



**KUVEYTÜRK**

**ANNUAL REPORT 2013**

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## **The art of great patience and skill: Tile Decoration**

Tiles have a special place in the history of Turkish-Islamic culture. Numerous handcrafts have flourished throughout the centuries, especially these tiles that were created from the very soil of Anatolia.

The creation of ceramic tiles starts with the kneading and firing of clay from the earth. Then comes the decoration of the fired tile that enhances the product – it requires great patience and training before the art is mastered.

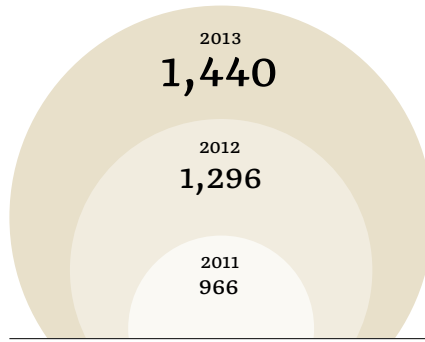
For centuries, tiles have existed in Anatolia; their richness has been manifest throughout the whole world. Many unique pieces were created during the Ottoman era.

We're looking back at the year 2013, during which we were rewarded with the results of years of hard work and patience, along with samples of tile art.

## SUMMARY FINANCIAL HIGHLIGHTS

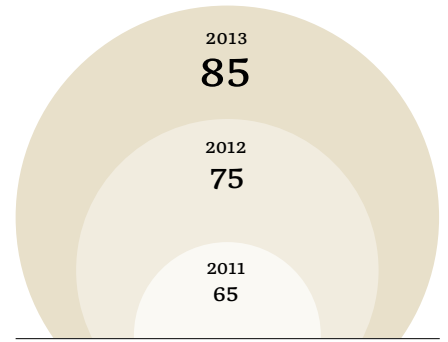
Continuing **its consistent growth trend** in 2013 as well, Kuveyt Türk achieved TL 300,3 million net profit. While the Bank's total assets increased by 36.9%, equity capital of the Bank increased by 36.7%.

Summary Financial Highlights (TL Thousand)	2011	2012	2013
Profit Sharing Income	965,771	1,296,118	1,439,926
Profit Sharing Expense	425,387	599,570	609,655
Net Fee and Commission Income	64,705	75,234	84,971
Other Income	181,758	237,126	339,961
Other Expenses	541,391	699,652	885,993
Provision for Taxes	(50,414)	(59,100)	(68,867)
Net Profit for the Period	195,042	250,156	300,343
Total Assets	14,897,592	18,910,513	25,893,542
Total Shareholders' Equity	1,437,978	1,684,037	2,302,049
Capital Adequacy Ratio (%)	16.02	13.97	14.24



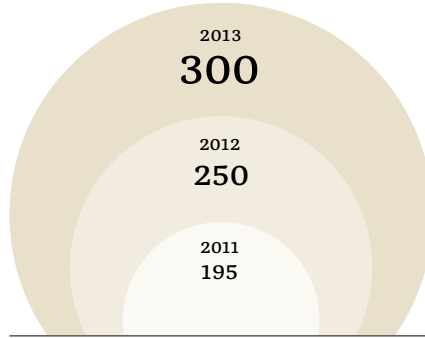
**DIVIDEND INCOME**  
(TL MILLION)

**11%** ↗



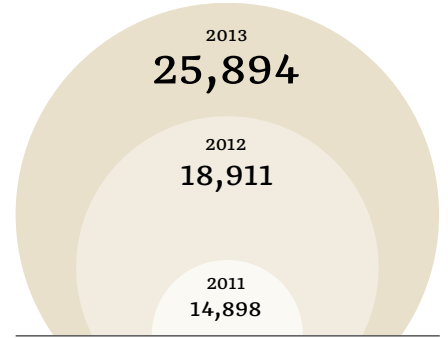
**NET FEE AND COMMISSION INCOME**  
(TL MILLION)

**13%** ↗



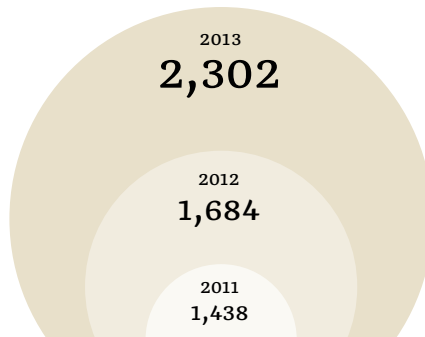
**NET PROFIT FOR THE PERIOD**  
(TL MILLION)

**20%** ↗



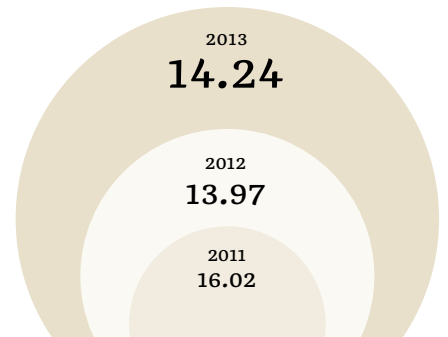
**TOTAL ASSETS**  
(TL MILLION)

**37%** ↗



**TOTAL SHAREHOLDERS' EQUITY**  
(TL MILLION)

**37%** ↗



**CAPITAL ADEQUACY RATIO**  
(%)

## AGENDA OF THE ORDINARY GENERAL ASSEMBLY MEETING

### DECISION OF THE KUVEYT TÜRK KATILIM BANKASI A.Ş. GENERAL ASSEMBLY MEETING

Place of the Meeting : Company Headquarters  
 Date of the Meeting : 29/01/2014  
 Number of the Meeting :  
 Committee Members : Mohamad S.A.I. AL OMAR  
 Abdullah TİVNİKLİ  
 Mohammad Shujauddin AHMED  
 Khaled N. AL FOUZAN  
 Nadir ALPASLAN  
 Adnan ERTEM  
 Fawaz AL SALEH  
 Shaheen H. A. AL GHANEM  
 Ufuk UYAN

### MEETING AGENDA

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

#### RESOLUTION NO: 1

It was decided that the Annual Ordinary General Assembly Meeting of Kuveyt Türk Katılım Bankası A.Ş. will be held at 15:00, on March 27, 2014, at the Bank's Head Office to discuss the agenda items outlined below. The Head Office is authorized to carry out the necessary preparations.

### AGENDA OF THE 2013 ORDINARY GENERAL ASSEMBLY MEETING

- 1- Opening of the Meeting and forming/electing the Presiding Committee
- 2- Authorizing the Presiding Committee to sign the Minutes of the General Assembly
- 3- Reading, deliberation and approval of the 2013 Annual Report prepared by the Board of Directors
- 4- Reading, deliberation and approval of the 2013 Financial Statements
- 5- Releasing each and every member of the Board from their duties and responsibilities from 2013
- 6- Deliberation of and decision on the Board of Directors' proposal on distributing year 2013 profit
- 7- Deliberation of and decision on the capital increase issue
- 8- Deliberation of and decision on the attached draft amendment to the Articles of Association
- 9- 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 while serving on the Board and/or other committees
- 10- Provision of information by the Board of Directors on independent audit activities, pursuant to Banking Law No. 5411 and applicable legislation
- 11- Pursuant to the resolution of the Banking Regulation and Supervision Agency on profit distribution, provision of information on the bonuses paid to employees
- 12- 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 expense accounts the portion of provisions that correspond to participation accounts, provided that the provisions of the Turkish Commercial Code are observed"
- 13- Deliberation of the issue of giving the Board of Directors the authority to acquire or accept the Bank's shares as security, as pursuant to Article 379/2 of the Turkish Commercial Code and the decision on the authorization period
- 14- Submitting to the General Assembly the issue of authorizing the Board members to perform the transactions stipulated in Articles 395 and 396 of the Turkish Commercial Code, for approval
- 15- Suggestions and closing of the meeting

The Chairman and members of the Board of Directors, whose names are presented above, have read this resolution in their native languages; it has been understood and agreed upon.



Mohammad S.A.I. AL OMAR



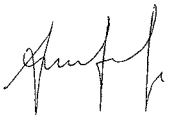
Abdullah TİVNİKLİ



Mohammad Shujauddin AHMED



Khaled N. AL FOUZAN



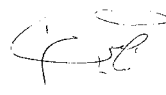
Nadir ALPASLAN



Adnan ERTEM



Fawaz AL SALEH



Shaheen H. A. AL GHANEM



Ufuk UYAN

## KUVEYT TÜRK IN BRIEF

Efficiently providing its clients with a vast array of financial products and services, Kuveyt Türk **contributes to the economy and maintains its position as a pioneer in the industry.**

**Total  
Shareholders'  
Equity**  
**2.3**  
**TL BILLION**

**Strong Shareholders' Equity**  
As of year-end 2013, Kuveyt Türk's shareholders' equity increased to TL 2.3 billion.

**Paid-in  
Capital**  
**1.7**  
**TL BILLION**

**Kuveyt Türk had a paid-in capital of TL 1.7 billion as of year-end 2013.**

### **Kuveyt Türk is 25 Years Old**

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.

### **Assurance of Progress Shareholding Structure**

As of year-end 2013, Kuveyt Türk's shareholders' equity stands at TL 2.3 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.

Set apart from the competition with a robust capital structure and using a dynamic corporate governance approach, Kuveyt Türk had a paid-in capital of TL 1.7 billion as of year-end 2013. The Bank's unconsolidated assets grew by 37% in 2013 to reach TL 25.9 billion.

### **A Pioneer of Innovation**

Kuveyt Türk efficiently provides its clients with a vast array of financial products and services via 266 branches throughout Turkey, as well as overseas branches in Bahrain and Mannheim. As of year-end 2013, the Bank had 4,642 employees.

With a young, dynamic staff composed of mostly university graduates and experts in their respective fields, Kuveyt Türk has adopted a modern management practices and a service-driven approach. It is a leader among participation banks in Turkey.

The 21st century, the age of technology and computers, requires financial institutions in particular, to employ advanced technology in their operations. With an information technology infrastructure that uses the latest advances, Kuveyt Türk efficiently offers all types of banking services via electronic means and alternative distribution channels. In addition to offering Visa and MasterCard credit cards, the Bank also provides POS, ATM, a call center and IVR systems as well as online and SMS banking services. Since 2000, Kuveyt Türk has been proud to be the first participation bank to offer clients all of these innovations.



→ KUVEYT TÜRK IN BRIEF

# Kuveyt Türk consistently expands its client portfolio in the Retail Banking segment and has introduced groundbreaking practices to the banking industry thanks to its ability to develop high quality products

**NET PROFIT FOR THE PERIOD**

**300.3**  
TL MILLION

**As of year-end 2013, Kuveyt Türk's Net Profit for the period increased to TL 300.3 million.**

#### **Continuous Support to the Real Economy**

In terms of capital adequacy, Kuveyt Türk is one of the strongest players in the Turkish financial services sector. In accordance with "interest-free banking" principles, the Bank has always stood by investors, both real persons and legal entities, through direct financing support, or participation by way of joint ventures and has always supported participants of the real economy.

With investments and joint ventures in textile, metal and real estate industries, Kuveyt Türk has not only turned the savings of its profit-sharing clients into solid and profitable investments, but has also created new employment opportunities as it contributes to the national economy by providing resources to the real sector. As a result, the Bank has been recognized for its achievements in exports and awarded many gold, silver and bronze medals by a number of public agencies and trade associations including the Undersecretariat of Treasury and Foreign Trade, Istanbul Chamber of Commerce and Istanbul Textile & Apparel Exporters Association.

#### **Pioneer of Sukuk Issuance in Turkey**

Kuveyt Türk, the leader of its sector in products and services, broke ground in the Turkish banking sector by completing two sukuk issuances worth US\$ 450 million in 2010 and 2011.

In 2012, Kuwait Finance House's subsidiary Liquidity Management House became one of three companies to support the Undersecretariat of Treasury in a five-year sukuk issuance worth US\$ 1.5 billion - the first of its kind in Turkey. In 2013, Kuveyt Türk undertook Turkey's largest-ever TL-denominated sukuk issuance.

#### **The Leader in Gold Banking**

Kuveyt Türk carries out all sorts of operations related to gold, including import and export, refining services, contracts with international gold refiners. It also carries out gold banking operations in Dubai.

With the highest gold transaction volume on the Precious Metals and Stones Market of Borsa Istanbul (BIST), Kuveyt Türk maintains its leadership among all banks and members. In 2013, the Bank undertook the first gold swap through Takasbank. Kuveyt Türk ranks first among all banks in terms of average daily volume of silver transactions.



Kuveyt Türk is the first and only bank in Turkey and the first participation bank in the world, to be accepted into the London Bullion Market Association (LBMA) with “expert/associate” member status. Additionally, Kuveyt Türk is the only bank to receive praise from the World Gold Council (WGC) for the diversity of its gold products and services.

#### **Introducing Groundbreaking Practices**

In line with its principle of operating in parallel with 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 consistently expands its client portfolio and has introduced groundbreaking practices to the banking industry thanks to its ability to develop high quality products.

#### **A Financial Bridge between Turkey and the World**

By honing Kuwait Finance House's extensive correspondent network and deep-seated interest-free banking experience to a competitive edge, Kuveyt Türk functions like a financial bridge for Turkish investors seeking access to the world particularly to the Gulf Region. A major contributor to the burgeoning trade between Turkey and the Gulf region through its Bahrain branch, the Bank is developing international projects that will present new opportunities for investors. Efforts to establish Germany's first interest-free bank are currently underway and is expected to commence operations within this year. Additionally, permission to open the Qatar branch has been obtained.

**NET FEE AND  
COMMISSION INCOME**

**84.9**

**TL MILLION**

**As of year-end 2013, Kuveyt Türk's  
Net Fee and Commission Income  
rose to TL 84.9 million.**







## **The First Important Examples**

From the very beginning, the art of tile decoration in the Ottoman Empire displayed great richness based on the application of various techniques. The tile decorations inside the Green Mosque and the Külliye (a complex of buildings) in Bursa represent the high level of tile art reached during the early period of the Ottoman Empire. The tiles used in this complex were created using the "multi-colored glazing" technique in which the outline of the desired design is deeply carved or pressed into red clay, colored glaze is applied and then fired.

*Ali bin İlyas Ali played a great role in the introduction of patterns of the Far East into the art of tile decoration.*

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## 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.

Kuveyt Türk was the only bank to receive praise in the 2012 special report of the World Gold Council (WGC) for the diversity of its gold products and services.

## 2013

In accordance with its social responsibility mission, Kuveyt Türk launched a fundraising campaign to benefit the Hope Foundation for Children with Cancer (KAÇUV) and to fight against cancer, a growing problem in the country.

The Islamic International Rating Agency (IIRA), which rates Islamic/Interest-free Banks, upgraded Kuveyt Türk's short-term national rating from "A+" to "AA-" and its long-term national rating from "A-1" to "A-1+".

Kuveyt Türk's issuance of lease certificates, worth TL 150 million, with a maturity of 364 days, was oversubscribed by more than two-fold.

## MISSION

To be a bank that adheres to its core corporate principles (interest-free financial transactions and operations)  
Sustains moral values  
Focuses on customer-oriented banking while adding value to its shareholders, employees and all other parties that form Kuveyt Türk Embraces corporate social responsibility.

## 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.

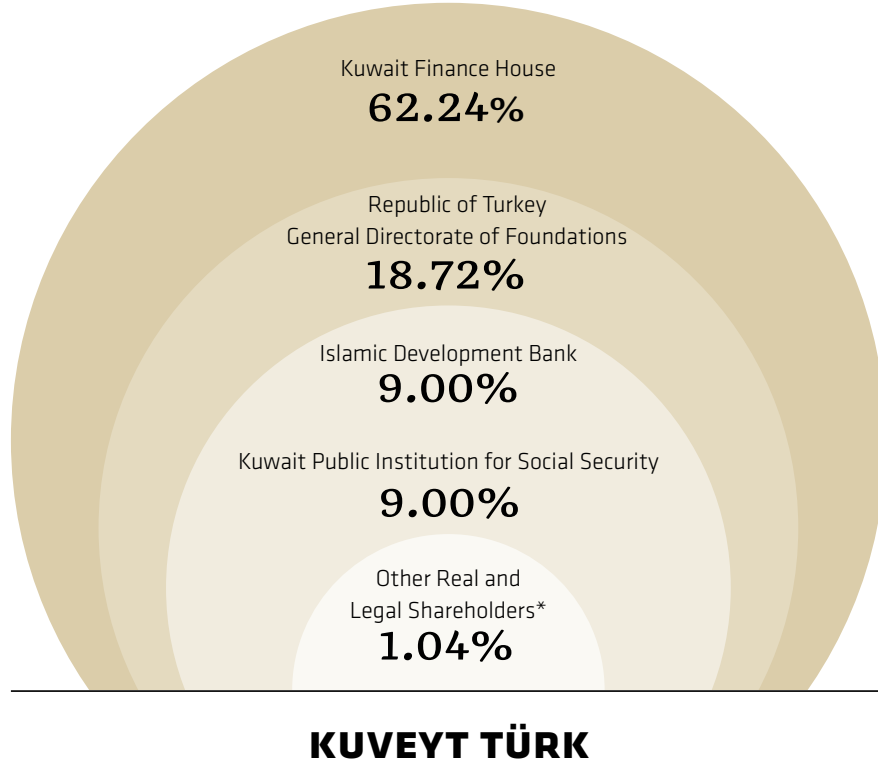
## OUR SERVICE PRINCIPLES

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, CAPITAL STRUCTURE AND ARTICLES OF ASSOCIATION

**Set apart from its rivals with a robust capital structure and dynamic corporate governance approach, Kuveyt Türk had a paid-in capital of TL 1.7 billion as of year-end 2013.**

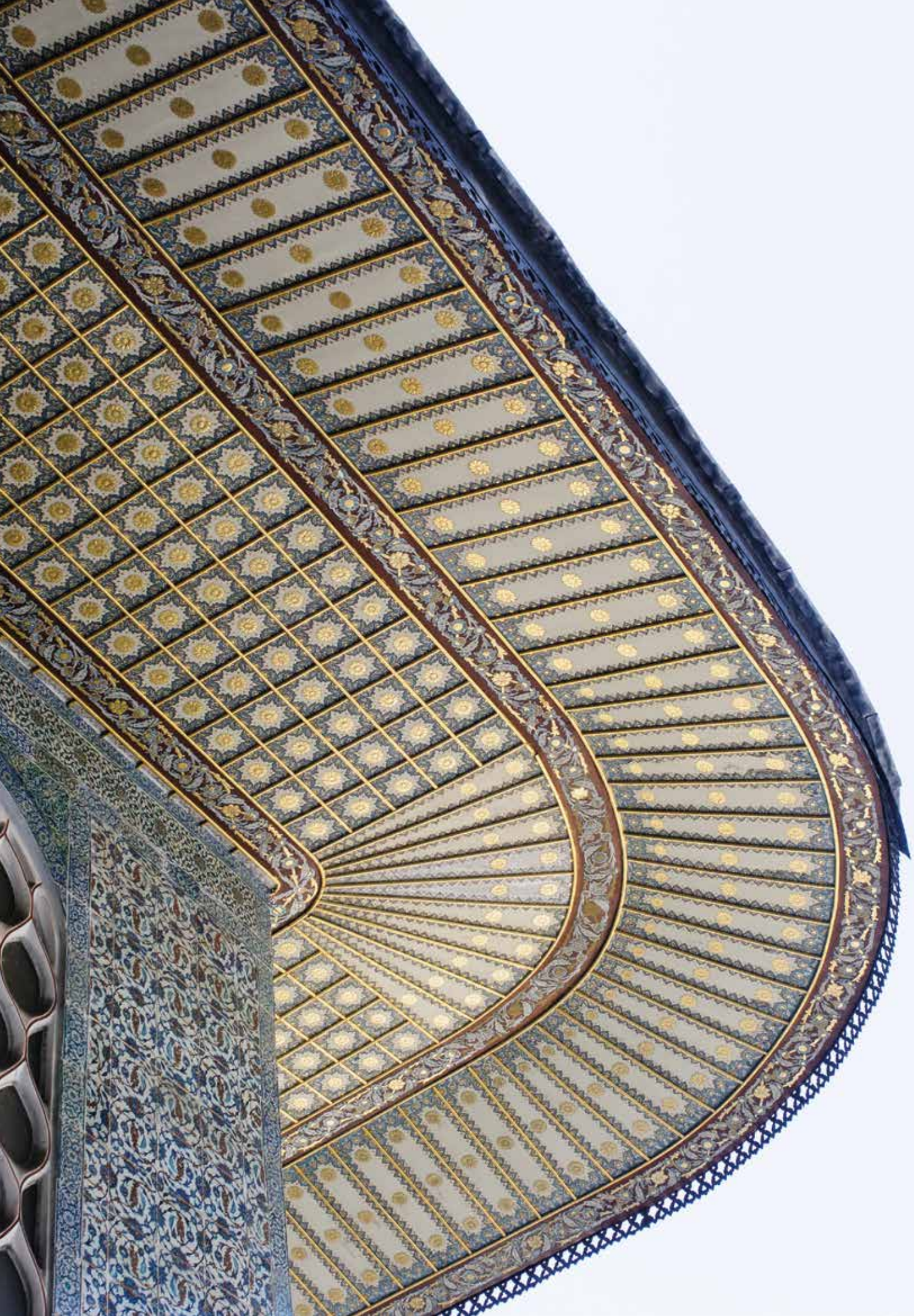


### AMENDMENTS TO THE ARTICLES OF ASSOCIATION

Amending the Article N.7 of the Articles of Association, TL 240,000,000 was transferred from the Bank's 2012 profit and cash capital was increased by TL 360,000,000. Thus, Kuveyt Türk Katılım Bankası A.Ş.'s capital was raised from TL 1,100,000,000 to TL 1,700,000,000 in 2013.

