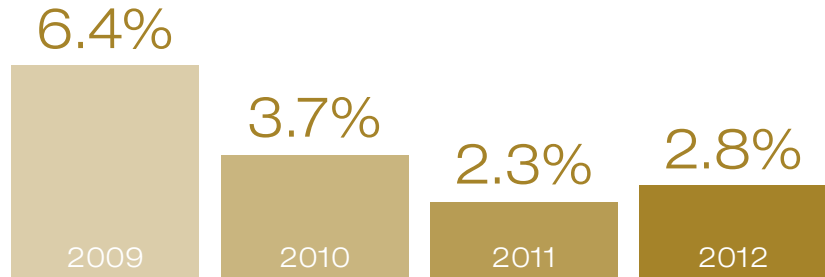
Reductions were achieved in the expense items for those properties acquired by the Bank, such as association fees and repair and maintenance costs in accordance with the policy of "Cutting Expenses", thereby reducing Kuveyt Türk's expenses significantly.

As the data provided above illustrates, the Asset Valuation Service had successful results in 2012 in active cooperation with the branches in terms of its objectives of selling more assets than it acquires by both number and amount, and in reducing the Bank's inventory compared to the previous year.

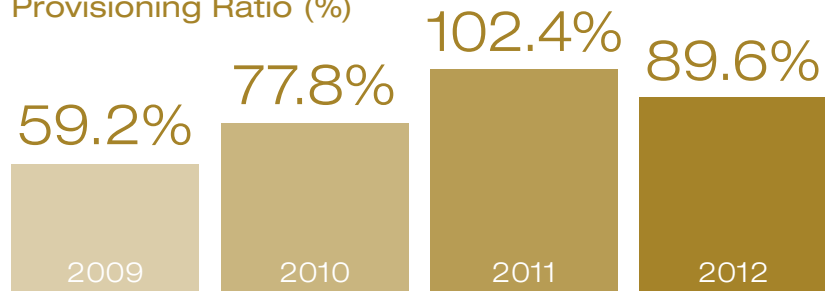
Legal Proceedings Department
Kuveyt Türk has signed agreements with 55 law firms in 39 provinces for the collection of its corporate, working capital, retail, and credit card loan receivables, for which legal proceedings have been initiated; the Bank actively sends files to 32 of these law firms. Kuveyt Türk started to work with affiliated lawyers on a regional basis in four regions in 2011; as these efforts started to yield positive results in 2012, the Bank plans to fully implement the regional work system in the remaining regions, and thus minimize the number of its affiliated law firms.

As part of existing law office controls and audits, the Bank receives daily and monthly reports from its affiliated law firms on a regular basis. In addition, the Department conducts visits to the law firms periodically to physically examine the court files at the courthouse and provides feedback on its findings. Furthermore, monthly collection targeting efforts are conducted with the law firms and target realization rates are shared with them at regular intervals during the month. The Department conducts a detailed study on the overall performance of the law firms twice a year and deliberates the issue of taking the necessary measures regarding underperforming ones. Subsequently, those law firms that fail to meet the expected performance criteria are replaced.

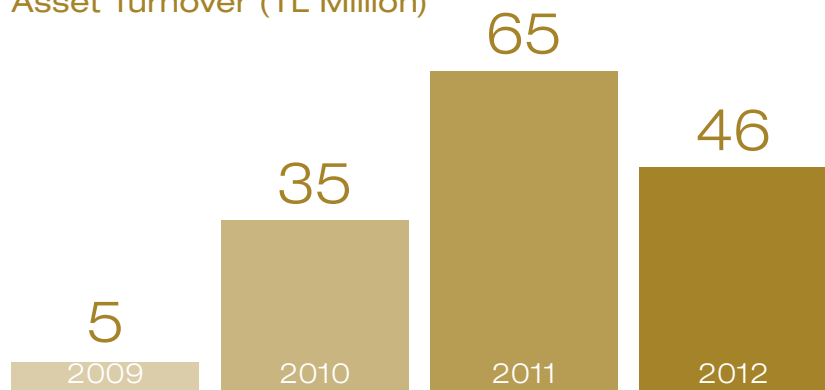
Non-performing Loan Ratio (%)



Provisioning Ratio (%)



Asset Turnover (TL Million)



We became the sector leader in terms of Call Center management

With locations at Istanbul Operations Center, Ankara Balgat DRC and Konya Call Academy, the Kuveyt Türk Call Center serves customers on a 24/7 basis.

BANKING SERVICES GROUP Operations Center

Kuveyt Türk's Operations Center was formed to execute the operational transactions of the corporate, retail and international banking groups in a coordinated fashion. Carrying out its activities with the goal of achieving high quality standards and minimizing operational costs, the Operations Center consists of the Credit Operations, Banking Operations, and Foreign Trade and Treasury Operations Departments.

Management of business processes to increase Kuveyt Türk's business effectiveness and execution of technology update tasks are among the responsibilities of Kuveyt Türk's Operations Center. As Kuveyt Türk steadily increases its branch network and transaction volume, the Operations Center invests in enhancing its organizational capacity and human resource competence in order to manage Kuveyt Türk's operational business processes effectively.

Credit Operations

The Credit Operations Department carries out Kuveyt Türk's retail and corporate lending projects, leasing transactions, and letter of guarantee and insurance transactions in accordance with the Bank's operating principles and legal and regulatory requirements.

In 2012, the number of credit transactions performed by the Credit Operations Department increased by

22% on the previous year to reach 121,800. Total lending surged by 20%.

The number of insurance transactions rose by 16% to reach 106,107 in 2012, from 91,666 in 2011.

The Credit Operations Department processed 106,107 letters of guarantee approvals in 2012, up 20% from 84,322 in 2011. In addition, 7,090 letter of reference and letter of guarantee confirmations were issued in 2012.

Credit Operations Department's Activities in 2012

- Under the ANKA project, processes and programs ready for software were divided into two phases. The programs falling under the first phase were tested in pilot studies. The analysis activities of the second phase were performed and the software was completed.
- As part of the Anka project, systems infrastructure compatible with interest-free banking practices were created on the core banking system (BOA).
- Kuveyt Türk has established a flexible task assignment system, including methods such as personal task choice, automatic task assignment and manual task assignment.
- The Department organized 41 branch visits and 10 customer visits to inform customers and branch personnel on corporate principles and practices.

Insurance and Letter of Guarantee Unit's Activities in 2012

- Work on the transfer of the letter of guarantee system to the BOA system is complete and screen tests are underway.
- The system overhaul of insurance policy screens is complete, and the BOA system can now perform insurance transactions.
- The system and infrastructure were established to enable the insurance unit to directly respond to branch demands from the insurance company.
- A system structure was created to perform the automatic insurance control of all guarantees submitted with loan applications.
- In parallel with the Bank's offering of agency services for Neova Sigorta, the number of Bank employees with a SEGEM certificate rose to 355.
- Insurance renewal screens were integrated to the BOA system.

Banking Operations

Call Center, Cash Management, Branch Coordination, Clearing, Data Entry and Official Correspondence units operate within the Banking Operations Department.

Call Center

With locations at Istanbul Operations Center, Ankara Balgat DRC and Konya Call Academy, the Kuveyt Türk Call Center serves customers on a 24/7 basis.

Review of Operations in 2012

We expanded our ATM network

In 2012, Kuveyt Türk brought the ratio of ATM transactions to aggregate ATM and teller transactions to 57% in 2012.

Telephone banking, support services, credit card and insurance sales services and responding to branch calls are among the activities performed by the Call Center. Moreover, in 2012, the Bank's Customer Satisfaction Center was placed under the umbrella of the Call Center, which thus started to respond to customer opinions, suggestions and complaints.

Activities in 2012

- In 2012, an XTM control center was created under the umbrella of the Call Center to run the XTM project, one of the Bank's TEYTEB-supported R&D projects. Subsequently, the Call Center started to train XTM customer representatives. The Department received professional support to ensure high quality voice and video communication at the XTM control center, and selected the most appropriate hardware and software. Upon the onset of the XTM project, XTM's will start performing all the transactions that a branch can handle.
- The number of inbound calls received by the Call Center increased 48.54% in 2012 on the previous year and reached 3,342,392. In addition to incoming calls, the Call Center also organized various outgoing call campaigns and as part of this effort made 157,977 outbound calls, up 34% from the prior year.
- The number of calls received from the branches rose to 1,419,570 in 2012, a 66% increase on 2011. Some 69% of the calls received by way of the branches were concluded successfully by the Call Center. Of the inbound calls received by the Call Center, 82.57% were picked up within the first 20

seconds while the average response time for all incoming calls was 16 seconds.

- The number of banking transactions conducted through the Call Center reached 62,413 in 2012, a 17% increase on 2011. The total volume of banking transactions stood at TL 264.89 million.
- The Bank took in TL 602,395 of income from Neova Sigorta policy sales that were conducted as part of the Department's sales activities. The number of automatic bill payment orders rose by 3% in 2012 to 31,117.
- A secret customer survey was conducted by Telephone Doctor™ in 2012 in order to measure the service provision quality of the Kuveyt Türk Call Center. As a result of the measurements performed on a monthly basis, Kuveyt Türk Call Center's service provision quality was assigned 96 out of 100 points, representing a 2.13% rise on the previous year. As part of the same survey, the Call Center was compared with the corresponding units of Turkey's five leading banks and was acknowledged as the best call center in terms of service provision quality, for the second year in a row.

Cash Management Unit

The Cash Management Unit is responsible for organizing the cash flow and gold gram and bar transfers of Kuveyt Türk branches. The Unit provides Group service and cash flow services to 97 branches in Istanbul and 130 branches outside the city. Since 2010, the Unit has been performing its cash transactions over a single system. The Unit responds to the requests of the branches in across the country via

the correspondent bank. The Unit also meets the cash and gold demands of the branches via the Istanbul Gold Refinery and Istanbul Gold Exchange.

Working in two shifts, the Unit took stock of 57 million transactions and transferred 30 tons of gold in 2012. The Unit closed the year 2012 with a total of US\$ 19 billion in cash management transactions.

Clearing Unit

The number of checks cleared by the Bank's approval mechanisms and offered to customers reached 1,410,000. The volume of checks cleared through the clearinghouse reached TL 5.8 billion, the Bank's checks cleared through the clearinghouse reached TL 12.6 billion, foreign currency checks cleared reached US\$ 356 million and total bank checks cleared reached US\$ 830 million. The volume of promissory notes cleared via correspondent banks reached TL 38 million.

In 2012, work on the BOA transition was completed and the system was launched. The Unit initiated a limit/risk approval system for the checkbooks printed for customers.

Official Correspondence Unit

The Official Correspondence Unit is responsible for responding to all official correspondence received by the Head Office and the branches and archiving the correspondence electronically. The number of official correspondences responded to by the Unit in 2012 stands at 125,052.

In addition, the Unit completed its efforts to restructure the official correspondence system under the BOA in 2012. As such,

70% of incoming correspondence was answered through the system.

Furthermore, the Official Correspondence Unit worked on a system to put in process the lien notifications received from the Social Security Institution in paper environment as electronic lien. The Unit aims to launch this system by April 2013.

Data Entry Unit

The Data Entry Unit controls the collateral, check and promissory note images that are sent electronically by the branches in accordance with formal requirements and enters them into the system.

In 2012, the number of collateral entries fell by 7% to 76,121 while check entries increased by 14% to reach 750,428 and promissory note entries were up by 31% to 157,194.

The Data Entry Unit aims to launch the pilot project for performing EFT, Money Transfer, Social Security Institution and tax payment transactions centrally in 2013. In addition, the Unit plans to transfer the check, promissory note and collateral transactions, including reporting, to the BOA.

Branch Coordination Unit

The Branch Coordination Unit is responsible for 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, assigning temporary support staff to the branches, and carrying out the tasks related to the promotion and assignment of the operations personnel.

Branch Coordination Unit's Activities in 2012

As a result of the more active utilization of ATMs in accordance with the targets assigned to the branch operations staff in regard to directing transactions to ATMs, the share of ATM transactions in aggregate branch and ATM transactions reached 57% in 2012. 'ATM Intervention' was added as a criterion to the branch performance score and thus ATM services were rendered problem-free. As such, the performance of

money deposit units was brought up from 95.49% to 97.28%. In line with the ADC sales targets assigned to the branch operations staff, the safe insurance supplementation performed by the operations staff was rendered systematic in 2012. A report card system was initiated to assess the individual performances of the branch operations staff. In 2012, 'Intensity' was added as a criterion to operational performance measurement system to determine the branches' workload, and capacity measurement efforts were initiated to measure the capacity of branch and operations personnel.

Authorization transactions regarding the Bank's checks and check authorization transactions requested from the tellers were moved to the BOA system in 2012 and the performance evaluations of the branches in this area began to be monitored online. The Unit continued to serve the branches in 2012 by assigning its support staff located in Istanbul, Ankara, Bursa, Izmir, Gaziantep and Adana to the branches in case of personnel shortages at the branches. Conducting 260 visits to 221 Kuveyt Türk branches in 2012, the Unit examined the physical condition of the branches, assessed their needs and demands, and communicated the expectations from their operations personnel. The operations staff of the branches that were inaugurated in 2012 continued to be determined as 1+1. As of year-end 2012, 47 branches operate 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. The second phase of the system integration of Q-Matic (queuing system) that will facilitate the measurement of individual performance was initiated in 2012. The second phase is aimed for completion in 2013 as part of the BOA integration of queuing systems.

The total number of ADC sales (bill payment order, debit card, rent payment, Internet, Sale Plus) made by branch operations in September 2012 increased to 13,221 from 6,293 in the same month of 2011, in compliance with the targets set for branch operation staff.

Foreign Trade and Treasury Operations

The Foreign Trade and Treasury Operations Department's responsibilities include banking services related to import, export and External Guarantee transactions; the control and oversight of the incoming and outgoing foreign currency transfers of customers as well as the Moneygram, SWIFT and EFT systems; and back office functions related to Treasury transactions. These transactions, channeled to the Operations Center by domestic and overseas branches or ADC channels such as Internet, are performed in a rapid and high quality fashion by a well-experienced staff.

The business volume of Kuveyt Türk's Foreign Trade business line, which consists of Transfer, Collection and Letter of Credit/External Guarantee units, increased by 12% in 2012 compared to the previous year. As part of the efforts related to the BOA process, all processes were reviewed, and business and IT analyses were completed. With the transfer of incoming and outgoing foreign currency transactions to the BOA system, transaction speed increased considerably and the number of errors was slashed. Work is underway to transfer letter of credit transactions to the BOA system. Planned to be completed in 2013, this transition will allow the Bank to become one of the banks that make the best use of advanced technologies in Foreign Trade transactions.

The Treasury Operations Unit closed 2012 with a 42% increase in business volume compared to the previous year. In this regard, thanks to the controls established and improvements made in the EFT infrastructure, the Unit achieved an automation rate of 90% in reflecting the incoming EFTs in customer accounts. In addition, the EFT banking system was redeveloped and successfully transferred to the BOA system. Also assuming the responsibility of being the EFT center, the Unit completed the design and planning work for the "Retail Payment System" that will operate in parallel to the EFT-EMKT system that the Central Bank of Turkey intends to establish, and opened it to the active use of branches. The BOA-related efforts of the Treasury

Review of Operations in 2012

We enhanced our human resources

Striving to recruit talented young people to Kuveyt Türk, the Human Resources Department participated in various career fairs, events and conferences in 2012 in order to reach out to these young professionals or prospects, to accurately portray and promote the Bank and to increase its brand recognition.

process were also actively supported. 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 in 2012.

Human Resources Policies

Seeing its human resources, which consist of competent and experienced staff, as its most valuable asset, Kuveyt Türk continued to invest in the HR field uninterrupted in 2012. Implementing world-class HR systems for a long time, Kuveyt Türk undertook major initiatives in the Human Resources field in 2012 to further increase employee satisfaction and HR service quality.

In terms of core qualities, Kuveyt Türk employees care about internal and external customer satisfaction, are successful in teamwork, have strong communication and persuasion skills, are result-oriented and specialized in participation banking.

As of year-end 2012, 85% of Kuveyt Türk's employees hold at least a Bachelor's degree while the average age of the Bank's personnel is 31. Along with its turbo-charged branch network expansion efforts in 2012, Kuveyt Türk also accelerated its training and development investments in its employees. As part of this effort, the Bank undertook initiatives to reinforce the recruitment, career/skill development and backup processes.

Striving to recruit talented young people to Kuveyt Türk, the Human Resources Department participated in various career fairs, organizations and conferences in 2012 in order to reach out to these young professionals, to accurately portray and promote the Bank and to increase its brand recognition.

As part of the social responsibility project "Campus at the Bank", Kuveyt Türk provided 50 university students with the opportunity to attend on-the-job training at various locations and get recruited in the event they perform successfully in their positions at the Bank in 2012.

This initiative targets third and fourth-year university students who are preparing for professional life and contemplating a career in the banking industry. Students admitted to the program, after attending training sessions in banking and personal development, do internships at the branches and departments where they get the opportunity to become familiar with the banking sector, demonstrate their performance in accordance with their assigned objectives, decide on their career steps, and accelerate their personal development. Students who successfully complete the on-the-job training and internships receive priority consideration in recruitment after their graduation. In 2012, nearly 70% of the fourth-year students successfully completed the recruitment process and joined the Kuveyt Türk family. In addition, approximately 65% of the new staff hired as MT (Management Trainee) were picked from among students who completed the Campus at the Bank program.

Rapidly expanding its areas of business and branch network in accordance with its growth strategy, Kuveyt Türk continued to successfully administer the Management Trainee Program in 2012 in order to develop its future management team. Candidates chosen from among young professionals who have graduated with honors from 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 staff in accordance with their personal development plans. Recruitment processes for the Assistant Controller and Assistant Internal Auditor positions are also supported with similar substantial applications.

The clubs (Theatre Group, Literature, Music, Travel, Photography, Innovation and Technology, Cinema and

Professional Development clubs, as well as the Women Entrepreneurs Platform) that were formed in order to achieve work-life balance within Kuveyt Türk continued their activities in 2012 under the leadership of the employees.

Recruitment Process

Kuveyt Türk's recruitment team that stands out with its experience and competence employs the most reliable HR techniques and manages the recruiting processes effectively. Kuveyt Türk's number of employees increased from 3,326 at year-end 2011 to 3,939 as of year-end 2012.

The recruitment processes were enhanced with competence-based interviews, general aptitude tests, group interviews, case studies, simulations, role-playing and personality inventories. Information from various applications implemented for the candidates is assessed in detail at the meetings of the Recruitment Committee that consists of the Human Resources recruitment staff to make the hiring decisions about the candidates.

Compensation System

Kuveyt Türk's compensation management system is designed to motivate employees to perform beyond their assigned objectives, to identify employees performing at different levels, and to remunerate employees based on performance. As part of this effort, Kuveyt Türk's compensation structure is based on the concept of "Total Compensation Package" consisting of salary, performance bonus, foreign language allowance, transportation assistance, and other supplementary payments. In an effort to remain competitive in the market for talent, Kuveyt Türk also offers various fringe benefits to its employees including private health insurance that also covers the employee's spouse and children, a private pension system with company contribution, clothing assistance and family support package.

Performance System and Career Development

Kuveyt Türk supports its managers and employees in their continuous

development process through performance evaluations conducted transparently based on competences and measurable targets as well as regular feedback.

The Performance Management System allows branch employees to receive their monthly and annual performance scorecards in a more convenient fashion. In line with the Balanced Scorecard Model which is part of the Corporate Performance Management Project, the Bank began determining the key performance indicators and targets on the basis of the overall organization and the Head Office Departments as well as tracking and reporting the scorecard developments and trends in quarterly intervals.

As the branch network expansion efforts intensify as part of the Bank's growth, career opportunities proliferate for both the Head Office and branch employees while they can be promoted to managerial positions in a shorter period of time. Giving priority to the candidates who have developed from within the Bank and who have distinguished themselves with their performance in new managerial appointments, Kuveyt Türk appointed approximately 70 personnel as director/manager in 2012.

Training and Development

Kuveyt Türk's Training and Development Program is based on the principles of "service quality", "human resources quality" and "superior use of technology", which also form the competitive strategy under the Company's 2014 vision. Taking heed of the personal and professional development of its employees in order to ensure the sustainability of the productivity of its human capital, Kuveyt Türk continued to implement many significant projects in this area in 2012.

Organizing classroom training and distance learning programs for its employees, the Bank focused mostly on postgraduate and MBA curriculums in partnership with universities in 2012.

The Bank organized 1,500 classroom training sessions on various subjects

throughout the year while the average classroom training time per employee was nine days. In addition, employees whose jobs require proficiency in English continued to attend foreign language classes in Turkey and abroad.

Constantly expanding its branch network in accordance with its strategic targets, Kuveyt Türk's Human Resources Department added a Core Banking Training Package to its training program geared mostly toward new recruits and the 650 employees who joined the Bank in 2012 benefited from this package. The package consists of training programs on banking basics, laws and regulations, communication skills, customer satisfaction, shared corporate culture and the organization of Kuveyt Türk.

The Department organized Financial Analysis Credit Training Packages and Sales and Relationship Banking Programs particularly geared towards branch sales personnel. More than half of the total sales staff completed their training programs. The Bank plans to offer this program to new recruits, too, following their basic banking training program. Aside from such package training programs, the Department organized training programs on negotiation and interpreting macro-economic indicators for sales teams. As such, the employees had the chance to raise their personal competence level and enhance their intellectual capacity in banking and finance.

In line with its 2018 vision and strategy, Kuveyt Türk assigns critical roles to its staff. Accordingly, the directors of newly inaugurated branches are chosen from among outstanding and successful employees trained in Kuveyt Türk. Such employees are assigned to director candidate pools and receive special training programs. In addition, these director candidates participate in programs called career groups, and complete rigorous seminars on personal development and professional-technical training.

Review of Operations in 2012

Also in 2012, Kuveyt Türk employees were presented with various training sessions and tests via the online training center. Within this scope, Kuveyt Türk employees completed a total of 35,466 online training courses in 2012.

The 2012 MT Recruitment & Training process, which strives to recruit new graduates from Turkey's top universities to the Bank, was completed successfully. A training schedule of classroom and on-the-job training was administered for the MT group.