\* Chairman and the Members of the Board of Directors, Audit Board Members, General Manager and the Assistant General Managers have 0,19% share in the Bank's capital.







## **Tiles of the Palace**

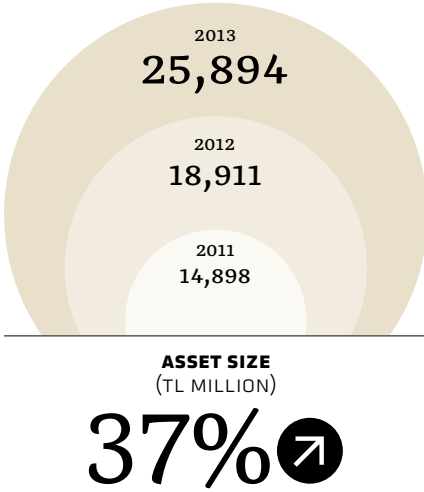
The tiles of Topkapı Palace collectively showcase all eras of Ottoman tile art. The Tiled Kiosk (dating back to 1472), situated within the garden of the Istanbul Archeology Museum, was commissioned by Mehmed the Conqueror. The Kiosk is a monumental building illustrating the stylistic development of mosaic tile art with new compositions and colors from the early period of the Ottoman Empire. The geometrical compositions, large scripts in Kufic and Thuluth embellishing the entrance, opens outward in the shape of an ostentatious "eyvan" (vaulted room) that heightens the impressive effect.

*The tiles embellishing the facade of Topkapı Palace's Audience Chamber were created with the multi-colored glazing technique and represent early examples from the 16<sup>th</sup> century.*

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## MESSAGE FROM THE CHAIRMAN

Achieving an annual average growth rate of 36.4%, Kuveyt Türk was **among the fastest growing banks** between 2006 and 2012; the Bank grew by 36.9% in 2013 and its asset size reached TL 26 billion.



Esteemed Shareholders,

During the first half of 2013, a moderate recovery was observed in the global economy, which underperformed expectations in 2012 and 2013; growing by 3.2% and 2.9%, respectively.

In the same period, a very limited recovery was observed in the Eurozone after a long-lasting recession. The US economy expanded below its potential, but has made progress, nevertheless. As a result of positive developments in the economy, the US decided at the beginning of summer to gradually retreat from its expansionary monetary policy adopted by the Fed.

As this decision raised an expectation of contraction in the money supply, it caused a decline in low-cost funding available to developing countries; this also meant an increase in cost of debt for these countries. After the interest rates rose and new positions of funds were determined, the vitality of financial markets settled down to some extent. Meanwhile, rising funding costs weaken the demand in the banking industry.

Although this impact is expected to decelerate growth in the banking industry, it will most likely have a limited effect considering the investment needs in developing countries such as Turkey. Thanks to low-cost funding opportunities in the Turkish banking industry, asset size expanded by 20.3% in 2013.

For Kuveyt Türk, 2013 was a successful year as we maintained our growth trend of previous years. Achieving an annual average growth rate of 36%, Kuveyt Türk was among the fastest growing banks between 2006 and 2012. We outperformed the overall banking industry, which grew at an annual average of 20% during the same period. In 2013, Kuveyt Türk grew by 37% and our asset size reached TL 26 billion. Further, our total deposits exceeded TL 17 billion and loans totaled more than TL 16 billion. In parallel to this growth, the number of our branches increased to 268 and employees to 4,642, as of year-end 2013.

Kuveyt Türk distinguishes itself from the competition with its products and services. Spearheading gold banking and issuing the first sukuk in Turkey are some examples of Kuveyt Türk's product and service innovations.

In 2013, our Bank was the only financial intermediary of the Istanbul Gold Exchange.

We recently launched a lease certificate offering of TL 100 million, but we had to close the issuance at TL 150 million after the demand reached TL 200 million. This issuance was carried out in accordance with the principles of participation banking and was the largest Turkish lira-denominated lease certificate offering on record by the private sector in Turkey.



As of year-end 2013, Kuveyt Türk's total deposits stood at TL 17 billion.



In the coming year, we plan to launch sukuk issues denominated in Malaysian ringgit and US dollars, in an effort to realize our mission of offering new funds to the sector. Additionally, we plan to further contribute to exports by developing new export credit products, a segment that is new to the participation banking industry.

Maintaining the dynamic structure of the banking industry is only possible by investing in technology infrastructures. Accordingly, Kuveyt Türk continues to diversify its alternative channels to reach customers and has taken steps to increase speed and efficiency in banking processes. To that end, we focus mainly on investments to improve our online banking infrastructure.

For the year 2014, our goal is to further strengthen Kuveyt Türk's leading position in the participation banking industry through innovative approaches; we will reach an asset size of TL 30 billion. We are currently in the process of reviewing sales and service models at our branches so that in the coming period we can better meet customers financial needs with the right products and through the most proper channels. We believe that through these efforts we will be able to establish

a rather dynamic structure and respond to our customers' needs, which vary according to their location, occupation, age, trade volume, industry and many other variants. Private banking services, which we launched in 2013 as part of our product and service differentiation strategy, will also be available to our customers in 2014.

Our efforts to establish Germany's first interest-free bank are currently underway; this new bank is expected to commence operations in 2014. Additionally, we have obtained permission to open the Qatar branch, which will open in the first quarter of 2014.

Aside from the banking industry, we have initiated another important investment project in collaboration with Albaraka Türk to establish a private pension company also to start operations in 2014. In this way, we will be offering flexible and state-subsidized retirement savings plans through our new private pension company as well as through our branches.

Kuveyt Türk will continue to expand in Turkey in the coming period. We plan to open 50 new branches in 2014 bringing our participation banking services to new locations.

Our customers will be better serviced through more locations by establishing new distribution channels positioned between branches and ATMs, already utilizing advanced technology. Additionally, we are constructing a banking base in Şekerpınar that will also start operations during 2014.

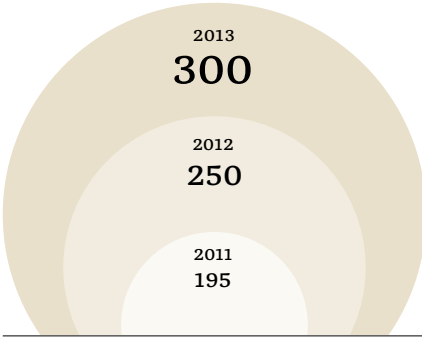
I would like to express my deepest gratitude to each and every one of our shareholders, customers and employees who have played a major role in making the Bank what it is today.

Respectfully yours,

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

## MESSAGE FROM THE CEO

The most significant factor in Kuveyt Türk's success is the **value it has added to the sector and the society with the innovative products.** In 2014, our progress will continue as well with the new products and services.



NET PROFIT FOR THE PERIOD  
(TL MILLION)

20%

KUVEYT TÜRK'S  
GROWTH RATE  
IN 2013

37%

Kuveyt Türk, one of the fastest growing banks in its sector, achieved more than 35% growth in 2013.

Esteemed Shareholders,

Participation banking, considered "sound and healthy banking" has emerged even stronger after the global financial crisis. It is viewed as an exemplary model by the whole world.

The share of participation banks in the Turkish banking industry is gradually rising. As of year-end 2012, participation banks accounted for 5.13% of the overall industry. In 2013, this share rose to 6% with total collected funds reaching TL 58 billion, total loans reaching TL 64 billion and assets exceeding TL 91 billion.

Kuveyt Türk, one of the fastest growing banks in its sector, achieved more than 35% growth in 2013 and steadily forges ahead toward its goal to rank among the top ten banks by 2018.

Kuveyt Türk closed 2013 with TL 300.3 million in profits. Total assets grew 37% to reach TL 25.9 billion, shareholders' equity increased 37% to TL 2.3 billion; total collected funds stood at TL 17 billion, corresponding to an increase of 34%. Additionally, the Bank extended a total of TL 16.6 billion in funds, amounting to a 32% increase.

As a result, the Islamic International Rating Agency (IIRA) upgraded Kuveyt Türk's short-term national rating from "A+" to "AA-" and its long-term national rating from "A-1" to "A-1+".

Kuveyt Türk owes these achievements to its pioneering product innovations that creates added value for the industry and society. In this context, we introduced many innovations to our customers in 2013. The most outstanding innovation of all was our sukuk issuance, the largest-ever TL-denominated issuance in Turkey.

Kuveyt Türk's issuance, worth TL 100 million with a 364 day maturity, drew very strong demand from investors, as high as TL 216 million. Kuveyt Türk raised the value of the issue to TL 150 million, practicing its right to sell additional shares. With this TL denominated lease certificate issuance, Kuveyt Türk gained access to a new funding source in capital markets and was able to offer investors an alternative investment instrument that generates steady income.

Another important development in this period, was that participation banks began borrowing from the Central Bank after the Treasury's TL-denominated lease certificate issuance. Private pension companies can also purchase this product to add to their portfolios; they have been able to diversify their product portfolios and complete the integration.



Our efforts to establish a private pension company in partnership with Albaraka Türk continue in full force. This initiative will be the first of its kind in the sector and will provide a significant opportunity for those who wish to make long-term investments. We believe that we will contribute to the Turkish economy, in where the ratio of national savings to national income is low.

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 is expanding its client portfolio consistently. It has introduced groundbreaking practices to the banking industry with its ability to develop high quality products.

Our unmanned digital branches allow comprehensive execution of banking transactions on a self-serve basis; Seyyah Kart (Pilgrim Card) for financing Hajj and Umrah trips and the unrivalled İhtiyaç Kart (Needs Card) are some of the innovative and pioneering products and services we developed in 2013.

Kuveyt Türk ranks among the top three banks with the highest volume of gold transactions on Istanbul Gold Exchange. Our Bank undertakes a variety of operations related to gold, including importing, exporting, refining services, contracts with international gold refiners and carries out gold banking operations in Dubai. As a result of these intensive efforts, Kuveyt Türk undertook the first gold swap through Takasbank.

Considering that economic growth will come from exports in 2013 and with a strong belief that it will not have a negative impact on the current account deficit, we continue to develop financial products tailored to export operations. To that end, we launched the Fixed-Term Export Financing, the first and only product of its kind in the interest-free banking sector.

Additionally, we undertake efforts in collaboration with the Participation Banks Association of Turkey to enable participation banks to access Eximbank loans. Our goal is to enable the customers of participation banks to access Eximbank loan facilities directly.

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 under the "As a Matter of Fact" concept.

In 2014 we will celebrate our 25th anniversary and will continue to launch groundbreaking products and services, including the launch of sukuk issues denominated in Malaysian ringgit or US dollars. These are new products that will further expand our business with SMEs and particularly products tailored to young people and women. We strongly believe that these new products will move us one step closer to achieving our goal of reaching an asset size of TL 80 billion by the year 2018.

I firmly believe that our accomplishments will continue and grow even greater, in 2014, thanks to our strong organizational structure. I would like to express my sincerest gratitude to our main shareholder, Kuwait Finance House, as well as all of our shareholders, customers and colleagues.

Respectfully yours,

**UFUK UYAN**  
CEO







## **New pursuits**

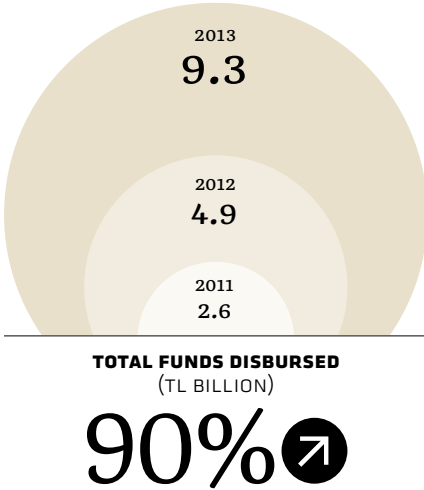
Starting from the second half of the 16th century, the techniques that had been used until that time were abandoned. The mihrab wall inside Istanbul's Süleymaniye Mosque (1550-57) features tiles that clearly display the new artistic style with naturalistic motifs such as blooming branches, tulips and carnations and particularly the use of the color red for the first time.

*The inscribed medallions on both sides of the mihrab are the work of Karahisari, the greatest calligrapher of the time and his pupil Hasan Çelebi.*

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## REVIEW OF OPERATIONS IN 2013

Introducing clients to **new products in 2013, such as Fixed-Term Export Financing and Sell and Re-lease**, Kuveyt Türk continued to contribute to the Turkish economy.



### COMMERCIAL BANKING GROUP

Acting as a business partner with its clients, the Commercial Banking Group continued to offer high quality services and reached its 2013 financial targets, closing the year successfully and forging ahead toward 2018 targets.

In 2013, the Commercial Banking Group expanded its client portfolio by 10% to 40,000 clients; collected funds increased to TL 4.7 billion; a total of TL 9.3 billion in funds was extended to clients.

With its innovative solutions, Kuveyt Türk always achieves firsts in the industry. To that end, the Bank launched the Fixed-Term Export Financing service in 2013, enabling clients to collect their export receivables at the time of loading without waiting for the settlement date on their export letters of credit.

In terms of leasing transactions, commercial banking portfolio doubled in size in 2013. Following the amendments to the Financial Leasing Law, the Bank added 'Sell and Re-rent' transactions to its product portfolio. This new financing product was made available to many of its clients.

Always aiming to achieve high levels of customer satisfaction through the Relationship Banking approach, in 2013 Kuveyt Türk launched a customer efficiency program, which calculates net expense and income of the Bank's products and services, thus offering them the most effective solution.

As a result of the improvements made to portfolio management and customer relationship management systems, customer transaction records were rearranged; further improvements were made regarding special deals and campaigns.

In 2014, the Commercial Banking Group will continue to offer innovative products and services to meet customer financing needs. It will maintain its steady growth in accordance with Kuveyt Türk's vision to rank among the top ten banks by 2018.

In the coming period, Kuveyt Türk will launch Easy Credit services that do not require customers to actually visit the Bank's branches. The values and attitudes segmentation project, which aims to identify customer needs and devise the most appropriate solutions, will also be completed in 2014.

The top priorities of the Commercial Banking Group are to expand the leasing business through collective agreements with machine manufacturers, carry out projects in collaboration with chambers of commerce and organized industrial zones and to expand project financing by focusing on renewable energy and energy efficiency projects.

## 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.

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 during this process. 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 for which the loan will be used.

In 2013, the Corporate and Commercial Credits Departments meticulously examined the financial position of companies requesting loans; it evaluated and finalized a total of 18,347 loan applications.

As of year-end 2013, Kuveyt Türk had evaluated 3,398 new loan requests and disbursed US\$ 6.4 billion in loans.

Thanks to its sound loan appraisal processes, Kuveyt Türk has one of the highest international ratings among all financial institutions in Turkey. In 2013, the Bank underwent organizational changes in order to further strengthen its structure.

Within the scope of these efforts, Corporate and Commercial Credits 1 and Corporate and Commercial Credits 2 Departments were restructured as Corporate Credits, Commercial Credits 1 and Commercial Credits 2. Also, the responsibilities and authority vested in regional offices and branch managers were revised.

2013 was not only the year of restructuring the Corporate and Commercial Credits Departments, but it was also a period of launching innovative and pioneering practices. Some of these new practices are as follows:

- Loan assessment scorecards were prepared and the corporate rating model was launched to measure client credit worthiness.
- In the preparation of financial analysis reports, company year-end and interim financial results are now uploaded into the system automatically rather than manually.
- Changes in the Trade Registry Gazette can be searched through the system; the system sends automated emails to the branches regarding any changes in a given month.
- Within the scope of the branch classification model, assets and sales were integrated into the segmentation model to redefine branch authority to extend credit limits.
- The Credit Registry Bureau's (KKB) online credit report inquiry model was implemented.
- With the integration of the Risk Center Index, risk checks can now be performed for all companies applying for loans, whether they are the Bank's clients or not.
- The Credit Registry Bureau's (KKB) personal inquiry screen was redesigned.
- The Dip-Bip Committee reports are now written on the relevant screen.
- Credit allocation process was integrated into the BOA system.
- Check clearing processes and collateral checks can now be monitored under the credit module of the management information system.

## LOANS DISBURSED IN 2013

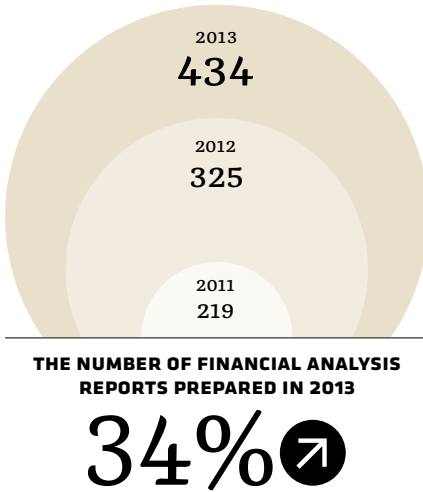
# 6.4

## TL BILLION

**As of year-end 2013, Kuveyt Türk had evaluated 3,398 new loan requests and disbursed US\$ 6.4 billion in loans.**

→ REVIEW OF OPERATIONS IN 2013

Kuveyt Türk plans to further contribute to exports by **developing new export credit products, a segment that is new to the participation banking industry.**



#### Corporate Credits and Commercial Credits Departments

The Corporate Credits and Commercial Credits Departments plan to continue efforts to boost operational quality in 2014. 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.

Among the objectives set for 2014 are the establishment of a business strategy management system to increase efficiency and set the standards for credit decision-making through the automation of credit granting processes in retail loans, credit cards, SME loans, improving committee information screens in terms of visual appearance and content, carrying out all financial intelligence and performance inquiries collectively through the system while conducting loan assessments, creating Dip Committee information screens, reporting industry averages of financial data on the basis of customers' sectors, redesigning the corporate KKB (Credit Registry Bureau) screen and other system revisions such as the approval of credit decisions with electronic signatures.

#### Financial Analysis and Intelligence Department

The function of the Financial Analysis and Intelligence Department is to draft credit appraisal reports for companies applying for loans as the basis for the final determinations of the credit committees. It develops these reports according to various criteria such as company operations, characteristics, capacity, liquidity, financial position and profitability, as well as available intelligence and other market information. Within this scope, the Department completed 434 Financial Analysis Reports in 2013.

In order to ensure that the Financial Analysis and Intelligence Department and branches carry out firm assessments efficiently, 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 390 employees from marketing and other business departments in 2013.

### 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 268 branches, 47 of which were inaugurated in 2013 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 gained 350,000 new participation fund customers in 2013 and increased its active customers by 62%. The number of the Bank's active individual customers rose to 800,000; active customers in the small business banking segment numbered 100,000.

In 2013, Kuveyt Türk raised TL 2.6 billion in new funds from customers in retail and small business banking segments, thus increasing its total fund volume by 29.6% over the previous year. Among participation banks, Kuveyt Türk's market share in fund volume stood at 29.1%.

In 2013, Kuveyt Türk extended approximately US\$ 850 million in consumer loans, of which approximately US\$ 775 million was extended for real estate financing, US\$ 65 million for vehicle financing and US\$ 15 million for financing the needs of individual customers.

Regarding ongoing construction projects, Kuveyt Türk carried out project financing studies for 554 companies in accordance with 652 committee resolutions. As a result, the Bank signed financing agreements with 295 ongoing construction projects and allocated US\$ 275 million to finance 3,800 housing units.

	Funds Extended (US\$) Amount	
Total Customers	855,000,000	21,800
Real Estate	500,000,000	13,200
DIP-BIP	275,000,000	3,800
Vehicle Financing	65,000,000	3,900
Other Customers	15,000,000	900

In 2013, Kuveyt Türk reached its targets for credit card sales and revenue growth, achieving a 43.47% increase in the number of credit cards and 24% growth in revenue over the previous year. Revenue from POS devices increased 36.75% over 2012 figures.

Additionally in 2013, the number of ATM transactions increased 30.65% over the previous year. Kuveyt Türk had 320 ATMs in 2013; the transaction volume through the ATM channel exceeded TL 3 billion, while the number of ATM transactions surpassed TL 5 million. In 2013, a monthly average of 2,000 grams of gold was sold through ATMs.

In 2013, the number of automatic bill payments made through the Bank increased 30.47%, while the number of active customers using online and telephone banking services grew by 42.81%. The number of Kuveyt Türk Internet Branch users reached 198,000 and the number of Mobile Branch users exceeded 23,000.

Kuveyt Türk's precious metals accounts rose by 21% and the number of customers increased by 32% over year-end 2012. The Bank's market share of these accounts climbed to 10.5% of the entire banking industry and to 48.5% among participation banks.

In 2013, Kuveyt Türk organized 2,000 gold days and recovered 2.2 tons of gold previously 'stored under-the-mattress,' putting it back into the economy. In an effort to diversify its gold banking products and services, the Bank launched the Gold Savings Account in 2013 for customers who wish to make regular gold savings.

Neova Sigorta abides by the principles of "tekâful" or interest-free insurance, in all of its operations and contracts across its business lines; it is the only insurance company to provide such a service in Turkey. Kuveyt Türk has been cooperating with Neova Sigorta since 2010 and strengthened this relationship further in 2013.

Focused on meeting all 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 its robust collateral structure and alternative product packages of Neova Sigorta. In 2013, Neova Sigorta raised insurance premiums worth approximately TL 45 million via Kuveyt Türk and generated TL 5.2 million in commission fees.

### NEW FUNDS ACQUIRED IN 2013

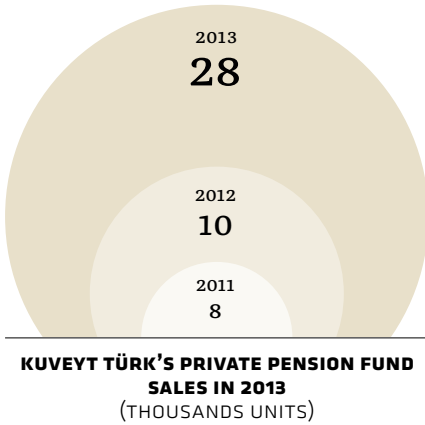
# 2.8

## TL BILLION

**In 2013, Kuveyt Türk raised TL 2.8 billion in new funds from customers, increasing its total fund volume by 28% over the previous year.**

→ REVIEW OF OPERATIONS IN 2013

In 2013, Kuveyt Türk **expanded the number of branches and alternative distribution channels** to offer its innovative products and services to a much larger clientele.



**180%** ↗

Since February 2011, Kuveyt Türk offers customers Private Pension System (BES) plans, known as the Robust Pension System (SES), featuring funds that comply with the interest-free pension system, such as sukuk, equities, participation accounts and gold and silver funds.

Some new developments introduced to the Private Pension System (BES) in 2013 to benefit customers, including a 25% state subsidy, right of withdrawal and withholding tax, helped increase sales.

Kuveyt Türk sold 18,000 BES pension plans in 2013 and has reached a total of 28,000 plans since February 2011, when it began to promote BES. The total volume of BES funds reached TL 70 million and commission fees rose to TL 620,000.

Kuveyt Türk continues to support small-scale enterprises that are gaining increased prominence within the Turkish economy. In this context, the Bank has developed special products and services tailored to small businesses, such as "Sell and Re-Rent," Bill Financing and Precious Metals Support. Additionally, Kuveyt Türk began to finance investment projects incentivized by the Turkish Ministry of Economy. It has also ventured into Agricultural Banking.

Kuveyt Türk provides small business owners not only credit support, but also consultancy for banking and finance. To that end, the Bank organizes financial consultancy symposiums under the concept "Robust Financial Decisions" for small business owners. At symposiums, organized in 2013 in the provinces of Izmir, Samsun, Trabzon, Elazığ, Adana, Antalya, Konya, Bursa, Kayseri, Gaziantep, Izmit, Düzce, Mersin, Denizli, Isparta and Afyon, Kuveyt Türk shared research findings obtained from 55,000 small-scale enterprises within the Bank's customer portfolio with existing and potential customers. The objective of these events is to provide useful information on investments, profitability, financial precautions and debt and cash management to customers.

In 2013, the Bank continued efforts to establish an Internet branch tailored to small-scale enterprises. Through this branch, customers will be able to submit and follow up on their applications and make check, bond and POS transactions without having to visit the branches.

### PRIVATE BANKING GROUP

The Private Banking Group was established in 2013 to serve upper income customers, in accordance with the Bank's strategic business plan. The Group is positioned under the Personal Sector and consists of two departments; Private Banking and Asset Management. These departments will serve customers in accordance with Kuveyt Türk's mission and vision and their objective is to manage and expand the portfolios of real persons, civil society organizations (CSOs), foundations and associations.

**Private Banking Department** will be managing the existing private banking portfolios and creating new portfolios, and will work under the retail banking sales teams at the Bank's branches. In addition to collecting funds from private banking customers, the Group aims to inform customers about alternative investment instruments, such as sukuk and manage their investments in accordance with solid banking principles adopted by Kuveyt Türk.

**Asset Management Department** will be offering financing to foreign investors, who plan to make real estate investments in Turkey, by utilizing Kuveyt Türk's knowhow in this specific area. The Department aims to increase the Bank's share of the housing finance market, primarily in prestigious projects that appeal to upper income customers.

### Product Development

In 2013, Kuveyt Türk expanded its branches and alternative distribution channels to offer innovative new products and services to a much larger clientele. The main products and services offered to Bank clients in 2013 in the retail and small business segments are as follows:

#### CRM

In 2013, the Bank mainly concentrated on analytical studies and renewed the CRM infrastructure. New user-friendly screens compatible and integrated with the Bank's infrastructure and other systems have been created. In the first stage, new systems that enable flexible campaign management were developed to improve campaign efficiency; campaigns were supported through analytical studies, yielding positive results.

### FUND COLLECTION

Within the scope of accounting integration, wire transfers, EFTs, salary payments and account statements have been integrated through Mikro and Luca accounting systems. In the gold banking segment, Kuveyt Türk began selling 1.5 gram gold bars at its branches. Additionally, the Bank launched two new deposit products; a Special Participation Account and more than one-year Fixed Term Participation Account. In 2013, the Bank started Turkish lira transfers via Moneygram.

### FUND ALLOCATION

**Sell and Rent Back:** As per the new Financial Leasing Law, Sell and Rent Back transactions became legal in Turkey. Sell and Rent Back is a transaction involving the sale of an owner's (real persons or legal entities) property to the Bank and then renting it back from Bank.

**Urban Transformation:** As per the Law on Urban Transformation enacted in 2012, owners, who have real properties that pose risks, either by structure or location, may transform their properties through financing or acquire a new property through state subsidized housing programs. Kuveyt Türk signed a protocol with the Turkish Ministry of Environment and Urban Planning to provide state subsidized housing finance to its customers, in this context.

**Precious Metals Support:** The Bank began to undertake Precious Metals Support transactions to provide low-cost funds to companies that deal with gold and silver.

**2B Financing:** Purchasing of lands that fall under the category of 2B by right holders became legal in 2012 and Kuveyt Türk undertook the first sales transaction in June 2013.

### Financing of Electricity, Water, Natural Gas and Telecommunication Bills:

With this product, Kuveyt Türk provides funds to companies' to finance their monthly utility bills, such as electricity, water, natural Gas and telecommunications, in accordance with the principles of interest-free banking.

KUVEYT  
TÜRK'S  
TRANSACTION  
VOLUME THROUGH THE  
ATM CHANNEL IN 2013

3

TL BILLION

Kuveyt Türk had 320 ATMs in 2013; transaction volume through the ATM channel exceeded TL 3 billion, while the number of ATM transactions surpassed 5 million.



→ REVIEW OF OPERATIONS IN 2013

To date, participation accounts could have maturity terms of up to one-year, but Kuveyt Türk extended the maturity period to over one year, **enabling customers to gain higher profit sharing income.**

THE NUMBER OF NEW  
CUSTOMERS GAINED  
THROUGH XTM'S  
**1,000**

In 2013, Kuveyt Türk gained an estimated 1,000 new customers and about TL 1 million in deposits through XTMs.

**Agricultural Banking:** Kuveyt Türk ventured into agricultural banking to gain a market share from the growing agricultural industry and to offer better service to customers engaged in agriculture. In this segment, the Bank aims to provide producers with the funds to finance products they may need until harvest time and/or investments to expand their business. As of October, pilot implementation began in Western Anatolia, which has a high market share in agricultural industry.

**Dealer Application System:** The Bank began to accept loan applications through automobile dealers and real estate agents as well as universities, other educational institutions and travel agencies from which customers purchase goods and services.

**Ministry of Economy Transactions:** The Turkish Ministry of Economy grants investment incentive certificates to subsidize companies' investments in the 3rd, 4th, 5th and 6th Districts or to support strategic and R&D investments. In order to take advantage of this offer, Kuveyt Türk signed a protocol with the Ministry of Economy to support its customers who have been granted Investment Incentives and subsidies.

**Redemption Campaign:** The Bank carried out a redemption campaign to accelerate contributory and blocked financing transactions and offer customers more proactive solutions.

**DC&DL:** The Bank undertook a transformation project in its Direct Collection and Direct Lending System to offer better service to main customers and their subdealers. By improving the infrastructure of the DC&DL product, the Bank offered convenience to subdealers making their payments while providing payment guarantee to main companies.

#### **Credit Cards/Debit Cards**

**Seyyah Kart (Pilgrim Card)** is a credit card tailored to Hajj and Umrah trips. Kuveyt Türk customers can use this card for up to 50% of the limit while in Saudi Arabia. Further, Seyyah Kart offers installment payments of up to 12 months at all POSs, both in Turkey and abroad.

**Card Printing at the Branches:** The pilot implementation of this system began in 2012 and in 2013 it expanded to all branches. With this system, ATM cards and İhtiyaç Cards can be immediately printed at the branches and delivered to customers. In 2014, Sale Plus cards will also be printed in this manner.

**Fast Pass System:** The General Directorate of Highways launched the Fast Pass System in early 2013 and Kuveyt Türk was one of the few banks to adapt to this system.

**BKM Express:** BKM Express is a new system implemented by the Interbank Card Center (BKM). Once card users sign up for the system, they can shop from member merchants by entering their user names and passwords without having to share any card information.

**BKM Express Mobile:** BKM Express Mobile is a new application that allows users to perform BKM Express transactions on their mobile phones. This service is now available to Kuveyt Türk customers simultaneously with BKM.

**Application Evaluation System - BOA integration:** This credit card application system was integrated into Kuveyt Türk's systems, enabling scoring, automatic allocation and higher efficiency.

**Tohum (Seed) Card:** Launched to meet daily needs and carry out banking transactions of agricultural enterprises and customers engaged in farming, Tohum Card is synchronized with production and collection times; it offers customers installment payments of up to 12 months.

**EMV ATM Card:** An EMV system was set up to improve security in ATM card transactions and to stimulate customer shopping. The Bank plans to offer these opportunities to customers in the coming period.

**Campaign Management System:** The Bank developed and began pilot testing of a campaign management system to be able to carry out campaigns unaffiliated with POS devices and devise special campaigns tailored to individual customer segments.

## POS

**Foreign Exchange POS:** Foreign Exchange POS enables foreign tourists and merchants visiting Turkey to carry out their transactions in US dollars and in euros, instead of Turkish lira. With this system aimed at increasing customer satisfaction, foreign cardholders can perform their transactions in foreign currency while shopping at member merchants.

**Virtual POS:** The Virtual POS, aimed at increasing the share from the growing e-commerce market and offering better service to customers, was developed and commissioned by Kuveyt Türk's own resources. This service provides customers with a cost-free platform, thus further improves customer satisfaction.

**Cash Register POS:** Pursuant to the communiqué issued by the Turkish Ministry of Finance, the use of new-generation mobile cash register POS devices became mandatory for merchants as of October 1, 2013. Kuveyt Türk made this system available to its customers in time.

## ALTERNATIVE DISTRIBUTION CHANNELS

**Website:** Kuveyt Türk's user-friendly corporate website provides customers with detailed information on the Bank's products and services, as well as up-to-date financial data including financial reports, in both Turkish and English. Additionally, the website allows customers to open bank accounts and file loans, private pension (BES) and insurance applications. The website also functions as an entry point to Kuveyt Türk's Internet Branch.

**Internet Branch:** Kuveyt Türk's renewed Internet Branch enables customers to make money transfers free of charge and offers a fulfilling experience with its speed, convenience and visual appeal as well as new features such as smart transaction, recipient identification, location based weather information and profile set up.

**Unmanned Branch (XTM):** Kuveyt Türk has successfully completed the first phase of the unmanned branch project that will allow the comprehensive execution of banking transactions on a self-serve basis, via an XTM customer representative. On May 22, 2013, the first outdoor branch started operations in Çavuşbaşı. As of year-end 2013, a total of 17 XTMs were in service. All XTM banking transactions are performed by trained Call Center representatives via video calls. Transactions that require contracts can be made with forms available at the XTM cabin or printed out from the XTM device. Over 50 stakeholders from inside and outside the Bank participated in the XTM project. Further, a separate XTM Management Center was established to enable XTM customer representatives to answer calls via video. The software and hardware to be utilized were customized for this Center and authorized personnel received training. In 2013, the Bank gained an estimated 1,000 new customers and about TL 1 million in deposits through XTMs.

**1.5 Gram Gold Bars via ATMs:** As an alternative to 1 gram gold bars and quarter gold coins, Kuveyt Türk began selling 1.5 gram gold bars via its ATMs in June 2013. The average monthly sales amounted to about 750 bars.

**Mobile Banking for Windows Phone 8:** The rise of Windows 8 and Windows Phone 8 were important developments for the industry in 2013. Kuveyt Türk's mobile app is available for almost all platforms; the Bank was one of the first banks to make its services available on the Windows platform.

→ REVIEW OF OPERATIONS IN 2013

In 2014, Kuveyt Türk aims to extend TL 1.9 billion in loans, thus **reaching TL 3.8 billion in total loans** extended in the business-banking segment.

The  
Number of  
Customers Opening  
Special Participation  
Accounts  
**520**

Kuveyt Türk collected TL 258 million and EUR 38 million through special participation accounts opened for a total of 520 customers.

#### Windows 8 Application:

This application was developed for Windows 8 tablets and computers. Customers can view exchange rates, metals quotes and loan rates and also access information about all products as well as financial transactions. Kuveyt Türk was among the first banks available on the Windows Store.

#### Mobile Branch Share Certificate Menu:

This menu, which enables customers to buy and sell share certificates, monitor and improve their orders, was added to the mobile banking app launched in 2011.

#### 2018 Target

Kuveyt Türk continued efforts to increase customers and devise customer strategy to bring it closer to its 2018 targets. To that end, the Bank completed value and behavior segmentation projects for individual customers and cross-selling models. The results of these analyses are utilized in campaigns as more effective marketing activities. The Bank has initiated the development of sales strategies tailored to different segments. In 2014, Kuveyt Türk aims to achieve the following, in accordance with its 2018 targets:

#### Participation Funds

In 2014, Kuveyt Türk aims to collect TL 3 billion in funds in the retail banking segment and TL 650 million in business banking segment. The Bank will also increase the number of automatic bill payments to 260,000, up from 200,000.

#### Fund Allocation

In 2014, Kuveyt Türk aims to extend TL 1.9 billion in loans, thus reaching TL 3.8 billion in total loans extended in the business-banking segment.

#### Credit Cards

Kuveyt Türk plans to sell 100,000 Sale Plus credit cards, 12,000 İhtiyaç Cards and 6,000 Business Cards in 2014.

#### Alternative Distribution Channels

In 2014, Kuveyt Türk plans to reach 210,000 active Internet Branch users and increase the number of its ATMs to 400 from 320. It will increase the number of active Mobile Branch users to 60,000 from 17,000.

**STRATEGY**

The Strategy Planning and Corporate Performance Management Department, Strategic Program Management Office, Quality and Organizational Development Department, and Corporate Communications Department operate under the Strategy Group, formed in the last quarter of 2012.

Business plans from departments operating under the Strategy Group outline the Bank's strategic priorities, identifying and managing the necessary steps to achieve these plans, shaping the Bank's process/organization structure and quality management system in accordance with the strategic plan and priorities and managing the relationship between internal and external factors in parallel with the Bank's strategic goals.

To that end, strategic plans have been devised and a roadmap laid out within the framework of the Bank's mission and vision; strategic goals are identified according to the roadmap and together with the relevant business departments. The Bank's annual budget is prepared by taking the strategic goals into account; priority is given to projects that will lead to the achievement of these goals. These projects are managed and their outcome is monitored.

Performance targets of these departments are set by taking into consideration the strategic roadmap, projects and priorities; performance metrics and Key Performance Indicators (KPI) are used as management tools to ensure that the Bank operates according to strategic priorities. Other duties of the Strategy Group include quality management efforts along with defining, managing and revising the standards, policies/procedures and the organizational structure in accordance with the Bank's strategic goals and priorities.

The Corporate Communications Department operating under the Strategy Group works to create a unified perception among internal stakeholders with regard to the Bank's strategic goals and priorities, promote new products and services and increase "brand awareness" among the main strategic goals.

In 2013, the Strategy Group identified the Bank's strategic goals and priorities for the year 2014. These include maintaining domestic and overseas growth, expanding in alternative distribution channels, such as

mobile and Internet, as well as in physical channels, achieving operational efficiency through cost optimization.

In 2014, the Bank will also focus on updating segment structures and segmentation-based sales/marketing models used at its branches to respond to customers needs in different segments with the right products and through the right channels. Additionally, the Bank will finalize the establishment of the Private Pension Company and offer its customers the most efficient service in this area as well.

**Strategic Projects and Program Management Department**

The Strategic Projects and Program Management Department was established at the end of 2012 to carry out projects to enable the Bank to reach its strategic goals. The main responsibilities of the Department include: management of strategic projects that involve the entire Bank, management of projects related to a specific sector or group in accordance with strategic goals and the establishment of the project management framework.

In January 2013, the Department created the strategic roadmap for the year and began to monitor projects through the project portfolio management tool. A total of 40 projects were identified and as of December 2013, 23 projects had been completed; project completion rate exceeded 75%. Some of the completed projects are as follows:

- **Export Financing:** The Bank provided financing to export companies that carry out credit sales. The project commenced in June and was completed in October.
- **Istanbul Gold Exchange:** The only intermediary bank for buy/sell transactions performed on the Istanbul Gold Exchange, Kuveyt Türk completed the establishment of the relevant infrastructure in March.
- **Sukuk Issuance,** involves the issuance of lease certificates worth TL 150 million. The process began in May and was completed in November.

**PROFIT SHARING  
INCOME****1,440****TL MILLION**

As of year-end 2013, Kuveyt Türk's Profit Sharing Income rose to TL 1.4 billion.

**CREDITS****16,233**

As of year-end 2013, Kuveyt Türk's Credits amounted to TL 16.2 billion.

→ REVIEW OF OPERATIONS IN 2013

# According to the results of the Turkish Customer Satisfaction Index survey, **Kuveyt Türk** scored 81 points and ranked first in retail banking services.

**THE NUMBER OF  
PROCESS  
DEVELOPMENT PROJECTS**

# 37

**Gold Trading Volume with KFH**  
In 2013, 37 process development projects were carried out to increase customer satisfaction, service quality and efficiency in accordance with strategic priorities; a total of 554 process controls were undertaken.

15 projects described within the roadmap are currently underway. Some of these projects include:

- **Establishment of Kuveyt Türk-subsidary Bank in Germany:** With the establishment of the Bank, Kuveyt Türk will be the first bank to introduce Islamic financial products to the German market. This initiative will serve as a EU passport for Kuveyt Türk and pave the way for expansion into other European countries. The Bank plans to complete this project in August 2014.
- **Establishment of a Private Pension Company:** The Bank is in the process of establishing a Private Pension Company in collaboration with Albaraka Türk. The Company is expected to start operations at the end of March 2014.
- **Development of a Sales-Service Model:** This project includes value-based customer segmentation efforts and the revision of branch business models in accordance with the identified customer segments. The pilot study is expected to commence in February 2014.
- **Customer Segmentation in Retail and Business Banking:** Within the scope of this project, which will serve as the basis for the sales-service model, the Bank completed the customer segmentation based on values and attitudes in the retail and business banking segments. Segmentation studies related to commercial banking customers and churn analyses for small businesses and individual customers are currently underway.

## **Quality and Organizational Development Department**

The Quality and Organizational Development Department, operating under the Strategy Group, is responsible for updating banking processes, developing business procedures and processes related to new products and services, conducting customer surveys, implementing projects to improve service quality, carrying out improvement projects to increase customer satisfaction, undertaking organizational development and document management efforts, managing the internal and external suggestion systems as well as authorization mechanisms.

The research and surveys conducted in 2013 show that the Department has reached its targets for service quality and customer satisfaction.

According to the results of the Turkish Customer Satisfaction Index survey conducted to measure customer satisfaction and service quality, Kuveyt Türk scored 81 points; it ranked first in retail banking services, while other banks scored approximately 70 points.

The Department started to conduct a detailed internal customer satisfaction survey that involves mutual evaluations in areas such as business in general, communications, overall satisfaction, cooperation and conflicts; the 85% participation shows the level of confidence Bank employees have in this survey.

Even though the Bank commissioned a different company to conduct the secret customer survey in 2013, it once again achieved success and scored 95.5 points. Kuveyt Türk ranked first when compared to nine large banks.

The Quality and Organizational Development Department has functions such as Process Development, Customer Service Quality Improvement, Organizational Development and Quality Improvement. In 2013, the Department undertook the following:

- The Bank successfully passed the renewal audit for the ISO 10002 Customer Complaints Management System certification.
- With the purpose of improving service quality steadily, the Bank began to measure customer satisfaction with transaction-based surveys in addition to NPS surveys.
- The Crystal Palm event was organized for the first time with the participation of senior managers; the employees related their experiences with Kuveyt Türk's principles of service culture and values at the event.
- The Customer Services Committee convened four times in 2013. At these meetings, customer complaints were reviewed and decisions made to improve service quality and increase customer satisfaction.
- In 2013, the Department carried out 37 process development projects to increase customer satisfaction, service quality and efficiency in accordance with strategic priorities; it has undertaken a total of 554 process controls.
- As part of its organizational functions, the Department initiated efforts to resolve the issue of unclaimed tasks that cause controversy within the Bank and made eight organizational changes such as transferring monitoring and managing bank insurances from the Administrative Services and Purchasing Department to OPM-Insurance Department.

- Organizational structures of departments were reviewed and Middle Office (Treasury Control) Functions were restructured under the Financial Control Department to render treasury transactions more efficient. Additionally, it was decided to assign incentivized transactions to the OPM-Credit Operations Department.
- The Department continued efforts to complete the lacking job descriptions for various positions within the Bank and created job descriptions for newly established departments.
- An online competition entitled "Share with us applications that bring mobile services to your phone" was launched on [saglamfikir.com.tr](http://saglamfikir.com.tr). One of the proposals was delivered to the Bank's Product Development Team as a project. The entrant submitting this proposal was awarded 50 grams of gold.
- The Bank initiated efforts to improve the efficiency of its document management system and subsequently decided to continue with the ISOFT system, of which the license is still valid. Therefore, a new maintenance agreement was signed and the system setup is currently underway.
- Within the scope of authority overviews, responsibilities and authorities that are deemed incompatible with job descriptions were reviewed and revised in accordance with job descriptions.