In accordance with the principle of creating its own managers through its organizational structure, Kuveyt Türk made a number of investments as part of Talent Management scheme in 2012. As a result, almost all of the newly opened managerial positions in current branches and units or in recently inaugurated branches were filled by the Bank's existing personnel in 2012.

As part of the Talent Pool Assessment Center scheme, the Department identified the training and development needs of current employees, and organized theoretical and practical personal development seminars to prepare employees for managerial positions.

Furthermore, the Assessment Center organized special proficiency tests among employees from different departments willing to join the sales team, with a view to avoid low performance following such a transition.

Quality and Organizational Development

On November 30, 2012, the unit known as Quality and Strategy Oversight was renamed the Quality and Organizational Development Department, since it assumed responsibility for such functions as organizational structure, job definitions and authorization -previously fulfilled by the Human Resources Department- and since the Strategic Oversight function was assigned to a separate department.

Innovation is among the crucial values of Kuveyt Türk. In this regard, the Bank is about to complete work on the web

site "saglamfikir.com.tr", which will help collect the opinions of employees via the Sağlam Fikir Platformu (Sound Ideas Platform), allow interaction with customers, and enhance the customer-orientation of the Bank.

With a view to organizing the in-house information flow and to reduce e-mail traffic on special occasions such as festivals and holidays, a Message Bulletin was created on the Portal. Moreover, messages sent to groups now have to be approved, in order to bring the e-mail traffic up to a certain standard. Besides, the Department made notifications to ask departments to issue their documents via the Dürbün system, and thus rendered the system even more functional.

The Department joined the Pusula system to identify which of the demands sent to the IT require process studies. Furthermore, it continued the efforts started in 2011 to make business processes more customer-oriented in line with the Bank's strategies. Within this scope, the Department carried out process studies in the following areas:

- Call Center project,
- Web Site project,
- Forward project,
- Branch Inauguration project,
- Communication project,
- Dubai Process project,
- Audit Process project,
- Branch Coordination Process project,
- Contract Management,
- Clearance services for Istanbul Gold Exchange and its members,
- XTM project,
- 2B Financing and Urban Transformation Financing projects,
- Checkbook Printing project,
- Ongoing stages of the Credit Transformation Project,
- Instantaneous Card Printing at the Branches,
- Branch Business Model project,
- Sukuk project,
- Treasury products,
- Collection project,
- Investment Banking products.

Within the scope of Management Declaration, the Department cooperated with the Audit and Risk Group, reviewed 169 processes falling under this framework, and updated 95 of these processes through the Risk Control matrix.

The Department also worked on channeling customer complaints and demands to the relevant teams in a swift manner. Based on the customer reports analyzed, an improvement report was prepared and submitted to the management. In order to manage improvements efforts in those processes where customer complaints are concentrated, the resolutions of the Customer Services Committee were put into practice.

During the year, the Department conducted three NPS surveys to measure customer satisfaction and organized three Secret Customer visits to measure the personnel's compliance with Kuveyt Türk's service culture principles. Furthermore, secret customer surveys were conducted on a monthly basis to assess the performance of the Call Center and customer satisfaction.

Kuveyt Türk joined the Quality League and participated in its call center surveys. The Bank also became a member of KalDer (Quality Association) to monitor the results of the Turkey Customer Satisfaction Index survey results, and helped organize a special KalDer survey based on the Turkey Customer Satisfaction Index.

The Department conducted two internal customer satisfaction survey to measure internal customer satisfaction and the departments' responses to employees feedback were published on the corporate portal.

The Department also elected branch service culture ambassadors. These individuals underwent a special seminar, and the entire organization was informed about this initiative. The service culture ambassadors conducted studies on the Secret Customer Surveys and issued reports.

The R&D Center sharpened our competitive edge

Kuveyt Türk R&D Center is the one and only bank R&D center registered by the Turkish Ministry of Science, Industry and Technology.

INFORMATION TECHNOLOGY (IT)

In 2012, in line with Kuveyt Türk's vision to become one of the top 10 banks of Turkey by 2018, the IT Group continued efforts to sharpen the Bank's competitive edge in the industry and enhance the quality of customer service. In this regard, the IT Group endeavored to transform, enhance and improve the Bank's entire systems, and strived to formulate innovative projects to increase organizational efficiency and productivity.

As part of the Vision 2014 Strategic Transformation Program launched in 2010, work on banking teller services, checks and promissory notes, accounting, operations center, communications, EFT/POS, Internet banking and mobile banking was completed in 2012; whereas work on foreign exchange, loans, human resources, procurement, regular fixtures, CRM and XTM projects continued.

As the one and only bank R&D center registered by the Turkish Ministry of Science, Industry and Technology, Kuveyt Türk R&D Center gained considerable competitive edge vis-à-vis its rivals. Three of the innovative projects conducted at the R&D Center received 60% grants by TÜBİTAK and support from TEYDEB. The Center plans to initiate three new TEYDEB projects and one EU project in the year 2013.

One of Kuveyt Türk's TEYDEB-supported projects is the core banking system called BOA, which is a business oriented system architecture featuring not only basic software components but also the business infrastructure required by the banking system. The Bank's second TEYDEB-supported effort is the ongoing and patented XTM project. This new distribution channel will allow users to utilize it independently like an ATM or to connect to a customer representative via video conferencing, and thus receive banking services without actually visiting a branch. The third TEYDEB-supported project is called "Rasad", which aims to develop a system that will manage IT processes from end to end, review the information with new scenarios, help run application and penetration tests, and take measures against fraud.

Aside from these projects, in line with the objectives of raising R&D awareness and expanding know-how, the Group organized one domestic and one overseas seminars for the Bank's R&D personnel. In this period, the 80-strong R&D staff authored a total of 14 scientific articles.

The Service Desk, which oversees the continuity of the systems, reached a first-level support ratio of 91.45% as well as a customer satisfaction ratio of 97.22% in terms of call resolution speed.

The Emergency Center, established at the Ankara Türk Telekom Campus to ensure that the Bank's systems continue to operate from a different location in case of a potential disaster, conducted two large scale Emergency Center tests with success.

The construction of the Data Center of the Şekerpinar banking center, to which the Bank will relocate in the year 2013, proceeds in parallel with the overall construction work.

In addition to the Core Banking Transformation program and R&D activities, many other important projects were also implemented by the Bank in 2012:

XTM (Extreme Teller Machine)

XTM is Kuveyt Türk's new generation distribution channel project, which can not only function in self-service mode like an ATM, but also provide all branch transactions and services through video conferencing with a customer representative. The pilot project will start in January 2013 and 25 XTM's will be launched by the end of the year.

Gold Corner

Kuveyt Türk purchased customized kiosks from a Portuguese company to sell one gram gold coins printed on cards with special themes. Five such devices were placed in wedding centers.

Review of Operations in 2012

Mobile Banking

The Bank's customers can now access key banking services such as EFT, money transfer, salary payment and credit cards via smartphones with 3G and Wi-Fi. Besides, One Time Passwords used in the mobile application can now be generated through not only special OTP devices, but by all mobile phones.

WebPlus (The New Internet Branch)

The Bank's new generation Internet Branch is now undergoing a pilot study. Planned to be launched in the first quarter of 2013 with a full range of functions, this Internet Branch will feature a completely customizable and user friendly special interface and state-of-the-art technology.

EFT/POS

The Customer Payments (POS) group was transitioned to the Participant Interface System (KAS) which provides XML-based communication between Central Bank of Turkey's Corporate Payment System applications (POS, EFT3, EMKT2, İHS), in a standardized, reliable, continuous and uninterrupted fashion.

Treasury Transformation

Designed to transform the foreign exchange transactions of the Treasury Department, the project was completed in February 2012 and launched. Similar transformation projects concerning precious metals and sukuk were initiated and are planned to be completed in 2013.

Corporate Loan Modeling and Scorecard Application

In this project conducted jointly with SAS, a rating model and scorecard were developed for corporate customers. The corporate scorecard was integrated into the Financial Analysis system, and provide real-time rating scores for corporate firms.

Mobile Approval

Currently in the test phase, this project will enable executives to approve new banking practices via the mobile channel.

Cloud Computing

As part of Kuveyt Türk's 2014 vision, the Group continued to work on server consolidation and virtualization efforts constituting the basis of the transition to the worldwide "top trend" Private Cloud Computing, which allow for the most effective utilization of technology. The Bank's corporate system infrastructure was reinforced in terms of capacity and performance, and rendered even more rapid.

Observation Project (24/7, End-to-End Monitoring of Business Services)

The IT services and system infrastructures which support Kuveyt Türk's most critical business processes and banking services are monitored 24/7 to keep track of the infrastructure's health, performance and continuity.

Fiber Optic Infrastructure of Branches

Since high delays, package losses, errors and low speed due to copper data cables can jeopardize the efficiency of Bank services, the 95% of the cables in branches were replaced with high-speed fiber optic communication infrastructure.

Gold Clearance

As the financial intermediary of the Gold Exchange, Kuveyt Türk developed the Gold Clearance project for the customers of the exchange. The project is now in the test phase and will be completed by the first quarter of 2013.

Corporate Performance Management System

In accordance with the strategic targets, a reporting and performance measurement system was developed to monitor the key performance criteria of Head Office units.

Portfolio-based Budget System

A number of new features were added to this budget system which has a portfolio-based flexible reporting infrastructure that breaks down the Balance Sheet, Income Statement and activity items according by sectors, and monitors targets and realizations on a daily basis.

Customer Productivity

The Bank has developed a system which calculates revenue, expenditure, net productivity and expected productivity of each product and service per customer, and allows for detailed profit/loss analyses for each individual customer or product.

Analytical CRM

The Bank completed the value and behavior segmentation projects for individuals and business sectors, which will lay the groundwork for the cross-selling, churn and automatic pricing projects to be launched in 2013.

In the year 2013, Kuveyt Türk IT Group will focus on technology as an element of competitiveness, and create its main strategy along the two main axes of "Business Focus" and "Lean IT". In 2013, the Bank will prioritize such business-focused and mobile projects as BOA Core Banking Transformation, BOA Web, Mobile Reporting, Churn, Mobile CRM, ERP Transformation, Virtual POS, New ID Cards with Smart Chips and Corporate Web Site.

Administrative Services Group

The Administrative Services Group provides all goods and services needed by Kuveyt Türk, all maintenance and repair services, security services, all renovations 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.

We continued to expand our branch network

In 2012, Kuveyt Türk expanded its service network considerably by opening 41 new branches in 20 provinces.

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

Administrative Services Group's Activities in 2011

In the year 2012, the Bank focused on lowering branch opening costs and accordingly revised and simplified its branch concept without compromising quality or function. Furthermore, agreements were reached with manufacturer or wholesale firms to procure furniture, fixtures and construction material to be used in the new branches at much more attractive prices. These efforts yielded 24% of savings in branch expenditures. Within the scope of the revised branch concept, a total of 41 are branches were opened in 20 provinces: Soğanlık, Cevizli, Kuyumcukent, Sanayi Mahallesi, Bağcılar Yıldıztepe, Fatih Çarşamba, Bankalar Caddesi, Samandıra, Sarıyer, Sefaköy, Beylikdüzü E5, Çekmeköy, Bağcılar Çiftlik, Küçükköy, Kocamustafapaşa and Laleli Ordu Caddesi branches in Istanbul; Bozyaka, Işıkkent and Torbalı branches in İzmir; Dikkaldırım, Kestel, Nilüfer and Yeşilyayla branches in Bursa; Barajyolu branch in Adana; Ambaryolu branch in Afyon; Etimesgut branch in Ankara; Konyaaltı branch in Antalya; Bilecik; Çorum; Ofis branch in Diyarbakır; Nizip branch in Gaziantep; Düvenönü branch in Kayseri; Kırıkkale; İhsaniye and Konya Organized Industrial Zone branches in Konya; Pozcu branch in Mersin; Ordu; Sanayi branch in Samsun; Kızılırmak branch in Sivas; Cumhuriyet Caddesi branch in Şanlıurfa; and of branch in Trabzon.

The locations of the Aksaray and Ostim branches were changed in line with the new branch concept.

The refurbishing and decoration of two new Region Offices and the Information Technology Annex Office were completed and these buildings were reopened.

Kuveyt Türk Banking Center and Living Space is one of the most important initiatives that will physically shape the Bank's vision for the future. On June 15, 2012, ground was broken for the first phase which will have 85,000 m² of covered space. The project is planned to be completed by October 2013. Meanwhile, projects were drafted for the interior design and decoration of the project. The implementation stage is expected to comply with the project calendar. Meanwhile, the KT Messenger Project was completed and launched in the year 2012. This system is designed to monitor and report on the flow and delivery of documents and cargo between Kuveyt Türk's Head Office, Operations Center and branches.

In 2012, in partnership with the relevant business departments, the Group worked on projects such as Gold Corner, New ATM Design and Kuveyt Türk XTM Branch. Five Gold Corner vending machines were installed in various wedding centers across Istanbul and Ankara, to allow customers to purchase grams of gold with certificates. This service is the first of its kind in the world. Besides, the first prototypes for manufactured in the XTM branch project, also known as the unmanned self-service branch, which allows customers to access all teller services by connecting to Call Center customer representatives online. Locations have already been rented for the XTMs. Furthermore, the XTM branch Management Center which will run the system is now complete and ready to launch service.

Board of Directors



MOHAMMAD S.A.I. AL OMAR

Chairman of the Board of Directors

Born in Kuwait in 1959, Mohammad Al Omar graduated from 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, Mr. 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, Executive Committee and Remuneration Committee.



ABDULLAH TİVNIKLİ

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. Mr. Tivnikli is also a member of the Bank's Credit Committee, Executive Committee and Remuneration Committee. In addition to his responsibilities in the participation banking sector, Abdullah Tivnikli is a Member of the Board of Directors at Türk Telekom.



DR. ADNAN ERTEM

Member of the Board of Directors

Born in Erzincan in 1965, Dr. 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. After serving in various positions in the same institution, Adnan Ertem 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, Dr. Ertem is also a member of the Bank's Internal Systems Committee, Corporate Governance Committee and Audit Committee. After serving as a Deputy Undersecretary to the Prime Minister of Turkey between 2007 and 2010, Dr. Adnan Ertem was appointed as General Director of General Directorate of Foundations in 2010.



NADİR ALPASLAN

Member of the Board of Directors

Born in Kırşehir in 1966, Nadir Alpaslan graduated from Istanbul University, Faculty of Political Sciences, Department of Public Administration in 1987. Beginning his professional career at the Prime Ministry, Family Research Institute of Turkey in 1999, Mr. Alpaslan served as Advisor to the Minister and Head of Administrative and Financial Affairs at the Ministry of Tourism for four years. Continuing his career as Deputy Undersecretary and Advisor to the Minister at the Ministry of Culture and Tourism from 2003 until 2007, Nadir Alpaslan was appointed as Deputy Secretary General of the President's Office in 2007. He has been serving as a Member of the Board of Directors of Kuveyt Türk Katılım Bankası A.Ş. since April 15, 2011.



MOHAMMED SHUJAUDDİN AHMED

Member of the Board of Directors

Born in 1981 in Pakistan, Ahmed received his BA in 2001 from the University of Massachusetts, Department of Business Administration and his MA in 2003 from London School of Economics, Department of Law and Accounting. Holding a Public Accounting license from the Massachusetts State Public Accounting Committee, Mr. Ahmed joined KMPG's Internal Audit Department in 2001 and ABM AMRO Bank's Risk and Compliance Department in 2003. Since 2005, he has been working in the Risk Control Department of the Islamic Development Bank. In 2006, he took office at the Bank's operations center, and the same year he started working as a Financial Analyst at the Portfolio Management Unit. Serving as Senior Investment Analyst in investment banking since 2008, Mr. Ahmed became a Board Member at Kuveyt Türk in 2012.



KHALED N. AL FOUZAN

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. Mr. 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 is a member of the Internal Systems Committee.



**SHAHEEN HAMAD ABDULWAHAB
AL GHANEM**

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. Mr. Al Ghanem has been serving as a Member of the Board of Directors of Kuveyt Türk Katılım Bankası A.Ş. since 2006 and is a member of Corporate Governance Committee, Internal Systems Committee and Audit Committee.



FAWAZ AL SALEH

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, Mr. Fawaz Al Saleh also serves as the Vice Chairman of the Board of Directors and the CEO of Turkcapital Holding B.S.C.C.



UFUK UYAN

Chief Executive Officer

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, Executive Committee, Remuneration Committee, Credit Committee and Assets and Liabilities Committee.

Senior Management and Statutory Auditors



BİLAL SAYIN (1)

Executive Vice President - Credits

UFUK UYAN (5)

Chief Executive Officer

MEHMET ORAL (8)

*Executive Vice President - Retail
Banking*

İRFAN YILMAZ (2)

*Executive Vice President - Banking
Services Group*

A. SÜLEYMAN KARAKAYA (6)

*Executive Vice President -
Commercial Banking*

HÜSEYİN CEVDET YILMAZ (9)

*Head of Risk, Control and
Compliance*

DR. R. AHMET ALBAYRAK (3)

*Executive Vice President - Corporate
and International Banking*

NURETTİN KOLAÇ (7)

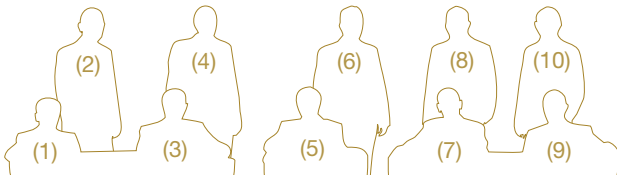
*Executive Vice President - Legal
Affairs and Collection*

ASLAN DEMİR (10)

Executive Vice President - Strategy

AHMET KARACA (4)

*Executive Vice President - Financial
Control*



SENIOR MANAGEMENT

UFUK UYAN

Chief Executive Officer

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, Executive Committee, Remuneration Committee, Credit Committee and Assets and Liabilities Committee.

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 received a master's degree in Economics from the State University of New York at Albany, with a 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 - 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. Since the Corporate Banking segment was transferred to the Corporate and International Banking Department in September 2012 due to the restructuring of Kuveyt, Mr. Karakaya now serves as Executive Vice President of Commercial Banking.

BİLAL SAYIN

Executive Vice President, Credits (Chief Credit Officer)

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

HÜSEYİN CEVDET YILMAZ

Head of Risk, Control and Compliance

Born in Istanbul in 1966, Hüseyin Cevdet Yılmaz graduated from Boğaziçi University, Department of Business Administration in 1989. Mr. Yılmaz began his banking career as an Assistant Auditor at Esbank's Internal Audit Board. After serving in various

positions within this organization, he joined Kuveyt Türk 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. Since 2012, Hüseyin Cevdet Yılmaz has been serving as Head of Risk, Control and Compliance.

İRFAN YILMAZ

Executive Vice President, Banking Services

Born in Hakkari in 1970, İrfan Yılmaz graduated from 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 Business Banking in 2005 after serving in the Retail Banking Department for five years. Since October 2012, he has been serving as Executive Vice President - Banking Services.

DR. R. AHMET ALBAYRAK

Executive Vice President, Corporate and International Banking

Born in Istanbul in 1966, Dr. R. Ahmet Albayrak graduated from Istanbul Technical University, Department of Industrial Engineering in 1988 and received his Master's degree in Organizational Leadership and Business from North Carolina State University in the United States in 1993. Dr. Albayrak earned his PhD from Istanbul Technical University in 2007 for his research on Technology Management. Beginning his banking career as a Specialist at Albaraka Türk Katılım Bankası A.Ş. in 1988, Dr. Albayrak joined Kuveyt Türk in 1994 and served in the Financial Analysis and Marketing departments until 1996. Serving in senior management posts in the private sector between 1996 and 2001, 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. After the reorganization undertaken in 2008, the Human Resources, Training and Development, Quality, and Strategy Monitoring Departments also reported to Dr. Ahmet Albayrak, who became Executive Vice President - Banking Services Group. Since October 2012, Dr. Albayrak has been serving as Executive Vice President, Corporate and International Banking.

NURETTİN KOLAÇ

Executive Vice President, Legal Affairs and Collection

Born in Elazığ in 1966, Nurettin Kolaç is a graduate of Marmara University, Faculty of Law. He worked as freelance attorney and legal advisor in the banking, leasing and insurance industries. Mr. Kolaç served as Assistant Head of Department and Department Head (Legal) at the Banking Regulation and Supervision Agency of Turkey from 2004 until April 2010. Boasting 21 years of experience in law and banking, Nurettin Kolaç joined the Kuveyt Türk family as Executive Vice President of Legal Affairs and Collection in April 2010.

ASLAN DEMİR

Executive Vice President, Strategy

A graduate of Marmara University, Department of International Relations, Demir is currently a student in the MBA program at the University of Sheffield. Having started his banking career as Officer at the Kuveyt Türk Treasury Department in 1995, Mr. Demir worked for six years in the department before serving at the Project Management and Quality Department from 2001 till 2004. In 2005, he was appointed Director of Project Management and Quality. After the restructuring in 2007, he continued his career as Head of Information Technologies. Since October 2012, Mr. Demir has been serving as Executive Vice President - Strategy.

MEHMET ORAL

Executive Vice President, Retail Banking

A graduate of Uludağ University, Department of Business Administration, Mehmet Oral started his career at Kuveyt Türk as Central Branch Officer in 1992. After working for eight years at the Central Branch, he was appointed as Director of the İMES Branch in 2000, and went on to serve as Director of Bursa Branch from 2001 till 2004 and Director of Merter Branch from 2004 till 2005. After the Bank's transition to region offices, he became Regional Director of the Istanbul European Side Region Office in 2005. After serving in this position for four years, Mr. Oral took office as Director of HR, Training and Quality Group in 2009. Since October 2012, he has been serving as Executive Vice President - Retail and Business Banking.