As of 2014, a Strategy Deputy General Manager was elected as a Customer Relations Coordination Officer as per the Banking Regulation and Supervision Agency (BRSA) communiqué. The Quality and Organizational Development Department carries out the duties identified within the scope of this election. These duties include assessing the suitability of products, processes and services for customers, preparing annual reports and taking measures against the findings that are identified by Internal Control and Audit Departments.

Following completion of the Customer Segmentation Project in 2014, the Bank will undertake revisions and publicity activities to maintain the successful results achieved in the measurement of services, culture and values.

### **Strategy Planning and Corporate Performance Management Department**

The main duties and responsibilities of the Department include devising short and long term strategies and policies within the framework of Kuveyt Türk's strategies, policies and annual business plans, as per the instructions of the Board of Directors and Senior Management and setting goals accordingly.

The Strategy Planning and Corporate Performance Management Department develops performance criteria for strategy-related areas, collects, analyzes and interprets data and information about service improvement and performance. Other duties include reviewing external factors that have an impact on services, conducting internal capacity surveys analyzing service effectiveness and satisfaction levels and carrying out relevant research, drawing up the Bank's budget – including the budget forecasts for the following years – in accordance with the strategic plan and the annual performance plan and overseeing and evaluating the compliance of the Bank's operations with these plans.

The Department shared all activities with the relevant departments and the Senior Management during 2013. It will ensure that the necessary analyses and evaluations are conducted in 2014 as well. The Department will revise the strategic plan in 2014 and adjust the performance metrics according to the revised plan. As part of its business development responsibilities that are inherent in Strategy Planning Function, the Department plans to investigate and analyze new lines of business that could help the Bank reach its strategic goals, evaluate new investment opportunities and carry out economic research activities.

The development of Turkuaz, a Corporate Performance Management program, continued in 2013; the percentage of automated KPIs was increased. Additionally, the segmentation of target resources, data verifications and KPI revisions in line with strategic priorities also continued in 2013 and will continue during 2014.

→ REVIEW OF OPERATIONS IN 2013

## In February 2013, Kuveyt Türk received authorization for **clearing transactions on the Istanbul Gold Exchange.**

### GOLD TRADING

#### VOLUME

# 6.2

### US\$ MILLION

**After signing a gold trading agreement with Kuwait Finance House (KFH), Kuveyt Türk provided KFH with technical knowhow for gold banking as a turn-key project; to date, gold trading volume has reached US\$ 6.2 million.**

#### CORPORATE AND INTERNATIONAL BANKING

The Corporate and International Banking Group, made up of Corporate Marketing, International Banking, the Treasury Group, Investment Banking, Performance and Product Management as well as Overseas Branches and Subsidiaries, strives to sharpen the Bank's domestic competitive edge, offer customers a wider array of high quality products and services is progressing toward regional structuring in line with Kuveyt Türk's strategic targets. In 2013, the Group contributed to the Bank's growth and profitability.

#### Treasury Group Department

In charge of the management of the Bank's liquidity and market risks, the Treasury Department continued to manage risks and pursue a profitability-oriented approach in 2013.

Thanks to its sound capital structure and high level of liquidity, Kuveyt Türk extended funds to a large number of banks in the interbank market. 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 US dollars and Turkish lira-denominated lease certificates issued by the Undersecretariat of the Treasury, the Bank increased the weight of securities in its total assets up to 5%. The Bank issued lease certificates in Turkish lira in 2013 and plans to repeat this during 2014. Additionally, Kuveyt Türk began carrying out reverse repurchase transactions with the Central Bank. It has reached the final phase in efforts to carry out such transactions with domestic and foreign banks, in addition to the Central Bank.

As Moody's upgraded Turkey's long-term foreign currency credit rating in the second half of 2013, the Treasury became able to decrease the cost of long-term funds. Thanks to the Treasury's effective marketing strategies and competitive pricing policy, the Bank's foreign currency transaction volume soared by 36%.

In February 2013, Kuveyt Türk received authorization for clearing transactions on the Istanbul Gold Exchange. After taking over this duty from its predecessor DenizBank, Kuveyt Türk introduced further innovations in Information Technologies. The Bank continues to fulfill this prestigious duty.



After signing a gold trading agreement with Kuwait Finance House (KFH), Kuveyt Türk provided KFH with technical knowhow in gold banking as a turn-key project. To date, gold trading volume has reached US\$ 6.2 million and the Bank has sold 350 kilograms of gold to KFH.

Kuveyt Türk initiated efforts to set up the system infrastructure regarding sales of Cumhuriyet Gold Coins, the world's best-selling gold bullion coin; the Bank plans to finalize this project in 2014.

The Bank will start commodity trading (iron, copper, zinc, tin, aluminum, lead, nickel, etc.) in 2014 and aims to become the market maker in Turkish lira equivalent foreign currency trading.

### International Banking

The International Banking Department is responsible mainly for establishing, monitoring, managing and improving relationships with domestic and foreign banks (financial institutions) in terms of products and other business areas. Other banks refer to this function as financial institutions, but at Kuveyt Türk it is referred to as International Banking since it covers all relationship management efforts not only of the Bank but also of the international banking industry.

In order to increase the efficiency of the Bank's existing correspondent network, the International Banking Department concentrates efforts on product and service diversification, reciprocity and relationship continuity. Undertaking and managing these efforts together with correspondent banks are crucial for Kuveyt Türk in terms of maintaining a good international reputation.

In addition to improving efficiency, the International Banking Department is also responsible for expanding the existing network. The Department takes into consideration the foreign trade policies of countries and particularly the target regions and countries specified in the Turkish government's medium term plan (MTP). The Department also takes into account the Bank's growth targets, targeted foreign markets as well as advice and suggestions of Credit, Marketing and Risk Management Departments.

In 2013, the International Banking Department made several visits to the Middle East, North Africa and Turkic Republics in order to sustain the Bank's high-level relationships with financial institutions. These visits helped increase the Bank's recognition and reputation and drew attention to foreign trade and borrowing instruments; the outcome of these visits has been reflected in higher trade volumes.

Kuveyt Türk participated for the first time at the SIBOS Exhibition in Dubai organized in September 2013. At this event, the Bank attended face-to-face meetings with over 100 banks and created business opportunities. Kuveyt Türk plans to carry out such activities more frequently in 2014.

### Corporate Sales

Kuveyt Türk decided to establish a Corporate Sales Unit under the International Banking Department to actualize these functions in a more satisfactory manner, while forging ahead toward 2018 targets. Following completion of job descriptions, process definitions and system infrastructures, this Unit will start operations in 2014. Corporate Sales Unit will be responsible for introducing and selling Kuveyt Türk's products and services to other banks as well as expanding the correspondent network for lending products such as club deals, syndicated loans, sukuk and bilateral loans.

### Foreign Trade Marketing

Foreign Trade Marketing is another business unit operating within the International Banking Department. As a result of efforts over the past three years, foreign trade volume soared by 273% and exports rose to US\$ 702 million from US\$ 263 million. A total of 130 branches and 300 customers were visited, training programs were organized at five regional offices. The number of branches that contribute to improving foreign trade continues to increase.

With regard to foreign trade financing, Kuveyt Türk renewed contracts with ITFC and SEP and reached an agreement with ICD, all affiliates of the Islamic Development Bank. The Bank introduced its new finance product specially designed for exporters, provided training and in a period of four months, paid out US\$ 3.715 million through a total of 30 deals. The Bank initiated efforts to develop the software program to make the resources secured from the Gulf Region through its Bahrain Branch available to its customers in foreign currency loans via domestic branches.

In 2014, Kuveyt Türk plans to expand the reach of its foreign trade marketing activities tailored to corporate and commercial customers to include small businesses as well.

### Limit Allocation to Correspondent Banks

The fourth function of the International Banking Department includes allocating, monitoring and overseeing limits to correspondent banks on behalf of Kuveyt Türk.

Placing particular importance on this Unit in 2013, the Bank undertook intensive efforts to for monitoring and reporting limits and risk; limit allocations and/or limit increase demands were integrated into the system. Subsequently, the Counterparty Limit Management (CLM) module was developed and put into service to enable relevant units to monitor all transactions made with financial institutions. In this context, a total of 51 bank reports and 34 country reports were prepared and shared with relevant parties during 2013.

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 sustained its position as an investment-grade bank in 2013 as well.

→ REVIEW OF OPERATIONS IN 2013

# Kuveyt Türk's sukuk issuance, worth TL 150 million, stood out as Turkey's largest lease certificate issuance denominated in Turkish Lira.

## STABLE OPERATIONS

**The Investment Banking Department maintained and expanded its stable operations thanks to its longstanding, fruitful relationships with international financial markets, its experience in various sectors, business lines, transactions and products and its solid technical knowledge.**

### Investment Banking

The Department maintained and expanded stable operations thanks to its longstanding and fruitful relationships with international financial markets, its experience in various sectors, business lines, transactions and products as well as its solid technical knowledge. Having played a role in intermediation and as an advisor in many financing projects in the Gulf Region, Kuveyt Türk has become the bank of choice as a reputable financial institution in the region.

In 2013, Kuveyt Türk continued to work on gaining maturity and price advantage by diversifying its fund sources 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, following two prior sukuk issuances in August 2010 and October 2011, the Bank performed Turkey's first ever lease certificate issuance in 2013 within the framework of Capital Markets Board's Communiqué on Lease Certificates, numbered III-61.1. The issuance, with a nominal value of TL 150 million and 364-day maturity, stood out as Turkey's largest lease certificate issuance denominated in Turkish lira.

The lease certificate issuance, in which Kuveyt Türk participated as resource provider and fund user and KT Kira Sertifikaları Varlık Kiralama A.Ş. as issuer, drew a high demand of TL 216,002,200. While pleasing investors with an annual return of 9.10%, the lease certificate issuance also enabled Kuveyt Türk to collect funds with much lower costs than that of competitors.

In 2013, Kuveyt Türk made a comeback to international syndicated loans market. On December 27, 2013, the Bank obtained a syndicated loan consisting of two separate club murabaha financing facilities with one-year and two-year maturities, and worth US\$ 275 million and EUR 83 million. Despite a rather challenging economic conjuncture with international funding costs rising and Turkey's risk premium increasing, this deal was finalized with a rather successful pricing and remains to be the largest ever international financing structured as club murabaha financing facilities across the entire investment banking industry. The syndicated loan was provided by a group of 12 multinational and regional banks from nine countries. Multinational banks such as Standard Chartered Bank, Citibank N.A., HSBC Amanah Malaysia Berhad and powerful financial institutions including ABC Islamic Bank (E.C.), Abu Dhabi Commercial Bank PJSC, Emirates NBD Capital Limited, Kuwait Finance House (Bahrain) B.S.C.(c) took part in this deal as authorized regulatory bodies.

Targeting to play a key role in the development of an interest-free capital market in Turkey, Kuveyt Türk participates in regulatory efforts carried out by the Participation Banks Association of Turkey (TKBB) regarding lease certificates.

Managing to increase the diversity and volume of its international structured financial products using an innovative approach, the Investment Banking Department continued to gain market share throughout 2013. While continuing to offer products and services classified as capital market transactions, murabaha syndications, club transactions and other structured financing transactions to its customers, the Department also develops 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 renewable energy, alternative energy sources, infrastructure, company acquisitions and mergers and the building of factories and manufacturing facilities. It ultimately performed project finance transactions of considerable quantity and volume.

Kuveyt Türk was among the four banks collaborating in the privatization of Dicle Elektrik Dağıtım, one of Turkey's most important privatization projects in 2013 and thereby undertook its first syndicated project finance in Turkey. The financing of hydroelectric and wind power plants remained a prominent business line in the Investment Banking portfolio during 2013.

Kuveyt Türk plans to secure long-term funds via sukuk issuance and extend more long-term funding for customer investment projects in 2014.

### Corporate Banking

The Corporate Banking Marketing Department provides all types of banking services to corporate customers via corporate branches and in accordance participation banking principles. As of year-end 2013, the Bank had three corporate branches, two in Istanbul and one in Ankara. Working in collaboration with the Investment Banking Department, the Corporate Banking Department offers special solutions to corporate customers in areas that require expertise such as project finance, structured finance and syndications. The Corporate Banking Department and specialized teams at corporate branches strive to meet corporate customer demands for cash and noncash credits as well as other banking products.

The Corporate Banking Department will continue to offer special and fast solutions to corporate customers in 2014.

### Performance and Product Management

The Corporate and International Banking Performance and Product Management Department was established in December 2012 to monitor the performance of corporate branches and overseas branches and /or subsidiaries. It also analyzes business models and requirements, develops new products that will contribute to growth and profitability targets, develops the IT system to meet the needs of these units and improves the current IT system infrastructure in line with the Bank's strategic and financial targets. The products and activities serving these objectives made significant contributions to the Bank's growth and profitability in 2013.

- As a result of the discussions carried out with the Central Bank of the Republic of Turkey on behalf of participation banks, participation banks became able to obtain funds by taking part in Central Bank's OMO transactions. As of July 2013, such transactions were made available to participation banks. Participation banks are now able to obtain funds from the Central Bank in exchange for the lease certificates in their portfolios if and when they have liquidity needs.

- The accounting system infrastructure, which enables the inclusion of sukuks issued by public and private sectors in the Bank's portfolio, was completed and made available for use by the Treasury Group.
- The Department initiated efforts to establish the necessary infrastructure for buying/selling transactions of lease certificates in its portfolio to all customers. Following completion of the infrastructure, the Department will apply for the required CMB license. After obtaining the license on behalf of the Bank, the Department will start offering these services to the branches and customers.
- To increase the volume and profitability of foreign currency and precious metals transactions, the Department completed the system infrastructure required for loans and swaps and made it available to branches.
- All customers became able to buy and sell lease certificates via the Internet Branch for the first time in the participation banking industry.
- In order to closely monitor the compliance of the Department's activities with the Bank's strategy and goals, weekly and monthly reports are prepared on the financial performance of branches, subsidiaries and the units operating under the Department. Findings and suggestions derived from analyses and studies that contribute to the Bank's profitability help the Department in taking effective action.
- Efforts carried out in collaboration with Borsa Istanbul to meet the daily liquidity requirements of participation banks will be completed in 2014; these facilities will be available to participation banks following the establishment of Certified Sales Market.
- The Bank plans to develop various types of lease certificates, share certificates and commodity mutual funds to offer customers alternative investment instruments.

→ REVIEW OF OPERATIONS IN 2013

# Generating data in line with Kuveyt Türk's vision of becoming one of Turkey's top ten banks by 2018, the Financial Affairs Group executes important functions within the Bank's organization.

## ACCURATE ANALYSIS AND INTERPRETATION

**The Financial Affairs Group is responsible for recording, classifying, summarizing, reporting, analyzing and interpreting the Bank's financial transactions.**

### FINANCIAL AFFAIRS

The Financial Affairs Group performs all analytical information management and notification tasks for tracking, 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
- Fulfilling all financial and tax liabilities of the Bank
- Preparing reports in accordance with the Banking Law, Tax Law, Turkish Financial Reporting Standards and domestic and international legislation and regulations
- 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 superior quality service using its reliable technological infrastructure and specialist staff.

### Accounting Department

The Accounting Department is responsible for recording, classifying, summarizing, reporting, analyzing and interpreting the Bank's financial transactions.

The Accounting Department is responsible for the functioning of the Bank's accounting system. These tasks include ensuring that transactions are accurately reflected in the 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 applicable legislation to be based on material facts. Other tasks include the fulfillment of tax payments, other responsibilities, liabilities and overseeing their payment and recording, keeping records of the Bank's expenses and fixed assets, analyzing the budget and changes in expenses, accurate allocation of expenses within the framework of cost management efforts, monitoring limited expenses and the payment and control of all expenses incurred by the Bank.

The Accounting Department generates data to support management decisions. The Department is in charge of all kinds of financial transactions and activities and users of financial statements derive data from the Department's output. The Accounting Department executes important functions within the Bank's organization, including:

- Monitoring the Banking Law, Turkish Accounting Standards, regulations of the Banking Regulation and Supervision Agency, tax laws and other legislative amendments related to the accounting practices and chart of accounts and making the necessary arrangements
- Recording financial transactions performed within the fiscal year into the accounting system, improving the system, undertaking work related to the preparation of financial statements
- Reviewing the budget, a critical tool in financial management, as well as the changes that occur in income and expenses, carrying out financial deviation analyses
- Ensuring that costs are accurately allocated to business units and branches within the framework of budget and cost management, monitoring and controlling limited expense items
- Making the necessary changes in the system whenever changes occur in the chart of accounts, ensuring the compliance of chart of accounts with accounting policies by closely following the legislative amendments
- Recording, valuating and reporting of lease certificate (sukuk) transactions
- Carrying out transactions of asset lease companies, preparing financial statements and monitoring legal and tax related transactions for such companies
- Providing support for public offerings, bank establishments, branch openings as well as transactions related to affiliates and subsidiaries, overseeing establishment costs
- Ensuring the compliance of the accounting system with any financial and legislative amendments and aligning the parameters accordingly
- Implementing and sustaining electronic financial reporting systems, such as e-invoice, e-ledger, registered e-mail, e-archive
- Providing support to product development units on taxes, technical, financial, accounting issues related to new products and services
- Carrying out the calculations, rediscounts, reporting and payment of premiums Savings Deposit Insurance Fund (TMSF)
- Providing advisory service to units and branches in matters regarding taxes, financial legislation and accounting practices, developing quick and permanent solutions
- Providing support to the Customer Satisfaction Unit on system improvements so the Unit can respond to the demands of external customers effectively and quickly
- Monitoring the expenses and costs incurred by the R&D department, preparing reports for the taxation office and the Ministry of Industry to apply for R&D tax incentives
- Monitoring, valuating and reporting related to the Bank's securities, Central Bank's OMO transactions, secondary market transactions of lease certificates, Type B Gold and Silver Fund transactions
- Preparing the futures/derivatives report within the scope of international reporting
- Carrying out all requested work, within the scope of international reporting, related to securities, available-for-sale financial assets, fixed assets, assets to be sold, affiliates and subsidiaries, etc.
- Contributing to efforts to improve efficiency and reduce costs and expenses through improvements and controls of the accounting system
- Preparing the Bank's transfer pricing report and submitting it to the financial authorities
- Keeping records and valuation of as well as selling, preparing the sales reports and overseeing the fulfillment of tax and other legal liabilities related to real properties that are acquired in exchange for receivables and are registered to the Bank
- Control and realistic valuation of Treasury products such as forward, swap, precious metals futures contracts and spot transactions as per the Turkish Accounting Standards and tax laws
- Assessing the Bank's foreign currency and precious metals positions, carrying out position transfers and controls
- Undertaking improvement and centralization efforts to make the jobs of branches and units easier

## REALISTIC EVALUATIONS

**Control and realistic valuation of Treasury products such as forward, swap, precious metals futures contracts and spot transactions as per the Turkish Accounting Standards and tax laws**

→ REVIEW OF OPERATIONS IN 2013

The Accounting Department will continue to generate **fast and accurate data for the Bank, increase productivity, raise the level of customer satisfaction, support innovative product development processes.**

## NEW CONTROL POINTS

**In 2013, the Financial Control Department played an important role in systems design and transformation efforts, and through new control points, increased the level of internal customer satisfaction at the branches and departments significantly.**

- Overseeing preparation of the Bank's monthly, quarterly and yearly profit-loss statements and the independent audit activities conducted on a quarterly basis for the Banking Regulation and Supervision Agency (BRSA) and the main partner KFH
- Carrying out and finalizing the Bank's interim and year-end inventory transactions in accordance with the Banking Law, the Turkish Accounting Standards and tax laws
- Keeping books and records as required by the Turkish Commercial Code and tax laws and obtaining the closing approvals of books
- Sending reports related to the area of expertise to financial authorities, Central Bank, Savings Deposit Insurance Fund, courts, expert witnesses, CPAs and undertaking all requested efforts during investigations and audit activities
- Taking part in preparations prior to the General Assembly, carrying out transactions with shareholders, units and public agencies
- Contributing to the management's decision making process by providing effective information and data
- Managing and reporting on the Bank's fixed assets
- Conducting the reconciliation of loro, nostro, vostro accounts and the Central Bank's reserve requirements
- Conducting general reconciliations and analyses related to controls, reports and changes
- Reconciling check swaps, checking accounts and promissory notes
- Controlling and reporting on aids and donations accounts in accordance with the provisions of the Banking Law and tax laws
- Paying all duties and taxes, reporting and filing tax returns on behalf of the Bank
- Rediscounting and assessing murabaha, wakala and syndicated loans
- Making and reporting flat discount and IRR calculations
- Preparing the balance sheet and the income statement
- Reporting on deferred taxes within the framework of corporate tax liabilities and the Turkish Accounting Standards
- Taking part in internal and external audits, system audits, tax and financial audit activities and liaising with the taxation office
- Conducting transactions of the Bank with its domestic and overseas subsidiaries and affiliates, overseas branches and free trade zones and performing the necessary controls
- Providing training to units and branches in matters regarding banking, financial accounting and taxes

In today's competitive environment and in accordance with the Bank's vision of becoming one of the top ten banks in Turkey by 2018, the Accounting Department will continue to generate fast and accurate data for the Bank, increase productivity by closely monitoring technological developments as well as domestic and international legislation, raise the level of internal and external customer satisfaction, support innovative product development processes and facilitate continuous development. The Accounting Department is fully aware of its responsibility of overseeing

whether the Bank achieves operational profitability and meets its financial obligations within the framework of basic accounting principles, rules and policies.

### Financial Control Department

In 2013, Financial Control Department played an important role in the design and transformation of the new system, achieved effective controls via new control points, and significantly increased internal customer satisfaction at the branches and units. 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 to ensure that internal and external reporting is performed with timely, accurate and reliable data, and conducting effective financial and accounting controls,
- 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,
- Allocating the Bank's operating expenses accurately and properly; conducting controls and analyses to ensure that costs do not exceed the budgeted amounts and are managed efficiently,

- Tracking the Bank's foreign currency and precious metals positions in an effective manner, and ensuring the correct reflection of profits from 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.