BOARD OF STATUTORY AUDITORS

MİKDAT 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

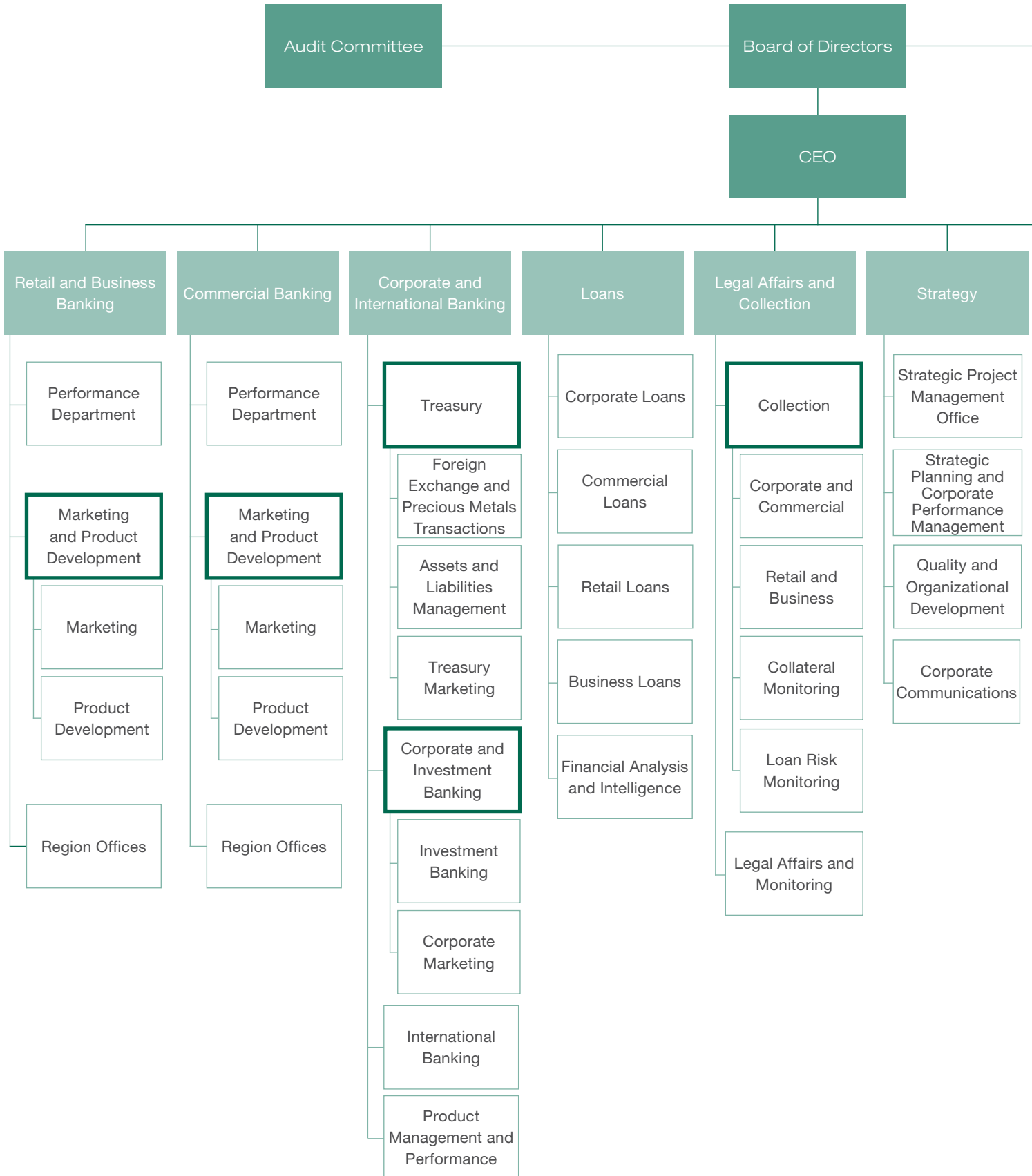
Born in Konya in 1943, Güven Obalı graduated from Ankara University, Faculty of Political Sciences in 1964. In the same year, he passed the Assistant Auditor Exam of the Ministry of Finance. In 1967, he passed the Auditor Exam and earned the title of Auditor. From 1971 to 1972, Mr. Obalı pursued studies 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.

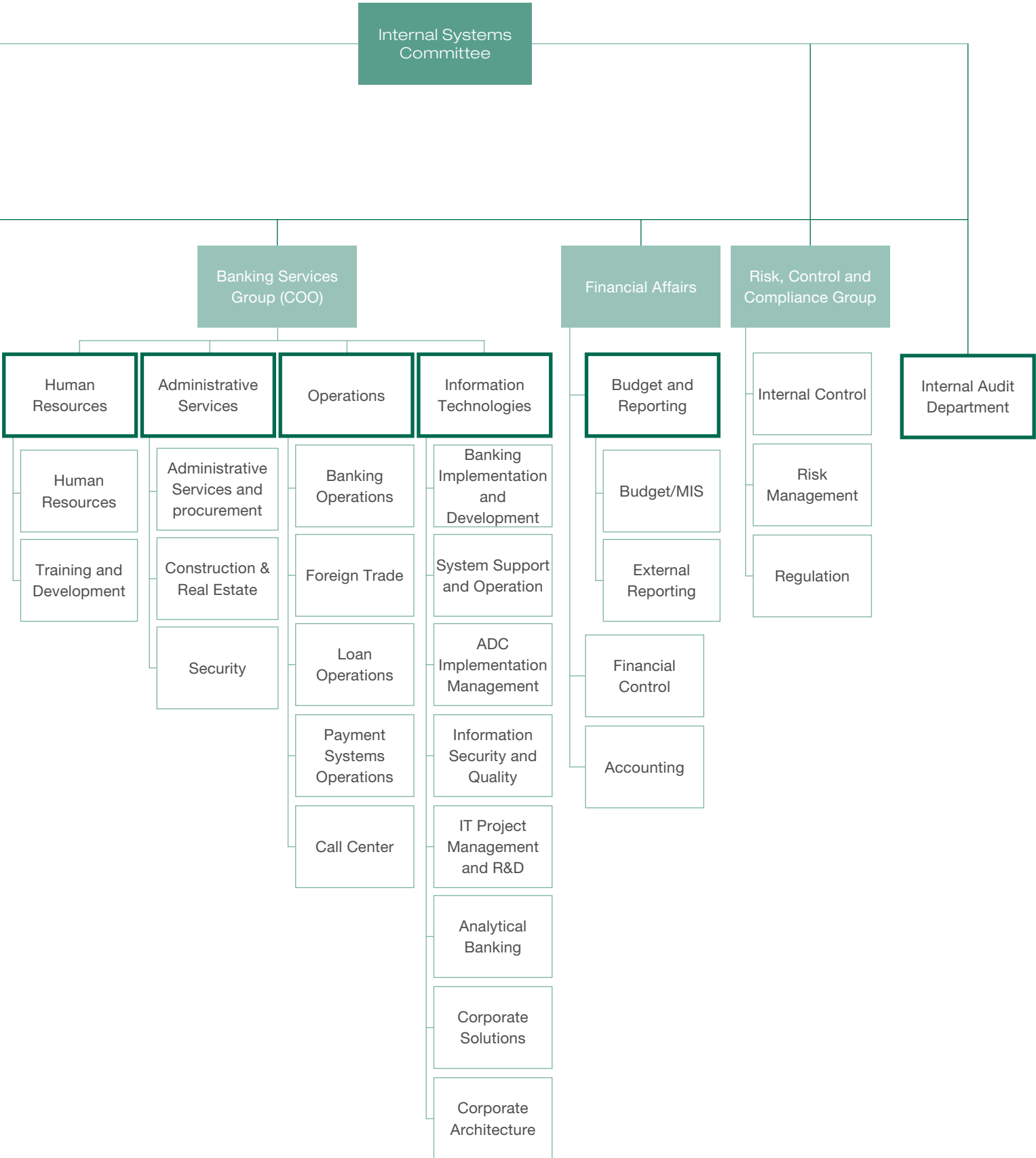
ÖMER ASIM ÖZGÖZÜKARA

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, Mr. 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 Altınyıldız 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.

Organizational Chart





Summary Report of the Board of Directors to the General Assembly

Esteemed Shareholders,

While the risks related to the global economy began to diminish in 2012, the restraint on growth stemming from ongoing instability in the Eurozone area keeps the worries alive about the sustainability of the economic recovery. Turkey sustained its steady growth albeit at a relatively slower pace. Further strengthening its healthy structure with solid profits, the banking industry contributed significantly to Turkey's becoming an investment-grade country. Kuveyt Türk also played a highly visible role in this positive scenario that made all of us proud.

Thanks to the measures taken that resulted in a corporate structure centered on innovation, highly skilled human resources and accurate projections, Kuveyt Türk closed 2012 with an extremely healthy and robust balance sheet composition. While total assets grew 28% to reach TL 18.6 billion, the Bank's capital adequacy ratio, thanks to its asset mix, stood above the participation banks' average at 13.97% in 2012, the first year of implementation of Basel II standards. Reflecting its unique position in the sector based on a product and service delivery approach of addressing all client needs in both a comprehensive and profit-focused manner, Kuveyt Türk reported an impressive net profit of TL 262 million. As of year-end 2012, the Bank's total funds acquired from customers surged to TL 12.9 billion, up 28% over the previous year while lending volume rose 15%, to TL 11.8 billion. As of year-end 2012 our number of personnel reached 3,939 where it was 3,326 as of year-end 2011.

Kuveyt Türk's innovativeness and expertise in gold banking further deepened in 2012. During the year, we launched 14 Gold Banking products, conducted physical gold collection campaigns with an effective communications strategy, and introduced Gold Kiosks, a first in the sector; these activities helped us increase our share of this burgeoning market while maintaining our committed support for the Turkish economy by integrating household gold stock into the financial system.

While growing domestically through a branch network expansion that accelerated in 2012 by opening 41 new branches across Turkey, Kuveyt Türk also took a new step in expanding its value-generating services overseas. We embarked on a venture to establish a Kuveyt Türk-subsiidiary bank with seed capital of €45 million in Germany at the conclusion of the legal application process. Through this venture, Kuveyt Türk aims to reach a mass market that wants to receive interest-free banking services in Germany as well as in rest of Europe while serving as a commercial financing bridge between Germany, Turkey and the Gulf countries.

We are also pleased to see that Sukuk, which we worked to ensure that it attracts the attention it deserves in the national economy, is now accepted as a high value-added economic asset. So, it was a source of great pride for us that Liquidity Management House, a subsidiary of our main partner Kuwait Finance House, was one of the three lead arrangers in the first Sukuk issuance of the Undersecretariat of the Treasury.

Another gratifying development for us was the Fitch Ratings upgrade of Kuveyt Türk's credit rating in the last quarter of the year. Suggesting that we will be able to secure resources from international capital markets at much lower costs and with longer maturities in the coming periods, this news clearly shows why "growth" was one of the Bank's key watchwords in 2012. However, we are also aware that we should work even harder to achieve more rather than to proudly sit back and merely observe these favorable developments as they occur. In 2013, when we expect the banking industry's profit margins to shrink, we will continue to expend our best efforts to grow our existing investments in human resources and technology in order to generate cost savings and efficiencies.

Kuveyt Türk, Turkey pioneering force is in participation banking, one of the fastest-growing areas in the world of finance today, expended great efforts in conjunction with Kuwait Finance House, its main partner, and made significant strides during the year toward accelerating its healthy and sustainable growth. Supporting our strong performance with new assignments for experienced members of the senior management team and new executive appointments, we lifted our productivity and competitive edge to a whole new level. To continue this momentum, Kuveyt Türk aims to rank among the top 10 banks in the sector by 2018 in terms of both asset size and profitability.

Founded in 1989, Kuveyt Türk enters 2013 with a strong ownership structure, sound financial structure, consistent management approach and a deep human resources pool. These key elements also provide the strength that Kuveyt Türk will need in its continued pursuit of sustainable growth.

I would like to acknowledge the major role our shareholders have played in making the Bank what it is today and express my deepest gratitude to each and every one of our shareholders.

Respectfully yours,

BOARD OF DIRECTORS

Internal Systems Executives

COMMITTEES

Supporting Committees Reporting to the Board of Directors
Internal Systems Executive

Name/Surname	Position	Education Level
H. Cevdet YILMAZ	Head of Risk, Control and Compliance	Bachelor's Degree
Bahattin AKÇA	Head of Internal Audit Department	Bachelor's Degree
Tamer Selçuk DURMAN	Head of Risk Management	Bachelor's Degree
Fadil ULUIŞIK	Head of Internal Control	Master's Degree
Vefa Okan ARIK	Head of Regulation and Compliance	Bachelor's Degree

BAHATTİN AKÇA

Head of Internal Audit Department

Born in 1971, Mr. Akça is a graduate of Istanbul University, Faculty of Business Administration, Department of Business Administration (English). He started his career in 1996 at Kuveyt Türk. Since September 2007, he has been serving as Head of Internal Audit Department.

TAMER SELÇUK DURMAN

Head of Risk Management

Born in 1965, Mr. Durman is a graduate of Bilkent University, Department of Economics. He started his banking career in 1986 and joined Kuveyt Türk in 1995. Since 2001 he has been serving as Head of Risk Management.

FADIL ULUIŞIK

Head of Internal Control

Born in 1973, Mr. Uluşık graduated in 1996 from Istanbul University, Faculty of Economics. In 1999, he obtained his Master's degree from Istanbul University, Institute of Social Sciences, Department of Money and Banking. He started his career in 1996 at Kuveyt Türk. Since December 2007, he has been serving as Head of Internal Control.

VEFA OKAN ARIK

Head of Regulation and Compliance

Born in 1974, Mr. Arık is a graduate of Gazi University, Faculty of Economic and Administrative Sciences, Department of Finance. He started his career in 1997 and joined Kuveyt Türk in 2002. Since December 2007, he has been serving as Head of Regulation and Compliance.

Internal Systems Executives

Audit Committee

Name/Surname	Position	Date of Appointment
Adnan ERTEM	Chairman, Member of the Board of Directors	19.10.2010
Azfar Hussain QARNI*	Member, Member of the Board of Directors	26.10.2006
Shaheen Hamad Abdulwahab AL GHANEM	Member, Member of the Board of Directors	17.04.2012

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 operation 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.

*Azfar Hussain QARNI resigned from the Bank as of 17.04.2012.

Internal Systems Committee

Name/Surname	Position	Date of Appointment
Adnan ERTEM	Chairman, Member of the Board of Directors	29.03.2007
Shaheen Hamad Abdulwahab AL GHANEM	Member, Member of the Board of Directors	29.03.2007
Azfar Hussain QARNI*	Member, Member of the Board of Directors	29.03.2007
Khaled Nasser Abdulaziz AL FOUZAN	Member, Member of the Board of Directors	29.03.2007

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.

*Azfar Hussain QARNI has resigned from the Bank as of 17.04.2012.

Corporate Governance Committee

Name/Surname	Position
Adnan ERTEM	Chairman, Member of the Board of Directors
Shaheen Hamad Abdulwahab AL GHANEM	Member, Member of the Board of Directors

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.

Other Supporting Committees

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

Duties and Responsibilities

- Performs various tasks assigned by the Board of Directors,
- Releases 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.

Remuneration Committee

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

Duties and Responsibilities

- Reports to the Board of Directors, the Remuneration Committee has been established as per the "Regulations on the Corporate Governing Principles for Banks", and carries out the monitoring and inspection of the remuneration practices of the Bank on behalf of the Board of Directors.

Internal Systems Executives

Credit Committee

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

Duties and Responsibilities

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

Assets Liabilities Committee

Name/Surname	Position
Ufuk UYAN	Chairman, Member of the Board of Directors, CEO
H. Cevdet YILMAZ	Member, Head of Risk, Control and Compliance
A. Süleyman KARAKAYA	Member, Executive Vice President, Commercial Banking
R. Ahmet ALBAYRAK	Member, Executive Vice President, Corporate and International Banking
Ahmet KARACA	Member, Executive Vice President, Financial Control
Bilal SAYIN	Member, Executive Vice President, Credits
Mehmet ORAL	Member, Executive Vice President, Retail Banking
İrfan YILMAZ	Member, Executive Vice President, Banking Services Group
Nurettin KOLAÇ	Member, Executive Vice President, Legal Affairs and Collection
Aslan DEMİR	Member, Executive Vice President, Strategy
Ahmet Tark TÜZÜN	Member, Group Head, Treasury

Duties and Responsibilities

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

Attendance at 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 seven times in 2012, 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 10 times during 2012. In addition, seven Internal Systems Committee meetings were held in 2012 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, convened three times in 2012.

The Credit Committee, authorized to assess and approve loans up to 10% of the Bank's shareholders' equity, convened 15 times in 2012 to perform this task.

The Assets-Liabilities Committee, responsible for the Bank's financial management and for overseeing the asset-liability balance, convened 50 times during 2012.

Related Party Transactions

Information on transactions conducted within the Bank's risk group is provided in detail on pages 110 and 111 of the annual report.

Outsourced Services

Service Provider	Nature of Service
Brink's Güvenlik Hizmetleri A.Ş.	Domestic and overseas transportation of precious metals
Securverdi Güvenlik Hizmetleri A.Ş.	Transportation of cash to ATMs
Securverdi Güvenlik Hizmetleri A.Ş.	Transportation of valuable documents and cash (CIT Service)
Kuryenet Motorlu Kuryecilik ve Dağıtım Hizmetleri A.Ş.	Distribution of debit cards and credit cards
Asseco SEE Teknoloji A.Ş.	Virtual POS software and services
Asseco SEE Teknoloji A.Ş.	Emergency call center system supply and maintenance services
Asseco SEE Teknoloji A.Ş.	Call center system software license and maintenance services
Banksoft Bilişim Bilgisayar Hiz. Ltd. Şti.	Infrastructure support services for ATMs and bank cards
Banksoft Bilişim Bilgisayar Hiz. Ltd. Şti.	Credit card and member merchant software infrastructure services
Bileşim Alternatif Dağıtım Kanalları ve Ekstre Ödeme Sistemleri A.Ş.	Card customization, printing and enveloping services
Bicentrix Yazılım Dan. Ltd. Şti.	Budget application support services
Chronos İstihdam Hiz. Yön. ve Yazılım Dan. Tic. Ltd. Şti.	Payroll services
Collection Platform Yaz. Danş. A.Ş.	Telephone calls to customers with credit card debts
Cybersoft Enformasyon Teknolojileri Ltd. Şti.	Banking applications development services
Cybersoft Enformasyon Teknolojileri Ltd. Şti.	Loan Package (Financial Analysis, Allocation, Limit and Collateral) software maintenance services
Eastern Networks Çözümleri Tic. A.Ş.	Provision of auxiliary software products and maintenance support for Swift upgrades
Eastern Networks Çözümleri Tic. A.Ş.	Swift software supply and maintenance services for Emergency Center
Eastern Networks Çözümleri Tic. A.Ş.	Swift auxiliary software supply and maintenance services
Eastern Networks Çözümleri Tic. A.Ş.	SWIFT Alliance software maintenance and support services
Uzman Bilişim Danışmanlık A.Ş.	Oracle E-Business Applications maintenance services
Innova Bilişim Çözümleri A.Ş.	Bill Collection Network System services
İstanbul Altın Rafinerisi A.Ş.	Supplying gold grams and ATM gold with certification
Komtaş Bilgi Yön. ve Dan. Tic. A.Ş.	Supply and maintenance of financial control and reporting software (ACL)
Saytem Sağlık Hizmetleri Otomasyon Gıda Tem. Nak. San. Tic. Ltd. Şti.	Outsourcing of administrative services
Venüs Eğitim Danışmanlık A.Ş.	Supply and maintenance of Mobile Banking software
Veripark V.R.P. Veri Raporlama Danışmanlık Hizmetleri A.Ş.	Internet Banking application development and programming; IT software and maintenance services
Veripark V.R.P. Veri Raporlama Danışmanlık Hizmetleri A.Ş.	Mobile Banking software supply, support and maintenance services

Review of Audit Committee on Internal Systems

Internal Audit, Internal Control, Risk Management and Compliance units constitute the internal systems of the Bank. In the Bank's organizational structure, these units are established to report to the Board. The Board delegated its duties and responsibilities regarding internal systems to the Internal Systems Committee which consists of 3 members of the Board, as responsible for internal systems. The concerned units carry out their activities under the supervision and coordination of the Internal Systems Committee.

Due to global financial turmoil whose negative effects are increasing and expanding and the developments in social and commercial life in our country, the concepts Risk, Control and Compliance remain to be the areas which require a particular attention of significance. In that regard, the units forming internal systems carried out their 2012 activities as part of banking functions.

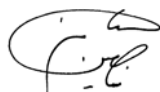
Passing Internal Audit Quality Assurance assessment, Internal Audit Department conducted projects which develops Bank's organizational structure, business model and processes in line with the Bank's strategic goals. Internal Audit Unit performed its 2012 activities in accordance with work plan necessities and shareholders expectations. It conducted special audits and legal or administrative investigations at necessary cases and fields. Within this process, an extensive assessment is performed regarding efficiency, adequacy and compliance of information systems general controls and work processes controls of the Bank. These assessments formed a sound basis for Management Declaration given by Board of Directors regarding 2012 activities as legal requirement.

Internal Control Department configured its activities at three different fields, namely, "Controlling and Monitoring Activities performed Locally", "Controlling and Monitoring Activities performed Centrally", "Information Systems Control, Improving, Designing and Coordination of Internal Control System". Within 2012 Control Programme context, the Bank's various business fields, units, branches, processes, products and services were examined, monitored and its results were reported continuously with a dynamic and risk-focused approach. Besides, active participation has been provided to Core Banking Conversion Project and within this context Process Modeling and Analyze Projects in line with the Bank's 2018 strategy. In these works, the risks of processes are determined by reviewing them together with business units, place is taken in the designing and establishing controls regarding these risks, contribution is made in establishing and developing internal control environment and internal control systems at bank-scale.

Risk Management participated in new strategy works at our Bank in 2012. As it takes part in the strategy work, it is revealed that while the Bank is growing, the most important components are risks. At determining and managing stages of these risks, Risk Management took an important mission. As Risk Management Department, beside support given to strategy works in 2012, many important project and works are done. In the credit risk field our Bank risk appetite works are revised. In July 2012, at the stage of passage to BASEL II, works are done together and in coordination with other departments, serious effort is shown for BASEL II to be understood well. Risk Management Regulation and our Bank's risk policies are updated. Stress test and scenario analyses works are done periodically. At credit risk Corporate Scorecard is finished and put into operation, SME scorecard works were continued in the year. Within the operational risk works scope, the risks which belong to processes are determined. In order to insure operational losses the necessary works are done. Support services are determined and Support Services Risk Program is established. Market risk calculating, monitoring and reporting activities continued. New treasury product's such as Sukuk's risk calculating works were done. The tests and field exercises related to Business Continuity were coordinated. At providing Business Continuity and at the Urgent Situation moments and later, works were done at the subjects such as distribution of tasks and alternative work locations. Assessing and reporting works of information technology risks were done. Monitoring many changes' risks at the information technologies field and following up activities regarding risk actions were fulfilled. Our Department monitors treasury transactions from the limits and risks perspective and at necessary situations such as exceeding limits our department is in contact with Treasury for taking measures.

Compliance Unit is established as a separate department, responsible for fulfilling compliance of our Bank that is subject to many and detailed legal regulations, to existing and new regulations and conducting control activities. In the events of various changes taking place in legislations, the required units are informed and compliance works regarding bank internal regulations and practices are performed. Consultancy services are provided about current and new legislations and works are conducted in order to present and design the new products and services in accordance with legislation. Furthermore, the work for the compliance of our newly opened and in-plan branches abroad with local regulations continues.

Internal Systems Committee performed seven meetings in year 2012. The units in Internal Systems carried out their activities in cooperation with other units in a way that conforms with the principle of independency, objectivity, efficiency, eligibility and separation of powers.



SHAHEEN H.A. AL GHANEM
Audit Committee Member



ADNAN ERTEM
Audit Committee Chairman

Assessment of Financial Position, Profitability and Debt Servicing Capacity

As of year-end 2012, Kuveyt Türk Katılım Bankası increased its total assets by 27.9% to TL 18.6 billion and its shareholders' equity by 17.4% to TL 1.7 billion. Accordingly, the Bank's capital adequacy ratio stood at 14.16%, 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 Kuveyt 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 content, are presented below.

Fitch Ratings

Foreign Currency		National	
Long Term	BBB	Long Term	AAA (TUR)
Short Term	F3	General Outlook	STABLE
General Outlook	STABLE	Individual	WD
		Support	2
Local Currency		Country Risk	
Long Term	BBB+	Foreign Currency Long Term	BBB-
Short Term	F2	Local Currency Long Term	BBB
General Outlook	STABLE	General Outlook	STABLE
		Country Ceiling	BBB

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.

Practices concerning the management of concentration risk, national risk and transfer risk are also governed by the Credit Risk Policy.

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 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 identify processes for defining the risks that the Bank may face due to market conditions, as well as to determine, measure, monitor and report market risk. The market risk

policy governs the establishment of written limits for the quantifiable risks that arise from the Bank's market risk-prone activities, monitoring the risks and risks limits assumed by the Bank, and identification of any limit breaches. It is crucial for transactions to remain within the set limits and for limits to be identified with due consideration of the Bank's risk tolerance. The acceptable risk level of treasury transactions is defined in terms of customer limits, trading limits, authorized transactions, counterparty limits and country risks. This policy also establishes the monitoring and control procedures necessary for overseeing compliance with legislation and for avoidance of unacceptable situations.

It is essential for limits to be determined on the basis of risks. These limits can consist of nominal values expressed in monetary terms, percentages of average value at risk, proportional limits based on risk measurement results such as the percentage of risky assets, or concentration limits such as sector-specific or borrower-specific limitations. The risk limits to be set cannot exceed the limits and boundaries indicated in the applicable legislation. Risk limits are allocated for different risk categories accepted by the Bank, in accordance with the principle of materiality. Besides, the Board of Directors sets early warning limits and identifies procedures to be enforced in case these limits are exceeded.

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 the risk management concept works in practice,
- Ensuring that 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 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

(TL THOUSAND)	2008*	2009*	2010*	2011*	2012*
Profit Sharing Income	508,106	620,640	639,251	882,153	1,182,236
Profit Sharing Expense	336,696	369,844	318,096	437,367	610,562
Net Fee and Commission Income	125,689	128,884	140,051	172,813	220,518
Other Income	96,077	96,124	110,508	130,996	148,371
Other Expenses	276,403	304,774	361,578	466,576	606,690
Provision for Taxes	25,505	36,749	41,576	49,731	59,997
Net Profit for the period	91,268	134,281	168,252	227,920	262,228
Total Assets	5,718,698	6,814,897	9,594,264	14,540,661	18,596,049
Total Shareholders' Equity	688,700	817,481	1,275,765	1,471,716	1,728,337
Capital Adequacy Ratio (%)	15.63	14.84	17.05	16.28	14.16

* IFRS Consolidated Figures

KUVEYT TÜRÖ KATILIM BANKASI
ANONİM ŐİRKETİ AND ITS SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEARS ENDED
DECEMBER 31, 2012 AND 2011

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

Independent Auditor's Report

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Kuveyt Türk Katılım Bankası Anonim Şirketi (the "Bank") and its subsidiaries together (the Group), which comprise the consolidated statement of financial position as at December 31, 2012 and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended, and a summary of significant accounting policies and other explanatory information.

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.

Other matters

The financial statements of the Group for the year ended December 31, 2011 have been audited by other auditors. The auditors expressed unqualified opinion at their audit report dated April 27, 2012.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of December 31, 2012, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

İstanbul,
April 15, 2013

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



Müjde Şehsuvaroğlu
Sorumlu Ortak Başdenetçi, SMMM

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2012

(Currency – In thousands of Turkish Lira - TL unless otherwise indicated)

	Notes	December 31, 2012	December 31, 2011
Assets			
Cash and balances with the Central Bank	4	478,136	521,315
Balances with other banks and financial institutions	4	1,585,434	1,273,122
Reserve deposits at the Central Bank	5	1,853,649	924,366
Financial assets – held for trading	6	61,811	87,247
Derivative financial instruments	19	39,189	74,865
<i>Share Certificates</i>		181	27
<i>Gold Fund</i>		22,441	12,355
<i>Financial assets – available-for-sale</i>	6	549,316	6,515
Due from financing activities, net	7	11,583,902	10,123,281
Minimum finance lease payments receivable, net	8	182,338	133,964
Precious metals		1,655,798	975,131
Construction projects, net	10	41,226	39,633
Investment properties, net	11	31,315	31,127
Property and equipment, net	13	209,388	142,475
Intangible assets, net	14	43,729	26,534
Deferred tax assets	17	25,520	38,439
Other assets	9	265,536	193,550
		18,567,098	14,516,699
Assets and a disposal group held for sale	12	28,951	23,962
Total assets		18,596,049	14,540,661
Liabilities and equity			
Due to other financial institutions and banks	15	2,347,811	1,524,923
Sukuk securities issued	15	811,540	867,927
Subordinated loans	15	361,661	386,681
Current and profit / loss sharing investors' accounts	16	12,867,190	10,030,822
Derivative financial instruments	19	7,393	38,265
Employee benefit obligations	18	39,802	37,550
Income taxes payable	17	15,694	3,683
Other liabilities	19	416,621	179,094
Total liabilities		16,867,712	13,068,945
Share capital	21	1,100,000	950,000
Share premium	21	23,250	23,250
Available for sale investments reserve, net of tax		13,208	-
Legal reserves and retained earnings	22	611,352	516,379
Currency translation differences		3,116	4,676
Other reserve	22	(22,589)	(22,589)
Total equity attributable to equity holders of the parent		1,728,337	1,471,716
Total liabilities and equity		18,596,049	14,540,661

The policies and explanatory notes are an integral part of these consolidated financial statements.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2012

(Currency – In thousands of Turkish Lira - TL unless otherwise indicated)

	Notes	2012	2011
Income from financing activities:			
Profit on originated loans from profit / loss sharing accounts		641,673	453,972
Profit on originated loans from current accounts and equity		516,823	400,412
Profit on deposits with other banks and financial institutions		12,368	20,570
Profit on finance leases		11,372	7,199
Total income from financing activities		1,182,236	882,153
Profit shares distributed to participation accounts		(475,914)	(379,500)
Profit shares distributed to other banks and financial institutions		(134,648)	(57,867)
Net financing income		571,674	444,786
Provision for impairment of amounts due from financing activities and lease receivables	7, 8	(109,331)	(82,554)
Net financing income after provision for impairment in due from financing activities and lease receivables		462,343	362,232
Foreign exchange gain, net		82,526	99,150
Net financing income after net foreign exchange gain / (loss)		544,869	461,382
Fees and commission income	25	276,629	208,881
Income/(loss) from construction projects, net		(810)	1,164
Net trading income		21,119	643
Other income		33,888	25,671
Share of profit / (loss) of an associate		-	-
Total other operating income		330,826	236,359
Fees and commission expense	25	(56,111)	(36,068)
Staff costs	26	(262,892)	(209,387)
Depreciation and amortization expense		(32,633)	(26,664)
Withholdings and other taxes		(21,502)	(19,812)
Rent expense		(42,367)	(30,360)
Other expenses	27	(137,965)	(97,799)
Total other operating expense		(553,470)	(420,090)
Income before taxation		322,225	277,651
Current tax charge	17	(50,379)	(74,770)
Deferred tax (charge)/credit	17	(9,618)	25,039
Net income for the year from continuing operations		262,228	227,920
Net income/(loss) after tax for the year from a discontinued operation		-	-
Net income for the year		262,228	227,920
Other comprehensive income for the year		(1,560)	4,368
Exchange differences on translation of the foreign subsidiary		(1,560)	4,368
Available-for-sale investments reserve		13,208	-
Net change in fair value		16,509	-
Deferred tax relating to component of other comprehensive income		(3,301)	-
Total comprehensive income for the year		273,876	232,288
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)	23	0.238	0.207
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	23	0.238	0.207

The policies and explanatory notes are 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, 2012

(Currency – In thousands of Turkish Lira - TL unless otherwise indicated)

	Share Capital	Share Premium	Legal Reserves	Retained Earnings	Other Reserves	Available-for-sale investments reserve	Currency Translation Differences	Total
Balances at January 1, 2011	850,000	23,250	25,564	376,644	-	-	308	1,275,766
Share capital increase	100,000	-	-	(100,000)	-	-	-	-
Transfer from retained earnings to legal reserves	-	-	9,357	(9,357)	-	-	-	-
Dividends paid	-	-	-	(13,749)	-	-	-	(13,749)
Total comprehensive income for the year	-	-	-	227,920	-	-	4,368	232,288
Other reserve	-	-	-	-	(22,589)	-	-	(22,589)
Balances at December 31, 2011	950,000	23,250	34,921	481,458	(22,589)	-	4,676	1,471,716
Share capital increase	150,000	-	-	(150,000)	-	-	-	-
Transfer from retained earnings to legal reserves	-	-	11,482	(11,482)	-	-	-	-
Dividends paid	-	-	-	(17,255)	-	-	-	(17,255)
Total comprehensive income for the year	-	-	-	262,228	-	13,208	(1,560)	273,876
Other reserve	-	-	-	-	-	-	-	-
Balances at December 31, 2012	1,100,000	23,250	46,403	564,949	(22,589)	13,208	3,116	1,728,337

The policies and explanatory notes are 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, 2012

(Currency – In thousands of Turkish Lira - TL unless otherwise indicated)

	Notes	2012	2011
Cash flows from operating activities:			
Income from continuing operations before taxation		322,225	277,651
Depreciation and amortization	11, 13, 14	32,633	26,664
Provision for employee termination benefits		4,057	6,065
Provision for personnel bonus accrual		28,000	27,500
Provision for impairment in due from financing activities and lease receivables	7, 8	109,331	82,554
Income accrual of funds invested		(10,661)	(334,619)
Reversal of impairment in construction projects and other assets	10	(6,964)	(7,448)
Deferred income		(11,436)	206,454
Expense accrual of participation accounts	16	4,283	(1,035)
Expense accrual of funds borrowed		(40,802)	121,915
Net change in derivative financial instruments	20	4,804	(22,420)
Loss/(gain) on sale of property and equipment, intangible assets, investment properties and asset held for sale		(20,609)	(16,668)
Operating income before changes in operating assets and liabilities		414,861	289,863
Net changes in :			
Reserve deposits at the Central Bank of Turkey		(929,283)	(594,522)
Due from financing activities	7	(1,577,601)	(3,213,332)
Minimum finance lease payments receivables		(48,848)	(48,354)
Other assets and construction projects		57,069	(50,018)
Current accounts and profit/loss sharing investors' accounts	16	2,832,085	2,552,573
Other liabilities		272,178	11,776
Payment for employee termination benefits	18	(1,448)	(1,588)
Payment for personnel bonuses	18	(28,357)	25,136
Precious metals		(680,667)	(886,968)
Income taxes paid		(38,568)	(76,750)
Net cash used in operating activities		271,421	(1,965,706)
Cash flows from investing activities:			
Purchase of available-for-sale, held-to-maturity and held-for-trading securities	6	(536,532)	(1,994)
Proceeds from sale of available-for-sale, held-to-maturity and held-for-trading securities	6	-	-
Purchase of property and equipment, intangible assets and investment properties	11, 13, 14	(143,390)	(134,155)
Proceeds from sale of property and equipment, intangible assets and investment properties		34,409	105,759
Additions to assets and liabilities held for sale		-	(15,393)
Proceeds from sale of asset and liabilities held for sale	12	18,775	22,857
Net cash used in investing activities		(626,738)	(22,926)
Cash flows from financing activities:			
Dividends paid	21	(17,255)	(13,749)
Increase in due to financial institutions and banks		782,283	1,405,151
Sukuk securities issued		-	613,060
Increase in share capital		-	-
Net cash provided by financing activities		765,028	2,004,462
Net increase in cash and cash equivalents		422,893	15,830
Net foreign exchange difference on cash and cash equivalents		8,755	9,781
Cash and cash equivalents at the beginning of the year	4	1,375,288	1,349,677
Cash and cash equivalents at the end of the year	4	1,806,936	1,375,288

The policies and explanatory notes are an integral part of these consolidated financial statements.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

(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 April 15, 2013. 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, 2012, 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 subsidiary, Körfez Gayrimenkul Yatırım Ortaklığı A.Ş., formerly known as Körfez Gayrimenkul İnşaat Taahhüt Turizm San. ve Tic. A.Ş. ("Körfez"), in which the Bank has 100% shareholding was incorporated in June 1996 in Turkey. 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.

The Bank's other 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, selling and operating of 199 "time-sharing" houses in Edremit-Balikesir.

The Bank's subsidiary, Kuveyt Türk 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, KT Sukuk Varlık Kiralama A.Ş. has been established on September 23, 2011 in Turkey in order to issue Sukuk Securities amounting to USD 350,000,000.

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.

The Bank has bought 25% share of the joint venture called Körfez İnşaat İş Ortaklığı, which was established by Körfez and a third party company who had 75% and 25% stakes, respectively. The Bank has bought the 25% stake of the third party company in Körfez İnşaat İş Ortaklığı for a total consideration of TL 22,589 in exchange of releasing the debt of the third party company to the Bank amounting to TL 15,888 and taking over the debt of the third party company to Körfez İnşaat İş Ortaklığı amounting to TL 6,701. The purchase price has been determined based on the expected discounted future cash flows of Körfez İnşaat İş Ortaklığı. Afterwards the Bank has transferred 8% of the joint venture shares, amounting to TL 7,229, to Körfez in exchange of release of its debt to Körfez İnşaat İş Ortaklığı amounting to TL 6,701 and for a cash consideration amounting to TL 528. The Bank has transferred the remaining 17% equity stake in Körfez İnşaat İş Ortaklığı to Körfez on September 23, 2011 for an amount of TL 15,361.

2. Summary of significant accounting policies

Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The consolidated financial statements have been prepared under the historical cost convention except for financial assets measured at fair value such as derivative financial instruments, financial assets at fair value through profit or loss, available-for-sale investments and loans which are designated at fair value through profit or loss.

The consolidated financial statements are presented in Turkish Lira ("TL") and except as indicated, financial information presented in TL has been rounded to the nearest thousand.

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The Bank and its subsidiaries which are incorporated in Turkey, maintain their books of accounts and prepare their statutory financial statements in Turkish Lira (TL) in accordance with the regulations on accounting and reporting framework and accounting standards which are determined by the provisions of Turkish Banking Law and accounting standards promulgated by the Banking Regulation and Supervision Agency (BRSA), Turkish Commercial Code and Turkish tax legislation.

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Use of available information and application of judgment are inherent in the formation of estimates in the following areas: valuation of over-the-counter (“OTC”) derivatives, unlisted securities, retirement benefits obligation, impairment of loans and receivables, provisions for taxes. Actual results in the future may differ from those reported.

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 2.

Changes in accounting policies

2.2.1 New and Revised IFRSs affecting presentation and disclosure only

None.

2.2.2 New and Revised IFRSs affecting the reported financial performance and / or financial position

None.

2.2.3 New and Revised IFRSs applied with no material effect on the consolidated financial statements

The following new and revised IFRSs have also been adopted in these consolidated financial statements. The application of these new and revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

Amendments to IFRS 7 Disclosures - Transfers of Financial Assets

The amendments to IFRS 7 increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period. The amendments to IFRS 7 did not have a significant effect on the Group’s disclosures. However, if the Group enters into other types of transfers of financial assets in the future, disclosures regarding those transfers may be affected.

Amendments to IAS 12 Deferred Taxes – Recovery of Underlying Assets

The amendment is effective for annual periods beginning on or after January 1, 2012. IAS 12 requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in IAS 40 Investment Property. The amendment provides a practical solution to the problem by introducing a presumption that recovery of the carrying amount will, normally be, through sale. The amendment did not have any effect on the financial statements.

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2.2.4 New and Revised IFRSs in issue but not yet effective

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective:

Amendments to IAS 1	<i>Presentation of Items of Other Comprehensive Income¹</i>
Amendments to IAS 1	<i>Clarification of the Requirements for Comparative Information²</i>
IFRS 9	<i>Financial Instruments⁵</i>
IFRS 10	<i>Consolidated Financial Statements³</i>
IFRS 11	<i>Joint Arrangements³</i>
IFRS 12	<i>Disclosure of Interests in Other Entities³</i>
IFRS 13	<i>Fair Value Measurement³</i>
Amendments to IFRS 7	<i>Disclosures – Offsetting Financial Assets and Financial Liabilities³</i>
Amendments to IFRS 9 and IFRS 7	<i>Mandatory Effective Date of IFRS 9 and Transition Disclosures⁵</i>
Amendments to IFRS 10, IFRS 11 and IFRS 12	<i>Consolidated Financial Statements, Joint Arrangements and Disclosures of Interests in Other Entities: Transition Guide³</i>
IAS 19 (as revised in 2011)	<i>Employee Benefits³</i>
IAS 27 (as revised in 2011)	<i>Separate Financial Statements³</i>
IAS 28 (as revised in 2011)	<i>Investments in Associates and Joint Ventures³</i>
Amendments to IAS 32	<i>Offsetting Financial Assets and Financial Liabilities⁴</i>
Amendments to IFRSs	<i>Annual Improvements to IFRSs 2009-2011 Cycle except for the amendment to IAS¹³</i>
IFRIC 20	<i>Stripping Costs in the Production Phase of a Surface Mine³</i>

¹ Effective for annual periods beginning on or after July 1, 2012.

² Effective for annual periods beginning on or after 1 January 2013 as part of the *Annual Improvements to IFRSs 2009-2011 Cycle* issued in May 2012.

³ Effective for annual periods beginning on or after January 1, 2013.

⁴ Effective for annual periods beginning on or after January 1, 2014.

⁵ Effective for annual periods beginning on or after January 1, 2015.

Amendments to IAS 1 Presentation of Items of Other Comprehensive Income

The amendments to IAS 1 Presentation of Items of Other Comprehensive Income is effective for the annual periods beginning on or after July 1, 2012. The amendments introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to IAS 1, the 'statement of comprehensive income' is renamed the 'statement of profit or loss and other comprehensive income' and the 'income statement' is renamed the 'statement of profit or loss'. The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis - the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments can be applied retrospectively. Other than the above mentioned presentation changes, the application of the amendments to IAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

Amendments to IAS 1 Presentation of Financial Statements (as part of the Annual Improvements to IFRSs 2009-2011 Cycle issued in May 2012)

The amendments to IAS 1 as part of the Annual Improvements to IFRSs 2009-2011 Cycle are effective for the annual periods beginning on or after January 1, 2013.

IAS 1 requires an entity that changes accounting policies retrospectively, or makes a retrospective restatement or reclassification to present a statement of financial position as at the beginning of the preceding period (third statement of financial position). The amendments to IAS 1 clarify that an entity is required to present a third statement of financial position only when the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position and that related notes are not required to accompany the third statement of financial position.

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IFRS 9 *Financial Instruments*

IFRS 9, issued in November 2009, introduces new requirements for the classification and measurement of financial assets. IFRS 9 was amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of IFRS 9:

- All recognized financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* to be subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss.
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability, is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

The Group management anticipates that the application of IFRS 9 in the future may have significant impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In May 2011, a package of five Standards on consolidation, joint arrangements, associates and disclosures was issued, including IFRS 10, IFRS 11, IFRS 12, IAS 27 (as revised in 2011) and IAS 28 (as revised in 2011).

Key requirements of these five Standards are described below.

IFRS 10 replaces the parts of IAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements. SIC-12 *Consolidation - Special Purpose Entities* will be withdrawn upon the effective date of IFRS 10. Under IFRS 10, there is only one basis for consolidation, that is control. In addition, IFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's return. Extensive guidance has been added in IFRS 10 to deal with complex scenarios.

IFRS 11 replaces IAS 31 *Interests in Joint Ventures*. IFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. SIC-13 *Jointly Controlled Entities - Non-monetary Contributions by Venturers* will be withdrawn upon the effective date of IFRS 11. Under IFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under IAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations. In addition, joint ventures under IFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under IAS 31 can be accounted for using the equity method of accounting or proportional consolidation.

IFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in IFRS 12 are more extensive than those in the current standards.