Included under the umbrella of the Financial Control Department, the Middle Office ensures that control functions are executed effectively. The Accounting and Financial Control Departments are jointly responsible for resolving problems regarding accounting practices submitted by the branches and the units, 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 2014 is to increase the number of systematic controls by utilizing information technologies, complete the necessary infrastructure for daily profit/loss reporting, and improve its effectiveness in expense control and middle office functions.

### Budget and Management Reporting Department

Budgeting and management reporting play 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, improving its organization, expanding its international financial network, and most importantly maintaining profitable growth in accordance with strategic goals. These functions are executed by two separate units:

## STRATEGIC BUDGET PLANNING

**The Budget Planning and Monitoring Unit's main functions include preparing the budget in accordance with strategic goals, and monitoring and ensuring that the performances of branches, units, products and departments comply with the budget.**



→ REVIEW OF OPERATIONS IN 2013

# The Budget Planning and Monitoring Unit is also responsible for controlling Kuveyt Türk's activities within the framework of core policies and strategies.

## RELIABLE, FAST AND TECHNOLOGY BASED

**With the aim of ensuring safer, faster and technology- based monitoring of Kuveyt Türk's performance, the Management Reporting Unit was created under the Budget and Management Reporting Department which was restructured in 2011.**

### **Budget Planning and Monitoring Unit**

The Budget Planning and Monitoring Unit's main functions include preparing the budget in accordance with strategic goals, and monitoring and ensuring that the performances of branches, units, products and departments comply with the budget. In addition to these main functions, the Unit is also responsible for controlling Kuveyt Türk's activities within the framework of core policies and strategies, and ensuring the sustainability of the Bank's financial and managerial integrity. The Unit communicates the Bank's annual targets in line with the strategic goals set by the Senior Management, and the management plans drafted to achieve these goals clearly to the related branches and units. As part of this effort, the Unit monitors the financial development of management units through daily reports, 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 Unit prepares reports for the Bank's Senior Management. Within the scope of expense management efforts, the Unit analyzes the causes of changes that occur in expense items on the basis of departments and accounts; controls the current accounts of branches within the framework of fund and profitability management efforts, and reports deviations.

In addition to budget management, the Unit also takes part in establishing and implementing the legal infrastructure for the General Assembly together with financial advisers and consulting lawyers, whenever requested by the senior management. The Unit is also responsible for overseeing and realizing shareholders' share transfers, capital increases and dividend rights in parallel with budgeting processes.

### **Management Reporting Unit**

A Management Reporting Unit was created within the Budget and Management Reporting Department, which underwent restructuring in 2011, in order to help the Senior Management oversee the Bank's performance in a more reliable, fast and technology based manner.

The Management Reporting 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.

Additionally, the Unit has a reporting database under its umbrella. The database team has the required technical qualifications and knowhow, and prepares and submits periodic reports to the External Reporting Department via the ACL system, and offers its reporting services to relevant departments.



The Unit makes management reports available to the Senior Management via a Management Information System (MIS). In 2013, new modules were designed and included in this system for use by branch managers as well as other users at regional offices. Additionally, the MIS system was transferred to the mobile platform to enable access to management reports from outside the Bank.

#### **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 hundreds of reports each year and sends these to public agencies at daily, weekly, bi-monthly, monthly, semi-annual and annual intervals.

In 2013, 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 (Banking Regulation and Supervision Agency) and the Central Bank of Turkey 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.

In 2013, the External Reporting Department provided all kinds of reports and information requested by BRSA auditors and mandated by the Central Bank of Kuwait.

In addition to the reports it currently produces, Kuveyt Türk's External Reporting Department plans to meet any new reporting demands in a systematic and swift fashion in the period ahead. In line with Kuveyt Türk's

vision of becoming one of Turkey's top 10 banks by 2018, the Department plans to develop the reporting infrastructure in accordance with customer expectations and needs.

#### **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, etc.) 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 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; the capital adequacy studies performed within the scope of Basel II efforts; and meeting the report demands within the scope of Basel III efforts, which were initiated in 2013.

## **EFFECTIVE AND COMPREHENSIVE REPORTING PROCESSES**

**In 2013, 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.**

→ REVIEW OF OPERATIONS IN 2013

# In 2013, Kuveyt Türk's Internal Audit Department acted in accordance with the Bank's strategic goals and worked to **improve the business model and processes.**

## RISK-FOCUSED APPROACH

**Within the scope of the 2013 control plan and program, the Bank's various business lines, units, branches, processes, products and services were continuously analyzed and monitored through a proactive, dynamic, priority and risk-focused approach, and the results were reported.**

### 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:

- Improves itself constantly with an approach consistent with internal audit standards and best practices,
- 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,
- Creates value for the Bank and assists it in achieving its goals by making preventative and guiding recommendations,
- 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 2013 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 2013 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 2014.

### 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 goals and policies and in accordance with both internal and external regulations, and international standards, the Internal Control Department organized its activities into three groups: "On-Site Control and Monitoring", "Central Control and Monitoring", "Information Systems Control, and the Design, Development and Coordination of the Internal Control System". 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 2013 control plan and program, the Bank's various business lines, units, branches, processes, products and services were continuously analyzed and monitored through a proactive, dynamic, priority and risk-centered perspective, and the results were reported.

In conformity with the Bank's organizational structure and operations, the on-site control and monitoring activities for 2013 consisted of the analysis and monitoring of branches operating 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 the findings were reported to Senior Management. In 2013, 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 reporting to the Internal Control Department.

In conformity with the Bank's organizational structure and operations, the central control and monitoring activities for 2013 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 the findings were reported to Senior Management.

In this context, the Internal Control Department actively participated in the process modeling and analysis projects that are carried out within the scope of the core banking transformation project, which was initiated in line with the Bank's 2018 strategy. As part of these efforts, the Department analyzed the processes together with the relevant business units, identified any potential risks related to these 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. These activities were designed to keep the transactions carried out across the Bank under continuous control, and were performed by six different control services established within the Department.

Within the scope of information systems and the design, development and coordination of the internal control system activities carried out in 2013, the Information Systems Department, which was established under the Internal Control Department and in alignment with the objectives of other control services, analyzed and evaluated various banking processes, new products and services, as well as the findings of internal and external audits, from the perspective of the internal control system and activities. These efforts were geared at establishing and

## SIX DIFFERENT CONTROL SERVICES

**The transactions carried out across the Bank were kept under continuous control by six different control services established within the Internal Control Department.**

→ REVIEW OF OPERATIONS IN 2013

# Kuveyt Türk plans to take action in 2014 towards utilizing the **integrated risk management system** within Kuveyt Türk.

## MINIMIZING RISKS

**Market risk is periodically assessed by Kuveyt Türk's Audit Committee and Internal Systems Committee, and reported to the BRSA at monthly and quarterly intervals. Further, Periodic stress tests and scenario analyses are performed and later presented at the meetings of the Audit Committee and Internal Systems Committee.**

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, established under the Department.

In addition, the Internal Control Department coordinated the independent external audit activities in 2013, 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 and the Bank's Board of Directors regarding this matter.

In 2014, the Internal Control Department will continue to plan the central and on-site controls of branches, departments and processes with a risk-based approach, and will conduct its activities according to the schedule and timeline it has set.

### **Risk Management Department (RMD)**

The main duties of the Risk Management Department are identifying, measuring and managing risks to which the Bank is exposed in accordance with applicable legislation and regulations. To that end, the Department fulfilled its risk-related duties in an effective manner in 2013.

As part of these efforts, the Risk Management Department monitored country, sector and concentration risks within the scope of risk appetite studies related to credit risk, and reported its findings to the Audit Committee. The Department developed an internal rating

system for the small business portfolio, and started to take into account the calculated scores while allocating credits. Further, the development of the internal rating system for credit cards and small business collection portfolio is expected to be completed in the first quarter of 2014, and following the completion of this project, calculated scores will be taken into consideration while allocating credit card limits and monitoring the small business portfolio. The Department believes that such rating/scoring models will provide objectivity and speed in analyzing customer risks, and will particularly be advantageous for the transition to advanced BASEL II methods.

As part of operational risk studies in 2013, 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 efforts for insuring operational loss continued in 2013, and the Department actively participated in activities required by the Support Services Regulation, and in this light, prepared the Risk Management Program.

Market risk was periodically assessed by Kuveyt Türk's Audit Committee and Internal Systems Committee, and reported to the BRSA at monthly and quarterly intervals. Further, Periodic stress tests and scenario analyses were performed and later presented at the meetings of the Audit Committee and Internal Systems Committee.

Keeping business continuity plans up-to-date is also the responsibility of the Risk Management Department. To that end, the Department undertook efforts to identify critical processes and critical IT systems in 2013, and ensured redundancy of these systems. Conducting risk assessments in the information technology area, the Risk Management Department assumes critical roles such as monitoring risks generated by technological changes and following up on actions to counter such risks.

The Risk Management Department will continue to contribute 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 2014. To this end, the Department plans to take action in 2014 towards utilizing the integrated risk management system that will serve as an infrastructure for monitoring risks, drafting legal reports and conducting advanced risk analyses.

### 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 2014, fully aware that compliance risk will remain as relevant as ever.

→ REVIEW OF OPERATIONS IN 2013

# In 2013, Kuveyt Türk managed to keep its non-performing loan ratio lower than the industry average.

## ASSET SALES

(UNITS)

# 306

**In 2013, Kuveyt Türk sold 306 properties, while acquiring 174 properties. As a result, it divested 75% more properties than it acquired.**

### THE LEGAL AFFAIRS AND COLLECTION GROUP

As in previous years, Kuveyt Türk managed to keep its non-performing loan ratio lower than the industry average in 2013. While the average ratio of non-performing loans was 3.20% among participation banks, and 2.79% across the banking industry, Kuveyt Türk's non-performing loan ratio stood at 2.25% (including leasing). The Bank's provisioning coverage ratio was 88%, exceeding the average ratios of participation banks (64%) and the banking industry (76%).

In 2013, the Legal Affairs and Collection Group built on its superior performance of the past three years in terms of the divestiture of non-current assets held for sale. Keen on taking decisive action in terms of converting fixed assets into current assets (cash), the Bank recorded sales revenue of TL 47 million and profit of TL 17 million in 2013 from the divestiture of non-current assets held for sale.

### Corporate and Commercial Loans Collection Department & Retail and Small Business Loans Collection Department

The main duties of Loan Collection Departments are taking effective and swift actions in administrative and legal collection processes of receivables; and creating risk monitoring awareness and perception with the active participation of all branches with a transparent, accountable and professional discipline and in accordance with Kuveyt Türk's principles, customer satisfaction and industry practices.

### Credit Risk Monitoring Department

The main duties of the Credit Risk Management Department are monitoring credit risks within the framework of early warning signals identified in credit decisions and credit policy; early detection of customers that may pose problems; and ensuring objective, effective and efficient monitoring of risks by collaborating with Credit Allocation Departments, Loan Collection Departments, Branches and Regional Offices. Thus, the Department contributes to credit risk management efforts for achieving an acceptable level of credit risk and improving the Bank's asset quality.

### Collateral Monitoring Department

The Collateral Monitoring Department is responsible for the independent appraisal of assets and liabilities listed in the Bank's balance sheet and determining the estimated fair market value of loan collaterals and other receivables in accordance with the "Communiqué on the Authorization and Operations of Appraisal Companies". The Department is also responsible for ensuring that collaterals requested by the Bank's Credit Committees are accepted in compliance with applicable legislation and internal practices of the Bank.

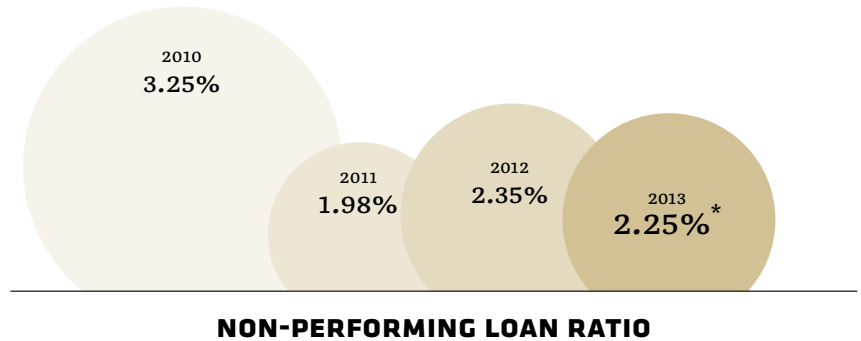
### Asset Management and Valuation Service

The objective of the Asset Management and Valuation Service is to sell more movable/immovable properties than the Bank acquires through foreclosures in terms of number and value, and to reduce the Bank's asset inventory compared to the previous year. In accordance with this primary goal, the Service divested 306 properties, while acquiring 174 properties in 2013. As a result, it sold 75% more properties than it acquired.

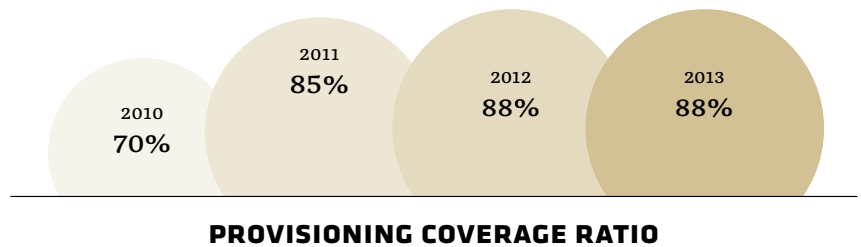
### Legal Proceedings Department

In 2013, the Legal Proceedings Department began to obtain the positive results of working with regional and local law firms with banking references. As a result, the Bank managed to collect 29% of non-performing loans in 2013.

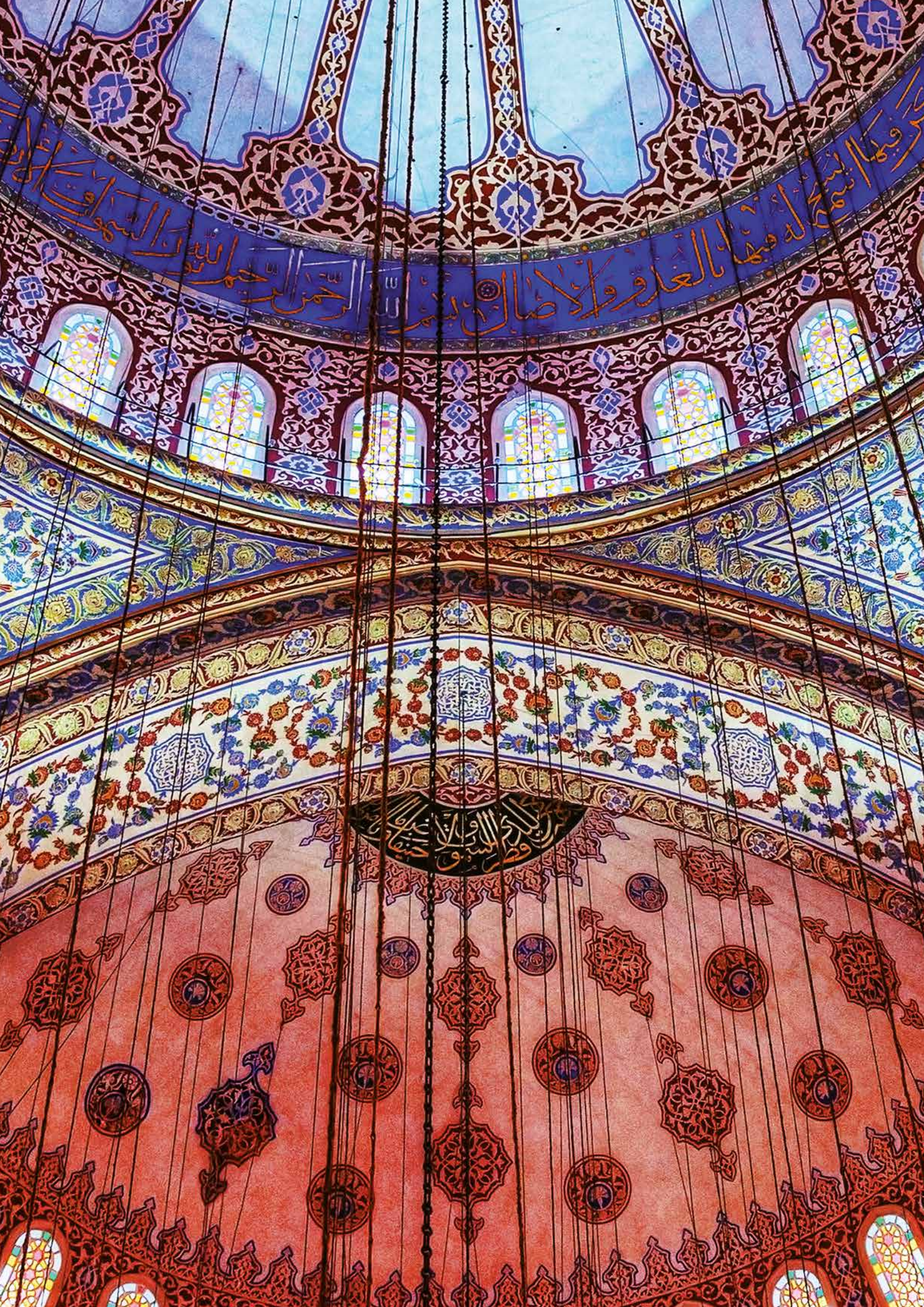
In 2014, the Department aims to accelerate the development of the system infrastructure in order to collect the Bank's receivables in a rapid and effective manner; supervise and coordinate the affiliated law firms; increase the number of visits; and thus further improve collection efficiency.



\*Including leasing









## **The Brightest Period**

The Sultan Ahmed Mosque (1609-17) in Istanbul is the last large building featuring the samples of Turkish tile art from the brightest period. Particularly, the tile panels embellishing the royal loge located on the upper level are decorated with blooming branches, cypress trees entwined with grape vines, grape clusters, tulip, hyacinth and carnation bouquets. The fact that various panels featuring rather different motifs, such as large peony flowers encircled by cintemani designs, the symbolic three ball designs, and interlocking geometric stars, are used together makes one think that these tiles had been collected from different places.

*According to records, a total of 21,043 ceramic tiles were used in this building.*

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→ REVIEW OF OPERATIONS IN 2013

With the launch of the decision support system in 2014, Kuveyt Türk will be able to monitor receivables collection in a more efficient manner.

**TOTAL NUMBER  
OF INSURANCE  
TRANSACTIONS**  
**130**  
**THOUSAND**

The total number of insurance transactions performed by the Credit Operations Department reached 102,760 in 2013.

#### **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 2013, the number of credit transactions performed by the Credit Operations Department increased by 6.5% over the previous year to reach 129,846.

The number of insurance transactions performed by the Credit Operations Department reached 102,760 in 2013.

The Credit Operations Department processed 98,122 letters of guarantee and issued a total of 5,569 letters of reference and guarantee confirmations in 2013.

#### **Credit Operations Department's Activities in 2013:**

- The advance control system was established and integrated into the system infrastructure in order to monitor legal obligations related to fund allocation transactions.
- As part of the Anka project, systems infrastructure compatible with interest-free banking practices were created on the core banking system (BOA); as a result, nearly all of the fund allocation transactions can now be performed on the BOA system.
- The analysis activities of the second phase of the ANKA project were performed and the software was completed.
- The overhaul of systems integrated into BOA was completed to improve efficiency.
- Through numerous branch and customer visits, customers and branch personnel were informed about corporate principles and practices.
- In accordance with the recent amendments to the Financial Leasing Law in the beginning of 2013, Sell and Rent Back transactions became possible, and thus the system infrastructure for Sell and Rent Back transactions was created and the Bank began to perform these transactions.
- The system overhaul for gathering all incentivized transactions under a single umbrella was completed.

### Insurance and Letter of Guarantee Unit's Activities in 2013:

- The Unit was assigned new tasks such as tracking the insurance, collection, reconciliation, renewal and damage claims operations related to the Bank's entire assets.
- Efforts were initiated to assign the Unit with the supervision of operational processes of insurance transactions related to the Private Pension System, Credit Life Insurance policies and Agricultural Credits.
- The work on the transfer of the letter of guarantee system to the BOA system was completed.
- By enabling the confirmation of letters of guarantee and reference through the system, the Bank achieved 57% time saving.
- By enabling the automatic control of insurance guarantees, the Bank achieved about 20% labor saving.
- In parallel with the Bank's offering of agency services for Neova Sigorta, the number of branch employees holding a SEGEM certificate rose to 437.

### Banking Operations

The units operating under the Banking Operations Department are Cash Management, Branch Coordination, Clearing, Data Entry and Official Correspondence.

### Cash Management Unit

The Cash Management Unit is responsible for meeting the cash flow, gold gram, gold bar and gold check demands of Kuveyt Türk branches. The Unit provides group transactions, cash and precious metals transfer services to 112 branches in Istanbul and 151 branches outside of Istanbul.

The Unit responds to group demands of branches located outside of Istanbul via the correspondent bank. As of the second half of 2011, central orders became mandatory to perform group transfers via the correspondent bank for branches located outside of Istanbul. The Unit also meets the cash and gold demands of all branches via the Istanbul Gold Refinery and Istanbul Gold Exchange.

The Cash Management Unit works in two shifts. In 2013, the Unit took stock of 115 million transactions, achieving 74% increase in volume, and counted TL 6.5 billion, US\$ 6.3 billion and EUR 1.7 billion worth of banknotes. Further, the Unit performed 5.2 million grams of gold entry transactions and 4.7 million grams of gold exit transactions.