In June 2012, the amendments to IFRS 10, IFRS 11 and IFRS 12 were issued to clarify certain transitional guidance on the application of these IFRSs for the first time.

These five standards together with the amendments regarding the transition guidance are effective for annual periods beginning on or after January 1, 2013, with earlier application permitted provided all of these standards are applied at the same time. The Group management anticipates that the application of these five standards may have a significant impact on amounts reported in the consolidated financial statements. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

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IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of IFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in IFRS 13 are more extensive than those required in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under IFRS 7 Financial Instruments: Disclosures will be extended by IFRS 13 to cover all assets and liabilities within its scope.

IFRS 13 is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted. The Group management anticipates that IFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning January 1, 2013 and that the application of the new Standard may affect the amounts reported in the financial statements and result in more extensive disclosures in the financial statements.

Amendments to IFRS 7 and IAS 32 Offsetting Financial Assets and Financial Liabilities and the related disclosures

The amendments to IAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realization and settlement'.

The amendments to IFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amendments to IFRS 7 are effective for annual periods beginning on or after January 1, 2013 and interim periods within those annual periods. The disclosures should be provided retrospectively for all comparative periods. However, the amendments to IAS 32 are not effective until annual periods beginning on or after January 1, 2014, with retrospective application required.

The Group management anticipates that the application of these amendments to IAS 32 and IFRS 7 may result in more disclosures being made with regard to offsetting financial assets and financial liabilities in the future.

IAS 19 Employee Benefits

The amendments to IAS 19 change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of IAS 19 and accelerate the recognition of past service costs. The amendments require all actuarial gains and losses to be recognized immediately through other comprehensive income in order for the net pension asset or liability recognized in the statement of financial position to reflect the full value of the plan deficit or surplus. Furthermore, the interest cost and expected return on plan assets used in the previous version of IAS 19 are replaced with a 'net-interest' amount, which is calculated by applying the discount rate to the net defined benefit liability or asset. The amendments to IAS 19 require retrospective application. However, the Group management has not yet performed a detailed analysis of the impact of the application of the amendments and hence has not yet quantified the extent of the impact.

Annual Improvements to IFRSs 2009 - 2011 Cycle issued in May 2012

The Annual Improvements to IFRSs 2009 - 2011 Cycle include a number of amendments to various IFRSs. The amendments are effective for annual periods beginning on or after January 1, 2013. Amendments to IFRSs include:

- Amendments to IAS 16 Property, Plant and Equipment; and
- Amendments to IAS 32 Financial Instruments: Presentation.

Amendments to IAS 16

The amendments to IAS 16 clarify that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in IAS 16 and as inventory otherwise. The Group management does not anticipate that the amendments to IAS 16 will have a significant effect on the Group's financial statements.

Amendments to IAS 32

The amendments to IAS 32 clarify that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction should be accounted for in accordance with IAS 12 Income Taxes. The Group management does not anticipate that the amendments to IAS 32 will have a significant effect on the Group's financial statements.

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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.

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, 2012 and 2011 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, 2012 and 2011 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, 2012 and 2011, 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.

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

Details of the subsidiaries subject to consolidation are stated below:

Name of subsidiary	Country of incorporation	Effective shareholding by the Bank (%)	
		December 31, 2012	December 31, 2011
"Körfez Gayrimenkul"	Turkey	100%	100%
"Körfez Tatil Beldesi"	Turkey	100%	100%
"Dubai Limited"	Turkey	100%	100%
"KT Sukuk Varlık Kiralama A.Ş."	Turkey	100%	100%

Foreign currency transactions

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, 2011	1.91	2.46
December 31, 2012	1.78	2.35

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 1.7924 average exchange rate for the year. Exchange differences arising on translation are taken directly to a separate component of other comprehensive income.

Property and equipment

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

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

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

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

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

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

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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.

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.

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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.

Profit share earned while holding investment securities is reported as profit share income.

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. Fair value of forward and swap contracts are determined based on the comparison of the original forward rate calculated by market interest rates of the related currency for the remaining maturity. Each derivative transaction is carried as asset when the fair value is positive and as liability when the fair value is negative.

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.

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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 unrecognized 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 recognized as goodwill. If the cost of acquisition is less than the fair values of the identifiable net assets acquired, the discount on acquisition is recognized 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.

Cash and cash equivalents

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

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Impairment of financial assets

a) Assets carried at amortized cost

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

- (a) significant financial difficulty of the issuer or obligor;
- (b) a breach of contract, such as a default or delinquency in profit or principal payments by more than 90 days;
- (c) the 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.

b) Available for sale financial assets carried at cost

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on equity instruments are not reversed.

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

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

d) Renegotiated financing and leasing receivables

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

Current accounts and profit / loss sharing investors' accounts

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

Due to other financial institutions and banks

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

Employee benefits

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

(a) Defined benefit plans:

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

(b) Defined contribution plans:

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

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an expense.

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Leases

The group as lessee

Operating leases

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

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

Finance lease

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

The group as lessor

Finance lease

Under finance leases the Group transfers substantially all risks and benefits incidental to ownership of the leased item. The Group presents finance leased assets as a receivable equal to the net investment in the lease. Finance income is based on a pattern reflecting a constant periodic rate of return on the net investment outstanding. Initial direct costs are included in the initial measurement of the finance lease receivable and reduce the amount of income recognized over the lease term.

Income and expense recognition

Fees and commissions are recognized based on the purposes for which such fees and commissions are collected and the basis of accounting for any associated financial instrument. Commissions and fees that are collected as an integral part of the profit share rate of loans are treated as an adjustment to the profit share rate. Commissions and fees on loans that are 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.

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

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

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

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

Income tax

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

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

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.

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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.

Related parties

For the purposes of these financial statements, shareholders, key management personnel and Board of Directors' Members, in each case together with companies controlled by/or affiliated with them and their close family members, associated companies are considered and referred to as related parties.

A related party is a person or entity that is related to the entity that is preparing its financial statements (in this Standard referred to as the 'reporting entity').

- (a) A person or a close member of that person's family is related to a reporting entity if that person:
 - (i) has control or joint control over the reporting entity;
 - (ii) has significant influence over the reporting entity; or
 - (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
- (b) An entity is related to a reporting entity if any of the following conditions applies:
 - (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

Dividends

Dividends on ordinary shares are recognized as a liability in the period in which they are approved by the Annual General Meeting of the Shareholders of the Bank and its subsidiaries.

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.

Reclassifications

The Group has classified TL 419,149 amount of precious metal, presented under "Precious metals", to "Balances with other banks and financial institutions" account as of December 31, 2011 to be in line with the current period classification.

The Group has classified TL 7,128 amount of provision for non-cash loans, presented under "Due from financing activities, net", to "Provisions" account as of December 31, 2011 to be in line with the current period classification.

The Group has also classified TL 37,550 amount of employee benefit obligations, presented under "Other liabilities", to "Employee benefit obligations" account as of December 31, 2011 to be in line with the current period classification.

3. 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 2012 or 2011.

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, 2012 and 2011, respectively.

For the year ended December 31, 2012	Retail Banking	Corporate and commercial Banking	International and Investment Banking and Treasury	Unallocated	Total
Revenue					
Third party	188,689	819,731	(79,505)	-	928,915
Intersegment ⁽¹⁾	234,658	(184,372)	(50,286)	-	-
Total operating income	423,347	635,359	(129,791)	-	928,915
Credit loss expense	(74,991)	(34,254)	(86)	-	(109,331)
Impairment losses on financial investments	-	-	-	-	-
Net operating income	348,356	601,105	(129,877)	-	819,584
Results					
Net profit share income/(expense)	129,249	561,788	(119,363)	-	571,674
Net fees and commission income	36,251	184,498	(231)	-	220,518
Net trading income	418	10,568	10,133	-	21,119
Segment profit/(loss)	165,918	756,854	(109,461)	(491,086)	322,225
Income tax expense	-	-	-	(59,997)	(59,997)
Net profit for the year	165,918	756,854	(109,461)	(551,083)	262,228
Asset and liabilities as of December 31, 2012					
Assets					
Capital expenditures					
Property and equipment	-	-	-	129,569	129,569
Intangible assets	-	-	-	45,055	45,055
Depreciation and amortization	-	-	-	(46,567)	(46,567)
Total assets	4,005,148	7,876,452	6,169,158	545,291	18,596,049
Total liabilities	9,331,261	3,423,782	3,528,506	584,163	16,867,712

⁽¹⁾ Major part of the Group's deposit consists of retail banking customers, whereas majority of loans granted to corporate and commercial banking customers. Accordingly, in the segment reporting the Group 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, 2011	Retail Banking	Corporate and Commercial Banking	International and Investment Banking and Treasury	Unallocated	Total
Revenue					
Third party	226,962	532,392	9,277	-	768,631
Intersegment	220,841	(153,025)	(67,816)	-	-
Total operating income	447,803	379,367	(58,539)	-	768,631
Credit loss expense	(27,741)	(54,639)	(173)	-	(82,553)
Impairment losses on financial investments	-	-	-	-	-
Net operating income	420,062	324,728	(58,712)	-	686,078
Results					
Net profit share income/(expense)	104,354	372,204	(31,772)	-	444,786
Net fees and commission income	70,388	108,747	(6,321)	-	172,814
Net trading income	1,195	7,289	(7,841)	-	643
Segment profit/(loss)	175,937	488,240	(45,934)	(340,592)	277,651
Income tax expense	-	-	-	(49,731)	(49,731)
Net profit for the year	175,937	488,240	(45,934)	(390,323)	227,920
Asset and liabilities as of December 31, 2011					
Assets					
Capital expenditures					
Property and equipment	-	-	-	131,625	131,625
Intangible assets	-	-	-	17,923	17,923
Depreciation and amortization	-	-	-	(60,246)	(60,246)
Total assets	3,452,310	6,932,193	3,767,139	374,763	14,540,661
Total liabilities	7,076,224	2,842,103	2,144,014	1,006,604	13,068,945

4. Cash and balances with banks

	December 31, 2012	December 31, 2011
Cash on hand	304,914	171,631
Balances with the Central Bank of Turkey	173,222	349,684
Cash and balances with the Central Bank of Turkey	478,136	521,315
Balances with banks and other financial institutions	1,585,434	1,273,122
Sub Total	2,063,570	1,794,437
Less: Interbank gold deposits	256,634	419,149
Total	1,806,936	1,375,288

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As of December 31, 2012 and 2011, “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 as follows:

	2012				2011			
	Amount		Effective profit rate		Amount		Effective profit rate	
	TL	Foreign currency	TL	Foreign currency	TL	Foreign currency	TL	Foreign currency
Deposits with other banks and financial institutions	250,734	382,290	5.32%	0.72%	-	299,872	-	1.38%
Total		632,024				299,872		

5. Reserve deposits at the Central Bank of Turkey

	2012		2011	
	Foreign currency (full)	TL	Foreign currency (full)	TL
	US\$	618,596,432	1,102,710	459,291,372
EUR	100,000,000	235,170	-	-
XAU	5,443,412	515,769	510,282	48,727
		1,853,649		924,366

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 rates are 11.5% up to 3-months maturity, 8.5% up to 6-month maturity, 6.5% up to 1-year maturity and 5% with 1-year or longer maturity in Turkish Lira and 12.5% up to 1-year maturity and 9% with 1-year or longer maturity in foreign currency.

6. Financial assets

Available-for-sale

	2012	2011
Unlisted shares ⁽¹⁾	8,257	6,515
Financial Sukuk ⁽²⁾	541,059	-
Total available-for-sale financial assets	549,316	6,515

⁽¹⁾ The breakdown of unlisted shares is as follows:

	Nature of business	%	2012		2011	
			Amount	%	Amount	%
Islamic International Rating Agency (IRA)	Financial information	8.99	714	8.99	714	
Neova Sigorta A.Ş.	Insurance	6.99	3,332	6.99	2,801	
Kredi Garanti Fonu AŞ (KGF)	Financial institution	1.67	4,211	1.67	3,000	
			8,257		6,515	

The Parent Bank has not made any contribution of payments which are capital commitment for Neova Sigorta A.Ş and Kredi Garanti Fonu A.Ş. during the current year, compared to payments in previous year amounted 995 and 1,000 respectively during March 2011 and July 2011.

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.

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September 26, 2012, the Parent Bank invested in foreign currency rent certificate (“Sukuk”) issued by TR Undersecretariat of the Treasury with an annual profit share of 2.8% semiannual profit share payment, maturity of 5.5 years amounting to USD 75,000,000.- (full amount) and on October 3, 2012, the Parent Bank invested in domestic currency rent certificate (“Sukuk”) issued by TR Undersecretariat of the Treasury with an annual profit share of 7.4% semiannual profit share payment, maturity of 2 years amounting to TL 382,820,168.- (full amount). These investments are classified under “Financial assets – available-for-sale” in the accompanying financial statements as of the balance sheet date.

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 181 and TL 22,441 (December 31, 2011 – TL 27 and TL 12,355) respectively.

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

Financial investments	2012			2011		
	Available for sale	Held to maturity	Held for trading	Available for sale	Held to maturity	Held for trading
At the beginning of the year	6,515	-	12,382	4,520	-	4,258
Exchange differences	-	-	-	-	-	-
Additions ⁽¹⁾	526,292	-	10,240	1,995	-	8,124
Disposals (sale and redemption)	-	-	-	-	-	-
Fair value movement	16,509	-	-	-	-	-
Impairment losses	-	-	-	-	-	-
Balance at the end of the year	549,316	-	22,622	6,515	-	12,382

⁽¹⁾ The Group has established Type B Gold fund listed in ISE and classified it under held for trading as of December 31, 2012.

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, 2012 are given in the table below:

Current period	Level I	Level II	Level III	Total
Financial assets				
Financial assets held for trading	22,622	39,189	-	61,811
Forward transactions	-	25,591	-	25,591
Swap transactions	-	13,598	-	13,598
Other	22,622	-	-	22,622
Available for sale investments	541,059	-	-	541,059
Financial liabilities				
Financial liabilities held for trading	-	7,393	-	7,393
Forward transactions	-	5,132	-	5,132
Swap transactions	-	2,261	-	2,261
Prior period				
Financial assets				
Financial assets held for trading	12,382	74,865	-	87,247
Forward transactions	-	69,692	-	69,692
Swap transactions	-	5,173	-	5,173
Other	12,382	-	-	12,382
Financial liabilities				
Financial liabilities held for trading	-	38,265	-	38,265
Forward transactions	-	16,603	-	16,603
Swap transactions	-	21,662	-	21,662

7. Due from financing activities, net

December 31, 2012	Corporate	Consumer	Credit Cards	Mortgage	Total
Neither past due nor impaired	9,293,189	156,240	130,217	1,660,723	11,240,369
Past due not impaired	418,151	13,009	2,856	56,654	490,670
Impaired	313,138	14,564	4,032	5,631	337,365
Total gross loans	10,024,478	183,813	137,105	1,723,008	12,068,404
Less: Allowance for impairment on loans	(279,115)	(13,747)	(3,546)	(5,755)	(302,164)
Net loans ⁽¹⁾	9,745,363	170,066	133,559	1,717,253	11,766,240
December 31, 2011					
Neither past due nor impaired	7,994,393	354,058	81,364	1,466,567	9,896,382
Past due not impaired	320,031	8,096	938	30,436	359,501
Impaired	214,574	6,846	5,661	10,162	237,243
Total gross loans	8,528,998	369,000	87,963	1,507,165	10,493,126
Less: Allowance for impairment on loans	(215,070)	(6,464)	(4,983)	(9,364)	(235,881)
Net loans ⁽¹⁾	8,313,928	362,536	82,980	1,497,801	10,257,245

⁽¹⁾ Also includes minimum finance lease payment receivables.

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	2012	2011
Performing		
Funds invested from profit/loss sharing accounts	6,347,839	4,431,386
Funds invested from current accounts and equity	5,003,446	5,218,806
Income accruals on due from financing activities ⁽¹⁾	197,919	472,820
	11,549,204	10,123,012
Funds in arrears		
Funds invested from profit / loss sharing accounts	137,447	98,857
Funds invested from current accounts and equity	197,320	132,299
	334,767	231,156
Total	11,883,971	10,354,168
Impairment allowance		
Funds invested from profit / loss sharing accounts	(111,592)	(83,350)
Funds invested from current accounts and equity	(188,477)	(147,537)
	(300,069)	(230,887)
Total due from financing activities	11,583,902	10,123,281

⁽¹⁾ Also includes foreign currency evaluation differences of foreign currency indexed loans.

Movement in impairment allowance for funds disbursed is as follows :

	December 31, 2012	December 31, 2011
Balance at January 1,	230,887	197,077
Charge for the period	160,182	109,951
Charges for the profit/loss	104,845	78,759
Charge for the profit/loss sharing accounts	55,337	31,192
Recoveries of amounts previously provided for	(63,474)	(32,912)
Reserves written off in current year	(27,526)	(43,229)
Balance at the end of the year	300,069	230,887

The impairment allowance of TL 300,069 (December 31, 2011 – TL 230,887) is made up of a specific and collective allowance. The movement in the collective allowance is analyzed below.

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

	2012	2011
Balance at beginning of year	25,743	15,159
Provisions – bank	154	8,007
Provisions - participation accounts	2,809	2,577
Allowance at the end of the year	28,706	25,743

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The movements in the non-cash collective reserve allowance for financing activities are as follows:

	2012	2011
Balance at beginning of year	7,128	5,135
Provisions – bank	4,013	1,993
Provisions - participation accounts	-	-
Allowance at the end of the year	11,141	7,128

The movement in specific allowance is as follows:

	2012	2011
Balance at the beginning of the year	205,144	181,918
Provisions - participation accounts	52,528	28,615
Provisions – bank	104,691	70,752
Recoveries of amounts previously provided for	(63,474)	(32,912)
Reserves written off in current year	(27,526)	(43,229)
Balance at the end of the year	271,363	205,144

The mentioned non-cash collective reserve is presented under “Due from financing activities, net” in the balance sheet.

The Bank’s share in total recoveries from allowances previously provided for due from financing activities and minimum finance lease payments receivable is TL 57,563 (December 31, 2011 – TL 36,636).

8. Minimum finance lease payments receivable, net

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

	2012	2011
Gross investment in finance leases	225,658	169,214
Unearned finance income	(43,822)	(36,342)
Total impaired receivables	2,597	6,087
Impairment allowance	(2,095)	(4,995)
Minimum lease payments receivable, net	182,338	133,964

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

	2012	2011
Balance at January 1	4,995	4,399
Charge for the period	513	3,416
Charges for the profit/loss	474	1,863
Charge for the profit/loss sharing accounts	39	1,553
Recoveries of amounts previously provided for	(1,254)	(217)
Impairment allowance written off in current period	(2,159)	(2,603)
Balance at the end of the period	2,095	4,995

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Gross investment in finance leases as to their maturity:

	2012	2011
Not later than 1 year ⁽¹⁾	92,278	56,397
Later than 1 year and not later than 5 years	123,213	108,287
Later than 5 years	10,167	4,530
Non-performing receivables	2,597	6,087
Minimum lease payments receivable, gross	228,255	175,301
Less : Unearned finance income	(43,822)	(36,342)
Net investment in finance leases	184,433	138,959
Less : Allowance for impairment	(2,095)	(4,995)
Minimum lease payments receivable, net	182,338	133,964

⁽¹⁾ includes total impaired receivables amounting to TL 2,597 (December 31, 2011 – TL 6,087).

As of December 31, 2012 TL 179,832 (December 31, 2011 - TL 120,490) gross lease receivables are denominated in foreign currency (US\$ and EUR).

Net investment in finance leases as to their maturity:

	2012	2011
Not later than 1 year ⁽¹⁾	74,930	49,264
Later than 1 year and not later than 5 years	100,109	85,897
Later than 5 years	9,394	3,798
Net investment in finance leases	184,433	138,959

⁽¹⁾ includes total impaired receivables amounting to TL 2,597 (December 31, 2011 – TL 6,087).

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

9. Other assets

Other assets comprise the following:

	2012	2011
Clearing accounts	207,103	102,841
Prepaid expenses	27,160	16,541
Receivables from banking operations	8,104	4,050
Blockage for letter of guarantee	4,371	46,828
Receivables from precious metals transactions	816	8,309
Value added tax (VAT) receivable	-	2,812
Other	17,982	12,169
	265,536	193,550

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10. Construction projects, net

Construction projects mainly include the Dumankaya Project and the Güre Premises (time sharing houses) which belong to the subsidiaries of the Bank, Körfez GYO and Körfez Tatil Beldesi, respectively.

	2012	2011
Uncompleted construction projects	37,898	33,800
Kartal Project		
Cost of land	34,209	30,625
Cost of project	2,192	1,678
Kilyos Land		
Cost of land	1,497	1,497
Completed construction projects (inventories)	10,292	13,281
	48,190	47,081
(Less) Reserve for net realizable value	(6,964)	(7,448)
Total construction projects, net	41,226	39,633

11. Investment properties, net

	2012	2011
Balance at the beginning of the year	31,127	55,975
Additions	13,653	8,891
Disposal	(17,354)	(29,772)
Depreciation charge	(474)	(895)
Transfer from assets held for resale (Note 12)	13,150	15,759
Reversal / (charge) of provisions for investment property	147	153
Transfer to assets held for resale (Note 12)	(8,934)	(18,984)
Balance at the end of the year	31,315	31,127
Cost	33,472	34,029
Accumulated depreciation	(1,336)	(1,620)
Accumulated impairment	(821)	(1,282)
Net carrying amount	31,315	31,127

Fair value of the investment properties is TL 82,273 (December 31, 2011 - TL 60,553) which is determined based on the valuations performed by independent qualified valuers on December 2012.

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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12. Assets and a disposal group held for sale

At December 31, 2012, the Bank classified non-current assets; mainly land and buildings; being collateral repossessed in this period amounting to TL 22,092 (December 31, 2011 – TL 15,393), 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:

	2012	2011
Balance at the beginning of the year	23,962	26,015
Additions	22,092	15,393
Transfer from investment property (Note 11)	8,934	18,984
Transfer to investment property (Note 11)	(13,150)	(15,759)
Disposals	(12,855)	(20,639)
Impairment	(32)	(32)
Balance at the end of the year	28,951	23,962

Gain on sale of assets held for sale amounting to TL 5,918 is included in other income in the income statement (December 31, 2011 – TL 7,516).