### Clearing Unit

The number of checks cleared by the Bank's approval mechanisms and offered to customers after performing limit/risk controls reached 750,000. The volume of checks cleared through the clearinghouse reached TL 8.9 billion, the Bank's checks cleared through the clearinghouse reached TL 10.6 billion, other banks' foreign currency checks cleared reached US\$ 428 million, and Kuveyt Türk's foreign currency checks cleared reached US\$ 727 million. The volume of promissory notes cleared via correspondent banks reached TL 59 million.

### 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; and controlling all incoming packages from the Revenue Administration's e-lien system and communicating the responses.

The number of official correspondences responded to by the Unit in 2013 increased by 57%, reaching 196,374.

In 2013, the Official Correspondence Unit finalized the system to receive Social Security Institution's lien notifications via electronic media, which were previously sent in paper format. System integration testing is currently being carried out together with the Social Security Institution.

In 2013, a task team was formed under TBB (The Banks Association of Turkey) to carry out the preliminary work and create the protocol for receiving lien notifications from the Enforcement Directorates via electronic media, following the discussions with the Ministry of Justice.

### 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 2013, the number of collateral entries increased by 38% to reach 105,383; check entries increased by 1% to reach 744,589; and promissory note entries were up by 10% to 196,374.

Additionally in 2013, the Unit reviewed a total of 823 account opening documents received through XTMs and sent them to the archive.

**TOTAL AMOUNT OF  
PROMISSORY NOTES  
CLEARED  
59  
TL MILLION**

**The volume of promissory notes cleared via correspondent banks reached TL 59 million.**

**COLLATERAL  
ENTRIES  
38%  
INCREASE**

**In 2013, the number of collateral entries increased by 38% to reach 105,383; check entries increased by 1% to reach 744,589; and promissory note entries were up by 10% to 196,374.**

→ REVIEW OF OPERATIONS IN 2013

**In the summer of 2013, 160 young bankers successfully completed Kuveyt Türk's "Campus at the Bank" program, and about 70% of these graduates were hired by the Bank.**

**THE NUMBER  
OF RESOLVED  
COMPLAINTS**

**44**

**THOUSAND**

**In 2013, the Customer Satisfaction Center responded to a total of 43,878 customer demands, of which 28,592 were complaints.**

#### **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.

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 increased to 62.6% from 57% in 2012. The active control of the ATM intervention criterion added to the branch performance score continued in 2013, and thus ATM service interruptions were prevented. The development of the substitution system initiated to assess the individual performances of the branch operations staff continued in 2013, and the system will be completed in the first quarter of 2014.

The infrastructure of the S-Matic system, which will enable time measurement of each teller transaction, was set up at all branches in 2013 and the system was integrated into BOA.

The work related to scanning and entering the receipts of teller transactions and other documents into the system was completed in 2013 and pilot branch implementation began.

The process of transferring operations staff at the branches to the marketing department was completed and 72 employees were transferred to the branch marketing departments in 2013.

The Unit assigned its support team of 30 employees to respond to personnel shortage problems at the branches and met a total of 2,745 support personnel demands from the branches. Conducting 324 visits to 263 branches in 2013, the Unit examined the physical condition of the branches, assessed their needs and demands, and communicated the expectations from their operations personnel. The policy regarding the operations staff at the branches were determined as 1+1, and as of year-end 2013, 77 branches operated in accordance with this policy. This policy serves to prevent cost overruns due to idle capacity at newly opened branches where sufficient transaction volume has not yet been attained.

#### **Call Center**

Kuveyt Türk Call Center undertakes Call Center Operations and comprises XTM Center and Customer Satisfaction Unit.

#### **Call Center Operations:**

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. Telephone banking, support services, credit card and insurance sales services and responding to branch calls are among the activities performed by the Call Center. Ankara Call Academy will also start operations at the location of Ankara DRC in early 2014.

A secret customer survey was conducted by Telephone Doctor™ in 2013 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 91 out of 100 points. As part of the same survey, the Call Center was compared with the corresponding units of Turkey's five leading banks and was once again acknowledged as the best call center in terms of service provision quality, as in previous years.

- In 2013, the number of inbound calls received by the Call Center increased 26.12% over the previous year and reached 4,215,452. In addition to incoming calls, the Call Center also organized various campaigns and made 230,627 outbound calls, up 45.99% from the prior year.
- The number of calls received from the branches rose to 1.46 million in 2013, corresponding to a 2.75% increase over the previous year. Some 74.11% of the calls received from the branches were concluded successfully by the Call Center. Of the inbound calls received by the Call Center, 79.83% were picked up within the first 20 seconds while the average response time for all incoming calls was 17 seconds.
- In 2013, the number of banking transactions conducted through the Call Center dropped by 4.51% to 65,229, while the total volume of banking transactions stood at TL 258 million.
- The Bank gained TL 1.1 million from Neova Sigorta policy renewals and sales, which were conducted as part of the Department's sales activities. In 2013, the number of automatic bill payment orders rose by 11.90% compared to the previous year, reaching to 34,819.

#### **XTM Center**

The XTM Center, which answers video calls from digital branches, started operations on May 31, 2013, and currently serves a total of 22 XTM digital branches. Kuveyt Türk plans to make all banking services that are offered at the branches available to customers who connect to the XTM Center via XTM digital branches.

- The XTM Center received 8,892 calls in 2013, and of these inbound calls, 95.44% were answered within the first 20 seconds, while the average response time for all incoming calls was 8 seconds.
- In 2013, the transactions performed via the XTM digital branch amounted to TL 6.6 million in 2013; moreover, 880 new customers were gained through the XTM Center and TL 1.1 million was raised from these customers.
- Of all XTM transactions (in terms of volume), 25% were performed on a self-service basis, and 75% were performed by Customer Representatives.
- Kuveyt Türk issued 724 ATM cards and 80 credit cards; received 1,269 automatic bill payment orders; and sold 5 POS devices, 8 HGS (Fast Pass System) cards, and 3 loans (2 vehicle loans and 1 home loan) via the XTM Digital Branch.

#### **Customer Satisfaction**

As of January 2013, Customer Satisfaction services are provided via the Call Center.

- In 2013, the Customer Satisfaction Center responded to a total of 43,878 customer demands, of which 28,592 were complaints. The Center responded to these demands within an average of 4 days, and resolved complaints within 5 days.

#### **Foreign Trade and Treasury Operations**

The responsibilities of the Foreign Trade and Treasury Operations Department include banking services related to imports, exports and external guarantee transactions; the control and oversight of the incoming and outgoing foreign currency transfers of customers as well as EFT systems; and execution of operations related to Treasury transactions. These transactions, channeled to the Operations Center by domestic and overseas branches and subsidiaries, or foreign banks, to which correspondent banking services involving vostro accounts are provided, or ADC channels such as Internet and XTM, are performed in a rapid and high quality fashion by an experienced staff.

The business volume of Kuveyt Türk's Foreign Trade Operations Unit, which consists of Transfer, Collection and Letter of Credit/External Guarantee Units, increased by 57% in 2013 compared to

the previous year. Efficiency improvement efforts, including the utilization of the Virtual Branch and reviewing business flows, are currently underway.

Within the scope of the BOA process, the Transfers Unit is currently performing all transactions over the BOA system. Further, the Collection and Letter of Credit/External Guarantee Units are gradually transferring their transactions to the BOA system in parallel with the completion of relevant software programs. This transition will be completed in 2014.

In 2013, the Treasury Operations Unit was restructured into three subdivisions: Foreign Exchange/Money Market Transactions, TL/Securities Transactions, and Precious Metals Transactions. The Unit achieved 30.5% increase in business operations volume compared to the previous year. Also assuming the responsibility of being the EFT Center, the Unit completed the EFT-EMKT transition process in synchronization with the Central Bank of Turkey. Within the scope of efficiency improvement efforts, forex SWAP, forex precious metals with murabaha, and SWAP screens were transferred to the BOA system, enabling the automatic generation of SWIFT messages. Additionally, process development and screen design efforts related to sukuk, repurchase agreements, Central Bank's foreign-exchange auctions, scrap gold trade and Cumhuriyet gold coin trade also continued in 2013.

#### **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 uninterruptedly in 2013. Implementing world-class HR systems for a long time, Kuveyt Türk undertook major initiatives in the Human Resources field in 2013 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.

→ REVIEW OF OPERATIONS IN 2013

# The recruitment processes at Kuveyt Türk were enhanced with **competence-based interviews, general aptitude tests, group interviews, case studies, simulations, role-playing and personality inventories.**

**THE PERCENTAGE  
OF EMPLOYEES  
WITH BACHELOR'S AND  
MASTER'S DEGREES**

**93%**

**As of year-end 2013, 93% of Kuveyt Türk's employees hold either a Bachelor's or a Master's degree, while the average age of the Bank's personnel is 30.5.**

As of year-end 2013, 93% of Kuveyt Türk's employees hold at least a Bachelor's degree while the average age of the Bank's personnel is 30,5. Along with its turbo-charged branch network expansion efforts in 2013, 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, performance improvement, 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 2013 in order to reach out to these young professionals, to accurately portray and promote the Bank and to increase its brand recognition.

In the summer of 2013, 160 young bankers successfully completed Kuveyt Türk's "Campus at the Bank" program, the social responsibility and employment project of the Bank. About 70% of these graduates were hired by Kuveyt Türk. Additionally, the Call Academy, launched in Konya in June 2012, also celebrated its first graduates in the summer of 2013, and more than 80% of these graduates were hired by Kuveyt Türk. After the success of the Call Academy program, the Bank decided to inaugurate the Ankara Call Academy in the beginning of 2014, and the Izmir Call Academy in the summer of 2014.

These programs target third and fourth-grade university students who are contemplating a career in the participation banking industry. Students admitted to the program attend various training sessions on banking and personal development, work part-time at the Bank's branches and departments under the supervision of experienced mentors, and thus 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.

In 2013, a total of 350 university students continued their studies within the scope of "Campus at the Bank" program in 21 cities, 151 branches and departments, and under the supervision of 251 mentors. When compared with other talent development and/or internship programs implemented within and outside the sector, the "Campus at the Bank" program is one of the most successful programs in terms of content, number of participants and employment opportunities. "Campus at the Bank" program plans to graduate over 200 students in the summer of 2014, and provide employment opportunities to a high number of graduates.

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 2013 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 Assistant Controller and Assistant Internal Auditor positions are also supported with similar enriching practices. In 2013, Kuveyt Türk hired 16 assistant controllers and 14 management trainees.

The clubs and teams (Folk Dance and Arts, Environmental Protection, Travel, Photography, Music Clubs; Basketball, Football and Taekwondo Teams) that were formed in order to achieve work-life balance within Kuveyt Türk continued their activities in 2013 under the leadership of the employees. Within the scope of club activities, several panels, trips, etc. were organized with the participation of employees. The Taekwondo Team continued their practices three days a week; the Basketball Team successfully represented the Bank at the Corporate Basketball League; the undefeated Football Team formed by the employees of Konya branch became the champion of Konya at the Business Cup, the inter-company football tournament, and finished the season with third place at the national finals.

Working in collaboration with Information Technology units, the Human Resources Department is currently redesigning all HR related self-service processes executed by employees in order to make them more effective, user-friendly and aligned with the BOA system. In this context, the Department transferred about 10 applications to the new system in 2013.

#### **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.

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.

Thanks to its effective recruitment methods and experienced staff, the Human Resources Department achieved its recruitment targets in 2013. The Department provides significant contribution to Kuveyt Türk's vision for 2018. As of year-end 2013, Kuveyt Türk's number of employees increased to 4,642 from 3,939 in 2012.

Aiming to become the sector's center of attraction for employees, in 2013, Kuveyt Türk launched its proprietary HR and recruitment website, [www.katilbize.com](http://www.katilbize.com), after a year-long development period. The website, which is used for employer branding communications, for providing information on human resources policies, and features current job listings, stands out among other HR portals in the sector in terms of both content and user convenience.

#### **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.

#### **NUMBER OF EMPLOYEES**

# 4,642

**As of year-end 2013, Kuveyt Türk's number of employees increased to 4,642 from 3,939 in 2012.**

→ REVIEW OF OPERATIONS IN 2013

# One of the major HR initiatives in 2013 was the development and launch of the new performance management system.

**THE NUMBER  
OF PROMOTED  
EMPLOYEES**

**97**

**Giving priority to candidates, who have been cultivated within the Bank and have distinguished themselves with their performance, in new managerial appointments, Kuveyt Türk promoted approximately 97 employees to director/manager roles in 2013.**

## **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 Portfolio Management System allows branch employees to receive their monthly and annual performance scorecards in a more convenient fashion. The Bank began to assess the performance of the overall organization and the Head Office Departments in accordance with the balanced scorecard model, which is part of the corporate performance management project, and also to track and report the scorecard developments and trends in quarterly intervals.

One of the major HR initiatives in 2013 was the development and launch of the new performance management system. As part of development efforts, several workshops were organized with the participation of employees from various units and ranks that represent the Bank's entire organization. The new performance management system, which was created as a result of all these efforts, establishes the strengths, development areas and personal development plans of employees in a more effective fashion, and enables a healthier career development path for employees thanks to continuous monitoring and coaching by managers. With the new system, core competencies and job-based competencies were also updated. Additionally, the career policy and job title structures were revised in

line with employee expectations, the expanding organizational structure as well as practices in the sector. Within the framework of the revised Career Guide, career paths were identified on the basis of different job families. As a result, employees, who are provided with a wide range of careers options, could make their career plans for the future more easily.

In addition to the new performance management system and career policy, which were developed with an aim to guide employees' professional and personal development in the best possible way, another impressive innovation in 2013 was the Biz Bize Survey Platform. Launched with the motto, "1 Minute for Development", this practice enables the collection of feedback and suggestions from employees in order to create a peaceful and happy working environment.

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 97 personnel as director/manager in 2013.

## **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 2013.

Organizing classroom training and distance learning programs for its employees, the Bank focused mostly on postgraduate and MBA curriculums in partnership with universities in 2013. The Bank organized 1,131 classroom training sessions on various subjects throughout the year while the average classroom training time per employee was seven 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 800 employees who joined the Bank in 2013 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.

Maintaining regular contact with academic circles, the Training and Development Department introduced Kuveyt Türk’s Solid Banking business plan to the academia with the book titled “Introduction to Participation Banking”, a product of the Bank. Additionally, the Bank’s in-house trainers started to give Participation Banking courses at Bahçeşehir University, which is one of the leading universities in Turkey.

Placing a lot of importance on internal resources, the Bank determined and initiated the accreditation process for its already competent and experienced in-house trainers to provide them with further training and development, while meeting training needs in 2013. To this end, the Bank formed teams according to training topics and increased the number of its in-house trainers from 62 to 142.

Also in 2013, 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 25,200 online training courses in 2013.

The 2013 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 2013. 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 2013.

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.

### Information Technologies (IT)

As part of the Vision 2014 Strategic Transformation Program launched in 2010, the final development phases of foreign trade, fund allocation, accounting and financial control, non-performing loans, and treasury modules were completed in 2013, and thus, the BOA transformation program was successfully finalized. As a result of four-year long efforts undertaken together with IT business units, the entire banking automation infrastructure was completely transformed. With that, the Bank has attained a scalable platform that can be expanded with the integration of new systems in the future.

In 2013, the R&D Center completed two TÜBİTAK-supported TEYDEB projects, while one project is currently underway. Additionally, the Center obtained approval for three EU projects from EU authorities, and filed applications for one TEYDEB and two San-Tez projects (within the scope of the Industrial Thesis Program of the Turkish Ministry of Science, Industry and Technology). Particularly with EU projects and framework programs, Kuveyt Türk takes part in projects for the future and leads the sector.

Aside from these projects, in 2013, the Bank organized a total of 26 seminars, of which three were conducted overseas, for the R&D personnel in line with the objectives of raising R&D awareness and expanding know-how. In the same period, the R&D team, consisting of 80 employees, published a total of 11 scientific articles. Additionally, the R&D team shared several academic studies on various topics with the employees of the Head Office at monthly meetings, called “Fresh Mind” workshops.

The Service Desk, which oversees the continuity of the systems, reached a first-level support ratio of 90.26%, and a customer satisfaction ratio of 97.74% in terms of call resolution speed.

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## R&D PROJECTS

In 2013, the R&D Center completed two TÜBİTAK-supported TEYDEB projects, while one project is currently underway. Additionally, the Center obtained approval for three EU projects from EU authorities, and filed applications for one TEYDEB and two San-Tez projects (within the scope of the Industrial Thesis Program of the Turkish Ministry of Science, Industry and Technology).

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 Şekerpınar banking center, to which the Bank will relocate in the year 2014, proceeds in parallel with the overall construction work.

In addition to the core banking transformation program and R&D activities, the Bank implemented many other important projects in 2013, including:

### Automation of Sukuk Transactions

The initial phase of the automation of sukuk transactions project initiated by Kuveyt Türk, the leading provider of sukuk products, was completed and put into use. This phase involved the buy/sell transactions of sukuk within the Bank's portfolio. The second phase involving the development and automation of the infrastructure that will enable customers to buy and sell sukuk products at the branches is currently underway; completion of the project is scheduled for the first half of 2014.

### XTM (Extreme Teller Machine)

XTM, the new generation distribution channel, which functions in self-service mode like an ATM and also provides all branch transactions and services through video conferencing with a customer representative, was launched, and as of year-end 2013 17 XTMs were put to the service of customers.

### FreePOS (The New Virtual POS)

The new Virtual POS, developed entirely by Kuveyt Türk's internal resources, was put to the service of customers.

### WebPlus (The New Internet Branch)

The Bank's new generation Internet Branch featuring a completely customizable and user-friendly special interface and state-of-the-art technology was launched in July 2013.

### CRM

In line with the needs of the branches and the Head Office, the CRM system was integrated into the BOA banking infrastructure; and operational CRM activities were transferred to tablets via an application called Tablet CRM.

### Utility Bill Payments

A new system that enables the payment of electricity, water, natural gas and telephone bills was integrated into the BOA infrastructure. As a result, the time required to add a new service provider to the system was reduced to 5 man-hours, while it was 19 man-hours previously. Further, when a new service provider is added to the system, it simultaneously appears in all BOA channels, such as the Internet Branch and ATMs.

### Transformation of ERP Modules

The HR systems operating over the Oracle system were transferred to the BOA infrastructure; this way integration problems related to systems such as authorization, transfer of authority were minimized.



### Transformation of Reporting Systems

The dispersed reporting systems were consolidated under the BOA reporting infrastructure. With this improvement and technological transformation, report creation speed increased to two reports/person/day.

### Agricultural Banking

Following the integration with the ALES system, which enables the evaluation of agricultural banking customers per product and region, pilot implementations began at branches located in the Aegean Region.

### Utility Bill Financing

The Bank began to finance the utility bills, such as electricity and natural gas, of small businesses, whose consumption increases due to seasonal factors, by way of lease agreements.

### 2B Loans

The Bank established the system for providing subsidized housing loans for the sale of lands that fall under the 2B category.

### Urban Transformation

The Bank established the system for providing subsidized housing loans within the framework of the urban transformation law.

### Fixed-Term Export Finance

Kuveyt Türk completed the system required for fixed-term export financing. In this system, the Bank generates profit by making advanced payments to its export customers, for whom it provides fixed-term letters of credit, and collects the export charges on the date of settlement.

### BOA Store

Kuveyt Türk ventured into the area of "mobility" by using its own resources; as a result, BOA approvals can now be issued via smart devices.

### Customer Productivity

The Bank developed a system that calculates revenue, expenditure, net productivity and expected productivity of each product and service per customer. This system allows for detailed profit/loss analyses for retail, corporate and business segments, and per region, branch and portfolio.

### Analytical CRM

The Bank completed the value and behavior segmentation, cross-selling, upselling and churn projects for the retail segment, and the value segmentation study for the business segment. The value segmentation project for the commercial segment will be completed in 2014.

### HR - Employee Loyalty Score

This project, which aims to measure employee loyalty, was completed in 2013.

### Analytical Fraud

This project, which aims to define the external fraud rules to be used by the fraud module on the BOA system through an analytical approach, will be completed in 2014.

### Corporate VPN Infrastructure

The corporate VPN infrastructure was revised to allow remote access, and became more flexible and user-friendly.

### E-Mail Quarantine System

The e-mail quarantine system was revised to allow authorized users to access quarantined e-mails that are blocked by security systems.

### Automatic Allocation

Within the scope of the project, which aims to improve the loan appraisal process by changing it from manual to fully-automated, a rules engine was developed to determine the conditions for loan approvals and rejections automatically.

### 2014 Targets

Considering technology as an essential element for competitiveness, the IT Group will continue to do its best in accordance with Kuveyt Türk's vision of becoming one of the top 10 banks by the year 2018. Accordingly, the Group will give top priority to operational efficiency projects in 2014 as per the decision of the IT Steering Committee, and ensure that Bank employees perform their transactions in a more agile manner.

Moreover, the Group will review IT processes and accelerate efforts to increase IT productivity.

**TOTAL NUMBER OF  
XTMS**

**17**

**As of year-end 2013, Kuveyt Türk  
had a total of 17 XTMs.**

→ REVIEW OF OPERATIONS IN 2013

Considering technology as an essential element for competitiveness, the Information Technology Group will continue to do its best in accordance with Kuveyt Türk's vision of becoming **one of the top 10 banks by the year 2018.**

## MOBILE BANKING

**The development of the new mobile banking application for iOS, Android and Windows Phone operating systems is completed. Kuveyt Türk plans to launch the new application in the first quarter of 2014.**

Under the leadership of the User Experience Unit established in 2013, the IT Group will design effective and productive processes and modules for both the customers and the internal users.

In 2013, the Bank gave priority to and undertook several business-focused and mobile initiatives, including:

### **Banking System for Germany**

Kuveyt Türk initiated localization and integration efforts to develop a banking system in Germany and adapt its core banking system to the subsidiary, which will be built in Germany in 2014. This project is scheduled for completion in 2014.

### **The New ATM**

The development of the new ATM infrastructure, entirely created by Kuveyt Türk's internal resources, is currently underway. As of year-end 2013, 70% of the work was completed. The Bank plans to begin pilot implementation in the first quarter of 2014.

### **The New Mobile Banking**

The development of the new mobile banking application for iOS, Android and Windows Phone operating systems is completed. The Bank plans to launch the new app in the first quarter of 2014.

### **Automatic Pricing**

With an aim to reduce the operational workload of Retail, Business and Commercial Segments, this project will enable the Bank to determine the prices offered to customers automatically and by taking into account certain criteria, such as the segment, productivity and risks.

### **Strategy Maps**

With this project, the Bank aims to measure the interaction between strategic goals and key performance indicators of branches and departments.

### **Document Analysis and Interpretation Project**

The Bank applied for Tübitak funding program for its R&D project called BanA. This project involves the development of a system that enables the automatic analysis and interpretation of printed documents, which are currently being handled manually. As the project outcomes will be in Turkish and yield benefits on a national and international basis, it is considered a significant innovation.

### Corporate Internet Branch

This productivity-focused project is designed to meet the needs of corporate customers and aims to offer new functions. The development of the system began at the end of 2013, and is expected to be completed in the third quarter of 2014. With this project, the Bank aims to improve existing processes and complete transactions more quickly and through less approval steps.

### Easy Credit

The project, which will enable corporate customers to obtain fast and easy financing, was initiated in November 2013. Once the project is completed, customers will be able to obtain financing for their domestic purchase of goods through the Mobile and Internet Branches, without having to visit the physical branches. This project is the only one of its kind in the participation banking industry.

### 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.

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 2013

In the year 2013, 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.

In this context, a total of 47 new branches were opened in 28 provinces: Anatolian Side Corporate Branch and Perpa, Firüzköy, Maslak, Güneşli Çarşı,

Tümsan Sanayi, Tuzla İçmeler, Maltepe Çarşı, Yeşilpınar, İkitelli Sanayi, Metrokent, Merter Çarşı, Kartal, Kozyatağı, Mercan, Taşdelen and Takas branches in Istanbul; Mustafakemalpaşa and Nilüfer branches in Bursa; Derince and Darıca branches in Kocaeli; İvedik, Çukurambar, Siteler branches in Ankara; Karabağlar branch in Izmir; Yeni Toptancılar branch in Konya; Atakum branch in Samsun; Karataş branch in Gaziantep; Kepez branch in Antalya; Erenler branch in Sakarya, Değirmendere branch in Trabzon; Sanayi branch in Denizli; Meydan branch in Düzce; and also Gümüşhane branch, Tekirdağ branch, Kastamonu branch, Karaman branch, Mardin branch; Akhisar branch in Manisa; Nevşehir branch, Yalova branch, Siirt branch, Kırşehir branch; Bandırma branch in Balıkesir; Osb branch in Kayseri; Nazilli branch in Aydın, and Fethiye branch in Muğla.

A total of seven branches, including Düzce Cedidiye, Elazığ, Maltepe, Samsun, Trabzon, Isparta and Kayseri branches, were revamped in line with the new branch concept.

Additionally, the refurbishing and decoration of the European Side 3rd Regional Office were completed and it was reopened.

With regard to the XTM Digital Branch project, which is one of Kuveyt Türk's most important innovation projects and of which the entire project design belongs to the Bank, a total of 17 digital branches were opened in Istanbul, including Başibüyük, Çamlıkahve, Çavuşbaşı, Giyimkent, Göztepe, Gülbağ, Gülsuyu, Hamidiye, Kaynarca, Kayışdağı, Küçükalyalı, Mehmet Akif, Ortaçeşme, Soğuksu, Sultanbeyli, Şahintepe, Tozkoparan and the Head Office.

The architectural, electrical, mechanical works as well as the construction and decoration of Kuveyt Türk Banking Center and Living Space continued in 2013 and the facility is nearly ready for opening.

The Financial Affairs Group will continue to generate fast and accurate data for the Bank, increase productivity and the number of customers, and support innovative product development processes.

## THE NUMBER OF NEW BRANCHES

# 47

**In 2013, Kuveyt Türk focused on lowering branch opening costs and accordingly revised and simplified its branch concept without compromising quality or function. In this context, a total of 47 new branches were opened in 28 provinces.**





## **An example from the 19<sup>th</sup> century**

With its fascinating ceramic tiles and octagonal plan, the Yalı (Konak) Mosque located on the Konak Square in Izmir is one of the most elegant mosques in Izmir.

The Mosque was constructed in the 19<sup>th</sup> century under the patronage of Ayşe Hatun, the daughter of Mehmet Pasha. Hand-cut stones were used in the construction of this octagonal mosque. The tiles embellishing the harim (prayer hall) and the facade represent the most beautiful examples of traditional Kütahya tiles in the 19th century.

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*Constructed in 1895, the Yalı (Konak) Mosque in Izmir is the first of the two architectural works of art decorated with the tiles of tile master Mehmet Emin Efendi.*



## 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 TİVNIKLI**

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.



**Nadir 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 Shujaiddin 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 KMPC'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. Appointed as Manager of the Banking Department in 1984, after 2004 he continued his as the Executive Vice President of Finance & Management. Mr. Al Fouzan served as a Member of the Board of Directors at Kuwait Industry Bank, London Ahli united 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.

## → BOARD OF DIRECTORS


**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, Audit Committee, and Corporate Governance 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, the CEO of Turkapital Holding B.S.C.C and and Corporate Governance Committee Member of the Bank.


**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, Corporate Social responsibility Committee, Discipline Committee, Strategic Investment, Strategy Executing, Strategic Supervision and Assets and Liabilities Committee.

## SENIOR MANAGEMENT AND AUDITORS

### **Ufuk UYAN (3)**

Chief Executive Officer

CV is given at the Board of Directors page.

### **Ahmet KARACA (7)**

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 (2)**

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.

### **Bilal SAYIN (4)**

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.

### **Hüseyin Cevdet YILMAZ (1)**

Risk, Control and Compliance Group Presiden

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 as Auditor and Branch Manager 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. Mr. Yılmaz has been serving as the Head of Risk, Control and Compliance since 2012.

### **İrfan YILMAZ (9)**

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.

## → BOARD OF DIRECTORS

**Dr. R. Ahmet ALBAYRAK (8)**

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.

**Nurettin KOLAÇ (6)**

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 (10)**

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 (5)**

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.





**Hüseyin Cevdet YILMAZ** (1)  
Risk, Control and Compliance Group  
President

**A. Süleyman KARAKAYA** (2)  
Executive Vice President -  
Commercial Banking

**Ufuk UYAN** (3)  
Chief Executive Officer

**Bilal SAYIN** (4)  
Executive Vice President - Credits

**Mehmet ORAL** (5)  
Executive Vice President -  
Retail Banking

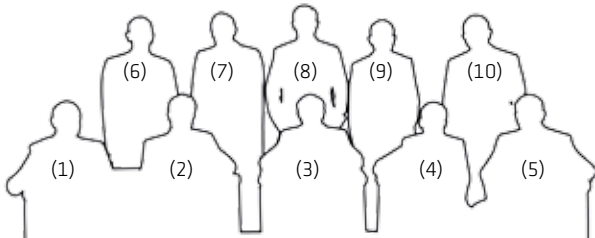
**Nurettin KOLAÇ** (6)  
Executive Vice President -  
Legal Affairs and Collection

**Ahmet KARACA** (7)  
Executive Vice President -  
Financial Control

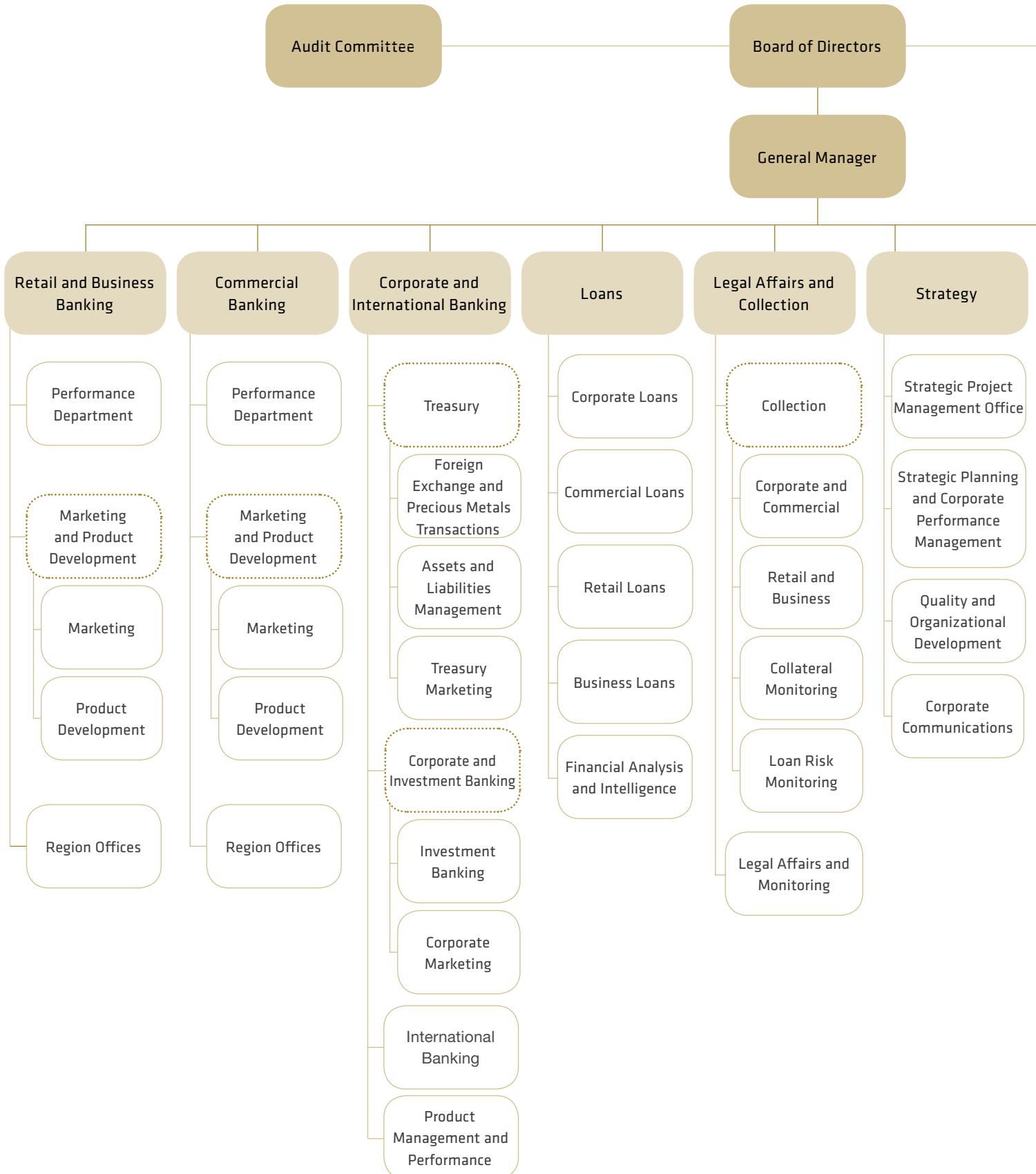
**Dr. R. Ahmet ALBAYRAK** (8)  
Executive Vice President - Corporate  
and International Banking

**İrfan YILMAZ** (9)  
Executive Vice President -  
Banking Services Group

**Aslan DEMİR** (10)  
Executive Vice President - Strategy



## ORGANIZATION CHART



Internal Systems Committee

Banking Services Group (COO)

Financial Affairs

Risk, Control and Compliance Group

Internal Audit Department







## **Tile art today**

The traditional art of tile making has been kept alive from the Ottoman era to the present day. The art of tile making began to improve especially in the 1980s, and today, ceramic tiles are much more enhanced with rich designs and colors, and are among Turkey's export products. The traditional tile making continues to exist in Kütahya and İznik, and occasionally with examples that are reminiscent of the brightest period of the Turkish tile art.

*Today, there are about 500 ateliers of varying sizes, and the tiles produced at these ateliers decorate numerous homes in Turkey and the world.*

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

Esteemed Shareholders,

During the first half of 2013, a moderate recovery was observed in the global economy, which underperformed expectations in 2012 and 2013, and grew by 3.2% and 2.9%, respectively. As a result of the positive developments in the economy, US decided at the beginning of summer to gradually retreat from its expansionary monetary policy adopted by Fed. As this decision arose an expectation of contraction in the money supply, it caused a decline in low-cost funding available to developing countries and an increase in costs. Meanwhile, rising funding costs continue to weaken the demand in the banking industry. Although this impact is expected to decelerate the growth in the industry, it will most likely have a limited effect considering the investment needs in developing countries such as Turkey.

For Kuveyt Türk, 2013 was a successful year as we maintained our growth trend of previous years. Being one of the fastest growing banks in Turkey, Kuveyt Türk grew by 37% in 2013, and its asset size reached TL 26 billion. Our total deposits exceeded TL 17 billion, and loans totaled more than TL 16 billion. In parallel to this growth, the number of our branches increased to 268 and employees to 4,642. Kuveyt Türk closed the year 2013 with TL 300.3 million in profits.

In line with Kuveyt Türk's mission of creating added value for the industry and the society through innovative and pioneering products and services, we introduced many innovations to our customers in 2013. The most outstanding innovation of all was our sukuk issuance, which was the largest-ever TL-denominated issuance in Turkey. The issuance, worth TL 100 million with a maturity of 364 days, drew very strong demand from investors, as high as TL 216 million. Therefore, Kuveyt Türk raised the value of the issue to TL 150 million, practicing its right to sell additional shares. Thanks to this TL denominated lease certificate issuance, Kuveyt Türk gained access to a new funding source in capital markets and was able to offer investors an alternative investment instrument that generates steady income.

Kuveyt Türk ranks among the top three banks with the highest volume of gold transactions on Istanbul Gold Exchange. Our Bank undertakes all sorts of operations related to gold, including importing, exporting, refining services, contracts with international gold refiners, and carries out gold banking operations in Dubai. As a result of these intensive efforts, Kuveyt Türk undertook the first gold swap through Takasbank. Aside from the banking industry, we have initiated another important investment project in collaboration with Albaraka Türk to establish a private pension company. We are hoping that this company will start operations in 2014. In this way, we will be offering our customers flexible and state-subsidized retirement savings plans through our new private pension company as well as our branches.

Kuveyt Türk will continue to expand in Turkey in the coming period. We aim to open 50 new branches in 2014, as we have done in the past three years, and bring our participation banking services to new locations. Meanwhile, we aim to offer our customers better service quality through more locations by establishing new distribution channels positioned between branches and ATMs, which already utilize advanced technologies. Additionally, we are constructing a banking center in Şekerpinar and it will also start operations in 2014.

Founded in 1989, Kuveyt Türk enters 2014 with a strong shareholding 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.

We would like to acknowledge the major role our shareholders have played in making the Bank what it is today and express our 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 Executives

Name/Surname	Position	Education Level
H. Cevdet YILMAZ	Head of Risk, Control and Compliance	Bachelor's Degree
Bahattin AKÇA	Head of Internal Audit	Bachelor's Degree
Fadıl ULUŞIK	Head of Internal Control	Master's Degree
Vefa Okan ARIK	Head of Risk Management	Bachelor's Degree
Hayrettin ÇAPOĞLU	Head of Regulation and Compliance	Master's Degree

##### Hüseyin 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 as Auditor and Branch Manager 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. Mr. Yılmaz has been serving as the Head of Risk, Control and Compliance since 2012.

##### Bahattin 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.

##### Fadıl ULUŞIK

###### 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 Risk Management

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. Mr. Arık has been serving as Head of Risk Management since February 2013.

##### Hayrettin ÇAPOĞLU

###### Head of Regulation and Compliance

Born in 1975, Mr. Çapoğlu graduated from Boğaziçi University, Faculty of Economic and Administrative Sciences, Department of Political Science and International Relations in 1997. In 2002, He received his Master's degree from Marmara University, Institute of Social Sciences, Department of Political Science and International Relations. Mr. Çapoğlu started his career in 1997 and joined Kuveyt Türk in 2002. He has been serving as Head of Regulation and Compliance since February 2013.

##### Audit Committee

Name/Surname	Position	Date of Appointment
Adnan ERTEM	Chairman, Member of the Board of Directors	October 19, 2010
Shaheen Hamad Abdulwahab AL GHANEM Member, Member of the Board of Directors	April 17, 2012	17.04.2012
Mohammad Shujaiddin AHMED	Member, Member of the Board of Directors	November 13, 2013

##### 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.

## → INTERNAL SYSTEMS EXECUTIVES

**Internal Systems Committee**

<b>Name/Surname</b>	<b>Position</b>	<b>Date of Appointment</b>
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
Khaled Nasser Abdulaziz AL FOUZAN	Member, Member of the Board of Directors	29.03.2007
Mohammad Shujauddin AHMED	Member, Member of the Board of Directors	13.11.2013

**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.

**Corporate Governance Committee**

<b>Name/Surname</b>	<b>Position</b>
Adnan ERTEM	Chairman, Member of the Board of Directors
Shaheen Hamad Abdulwahab AL GHANEM	Member, Member of the Board of Directors
Mohammad Shujauddin AHMED	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.

**Corporate Social Responsibility Committee**

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

**Duties and Responsibilities**

Determines the social responsibility projects to be carried out by the Bank, and makes donations within legal limits.

## Other Supporting Committees

### Executive Committee

Name/Surname	Position
Mohammad S.A.I. AL OMAR	Chairman, Chairman of the Board of Directors
Abdullah TİVNIKLI	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
Abdullah TİVNIKLI	Chairman, Vice Chairman of the Board of Directors
Ufuk UYAN	Member, Member of the Board of Directors, CEO
Shaheen H.A. AL GHANEM*	Member, Member of the Board of Directors

\* He was appointed as the Committee member on 25.12.2013

#### 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.

### Credit Committee

Adı Soyadı	Position
Mohammad S.A.I. AL OMAR	Chairman, Chairman of the Board of Directors
Abdullah TİVNIKLI	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.

## → INTERNAL SYSTEMS EXECUTIVES

**Assets Liabilities Committee**

<b>Name/Surname</b>	<b>Position</b>
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 Tarık 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 nine times in 2013, and all members were present at all meetings unless they reported valid excuses.
- The Audit Committee monitors the audit and risk management activities of the Bank in accordance with laws and regulations, particularly the Banking Law, and takes necessary actions. The Audit Committee convened seven times during 2013. In addition, seven Internal Systems Committee meetings were held in 2013 with the participation of managers of the units constituting the internal systems in order to ensure more effective risk management.
- The Credit Committee, authorized to assess and approve loans up to 10% of the Bank's shareholders' equity, convened 10 times in 2013 to perform this task.
- The Assets-Liabilities Committee, responsible for the Bank's financial management and for overseeing the asset-liability balance, convened 51 times during 2013
- All committee members were present at all meetings unless they reported valid excuses.



## RELATED PARTY TRANSACTIONS

Information on transactions conducted within the Bank's risk group is provided in detail on pages 172 and 173 of the annual report.

## OUTSOURCED SERVICES

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
Bileşim Alternatif Dağıtım Kanalları ve Ekstre Ödeme Sistemleri A.Ş.	Card customization, printing and enveloping services
Chronos İstihdam Hiz. Yön. Ve Yazılım Dan. Tic. Ltd. Şti.	Payroll 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
Asseco SEE Teknoloji A.Ş.	Virtual POS software and services
İstanbul Altın Rafinerisi A.Ş.	Supplying gold grams and ATM gold with certification
Venüs Eğitim Danışmanlık A.Ş.	,Supply and maintenance of Mobile Banking software
Collection Platform Yaz. Danş. A.Ş.	,Telephone calls to customers with credit card debts
Komtaş Bilgi Yön. Ve Dan. Tic. A.Ş.	Supply and maintenance of financial control and reporting software (ACL)
32 Bit Bilgisayar Hizm. Ltd. Şti.	,Software connection to Reuters dealing system
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
Eastern Networks Çözümleri Tic. A.Ş.	AML software supply, maintenance and upgrading services
Uzman Bilişim Danışmanlık A.Ş.	,Oracle E-Business applications maintenance services
Innova Bilişim Çözümleri A.Ş.	,Bill collection network system services
Bicentrix Yazılım Dan. Ltd. Şti.	,Budget application support services
	Karash Yazılım Geliştirme ve Danışmanlık
İthalat İhracat Ltd. Şti.	Outsourcing of IT personnel
BSM Eğitim Danışmanlık Organizasyon Ltd. Şti.	Software supply and support for transferring the software used by the Treasury Department to the BOA system
Loomis Güvenlik Hizmetleri A.Ş.	,Domestic transportation, processing and securing of cash and valuable products; ATM, XTM machines supply and maintenance services
Bilişim Sanayi ve Ticaret Ltd. Şti.	,Payroll system management and operating services
Enuygun Com İnternet Bilgi Hizmetleri Teknoloji ve Tic. A.Ş.	Promoting loan products and steering loan demand
Saytem Sağlık Hizmetleri Otomasyon Gıda Tem. Nak.	
San. Tic. Ltd. Şti.	Outsourcing of administrative services personnel
Call Center Resources Danışmanlık Ltd. Şti.	Interactive Intelligence Customer Interaction Center software licensing, maintenance and support services
Desmer Güvenlik Hizmetleri Tic. A.Ş.	Cash transportation and transporting cash to ATMs and XTM's

## ANNUAL REPORT COMPLIANCE OPINION

To the General Assembly of Kuveyt Türk Katılım Bankası A.Ş.:

We have audited the accuracy and compliance of the financial information in the accompanying annual activity report of Kuveyt Türk Katılım Bankası A.Ş. and its consolidated financial affiliates prepared as of December 31, 2013 with the audited financial statements as of and for the same period then ended. The Board of Directors of the Bank is responsible for the annual activity report. As independent auditors, our responsibility is to express an opinion on the audited annual activity report based on the compliance of financial information provided in the annual activity report with the audited financial statements and explanatory notes.