13. Property and equipment, net

	Land and buildings	Furniture and office equipment ⁽¹⁾	Leasehold improvements	Motor vehicles	Construction in progress	Total
At January 1, 2010						
Cost	53,595	46,642	14,978	404	56	115,675
Additions	8,273	83,216	15,852	-	-	107,341
Disposals	(45,086)	(14,008)	(50)	-	(56)	(59,200)
Depreciation charge for the year	(101)	(20,096)	(1,010)	(134)	-	(21,341)
At December 31, 2011, net of accumulated depreciation and impairment	16,681	95,754	29,770	270	-	142,475
Additions ⁽¹⁾	39,046	20,573	34,197	8	-	93,824
Disposals	-	(2,415)	(9)	(11)	-	(2,435)
Depreciation charge for the year	(152)	(21,186)	(3,059)	(79)	-	(24,476)
At December 31, 2012, net of accumulated depreciation and impairment	55,575	92,726	60,899	188	-	209,388

⁽¹⁾ TL 472 and TL 766 of furniture and office equipment consist of assets obtained through financial leasing as of December 31, 2012 and 2011, respectively. There is no property and equipment that are pledged for borrowings.

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	Land and Buildings	Furniture and office equipment ⁽¹⁾	Leasehold improvements	Motor vehicles	Construction in progress	Total
At December 31, 2011						
Cost	22,157	161,217	38,314	877	-	222,565
Accumulated depreciation	(1,796)	(65,463)	(8,544)	(607)	-	(76,410)
Accumulated impairment	(3,680)	-	-	-	-	(3,680)
Net carrying amount	16,681	95,754	29,770	270	-	142,475
At December 31, 2012						
Cost	61,217	164,211	69,683	862	-	295,973
Accumulated depreciation	(1,949)	(71,485)	(8,784)	(674)	-	(82,892)
Accumulated impairment	(3,693)	-	-	-	-	(3,693)
Net carrying amount	55,575	92,726	60,899	188	-	209,388

The cost of property and equipment, which are fully depreciated but still in use as of December 31, 2012 and 2011 is as follows:

	2012	2011
Motor vehicles	516	105
Leasehold improvements	6,910	6,149
Furniture and office equipment	13,224	21,271
	20,650	27,525

14. Intangible assets, net

	Internal Generated Software	Other Software	Total
At January 1, 2011			
Additions	10,455	2,703	13,158
Disposals	10,375	7,548	17,923
Amortization charge for the year	(119)	-	(119)
	(4,206)	(222)	(4,428)
At December 31, 2011, net of accumulated amortization	16,505	10,029	26,534
At December 31, 2012, net of accumulated amortization			
Additions	35,441	9,614	45,055
Disposals	(20,177)	-	(20,177)
Amortization charge for the year	(6,033)	(1,650)	(7,683)
At December 31, 2012, net of accumulated amortization	25,736	17,993	43,729
At December 31, 2011			
Cost (gross carrying amount)	30,145	10,288	40,433
Accumulated amortization	(13,640)	(259)	(13,899)
Net carrying amount	16,505	10,029	26,534
At December 31, 2012			
Cost (gross carrying amount)	38,607	19,891	58,498
Accumulated amortization	(12,871)	(1,898)	(14,769)
Net carrying amount	25,736	17,993	43,729

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15. Due to other financial institutions and banks, Sukuk securities issued and subordinated loans

Due to other financial institutions and banks as of December 31, 2012 and 2011 is as follows;

Original currency	Amount in TL	
	2012	2011
US\$	2,232,171	1,343,358
Euro	110,199	181,565
TL	5,441	-
Total	2,347,811	1,524,923

As of December 31, 2012 borrowings remaining maturities of which is less than 12 months amount to TL 1,975,231 (As of December 31, 2011 – TL 1,098,321).

Sukuk securities as of December 31, 2012 and 2011 is as follows;

	Amount in TL	
	2012	2011
Sukuk certificates issued	811,540	867,927
Total	811,540	867,927

The Bank has issued Sukuk securities, amounting to USD 100,000,000 on August 24, 2010 with maturity of 3 years, cost of 5,25% and 350,000,000 on October 31,2011 with maturity of 5 years, cost of 5,875%.

Subordinated loans as of December 31, 2012 and 2011 is as follows;

	Amount in TL	
	2012	2011
Subordinated loan provided by Kuwait Finance House	361,661	386,681
Total	361,661	386,681

The Bank has been provided with a subordinated loan with 10-years maturity, amounting to USD 200 million, by Kuwait Finance House. Profit share amount will be determined as the purchase price multiplied by a profit return rate equal to the applicable margin in the Murabaha period.

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16. Current and profit / loss sharing investors' accounts

	2012	2011
Current accounts:		
Turkish lira	1,588,185	1,293,820
Foreign currency	1,756,595	1,574,363
	3,344,780	2,868,183
Profit/loss sharing investors' accounts:		
Turkish lira	5,182,740	3,893,509
Foreign currency	4,218,782	3,110,472
	9,401,522	7,003,981
Blocked accounts:		
Turkish lira	39,516	37,428
Foreign currency	45,008	80,522
	84,524	117,950
Total current accounts and profit/loss investors' accounts	12,830,826	9,990,114
Expense accrual on current accounts and profit/loss sharing investors' accounts	36,364	40,708
Total current accounts and profit/loss sharing investors' accounts	12,867,190	10,030,822

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:

	2012 (in TL)			2011 (in TL)		
	TL	Foreign currency	Total	TL	Foreign currency	Total
Up to 1 month	2,529,302	2,326,317	4,855,619	2,318,458	2,171,326	4,489,784
From 1 month to 3 months	3,224,829	3,058,698	6,283,527	1,882,653	2,046,451	3,929,104
From 3 months to 1 year	508,187	374,781	882,968	245,800	293,871	539,671
Over one year	548,123	260,589	808,712	777,844	253,711	1,031,555
	6,810,441	6,020,385	12,830,826	5,224,755	4,765,359	9,990,114

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At December 31, 2012 and 2011, foreign currency and precious metals linked current and profit/loss sharing investors' accounts, excluding expense accruals, are as follows:

	2012		2011	
	Foreign currency (full)	TL equivalent	Foreign currency (full)	TL equivalent
Current and blocked accounts:				
US\$	431,838,326	769,795	316,529,501	603,463
Euro	88,712,421	208,625	83,962,264	206,480
Precious metals		802,058		813,907
Other		21,125		31,037
		1,801,603		1,654,887
Profit/loss sharing investors' accounts:				
US\$	1,103,420,285	1,966,957	640,064,516	1,220,283
Euro	342,015,138	804,317	282,677,700	695,161
Precious metals		1,447,508		1,195,028
		4,218,782		3,110,472
		6,020,385		4,765,359

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.

17. 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, 2012, and 2011 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.

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 (2007 - 2012), 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.

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	2012	2011
Current tax expense	50,379	74,770
Prepaid tax (-)	(34,685)	(71,087)
Income taxes payable	15,694	3,683
	2012	2011
Current tax expense	50,379	74,770
Deferred tax credit/(charge)	9,618	(25,039)
Total income tax (charge)/credit	59,997	49,731

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, 2012 and 2011 is as follows:

	2012	2011
Profit before income tax	322,225	277,651
At Turkish statutory income tax rate of 20%	64,445	55,395
Effect of income not subject to tax	(8,228)	(9,657)
Effect of expenditure not allowable for income tax purposes	3,780	3,993
Income tax charge	59,997	49,731

Deferred tax as of December 31, 2012 and 2011 is attributable to the following items:

	Deferred tax assets/(liabilities)	
	2012	2011
Deferred income	18,442	16,712
Provision for impairment in due from financing activities	10,534	10,122
Bonus accrual of personnel	5,600	807
Effect of precious metals valuation	5,243	21,610
Impairment provision for subsidiaries, fixed assets and assets held for sale	3,162	1,703
Reserve for employee termination benefits	2,360	1,839
Effect of other temporary differences	251	1,135
Deferred tax assets	45,592	53,928
Derivative accrual	(11,452)	(6,020)
Provision for non cash loans	(5,382)	(4,741)
Restatement and pro-rate depreciation of property and equipment, intangible assets and other non-monetary items	(3,206)	(2,117)
Accounting for finance leases	(32)	(369)
Effect of precious metals valuation	-	(2,242)
Deferred tax liabilities	(20,072)	(15,489)
Deferred tax asset – net	25,520	38,439

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Movement of net deferred tax asset is:

	2012	2011
Balance at the beginning of the year	38,439	13,400
Deferred tax (charge)/credit recognized in income statement	(9,618)	25,039
Deferred tax (charge)/credit recognized in equity	(3,301)	-
Balance at the end of the year	25,520	38,439

	2012	2011
Balance at the beginning of the year	38,439	13,400
Deferred tax (charge)/credit recognized in income statement	(9,618)	25,039
Deferred tax (charge)/credit recognized in equity	(3,301)	25,039
Balance at the end of the year	25,520	38,439

	2012	2011
Balance at the beginning of the year	38,439	13,400
Deferred tax (charge)/credit recognized in income statement	(9,618)	25,039
Deferred tax (charge)/credit recognized in equity	(3,301)	25,039
Balance at the end of the year	25,520	38,439

18. Employee benefit obligations

	2012	2011
Personnel bonus accrual	28,000	28,357
Employee termination benefits	11,802	9,193
Total employee benefit obligations	39,802	37,550

The movement in reserve for personnel bonus accrual is as follows:

	2012	2011
Balance at January 1	28,357	25,993
Utilized/paid	(28,357)	(25,136)
Charge for the year	28,000	27,500
Balance at the end of the year	28,000	28,357

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

	2012	2011
Balance at January 1	9,193	7,080
Utilized/paid	(1,448)	(1,588)
Service cost	1,834	1,711
Interest cost	398	306
Actuarial loss	1,825	1,684
Balance at the end of the year	11,802	9,193

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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 3.1 and TL 2.7 at December 31, 2012 and 2011, 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, 2012 and 2011, 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 amount payable consists of one month's salary limited to a maximum of TL 3.033,98 (2011: TL 2.731,85) for each period of service at 31 December 2012.

There are no agreements for pension commitments other than the legal requirement as explained above. In addition, the liability is not funded, as there is no funding requirement.

The provisions for employment termination benefits of the Group, since the employment termination benefit ceiling is rearranged every six months, is calculated over TL 3,129.35 that is effective commencing on January 1, 2013 (January 1, 2012: TL 2.917,27).

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

	2012	2011
Discount rate (%)	7.5	9.8
Expected salary / ceiling increase rate (%)	5	5.2
Anticipated turnover rate (%)	91.4	90.6

19. Other liabilities and provisions

	2012	2011
Clearing accounts	324,855	103,284
Withholding tax and other tax payables	28,490	19,283
Payables to exporters and suppliers	7,645	10,954
Security premium for participation funds	5,685	4,549
Deferred revenue of non cash loans	1,027	625
Deductions on resource utilization fund	933	803
Other provisions	27,088	23,682
Other	20,898	15,914
Total other liabilities	416,621	179,094

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20. Derivative financial instruments

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

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

The fair values of 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, 2012								
	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	39,189	-	2,909,881	1,228,393	814,381	398,660	152,770	315,677
Outflows	-	7,393	2,878,585	1,223,999	805,344	396,363	151,128	301,751
	39,189	7,393	5,788,466	2,452,392	1,619,725	795,023	303,898	617,428

December 31, 2011								
	Fair value assets	Fairvalue liabilities	Notional amount in Turkish Lira equivalent	Up to 1 months	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year
Derivatives held for trading								
Inflows	74,865	-	3,013,964	1,673,473	809,691	432,053	98,747	-
Outflows	-	38,265	2,983,573	1,657,109	790,599	434,848	101,017	-
	74,865	38,265	5,997,537	3,330,582	1,600,290	866,901	199,764	-

21. Share capital

	2012	2011
Number of ordinary shares, 1 TL, par value. Authorized, issued and outstanding.	1,100.00 million	950.00 million

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

	2012		2011	
	Number	TL	Number	TL
At January 1	950,000,000	950,000	850,000,000	850,000
Shares issued in				
- bonus shares from retained earnings	150,000,000	150,000	100,000,000	100,000
At year end	1,100,000,000	1,100,000	950,000,000	950,000

The Bank has increased its share capital on April 19, 2012. The share capital increase was funded from the retained earnings amounting to TL 150,000 (2011: TL 100,000).

The Bank does not have any share type other than common shares. There is no differentiation in the rights, preferences and restriction of the common shares.

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As of December 31, 2012 and 2011, the composition of shareholders and their respective % of ownership can be summarized as follows:

	2012		2011	
	Amount	%	Amount	%
Kuwait Finance House	684,654	62.2	591,292	62.2
Directorate of Vakıf Foundations, Turkey	205,912	18.7	177,833	18.7
The Public Institution for Social Security, Kuwait	99,000	9.0	85,500	9.0
Islamic Development Bank	99,000	9.0	85,500	9.0
Other	11,434	1.1	9,875	1.1
Total share capital	1,100,000	100	950,000	100

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

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 17,255 (2011 – TL 13,749) from the profit of the year 2011.

	2012	2011
Ordinary shares		
Amount	17,255	13,749
TL (full) per share	0.016	0.015

Other reserves

The Bank has bought 25% share of the joint venture called Körfez İnşaat İş Ortaklığı, which was established by Körfez and a third party company who had 75% and 25% stakes, respectively. The Bank has bought the 25% stake of the third party company in Körfez İnşaat İş Ortaklığı for a total consideration of TL 22,589 in exchange of releasing the debt of the third party company to the Bank amounting to TL 15,888 and taking over the debt of the third party company to Körfez İnşaat İş Ortaklığı amounting to TL 6,701. The purchase price has been determined based on the expected discounted future cash flows of Körfez İnşaat İş Ortaklığı. Since the amount of the non-controlling interest in Körfez İnşaat İş Ortaklığı is negligible, the total consideration amounting to TL 22,589 recognized as a separate component of equity as being the difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid.

23. Earnings per share

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

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

There is no dilution of shares as of December 31, 2012 and 2011.

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

	2012	2011
Net profit attributable to continuing operations of the Bank for basic earnings per share	262,228	227,920
Net profit/(loss) attributable to discontinued operations for basic earnings per share	-	-
Net profit attributable to ordinary equity holders of the Bank for basic earnings per share	262,228	227,920
Weighted average number of ordinary shares for basic earnings per share (thousands)	1,100,000	1,100,000
Basic earnings per share (expressed in full TL per share)	0.238	0.207

24. Related party disclosures

The Group is controlled by Kuwait Finance House, which owns 62.2% (December 31, 2011 - 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, 2011 - 18.7%), 9.0% (December 31, 2011 - 9.0%) and 9.0% (December 31, 2011 - 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, 2012 and 2011 and transactions have been entered into with related parties during the years ended:

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

		2012		2011	
		Foreign c urrency (full)	TL equivalent	Foreign currency (full)	TL equivalent
Kuwait Finance House ⁽¹⁾	Kuwaiti Dinar	19,101	120	52,614	357
KFH – Bahrain	BHD	43,880	207	-	-
	US\$	155,635	278	371,858	709
Auto Land A.S.	TL	-	32,522	-	30,195
Other related parties	-	-	52,743	-	56,483
			85,870		87,744

ii) Due to other financial institutions and banks:

		2012		2011	
		Foreign currency (full)	TL equivalent	Foreign currency (full)	TL equivalent
Public Institute for Social Securities KW ⁽¹⁾	US\$	156,831,033	279,567	156,515,089	298,396
Kuwait Finance House ⁽¹⁾	US\$	706,311,567	1,259,071	101,564,025	193,632
Kuwait Finance Malaysia	US\$	50,274,879	89,620	127,172,717	242,455
Islamic Development Bank	US\$	10,774,711	19,207	39,415,171	75,145
			1,647,465		809,628

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

		2012		2011	
		Foreign currency (full)	TL equivalent	Foreign currency (full)	TL equivalent
Kuwait Finance House ⁽¹⁾	US\$	1,303,095	2,323	1,237,723	2,360
Kuwait Finance House ⁽¹⁾	TL	-	373	-	9,868
Kuwait Finance House ⁽¹⁾	KWD	-	-	11,000	74
Islamic Development Bank ⁽¹⁾	US\$	5,146	9	5,294	10
Islamic Development Bank ⁽¹⁾	TL	-	236	-	291
Kuwait Finance Malaysia	XAU (gr.)	940,275	89,963	907,440	86,652
Directorate of Vakıf Foundations, Turkey ⁽¹⁾	TL	-	10,355	-	6,056
Neova Sigorta AS ⁽¹⁾	TL	-	11,646	-	3,273
	US\$	11,946	21		
			114,926		108,584

⁽¹⁾ determined as related party as the Company is under the common control of the ultimate parent.

iv) Profit shares distributed:

		2012		2011	
		Foreign currency (full)	TL equivalent	Foreign currency (full)	TL equivalent
Kuwait Finance House ⁽¹⁾	US\$	47,538	85	36,822	62
Directorate of Vakıf Foundations, Turkey ⁽¹⁾	TL		831		463
Neova Sigorta AS ⁽¹⁾	US\$	923	2	22,278	34
	TL		393		467
Public Institute for Social Securities KW	US\$	5,226,703	9,317	5,018,357	9,567
			10,628		10,593

⁽¹⁾ determined as related party as the Company is under the common control of the ultimate parent.

v) Non cash credits issued:

		2012		2011	
		Foreign currency (full)	TL equivalent	Foreign currency (full)	TL equivalent
Kuwait Finance House ⁽¹⁾	US\$	7,058,040	12,582	156,063	298
Other related parties	TL		1,148		2,949
			13,730		3,247

⁽¹⁾ Shareholders.

As of December 31, 2012 no provisions have been recognized in respect of loans given to related parties (December 31, 2011 - nil).

Loans amounting to TL 336 have been issued to directors during the year ended December 31, 2012 (December 31, 2011 – TL 24).

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Directors' remuneration

The executive members of the Board of Directors and key management received remuneration totaling TL 10,510 during the year ended December 31, 2012 (December 31, 2011 – TL 8,092)

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
Adnan ERTEM	B.O.D. Member and Audit Committee Chairman
Nadir ALPARSLAN	B.O.D. Member
Khaled Nasser Abdulaziz AL FOUZAN	B.O.D. Member
Fawaz KH E AL SALEH	B.O.D. Member
Mohammad Shujauddin AHMED	B.O.D. Member
Shaheen H.A. AL GHANEM	B.O.D. Member and Audit Committee Member
Ufuk UYAN	B.O.D. Member - Chief Executive Officer

Key management includes 10 other officers together with the above B.O.D. members.

25. Fees and commission income and expense

	2012	2011
Fees and commission income		
Commissions on loans	125,616	93,516
Commission income from commitments	61,590	51,622
Communication expense charges	24,698	20,889
POS commission income	22,078	13,099
Credit card fees and commissions	12,251	8,724
Income from agency activities	6,567	5,837
Import letter of credit commissions	5,007	4,451
Commissions from checks and notes	2,790	2,569
Other	16,032	8,174
Total	276,629	208,881

	2012	2011
Fees and commission expense		
Credit card machine and fees paid for credit cards	30,206	18,746
Brokerage fees on borrowings	10,975	7,750
ATM charges	40	76
Other	14,890	9,496
Total	56,111	36,068

26. Salaries and employee benefits

	2012	2011
Staff costs		
Wages and salaries	157,479	121,186
Bonus	28,000	28,761
Social security premiums	31,488	24,175
Other fringe benefits	25,296	19,057
Health expenses	7,664	6,059
Provision for employee termination benefits	1,448	3,701
Other	11,517	6,448
Total	262,892	209,387

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27. Other expenses

	2012	2011
Impairment on investment property (Note 11)	(147)	(153)
Impairment on asset held for sale (Note 12)	32	32
Impairment charges/(reversal)	(115)	(121)
Insurance fund premium expense	20,857	17,714
Professional fees	17,088	9,639
Repair and maintenance expenses	13,761	11,883
Advertising expenses	13,753	9,449
Communication	11,222	9,644
Cleaning expense	9,248	2,109
Energy expenses	6,281	5,171
Grants and donations	5,582	2,958
Stationery and publishing expenses	2,742	2,068
Non taxable income	2,554	2,503
Travel and representation expenses	1,399	1,816
Subscription and membership expenses	1,477	2,556
Insurance expenses	1,451	1,197
Loss from sale of assets	279	295
Other	30,386	18,918
Other expenses	138,080	97,920
Total	137,965	97,799

28. 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, 2012 and 2011:

	2012	2011
Letters of guarantee issued by the Bank	5,208,667	4,355,974
Letters of credit	991,612	606,486
Commitments	1,433,114	1,252,073
Acceptance credits	86,812	59,492
Other guarantees	34,786	19,726
Total	7,754,991	6,293,751

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

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

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

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The allocation of operational lease obligations due to rent agreements of branches within lease periods as of December 31, 2012 and 2011 is as follows:

	2012	2011
Within one year	-	-
After one year but not more than five years	48,926	120,050
More than five years	137,665	30,877
	185,961	150,927

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 37,442 and TL 4,162 as of December 31, 2012 and 2011 respectively. As of December 31, 2012, the amount of the checks and bonds in collection are TL 2,677,543 (December 31, 2011 – TL 2,392,255) and TL 286,374 (December 31, 2011 – TL 416,311) respectively.

29. Financial risk management

Introduction

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

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

Organization of the risk management function

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

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

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

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

Internal systems and risk management policies

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

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Board of directors

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

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

Audit committee

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

Risk management and treasury middle office 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.

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Gross maximum exposure	2012	2011
Cash and balances with Central Bank (including reserve deposits, excluding cash on hand)	2,026,871	1,274,050
Deposit with banks and financial institutions	1,585,434	1,273,122
Due from financing activities	11,583,902	10,123,281
Minimum financial lease payments receivable	182,338	133,964
Financial assets-available for sale	549,316	6,515
Financial assets-held for trading	22,622	12,382
Other assets	265,536	193,550
Derivative financial instruments	39,189	74,865
Total	16,255,208	13,091,729
Contingent liabilities	6,200,279	4,962,460
Other guarantees	100,172	79,218
Commitments	1,433,114	1,252,073
Total	7,733,565	6,293,751
Total credit risk exposure	23,988,773	19,385,480

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, 2012 was TL 110,068 (December 31, 2011 - TL 112,032) and non cash credit exposure as of December 31, 2012 was TL 189,008 (December 31, 2011 - TL 186,728) 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:

	2012	2011
	Gross exposure	Gross exposure
Construction and materials	5,638,472	5,471,892
Financial services	5,736,671	4,031,869
General retailers	3,318,663	3,197,382
Manufacturing	2,466,264	2,082,031
Health care and social services	826,899	523,285
Food and beverages	695,327	621,982
Electricity	456,316	582,733
Mining operations	298,036	307,620
Telecommunications	163,817	43,418
Forestry	115,567	110,595
Real estate	30,553	40,450
Other	4,242,188	2,372,223
Total	23,988,773	19,385,480

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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.

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.

2012	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)	2,026,872	1,583,872	-	-	-	3,610,744
Financing and leasing receivables	2,052,391	5,362,899	2,640,751	-	1,844,491	11,900,432
Corporate lending	1,997,510	2,522,476	2,204,493	-	1,035,753	7,760,232
Small business lending	47,698	1,146,884	196,952	-	270,035	1,661,569
Consumer lending	-	1,662,663	226,858	-	453,003	2,342,524
Credit cards	7,183	30,876	12,448	-	85,700	136,207
Contingent liabilities and other guarantees	2,610,873	1,464,983	1,157,916	-	1,066,680	6,300,452
Commitments	346,218	-	-	-	1,260,053	1,606,271
Total	7,036,354	8,411,754	3,798,667	-	4,171,224	23,417,999

2011	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)	1,274,050	853,973	-	-	-	2,128,023
Financing and leasing receivables	393,104	7,659,133	274,560	-	1,923,320	10,250,117
Corporate lending	362,150	5,547,267	43,832	-	801,822	6,755,071
Small business lending	29,693	1,108,391	123,391	-	289,636	1,551,111
Consumer lending	26	981,066	105,308	-	759,762	1,846,162
Credit cards	1,235	22,409	2,029	-	72,100	97,773
Contingent liabilities and other guarantees	653,787	3,561,922	34,572	-	791,397	5,041,678
Commitments	733,025	-	-	-	896,616	1,629,641
Total	3,053,966	12,075,028	309,132	-	3,611,333	19,049,459

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

2012	Less than 30 days	31 to 60 days	61 to 90 days	More than 91 days	Total
Due from financing activities:					
Corporate lending	40,406	33,232	49,142	-	122,780
Consumer lending	7,135	42,094	21,429	-	70,658
Small business lending	123,122	128,223	96,351	-	347,696
Credit cards	679	61	73	-	813
Total	171,342	203,610	166,995	-	541,947

2011	Less than 30 days	31 to 60 days	61 to 90 days	More than 91 days	Total
Due from financing activities:					
Corporate lending	154,181	56,374	7,060	-	217,615
Consumer lending	6,436	18,087	9,338	-	33,861
Small business lending	37,873	42,291	24,538	-	104,702
Credit cards	862	-	5	-	867
Total	199,352	116,752	40,941	-	357,045

Collaterals obtained from customers for the past due or impaired loans as of December 31, 2012 and 2011 comprise of blocked accounts, property and machinery pledges.

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

	2012	2011
Due from financing activities:		
Corporate lending	125,734	252,398
Small business lending	167,836	65,651
Consumer	10,091	10,034
Total renegotiated financial assets	303,661	328,083

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.

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Maturity analysis of assets and liabilities as of December 31, 2012

31 December 2012	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Unallocated	Total
Cash and balances with the Central Bank	478,136	-	-	-	-	478,136
Balances with other banks and financial institutions	1,528,955	56,479	-	-	-	1,585,434
Reserve deposits at the Central Bank	1,853,649	-	-	-	-	1,853,649
Financial assets – held for trading	59,487	2,143	-	181	-	61,811
<i>Derivative financial instruments</i>	<i>37,046</i>	<i>2,143</i>	-	-	-	<i>39,189</i>
<i>Share Certificates</i>	-	-	-	<i>181</i>	-	<i>181</i>
<i>Gold Fund</i>	<i>22,441</i>	-	-	-	-	<i>22,441</i>
Financial assets – available-for-sale	-	-	404,984	136,076	8,256	549,316
Due from financing activities, net *	3,944,190	4,238,530	3,230,103	320,236	33,181	11,766,240
Precious metals	1,655,798	-	-	-	-	1,655,798
Other assets	-	-	-	-	265,536	265,536
Construction projects, net	-	-	-	-	41,226	41,226
Investment properties, net	-	-	31,315	-	-	31,315
Property and equipment, net	-	-	-	-	209,388	209,388
Intangible assets, net	-	-	-	-	43,729	43,729
Deferred tax assets	-	-	-	-	25,520	25,520
Assets and a disposal group held for sale	28,951	-	-	-	-	28,951
Total assets	9,549,166	4,297,152	3,666,402	456,493	626,836	18,596,049
Due to other financial institutions and banks	988,674	991,995	367,142	-	-	2,347,811
Sukuk securities issued	-	181,510	630,030	-	-	811,540
Subordinated Loans	-	-	-	361,661	-	361,661
Current and profit / loss sharing investors' accounts	11,303,958	1,069,254	381,831	-	112,147	12,867,190
Derivative financial instruments	6,306	1,087	-	-	-	7,393
Employee benefit obligations	-	28,000	-	-	11,802	39,802
Provisions	-	-	-	-	27,088	27,088
Income taxes payable	-	15,694	-	-	-	15,694
Other liabilities	-	-	99	-	389,434	389,533
Liabilities	12,298,938	2,259,540	1,379,102	361,661	568,471	16,867,712
Net	(2,749,772)	2,037,612	2,287,300	94,832	58,365	1,728,337

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Maturity analysis of assets and liabilities as of December 31, 2011.

31 December 2011	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Unallocated	Total
Cash and balances with the Central Bank	521,315	-	-	-	-	521,315
Balances with other banks and financial institutions	1,273,122	-	-	-	-	1,273,122
Reserve deposits at the Central Bank	924,366	-	-	-	-	924,366
Financial assets – held for trading	77,057	10,163	-	27	-	87,247
<i>Derivative financial instruments</i>	64,702	10,163	-	-	-	74,865
<i>Share Certificates</i>	-	-	-	27	-	27
<i>Gold Fund</i>	12,355	-	-	-	-	12,355
Financial assets – available-for-sale	-	-	-	-	6,515	6,515
Due from financing activities, net *	3,005,776	3,902,627	3,062,325	255,803	30,714	10,257,245
Precious metals	975,131	-	-	-	-	975,131
Other assets	-	-	-	-	193,550	193,550
Construction projects, net	-	-	-	-	39,633	39,633
Investment properties, net	-	-	31,127	-	-	31,127
Property and equipment, net	-	-	-	-	142,475	142,475
Intangible assets, net	-	-	-	-	26,534	26,534
Deferred tax assets	-	-	-	-	38,439	38,439
Assets and a disposal group held for sale	23,962	-	-	-	-	23,962
Total assets	6,800,729	3,912,790	3,093,452	255,830	477,860	14,540,661
Liabilities						
Due to other financial institutions and banks	516,434	766,795	241,694	-	-	1,524,923
Sukuk securities issued	-	-	867,927	-	-	867,927
Subordinated Loans	-	-	-	386,681	-	386,681
Current and profit / loss sharing investors' accounts	8,460,029	944,651	512,139	-	114,003	10,030,822
Derivative financial instruments	28,163	10,102	-	-	-	38,265
Other liabilities	-	-	-	-	183,769	183,769
Provisions	-	-	-	-	32,875	32,875
Income taxes payable	-	3,683	-	-	-	3,683
Liabilities	9,004,626	1,725,231	1,621,760	386,681	330,647	13,068,945
Net	(2,203,897)	2,187,559	1,471,692	(130,851)	147,213	1,471,716

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

Financial liabilities	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
As at December 31, 2012						
Due to other financial institutions and banks	-	17,362	413,483	1,874,632	-	2,305,477
Subordinated loans	-	-	-	-	356,520	356,520
Sukuk issued	-	-	-	802,170	-	802,170
Derivative financial instruments ⁽¹⁾	-	2,252,638	293,683	332,264	-	2,878,585
Current accounts	3,344,780	-	-	-	-	3,344,780
Profit and loss sharing accounts ⁽²⁾	-	1,726,918	2,318,161	3,705,479	15,480	7,766,037
Total undiscounted financial liabilities	3,344,780	3,996,918	3,025,327	6,714,545	372,000	17,453,569
As at December 31, 2011						
Due to other financial institutions and banks	-	517,978	778,619	264,964	-	1,561,561
Subordinated loans	-	-	-	-	391,902	391,902
Sukuk issued	-	-	-	882,531	-	882,531
Derivative financial instruments ⁽¹⁾	-	2,098,201	507,899	-	-	2,606,100
Current accounts	2,868,183	-	-	-	-	2,868,183
Profit and loss sharing accounts ⁽²⁾	-	5,581,192	944,651	748,742	-	7,274,585
Total undiscounted financial liabilities	2,868,183	8,197,371	2,231,169	1,896,237	391,902	15,584,862

⁽¹⁾ As such derivatives will be settled in gross amounts, notional amounts have been disclosed.

⁽²⁾ Customers have choice of demanding their accounts anytime by abandoning profit share income.

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

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
December 31, 2012						
Contingent liabilities and other guarantees ⁽¹⁾	246	1,379,235	292,486	3,861,086	767,398	6,300,451
Commitments	1,433,114	-	-	-	-	1,433,114
Total	1,433,360	1,379,235	292,486	3,861,086	767,398	7,733,565
December 31, 2011						
Contingent liabilities and other guarantees	26,767	1,599,652	1,062,720	1,980,415	372,124	5,041,678
Commitments	1,252,073	-	-	-	-	1,252,073
Total	1,278,840	1,599,652	1,062,720	1,980,415	372,124	6,293,751

⁽¹⁾ Such liabilities may be liquidated and paid by the Group in case of default or the customers.

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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.

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, 2012				December 31, 2011	
	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	1,199	-	+10	(1,230)	-
Gold	-10	(1,199)	-	-10	1,230	-

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, 2012				December 31, 2011	
	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
USD	+10	(560)	1,898	+10	(3,200)	2,328
USD	-10	560	(1,898)	-10	3,200	(2,328)
EUR	+10	892	-	+10	24	-
EUR	-10	(892)	-	-10	(24)	-

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

December 31, 2012						
	EUR	USD	Other	Precious Metals	TL	Total
Cash and balances with the Central bank	51,182	70,468	6,598	545	349,343	478,136
Deposits with other banks and financial institutions	110,255	849,019	56,129	256,634	313,397	1,585,434
Reserve deposits at the Central Bank	235,170	1,102,710	-	515,769	-	1,853,649
Financial assets – available-for-sale	-	136,075	-	-	413,241	549,316
Financial assets – held for trading	3,629	17,448	887	24,098	15,749	61,811
Due from financing activities, net	1,086,439	3,449,169	-	145,532	6,902,762	11,583,902
Minimum finance lease payments receivable, net	68,050	87,279	-	-	27,009	182,338
Precious metals	-	-	-	1,655,798	-	1,655,798
Other assets	4,971	12,067	120	90	248,288	265,536
Construction projects, net	-	-	-	-	41,226	41,226
Investment properties, net	-	-	-	-	31,315	31,315
Assets held for sale and disposal of group, net	-	-	-	-	28,951	28,951
Property and equipment, net	367	44	-	-	208,977	209,388
Intangible assets, net	-	-	-	-	43,729	43,729
Deferred tax assets	-	-	-	-	25,520	25,520
Total assets	1,560,063	5,724,279	63,734	2,598,466	8,649,507	18,596,049
Due to other financial institutions and banks	110,199	2,232,171	-	-	5,441	2,347,811
Sukuk issued	-	811,540	-	-	-	811,540
Subordinated loans	-	361,661	-	-	-	361,661
Current and profit / loss sharing investors' accounts	1,018,249	2,754,074	16,676	2,257,253	6,820,938	12,867,190
Other liabilities	1,195	34,518	1,149	-	380,671	417,533
Provisions	-	-	-	-	38,890	38,890
Income taxes payable	-	-	-	-	15,694	15,694
Derivative financial instruments	-	4,020	206	-	3,167	7,393
Equity	-	-	-	-	1,728,337	1,728,337
Total liabilities and equity	1,129,643	6,197,984	18,031	2,257,253	8,993,138	18,596,049
Net balance sheet position	430,420	(473,705)	45,703	341,213	(343,631)	-
Net off-balance sheet position	(421,497)	468,106	(31,451)	(328,014)	344,152	31,296

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December 31, 2011

	EUR	USD	Other	Precious metals	TL	Total
Cash and balances with the Central bank	20,280	42,857	2,619	-	455,559	521,315
Deposits with other banks and financial institutions	165,978	596,825	39,458	419,149	51,712	1,273,122
Reserve deposits at the Central Bank	316	634,606	-	289,444	-	924,366
Financial assets – available-for-sale	-	714	-	-	5,801	6,515
Financial assets – held for trading	-	13,516	365	-	73,366	87,247
Due from financing activities, net	764,581	3,279,382	2,180	151,379	5,925,759	10,123,281
Minimum finance lease payments receivable, net	63,658	56,922	-	-	13,384	133,964
Precious metals	-	-	-	975,131	-	975,131
Other assets	28,479	23,772	15,158	1	126,140	193,550
Construction projects, net	-	-	-	-	39,633	39,633
Investment properties, net	-	-	-	-	31,127	31,127
Assets held for sale and disposal of group, net	-	-	-	-	23,962	23,962
Property and equipment, net	-	-	-	-	142,475	142,475
Intangible assets, net	-	-	-	-	26,534	26,534
Deferred tax assets	-	-	-	-	38,439	38,439
Total assets	1,043,292	4,648,594	59,780	1,835,104	6,953,891	14,540,661
Due to other financial institutions and banks	181,565	1,343,358	-	-	-	1,524,923
Sukuk issued	-	867,927	-	-	-	867,927
Subordinated loans	-	386,681	-	-	-	386,681
Current and profit / loss sharing investors' accounts	905,897	1,860,198	31,038	2,008,934	5,224,755	10,030,822
Other liabilities	1,526	3,528	345	262	178,108	183,769
Provisions	-	-	-	-	32,875	32,875
Income taxes payable	-	-	-	-	3,683	3,683
Derivative financial instruments	-	29,696	3	-	8,566	38,265
Equity	-	-	-	-	1,471,716	1,471,716
Total liabilities and equity	1,088,988	4,491,388	31,386	2,009,196	6,919,703	14,540,661
Net balance sheet position	(45,696)	157,206	28,394	(174,092)	34,188	-
Net off-balance sheet position	48,042	(189,210)	(12,910)	159,196	(5,118)	-

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.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

(Currency – In thousands of Turkish Lira - TL unless otherwise indicated)

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.

With the regulations published in the Official Gazette dated June 28, 2012, BRSA has introduced a Basel II based method for the Banking system. The Group's consolidated capital adequacy ratio is calculated as 14.06% in accordance with the related Communiqué as of December 31, 2012. The prior periods' capital adequacy ratio is not presented below as the calculation base has changed to Basel II starting from July 1, 2012. The total capital ratios as per previous legislation were 16.02% as of December 31, 2011.

As of December 31, 2012 and 2011, 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 unconsolidated financial statements prepared in accordance with BRSA accounting principles.

Regulatory capital

	2012	2011		
Tier 1 capital	1,598,446	1,388,749		
Tier 2 capital	347,708	380,446		
Deductions from capital	(42,500)	(14,229)		
Total capital	1,930,654	1,754,966		
Risk weighted assets amount subject to credit, market & operational risk	13,638,190	10,953,941		
	Actual	Required	Actual	Required
Tier 1 capital ratio	11.72%		12.67%	
Total capital ratio	14.16%	12%	16.02%	12%

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

(Currency – In thousands of Turkish Lira - TL unless otherwise indicated)

30. Fair value of financial instruments

Fair values

The fair value of the fixed rate financial assets and liabilities carried at amortized cost are estimated by comparing market profit rates when they were first recognized with current market rates offered for similar financial instruments. As of December 31 2012, the fair value of financing and leasing receivables has been estimated as TL 12,057,527 (December 31, 2011 – TL 10,245,524) whereas their carrying amount is TL 11,766,240 (December 31, 2011 – TL 10,250,117).

Fair value of borrowings at amortized cost is estimated as TL 3,596,613 (December 31, 2011 – TL 2,854,962), whereas their carrying amount is TL 3,521,012 (December 31, 2011 – TL 2,779,531). 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.

For other short-term financial assets and liabilities, fair value is estimated to approximate carrying value due to their short term or non-interest bearing structures.

To the extent relevant and reliable information is available from financial markets in Turkey, the fair value of financial instruments is based on such market data. The fair values of other financial instruments are determined by using estimation techniques that include reference to the current market value of another instrument with similar characteristic or by discounting the expected future cash flows at prevailing profit rates.

31. Subsequent events

The Parent Bank decided to present in the Ordinary General Assembly dated March 28, 2013, the capital increase to be realized in two stages as based on the decision of the Board of Directors numbered 1321 and dated January 30, 2013. According to the mentioned decision; the share capital is decided to be increased by TL 50,000 from the period profit and TL 190,000 from the reserves and TL 360,000 of cash in the first stage in 2013, thus resulting in a capital of TL 1,700,000; and then resulting in total capital of TL 2,060,000 by another cash increase of TL 360,000 to be paid in 2014.

Within the scope of "Communiqué due to the Amendment of Deposit and Funds Collected subject to Insurance from Saving Deposit Insurance Fund and Premiums that will be received by the Saving Deposit Insurance Fund" published in the Official Gazette numbered 28560 and dated 15 February 2013, the expression "the part of the participation accounts unit account values and special current accounts up to 50 thousand Turkish Liras per person are within the coverage of insurance" was changed as "the sum up to 100 thousand Turkish Liras are within the coverage of the insurance".

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Bulvar İş Merkezi No:199/23 Nilüfer/BURSA
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Fax: +90 (224) 243 02 09

Fındıkzade Branch:

Millet Cad. No:86/2-3-4
Fındıkzade/İSTANBUL
Tel: +90 (212) 523 88 73 (PBX)
Fax: +90 (212) 523 83 98

Fikirtepe Branch:

Dumlupınar Mah. Mandıra Cad.si No: 184
Fikirtepe Kadıköy/İSTANBUL
Tel: +90 (216) 551 07 00
Fax: +90 (216) 551 07 05

Florya Branch:

Şenlikköy Cad. No: 70/1 A Blok Florya
Bakırköy/İSTANBUL
Tel: +90 (212) 573 53 23
Fax: +90 (212) 573 53 99

Gatem (Gaziantep) Branch:

Gatem Topt. Sit.Mavi Ada 3.Blok No:2
Şehitkamil/GAZİANTEP
Tel: +90 (342) 238 01 35 (PBX)
Fax: +90 (342) 238 04 70

Gaziantep Branch:

Prof.M.Aksoy Bulvarı Osmanlı İşmerkezi
GAZİANTEP
Tel: +90 (342) 215 32 72 (PBX)
Fax: +90 (342) 215 29 66

Gaziemir (İzmir) Branch:

Dokuz Eylül Mh.Akçay Cad.No:167
Gaziemir/İZMİR
Tel: +90 (232) 252 24 62 (PBX)
Fax: +90 (232) 252 14 59

Gaziosmanpaşa Branch:

Merkez Mh.Salihpaşa Cad.No:54
Gaziosmanpaşa/İSTANBUL
Tel: +90 (212) 615 51 35 (PBX)
Fax: +90 (212) 615 52 02

Gebze Branch:

Atatürk Cad. No:15 Gebze/KOCAELİ
Tel: +90 (262) 643 29 70 (PBX)
Fax: +90 (262) 643 29 69

Gebze Çarşı Branch:

Hacı Halil Mh.Zübeyde Hanım Cad.İkizhan 1
No:1 KOCAELİ
Tel: +90 (262) 644 40 44 (PBX)
Fax: +90 (262) 644 31 32

Gemlik Branch:

Orhangazi Cad. No: 1 Gemlik/BURSA
Tel: +90 (224) 514 84 04
Fax: +90 (224) 514 84 80

Gıda Çarşısı (İzmir) Branch:

1202 Sok. No: 81 Gıda Çarşısı
Yenişehir/İZMİR
Tel: +90 (232) 449 99 09 (PBX)
Fax: +90 (232) 469 11 07

Giresun Branch:

Sultanselim Mah. Osmanağa Cad.
No:1 GİRESUN
Tel: +90 (454) 202 00 52 (PBX)
Fax: +90 (454) 202 00 60

Gölcük Branch:

Amiral Sağlam Cad. No: 5 Gölcük/KOCAELİ
Tel: +90 (262) 412 48 80
Fax: +90 (262) 413 39 11

Güllük (Antalya) Branch:

Güllük Cad. Saraçoğlu İşmerkezi
No:78 ANTALYA
Tel: +90 (242) 247 43 71 (PBX)
Fax: +90 (242) 247 94 71

Gültepe Branch:

Talatpaşa Cad.No:122-A Gültepe/İSTANBUL
Tel: +90 (212) 278 73 43 (PBX)
Fax: +90 (212) 284 73 88

Güneşli Branch:

Gülbahar Cad. 6.Sk.No:66
Güneşli/İSTANBUL
Tel: +90 (212) 489 21 51 (PBX)
Fax: +90 (212) 489 21 50

Güngören Branch:

Güven Mh. İnönü Cad. No:23/1
Güngören/İSTANBUL
Tel: +90 (212) 505 96 95 (PBX)
Fax: +90 (212) 505 51 59

Hadımköy Branch:

Sanayi 1 Bulvarı Alkent 2000 Evleri Karşısı
No:202 Çakmaklı-Büyükçekmece/İSTANBUL
Tel: +90 (212) 886 28 98 (PBX)
Fax: +90 (212) 886 28 99

Hasanpaşa Branch:

Kurbaldere Cad.No:43/A Hasanpaşa
Kadıköy/İSTANBUL
Tel: +90 (216) 345 45 75 (PBX)
Fax: +90 (216) 345 69 29

Ihlamurkuyu Branch:

Alemdağ Cad.No:283 Ihlamurkuyu
Ümraniye/İSTANBUL
Tel: +90 (216) 611 02 11 (PBX)
Fax: +90 (216) 611 04 41

Isparta Branch:

Cumhuriyet Cad. Gürman Pasajı
No:23 İSPARTA
Tel: +90 (246) 232 46 27 (PBX)
Fax: +90 (246) 232 46 78

İşikkent Branch:

6121 Sok. No: 40 Aykusan, İşikkent-
Bornova/İZMİR
Tel: +90 (232) 436 17 11 (PBX)
Fax: +90 (232) 436 34 41

İçerenköy Branch:

Kayışdağı Cad. No:29 K.Bakkalköy
Kadıköy/İSTANBUL
Tel: +90 (216) 574 99 60
Fax: +90 (216) 574 99 45

İhsaniye-Konya Branch:

Beyazıt Mah. Hüsnü Aşk Sok. Bezirci İş
Merkezi No: 1A/10A Selçuklu/KONYA
Tel: +90 (332) 351 62 65
Fax: +90 (332) 351 48 87

İkitelli Branch:

Atatürk Bulvarı Altay İş Merkezi No:115/10
Başakşehir/İSTANBUL
Tel: +90 (212) 671 13 33 (PBX)
Fax: +90 (212) 671 13 31

İmes Branch:

İMES San.Sit. 202.S.B Blok N.2
Ümraniye/İSTANBUL
Tel: +90 (216) 466 48 70 (PBX)
Fax: +90 (466) 466 48 74

İmsan-İkitelli Branch:

İkitelli C.İmsan San.Sit.E Bl.23-24
K.Çekmece/İSTANBUL
Tel: +90 (212) 698 04 58 (PBX)
Fax: +90 (212) 698 04 38

İnegöl Branch:

Nuri Doğrul Cad. No:20 İnegöl/BURSA
Tel: +90 (224) 711 10 77 (PBX)
Fax: +90 (224) 711 10 74

İskenderun Branch:

Savaş Mh.Mareşal Çakmak Cad.Akıncı
İşhanı HATAY
Tel: +90 (326) 613 07 57 (PBX)
Fax: +90 (326) 613 08 67

İstoç Branch:

İstoç Ticaret Merkezi 17.Ada No:162-168
Mahmutbey/İSTANBUL
Tel: +90 (212) 659 56 61 (PBX)
Fax: +90 (212) 659 48 58

Izmir Branch:

Fevzi Paşa Bulvarı NO: 61/A Çankaya/İZMİR
Tel: +90 (232) 445 26 92 (PBX)
Fax: +90 (232) 445 26 96

İzmit Branch:

Karabaş Mah. Cumhuriyet Cad. No:160/A
İZMİR
Tel: +90 (262) 325 55 33 (PBX)
Fax: +90 (262) 324 26 17

Kadıköy Branch:

Söğütlüçeşme C.Başçavuş Sk.57/2
Kadıköy/İSTANBUL
Tel: +90 (216) 349 77 61 (PBX)
Fax: +90 (216) 349 77 65

Kağıthane Branch

Merkez Mah. Mezbaşa Sok. No:7
Kağıthane/İSTANBUL
Tel: +90 (212) 295 13 43
Fax: +90 (212) 295 13 30

Kahramanmaraş Branch:

Trabzon Cad. No:56/B KAHRAMANMARAŞ
Tel: +90 (344) 225 17 00 (PBX)
Fax: +90 (344) 225 20 45

Kapalıçarşı Branch:

Mahmutpaşa Cad. No:2/4 Eminönü/
İSTANBUL
Tel: +90 (212) 514 87 27 (PBX)
Fax: +90 (212) 514 87 22

Karabük Branch:

PTT Cad. No:7 KARABÜK
Tel: +90 (370) 412 73 74 (PBX)
Fax: +90 (370) 412 43 21

Karagöz Branch:

Karagöz Cad. No:4/A Şahinbey/GAZİANTEP
Tel: +90 (342) 232 99 79 (PBX)
Fax: +90 (342) 232 99 78

Karaköy Branch:

Necatibey Cad. No:34 Karaköy/İSTANBUL
Tel: +90 (212) 292 02 42
Fax: +90 (212) 292 02 52

Kars Branch:

Yusufoğlu Mah. Kazım Paşa Cad. No:96
KARS
Tel: +90 (474) 223 11 21 (PBX)
Fax: +90 (474) 213 11 17

Karşıyaka Branch:

Girne Bulvarı No:145/A-B Karşıyaka/İZMİR
Tel: +90 (232) 364 70 74 (PBX)
Fax: +90 (232) 364 71 21

Kavacık Branch:

Fatih Sultan Mehmet Cad. Otakçı Çıkmazı
No:1 Ak İş Merkezi Kavacık -
Beykoz/İSTANBUL
Tel: +90 (216) 331 10 40 (PBX)
Fax: +90 (216) 331 10 38

Kayapınar Branch:

Urfa Yolu 1.Km., Honda Plaza Karşısı Elmas
Ap. Altı Kayapınar/DİYARBAKIR
Tel: +90 (412) 251 02 52 (PBX)
Fax: +90 (412) 251 02 28

Kaynarca Branch:

Fevzi Çakmak Mh.Cemal Gürsel C.135/1
Pendik/İSTANBUL
Tel: +90 (216) 397 41 41
Fax: +90 (216) 396 04 00

Kayseri Branch:

Millet Cad. Ünlü Ap. No:39 KAYSERİ
Tel: +90 (352) 222 12 87 (PBX)
Fax: +90 (352) 222 55 49

Keçiören Branch:

Kızılpınarı Cad. No:55/B Keçiören/ANKARA
Tel: +90 (312) 361 99 90 (PBX)
Fax: +90 (312) 361 99 98

Kemalpaşa Branch:

Atatürk Mah. İnönü Cad. 41/1 Sok. No: 2/10
Kemalpaşa/İZMİR
Tel: +90 (232) 878 14 54
Fax: +90 (212) 878 14 58

Kestel Branch:

Kestel OSB, Bursa Cad. No: 75/B-4
Kestel/BURSA
Tel: +90 (224) 372 96 11 (PBX)
Fax: +90 (224) 372 60 79

Kırıkkale Branch:

Zafer Cad. No: 38/1 KIRIKKALE
Tel: +90 (318) 220 00 10 (PBX)
Fax: +90 (318) 220 00 11

Kızılay Branch:

Mithatpaşa Cad. No:31-32 Kızılay/ANKARA
Tel: +90 (312) 431 01 73 (PBX)
Fax: +90 (312) 431 01 85

Kızılırmak Branch:

Pulur Mah. Atatürk Cad. No: 100/E SİVAS
Tel: +90 (346) 222 35 73 (PBX)
Fax: +90 (346) 222 37 20

Kızıtaşı Branch:

Sofular Mah. Macar Kardeşler Cad.
No: 43 İSTANBUL
Tel: +90 (212) 523 23 03
Fax: +90 (212) 523 23 53

Kocamustafapaşa Branch:

Kuvva-i Milliye Cad. No: 4/A
Kocamustafapaşa-Fatih/İSTANBUL
Tel: +90 (212) 589 43 69 (PBX)
Fax: +90 (212) 589 09 72

Konya Branch:

Ankara Cad. No:119 Selçuklu/KONYA
Tel: +90 (332) 238 10 10 (PBX)
Fax: +90 (332) 237 67 34

Konyaaltı-Antalya Branch:

Arapşuyu Mah. Atatürk Bul. No: 115/B
Konyaaltı/ANTALYA
Tel: +90 (242) 229 78 29 (PBX)
Fax: +90 (242) 230 35 69

Konya Organize Sanayi Branch:

Konya Organize Sanayi Bölgesi, Büyük
Kayalık Mah. Kırım Cad. No: 22 Selçuklu/
KONYA
Tel: +90 (332) 239 21 69 (PBX)
Fax: +90 (332) 239 21 66

Kurtköy Branch:

Ankara Cad.203/B Efe İşmerk.Şişli Kurtköy/
İSTANBUL
Tel: +90 (216) 595 40 15 (PBX)
Fax: +90 (216) 595 39 08

Kuyumcukent Branch:

Yenibosna Mah. Köyaltı Mevkii 29 Ekim Cad.
Kuyumcukent Sitesi Atölye Bloğu Zemin Kat
5. Sok. No: 22 (251) Bahçelievler/İSTANBUL
Tel: +90 (212) 603 22 56 (PBX)
Fax: +90 (212) 603 22 57

Küçükköy Branch:

Cengiz Topel Cad. No: 171/D Küçükköy-
Gaziosmanpaşa/ İSTANBUL
Tel: +90 (212) 609 09 01 (PBX)
Fax: +90 (212) 609 09 41

Kütahya Branch:

Balıkli Mah.Itfaiye Sk. No:2 KÜTAHYA
Tel: +90 (274) 223 44 84
Fax: +90 (274) 223 60 63

Laleli Branch:

Ordu Cad. No:218-248/D Laleli/İSTANBUL
Tel: +90 (212) 638 79 94 (PBX)
Fax: +90 (212) 638 79 49

Laleli-Ordu Caddesi Branch:

Ordu Cad. No: 218-248/D Laleli/İSTANBUL
Tel: +90 (212) 638 79 94 (PBX)
Fax: +90 (212) 638 79 49

Mahmutbey Yolu Branch:

Hürriyet Mah. Mahmutbey Cad. No: 33
Mahmutbey Bağcılar/İSTANBUL
Tel: +90 (212) 657 38 18
Fax: +90 (212) 657 37 22

Malatya Branch:

Ferhadiye Mah.Ferhadiye Sk. No:3 MALATYA
Tel: +90 (422) 323 04 48 (PBX)
Fax: +90 (422) 323 03 98

Maltepe Branch:

Bağdat Cad.No:418/A Maltepe/İSTANBUL
Tel: +90 (216) 370 19 00 (PBX)
Fax: +90 (216) 370 24 63

Manisa Branch:

Mustafa Kemal Paşa Cad. No:30/A MANİSA
Tel: +90 (236) 231 54 77 (PBX)
Fax: +90 (236) 231 37 30

Mecidiyeköy Branch:

Büyükdere Cad. No:77 Mecidiyeköy/
 İSTANBUL
Tel: +90 (212) 266 76 99 (PBX)
Fax: +90 (212) 266 77 04

Megacenter (Bayrampaşa) Branch:

Kocatepe Mh.Megacenter Sit.12.Sk.C Blok
 No:113 Bayrampaşa/İSTANBUL
Tel: +90 (212) 640 00 60 (PBX)
Fax: +90 (212) 640 63 00

Operation Branch

Büyükdere Cad. No:129/1A Esentepe Şişli/
 İSTANBUL
Tel: +90 (212) 354 28 28 (PBX)
Fax: +90 (212) 354 28 15

Mersin (İçel) Branch:

Kuvay-i Milliye Cad. No:8 MERSİN
Tel: +90 (324) 238 76 50 (PBX)
Fax: +90 (324) 238 76 54

Mersin Serbest Bölge Branch:

Mersin Serbest Bölge F Ada 3 Parsel
 MERSİN
Tel: +90 (324) 238 84 00 (PBX)
Fax: +90 (324) 238 84 05

Merter Branch:

Fatih Cad. No:22 Merter/İSTANBUL
Tel: +90 (212) 637 00 87 (PBX)
Fax: +90 (212) 637 87 23

Mezitli Branch:

Menderes Mah. GMK Bulvarı Murat Bey Apt.
 No: 24-25 Mezitli/MERSİN
Tel: +90 (324) 357 49 92
Fax: +90 (324) 357 53 87

Niğde Branch:

Grand Hotel Niğde Yanı
 Hükümet Meydanı NİĞDE
Tel: +90 (388) 233 83 10 (PBX)
Fax: +90 (388) 233 83 40

Nizip-Gaziantep Branch:

Mimar Sinan Mah. Mustafa Kökmen Bulvarı
 No: 13/E Nizip/GAZİANTEP
Tel: +90 (342) 512 05 25 (PBX)
Fax: +90 (342) 518 28 04

Of Branch:

Atatürk Bulvarı No: 55/A Of/TRABZON
Tel: +90 (462) 771 23 43 (PBX)
Fax: +90 (462) 771 23 70

Ordu Branch:

Şarkiye Mah.Sırrıpaşa Cad. No: 89
 Merkez/ORDU
Tel: +90 (452) 222 09 52 (PBX)
Fax: +90 (452) 222 09 50

Osmanbey Branch:

Halaskârgazi Cad. No:100/B Şişli/İSTANBUL
Tel: +90 (212) 296 93 10 (PBX)
Fax: +90 (212) 296 93 15

Osmangazi (Bursa) Branch:

Fevzi Çakmak Cad. No:43/4 BURSA
Tel: +90 (224) 223 23 50 (PBX)
Fax: +90 (224) 223 62 72

Osmaniye Branch:

Alibeyli Mah. Cevdet Sunay Cad. No:35
 OSMANIYE
Tel: +90 (328) 814 11 01 (PBX)
Fax: +90 (328) 814 11 94

Ostim Branch:

Ostim M.100.Yıl Bul.N.51
 Y.Mahalle/ANKARA
Tel: +90 (312) 385 94 00 (PBX)
Fax: +90 (312) 385 94 01

Pendik Branch:

Doğu Mah. Lokman Hekim cad.
 No:141/1 Pendik/İSTANBUL
Tel: +90 (216) 390 85 45 (PBX)
Fax: +90 (216) 390 85 49

Pınarbaşı (Izmir) Branch:

Kemalpaşa Cad. No:41/1 Bornova/İZMİR
Tel: +90 (232) 478 49 00 (PBX)
Fax: +90 (232) 478 58 50

Pozcu-Mersin Branch:

Gazi Mah. GMK Bulvarı Çınar A Ap. No:
 359/1 Yenişehir/MERSİN
Tel: +90 (324) 328 19 93 (PBX)
Fax: +90 (324) 328 08 46

Pursaklar (Ankara) Branch:

Belediye Cad. No:3/A Pursaklar/ANKARA
Tel: +90 (312) 527 33 25 (PBX)
Fax: +90 (312) 527 41 42

Rize Branch:

Tevfik İleri Cad. No:16/B RİZE
Tel: +90 (464) 217 09 00 (PBX)
Fax: +90 (464) 217 09 08

Samandıra Branch:

Eyüp Sultan Mah. Osmangazi Cad.
 No: 108/A
 Samandıra-Sancaktepe/İSTANBUL
Tel: +90 (216) 311 29 41 (PBX)
Fax: +90 (216) 561 19 01

Samsun Branch:

Kale Mah.Kazımpaşa Cad.No:17 SAMSUN
Tel: +90 (362) 431 36 61 (PBX)
Fax: +90 (362) 431 36 38

Samsun Sanayi Branch

Yeni Mahalle 30. Sokak, No:11,
 Canik Samsun
Tel: +90 (362) 228 06 38
Fax: +90 (362) 228 07 73

Sanayi Mahallesi Branch:

Sanayi Mah. Sultan Selim Cad. No: 12
 Kağıthane/İSTANBUL
Tel: +90 (212) 283 86 06 (PBX)
Fax: +90 (212) 279 88 34

Sancaktepe Branch:

Meclis Mah. Hükümet Cad. No: 2H
 Sancaktepe/İSTANBUL
Tel: +90 (216) 648 20 38 (PBX)
Fax: +90 (216) 648 20 44

Sarıyer Branch:

Şehit Mithat Yılmaz Cad. Sarıyer Merkez
 Mah. No: 9/A1-A2 Sarıyer/İSTANBUL
Tel: +90 (212) 271 82 88 (PBX)
Fax: +90 (212) 271 72 45

Sefaköy Branch:

Kartaltepe Mah. Halkalı Cad. No: 78
 Sefaköy-K.Çekmece/İSTANBUL
Tel: +90 (212) 426 87 16 (PBX)
Fax: +90 (212) 599 94 38

Seyitnizam Branch:

Seyitnizam Mah. Yunus Emre Cad.
 Merkez Park Yel Evleri A2 Blok No: 45-46
 Zeytinburnu/İSTANBUL
Tel: +90 (212) 238 30 96 (PBX)
Fax: +90 (212) 239 36 67

Sincan Branch:

Atatürk Mh.Meltem Sk.No:41
 Sincan/ANKARA
Tel: +90 (312) 269 99 96 (PBX)
Fax: +90 (312) 271 98 61

Sirkeci Branch:

Vasıfçınar Cad.No:106
Eminönü Fatih/İSTANBUL
Tel: +90 (212) 513 36 90 (PBX)
Fax: +90 (312) 513 62 20

Sivas Branch:

Eskikale Mah. Bankalar Cad. No:8 SİVAS
Tel: +90 (346) 225 79 60 (PBX)
Fax: +90 (346) 225 79 64

Sivas Bulvarı (Kayseri) Branch:

Mimar Sinan Mh. Sivas Bulvarı 197/A
Kocasinan/KAYSERİ
Tel: +90 (352) 234 35 12 (PBX)
Fax: +90 (352) 234 35 62

Soğanlık Branch:

Orta Mah. Atatürk Cad. No: 122/B Soğanlık-
Kartal/İSTANBUL
Tel: +90 (216) 451 11 07 (PBX)
Fax: +90 (216) 451 10 76

Sultanbeyli Branch:

Mehmet Akif Mh.Fatih Bulvarı No:167
Sultanbeyli/İSTANBUL
Tel: +90 (216) 496 46 79 (PBX)
Fax: +90 (216) 496 69 34

Sultançiftliği Branch:

İsmetpaşa Mh.Eski Edirne Asfaltı 211
Sultançiftliği/İSTANBUL
Tel: +90 (212) 475 18 81 (PBX)
Fax: +90 (212) 475 54 51

Şanlıurfa Branch:

Sarayönü Cad. No:133/B ŞANLIURFA
Tel: +90 (414) 216 20 22 (PBX)
Fax: +90 (414) 216 54 00

Şanlıurfa Cumhuriyet Caddesi Branch:

Şairnabi Mah. Cumhuriyet Cad.
No: 90/B ŞANLIURFA
Tel: +90 (414) 313 48 33 (PBX)
Fax: +90 (414) 313 87 33

Şirinevler Branch:

Şirinevler Mh.Meriç Sk.No:25
Şirinevler/İSTANBUL
Tel: +90 (212) 451 51 46 (PBX)
Fax: +90 (212) 639 12 21

Şişli Branch:

Halaskargazi Cad. No:202/1
Osmanbey Şişli/İSTANBUL
Tel: +90 (212) 224 99 59 (PBX)
Fax: +90 (212) 224 99 50

Tahtakale Branch:

Tahtakale Cad. Menekşe Han No: 21
Fatih Eminönü/İSTANBUL
Tel: +90 (212) 513 16 36
Fax: +90 (212) 513 16 56

Taksim Branch:

Tarlabası Cad. No:22 Taksim/İSTANBUL
Tel: +90 (212) 361 41 48 (PBX)
Fax: +90 (212) 361 68 64

Tatvan Branch:

Cumhuriyet Cad. No: 33 Tatvan/BİTLİS
Tel: +90 (434) 828 04 54
Fax: +90 (434) 828 04 55

Tavukçuoğlu Branch:

Yukarı Dudullu Mah. Tavukçuyolu Cad. No:
252 Ümraniye/İSTANBUL
Tel: +90 (216) 527 04 67
Fax: +90 (216) 499 66 25

Terazidere Branch:

Esenler Cad. No: 123 Terazidere-
Bayrampaşa/İSTANBUL
Tel: +90 (212) 640 08 18 (PBX)
Fax: +90 (212) 640 07 71

Tokat Branch:

Gaziosmanpaşa Bulvarı No:179 TOKAT
Tel: +90 (356) 212 68 28 (PBX)
Fax: +90 (356) 212 67 61

Topçular Branch:

Ramikişla Cad.Gündoğar İşmer.-1
N.84 Eyüp/İSTANBUL
Tel: +90 (212) 674 60 75 (PBX)
Fax: +90 (212) 674 60 94

Topkapı Branch:

Davutpaşa Cad.No:119/2 Topkapı
Zeytinburnu/İSTANBUL
Tel: +90 (212) 481 39 97 (PBX)
Fax: +90 (212) 481 29 50

Torbalı Branch:

Tepeköy Mah. 4571 Sok. No: 20/A
Torbalı/İZMİR
Tel: +90 (232) 856 14 20 (PBX)
Fax: +90 (232) 856 98 23

Trabzon Branch:

K.Maraş Cad.Yavuz Han No:26 TRABZON
Tel: +90 (462) 326 00 30 (PBX)
Fax: +90 (462) 326 24 94

Tuzla Sanayi Branch:

Birmes Sanayi Sitesi D1 Blok No:5 Tuzla/
İSTANBUL
Tel: +90 (216) 394 87 00 (PBX)
Fax: +90 (216) 394 87 09

Uşak Branch:

İsmetpaşa Cad. No:93 UŞAK
Tel: +90 (276) 227 77 49 (PBX)
Fax: +90 (276) 227 60 49

Ümitköy Branch:

Prof.Dr.Ahmet Taner Kışlalı Mah. 2715.Sk.
No:2/14 Çayyolu-Yenimahalle/ANKARA
Tel: +90 (312) 241 84 41 (PBX)
Fax: +90 (312) 241 84 64

Ümraniye Branch:

Atatürk Mah. Muhtar sok. No:9A
Ümraniye/İSTANBUL
Tel: +90 (216) 443 08 43 (PBX)
Fax: +90 (216) 443 08 41

Üsküdar Branch:

Hakimiyeti Milliye Cad. No:58/A Üsküdar/
İSTANBUL
Tel: +90 (216) 495 48 74 (PBX)
Fax: +90 (216) 495 48 87

Van Branch:

Cumhuriyet Cad.No:116 VAN
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Istanbul Anatolia Side Regional Office

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