Our audit was performed in accordance with the accounting standards and principles and procedures of preparing and issuing annual activity reports as set out by the Banking Act No: 5411 and Turkish Commercial Code ("TCC") No: 6102. Those standards require that we plan and perform our audit to obtain reasonable assurance whether the annual activity report is free from material misstatement. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the financial information provided in the accompanying annual activity report presents fairly, in all material respects, the financial information regarding the financial position of Kuveyt Türk Katılım Bankası A.Ş. as of December 31, 2013 in accordance with the prevailing accounting principles and standards set out as per the Article 40 of the Banking Act No: 5411 and TCC. The financial information provided in the annual activity report is in compliance with the audited financial statements and explanatory notes, and also includes the summary management report and our audit opinion on these financial statements.

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



**Müjde Şehsuvaroğlu**

Partner

Istanbul, 10 March 2014

# Deloitte.

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

## KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ

### INDEPENDENT AUDITORS' REPORT FOR THE PERIOD OF JANUARY 1 - DECEMBER 31, 2013

We have audited the accompanying balance sheet of Kuveyt Türk Katılım Bankası Anonim Şirketi ("the Bank") as at December 31, 2013, and the related statements of income, cash flows and changes in shareholders' equity for the year then ended, and a summary of significant accounting policies and other explanatory notes.

#### Management's Responsibility for the Financial Statements

The Board of Directors of the Bank is responsible for the preparation and fair presentation of the financial statements in accordance with the regulation on "The Procedures and Principles Regarding Banks' Accounting Practices and Maintaining Documents" published in the Official Gazette no. 26333 on November 1, 2006, and Turkish Accounting Standards ("TAS"), Turkish Financial Reporting Standards ("TFRS"), and other regulations, circulars, communiqués and pronouncements in respect of accounting and financial reporting made by the Banking Regulation and Supervision Agency ("BRSA"). This responsibility includes: designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; and selecting and applying appropriate accounting policies.

#### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our independent audit. We conducted our audit in accordance with the regulation on "The Licensing and Operations of Audit Firms in Banking" published in the Official Gazette no. 26333 on November 1, 2006, and the International Standards on Auditing. We planned and performed our audit to obtain reasonable assurance whether the financial statements are free from material misstatement. An independent audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and footnotes. The procedures selected depend on the independent auditors' judgement; however in consideration of the effectiveness of internal controls and appropriateness of accounting policies applied with regard to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Independent Auditor's Opinion

In our opinion, the financial statements provided in the accompanying annual report present fairly, in all material respects, the financial position of Kuveyt Türk Katılım Bankası A.Ş. as at December 31, 2013 and the results of its operations and cash flows for the year then ended in accordance with the prevailing accounting principles and standards set out as per the Article 37 of the Banking Act no. 5411, and other regulations, communiqués and circulars in respect of accounting and financial reporting and pronouncements made by the Banking Regulation and Supervision Agency ("BRSA").

İstanbul, February 17, 2014

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



**Müjde Şehsuvaroğlu**  
Partner, Chief Auditor, CPA

## AUDIT COMMITTEE'S REVIEW ON INTERNAL SYSTEMS

Internal Audit, Internal Control, Risk Management, Regulation and Compliance Departments constitute the internal systems of the Bank. In the Bank's organizational structure, these units have been established to report to the Board of Directors. The Board delegated its duties and responsibilities regarding internal systems to the Internal Systems Committee, which consists of four Board Members. The concerned departments carry out their activities under the supervision and coordination of the Internal Systems Committee.

Considering the moderate recovery observed in the global economy and the developments in social and commercial life in our country, risk, control and compliance remain to be priority areas, which require a particular attention of significance. In that regard, the units forming internal systems carried out their 2013 activities as part of banking functions.

In 2013, the Internal Audit Department conducted projects to improve the Bank's organizational structure, business model and processes in line with the Bank's strategic goals, and performed its 2013 activities within the framework of the business plan and in accordance with shareholders' expectations. Additionally, the Department conducted special audits as well as legal or administrative investigations in certain cases and fields, whenever required. As part of this process, an extensive assessment was performed regarding the efficiency, adequacy and compliance of the Bank's information systems general controls and business process controls. These assessments formed a sound basis for the Management Declaration made by the Board of Directors as a legal requirement regarding 2013 activities.

At Kuveyt Türk, the internal control function is executed by the Internal Control Department. In line with the Bank's strategic goals and policies and in accordance with both internal and external regulations, and international standards, the Internal Control Department organized its activities into three groups: "On-Site Control and Monitoring", "Central Control and Monitoring", "Information Systems Control, and the Design, Development and Coordination of the Internal Control System". 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 2013 Control Plan and Program, the Bank's various business lines, units, branches, processes, products and services were continuously analyzed and monitored through a proactive, dynamic, priority and risk-centered perspective, and the results were reported to the Senior Management. Additionally, the Internal Control Department actively participated in the Process Modeling and Analysis Projects that are carried out within the scope of the Core Banking Transformation Project, which was initiated in line with the Bank's 2018 strategy. As part of these efforts, the Department analyzed the processes together with the relevant business units, identified any potential risks related to these 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 to minimize the risks.

In 2013, the Risk Management Department effectively identified, measured and managed the risks our Bank is exposed to. In terms of Credit Risk, the Department completed the SME scorecard scheme and started to take into account the calculated scores while allocating credits. The development of the internal rating system geared towards SME collection and Credit Card portfolios was initiated in 2013, and the Department expects to obtain the results in 2014. Further, the Integrated Risk Solution agreement, which will facilitate the Bank's transition to advanced BASEL II methods, was also finalized at the end of 2013, and the related studies will commence in 2014. Within the scope of operational risk management efforts, process update and improvement efforts were carried out and process risks were assessed. The efforts for insuring operational loss continued in 2013, and the Department actively participated in activities required by the Support Services Regulation, and in this light, prepared the Risk Management Program. Meanwhile, market risk calculations, monitoring and reporting activities continued; and periodic stress tests and scenario analyses were performed. With regard to business continuity efforts, the Disaster Recovery Center tests were successfully conducted in November 2013. Further, risk analyses were performed on all projects and applications of the Bank's business and IT units within the scope of IT risk management efforts.

The Regulation and Compliance Department informed the relevant units about all legislative changes relating to the Bank's operations, and performed compliance studies regarding the Bank's internal regulations and practices. The Department also provided consultancy services on current and new legislation, and worked to ensure that new products and services are designed and presented in accordance with the legislation. Further, the Regulation and Compliance Department undertook efforts to ensure that the Bank operates in compliance with the regulation on money laundering and the financing of terrorism, and organized training programs to enlighten the Bank's employees about related legal obligations.

The Internal Systems Committee held seven meetings in 2013. The Internal Systems units carried out their activities in cooperation with the Bank's other departments and in accordance with the principles of independency, objectivity, efficiency, eligibility and separation of powers.



**Adnan ERTEM**  
Chairman of the Audit Committee



**Shaheen H.A. AL GHANEM**  
Audit Committee Member



**Mohammad Shujaiddin AHMED**  
Audit Committee Member

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

As of year-end 2013, Kuveyt Türk Katılım Bankası increased its total assets by 36.9% to TL 25.9 billion and its shareholders' equity by 36.7% to TL 2.3 billion. Accordingly, the Bank's capital adequacy ratio stood at 14.24%, above the legally required limit. The Bank continues to use its resources effectively and productively and to increase its profit. Detailed information on the Bank's financial position, profitability and debt servicing capacity can be found in the financial statements and independent auditor's report section.

## RATINGS OF KUYEYT TÜRK BY INTERNATIONAL RATING AGENCIES

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

<b>Fitch Ratings</b>			
<b>Foreign Currency</b>		<b>National</b>	
Long Term	BBB	Long Term	AAA (tur)
Short Term	F3	General Outlook	Stable
General Outlook	Stable	Individual	WD
		Support	2
<b>Local Currency</b>		<b>Country Risk</b>	
Long Term	BBB+	Foreign Currency Long Term	BBB-
Short Term	F2	Local Currency Long Term	BBB
General Outlook	Stable	General Outlook	Stable
		Ülke Tavanı	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)	2009*	2010*	2011*	2012*	2013*
Profit Sharing Income	668,134	698,871	965,771	1,296,118	1,439,926
Profit Sharing Expense	320,475	302,814	425,387	599,570	609,655
Net Fee and Commission Income	58,116	60,350	64,705	75,234	84,971
Other Income	137,830	148,459	181,758	237,126	339,961
Other Expenses	379,928	403,743	541,391	699,652	885,993
Provision for Taxes	(36,544)	(41,475)	(50,414)	(59,100)	(68,867)
Net Profit for the period	127,133	159,648	195,042	250,156	300,343
Total Assets	6,904,526	9,690,553	14,897,592	18,910,513	25,893,542
Total Shareholders' Equity	807,312	1,256,685	1,437,978	1,684,037	2,302,049
Capital Adequacy Ratio (%)	14.56	17.05	16.02	13.97	14.24

\* IFRS Consolidated Figures



**KUVEYT TÜRÖ KATILIM BANKASI**  
**ANONİM ŐİRKETİ VE MALİ ORTAKLIKLARI**  
**INDEPENDENT AUDITOR'S REPORT, CONSOLIDATED FINANCIAL**  
**STATEMENTS AND NOTES FOR THE YEAR ENDED**  
**31 DECEMBER 2013**

Translated into English  
from the Original Turkish Report



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

## KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ AND ITS FINANCIAL SUBSIDIARIES

### INDEPENDENT AUDITOR'S REPORT FOR THE YEAR 1 JANUARY 2013 – 31 DECEMBER 2013

We have audited the accompanying consolidated balance sheet of Kuveyt Türk Katılım Bankası A.Ş. (the "Bank") and its financial subsidiaries (the "Group") as of 31 December 2013, and the related consolidated statements of income, cash flows and changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory notes.

#### Management's Responsibility for the Financial Statements

The Board of Directors of the Bank is responsible for the preparation and fair presentation of the financial statements in accordance with the regulation on "Procedures and Principles Regarding Banks' Accounting Practices and Maintaining Documents" published in the Official Gazette dated 1 November 2006 and numbered 26333 and Turkish Accounting Standards ("TAS"), Turkish Financial Reporting Standards ("TFRS") and other regulations, circulars, communiqués and pronouncements in respect of accounting and financial reporting made by Banking Regulation and Supervision Agency ("BRSA"). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the regulation on "Licensing and Operations of Audit Firms in Banking" published in the Official Gazette no: 26333 on 1 November 2006 and the International Standards on Auditing. We planned and performed our 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 financial statements. The procedures selected depend on the auditor's judgement, including the consideration of the effectiveness of internal control and appropriateness of accounting policies applied relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Independent Auditor's Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2012 and the results of its operations and its cash flows for the year then ended in accordance with the prevailing accounting principles and standards set out as per the Article 37 and 38 of the Banking Act No: 5411, and other regulations, communiqués and circulars in respect of accounting and financial reporting and pronouncements made by BRSA.

İstanbul, 3 March 2014

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



**Müjde Şehsuvaroğlu**  
Partner

**THE CONSOLIDATED FINANCIAL REPORT OF KUVEYT TÜRK KATILIM BANKASI A.Ş.  
AS OF DECEMBER 31, 2013**

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

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

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

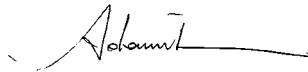
The subsidiaries, associates and jointly controlled entities, financial statements of which are consolidated within the framework of the reporting package are as follows:

Subsidiaries	Associates	Jointly Controlled Entities
1. Kuwait Turkish Participation Bank Dubai Ltd		Katılım Emeklilik ve Hayat A.Ş.
2. KT Sukuk Varlık Kiralama A.Ş.		
3. KT Kira Sertifikaları Varlık Kiralama A.Ş.		

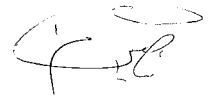
The accompanying consolidated financial statements and notes have been prepared based on the accounting books of the Bank in accordance with the Regulation on Accounting Applications for Banks and the Safeguarding of Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards and,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



Mohammad S.A.I. AL OMAR  
Chairman of the Board of  
Directors



Adnan ERTEM  
Head of the Audit Committee



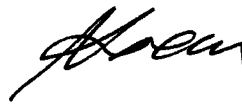
Shaheen H. A. ALGHANEEM  
Member of the Audit Committee



Mohammed Shujauddin AHMED  
Member of the Audit  
Committee



Ufuk UYAN  
Chief Executive Officer



Ahmet KARACA  
Chief Financial Officer



İsmail Hakkı YEŞİLYURT  
External Reporting Manager

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

**Name-Surname:** İsmail Hakkı YEŞİLYURT  
**Position:** External Reporting Manager  
**Telephone:** 0212 354 12 84  
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# KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ

## NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE PERIOD ENDED 31 DECEMBER 2013

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LİRA (TL) UNLESS OTHERWISE STATED.)

#### SECTION ONE GENERAL INFORMATION

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

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

The Bank's subsidiary, which has 100% share, Kuveyt Turkish Participation Bank Dubai Ltd. established at November, 2009. Main field of operations based on law, includes core business is operating in accordance with the principles of interest-free banking as a participation bank by collecting funds through current and profit/loss sharing accounts, and lending such funds to its customers, consulting services, assets management, investment intermediary, investment activities.

The Parent Bank and consolidated Kuveyt Turkish Participation Bank Dubai Ltd. are named as "Group" together.

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

As of 31 December 2013 and 31 December 2012, 62.24% of the Bank's shares are owned by Kuwait Finance House located in Kuwait, 18.72% by Vakıflar Genel Müdürlüğü Mazbut Vakıfları, 9.00% by The Public Institution For Social Security in Kuwait and 9.00% by Islamic Development Bank whereas the remaining 1.04% of the shares are owned by other real persons and legal entities.

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

Name	Title	Date of the assignment	Educational degree	Ownership Percentage
Mohammad S.A.I. ALOMAR	Chairman of the BOD	19/07/2000	Bachelor	-
Abdullah TİVNİKLİ	Vice Chairman of the BOD	16/05/2001	Master	0.0834%
Dr. Adnan ERTEM	Member of BOD and Chairman of the Audit Committee	22/12/2010	Doctorate	-
Nadir ALPASLAN	Member of BOD	15/04/2011	Bachelor	-
Khaled Nasser Abdulaziz AL FOUZAN	Member of BOD	02/08/2006	Bachelor	-
Fawaz KH E AL SALEH	Member of BOD	20/10/2006	Bachelor	0.0105%
Mohammad Shujaiddin AHMED	Member of BOD	17/05/2012	Bachelor	-
Shaheen H.A. AL GHANEM	Member of BOD and Member of Audit Committee	18/12/2006	Bachelor	-
Ufuk UYAN	Member of BOD and General Manager	10/05/1999	Master	0.0556%
Ahmet KARACA	Assistant General Manager and Chief Financial Officer	12/07/2006	Master	0.0094%
Ahmet Süleyman KARAKAYA	Assistant General Manager, Corporate and Commercial Banking	14/01/2003	Bachelor	0.0009%
Bilal SAYIN	Assistant General Manager, Lending	20/08/2003	Bachelor	0.0029%
İrfan YILMAZ	Assistant General Manager, Retail Banking	27/10/2005	Bachelor	0.0118%
Dr. Ruşen Ahmet ALBAYRAK	Assistant General Manager, Corporate and International Banking	05/05/2005	Doctorate	0.0075%
Nurettin KOLAÇ	Assistant General Manager, Legal and Risk Follow Up	20/04/2010	Bachelor	0.0006%
Aslan Demir	Assistant General Manager, Strategy	08/10/2012	Bachelor	0.0010%
Mehmet ORAL	Assistant General Manager, Retail and SME Banking	01/10/2012	Bachelor	0.0023%

Asım OZGOZUKARA, Güven OBALI and Mikdat YETİM who were the members of general assembly auditors according to Turkish Commercial Code numbered 6102, are released from their responsibilities as of 31 March 2013.

Chairman and members of the Board of Directors, members of auditing committee, general manager and assistant general managers own 0.19% of the Bank's share capital (31 December 2012 - 0.19%).

# KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ

## NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE PERIOD ENDED 31 DECEMBER 2013

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LİRA (TL) UNLESS OTHERWISE STATED.)

#### IV. Information on qualified shareholders:

Name / Commercial Name	Share amount (Nominal)	Shareholding percentage	Paid shares (Nominal)	Unpaid shares
Kuwait Finance House	1,282,170	62.24%	1,058,101	224,069
Vakıflar Genel Müdürlüğü Mazbut Vakıfları	385,617	18.72%	318,227	67,390
<b>Total</b>	<b>1,667,787</b>	<b>80.96%</b>	<b>1,376,328</b>	<b>291,459</b>

As of 31 December 2013, the shares of parent shareholder of the Parent Bank, Kuwait Finance House ("KFH") are 51.52% publicly traded; 24.08% of KFH belongs to Kuwait Investment Authority and 10.48% belongs to Public Authority for Minors Affairs.

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

The Parent Bank's field of operations includes corporate banking, international banking services, and retail banking and credit card services. The Parent Bank's core business is operating in accordance with the principles of interest-free banking as a participation bank by collecting funds through current and profit/loss sharing accounts, and lending such funds to its customers. As of 31 December 2013, the Group is operating through 268 domestic branches (31 December 2012 - 221) with 4,651 employees (31 December 2012 - 3,947). Summary of some of the Parent Bank's operations described in the Articles of Association are as follows:

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

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

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

None.



## SECTION TWO

### THE CONSOLIDATED FINANCIAL STATEMENTS

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

# KUYEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ

## CONSOLIDATED BALANCE SHEET

AS OF 31 DECEMBER 2013

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LİRA (TL) UNLESS OTHERWISE STATED.)

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

	Note	Audited Current Period 31.12.2013			Audited Prior Period 31.12.2012		
		TL	FC	Total	TL	FC	Total
<b>I. CASH AND BALANCES WITH THE CENTRAL BANK</b>	(I-a)	398,486	3,915,124	4,313,610	349,343	3,638,240	3,987,583
<b>FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (Net)</b>	(I-b)	99,320	15,472	114,792	25,162	23,456	48,618
2.1 Held for trading financial assets		99,320	15,472	114,792	25,162	23,456	48,618
2.1.1 Public sector debt securities		-	-	-	-	-	-
2.1.2 Equity securities		-	-	-	-	-	-
2.1.3 Derivative financial assets held for trading		92,304	15,472	107,776	15,435	23,456	38,891
2.1.4 Other marketable securities		7,016	-	7,016	9,727	-	9,727
2.2 Financial assets at fair value through profit and loss		-	-	-	-	-	-
2.2.1 Public sector debt securities		-	-	-	-	-	-
2.2.2 Equity securities		-	-	-	-	-	-
2.2.3 Loans		-	-	-	-	-	-
2.2.4 Other marketable securities		-	-	-	-	-	-
<b>III. BANKS</b>	(I-c)	31,267	2,443,070	2,474,337	62,663	834,286	896,949
<b>IV. MONEY MARKET PLACEMENTS</b>		-	-	-	-	-	-
<b>V. FINANCIAL ASSETS AVAILABLE FOR SALE (Net)</b>	(I-e)	1,104,437	219,260	1,323,697	413,421	136,075	549,496
5.1 Equity securities		8,872	42,686	51,558	8,437	-	8,437
5.2 Public sector debt securities		1,092,138	176,574	1,268,712	404,984	136,075	541,059
5.3 Other marketable securities		3,427	-	3,427	-	-	-
<b>VI. LOANS AND RECEIVABLES</b>	(I-f)	14,803,658	1,496,568	16,300,226	10,949,545	1,454,169	12,403,714
6.1 Loans and receivables		14,758,165	1,496,568	16,254,733	10,916,364	1,454,169	12,370,533
6.1.1 Loans to risk group of the Bank		30,320	88,231	118,551	143,641	48,980	192,621
6.1.2 Public sector debt securities		-	-	-	-	-	-
6.1.3 Other		14,727,845	1,408,337	16,136,182	10,772,723	1,405,189	12,177,912
6.2 Non-performing loans		381,676	-	381,676	285,339	-	285,339
6.3 Specific provisions (-)		336,183	-	336,183	252,158	-	252,158
<b>VII. HELD TO MATURITY INVESTMENTS (Net)</b>	(I-g)	-	-	-	-	-	-
<b>VIII. INVESTMENTS IN ASSOCIATES (Net)</b>	(I-h)	-	-	-	-	-	-
8.1 Accounted for under equity method		-	-	-	-	-	-
8.2 Unconsolidated associates		-	-	-	-	-	-
8.2.1 Financial associates		-	-	-	-	-	-
8.2.2 Non-financial associates		-	-	-	-	-	-
<b>IX. INVESTMENTS IN SUBSIDIARIES (Net)</b>	(I-i)	72,853	-	72,853	57,863	-	57,863
9.1 Unconsolidated financial subsidiaries		-	-	-	-	-	-
9.2 Unconsolidated non-financial subsidiaries		72,853	-	72,853	57,863	-	57,863
<b>X. ENTITIES UNDER COMMON CONTROL (JOINT VENT.) (Net)</b>	(I-j)	5,064	-	5,064	-	-	-
10.1 Accounted for under equity method		5,064	-	5,064	-	-	-
10.2 Unconsolidated		-	-	-	-	-	-
10.2.1 Financial subsidiaries		-	-	-	-	-	-
10.2.2 Non-financial subsidiaries		-	-	-	-	-	-
<b>XI. FINANCE LEASE RECEIVABLES</b>	(I-k)	379,139	29,293	408,432	183,741	-	183,741
11.1 Finance lease receivables		445,575	29,293	474,868	225,658	-	225,658
11.2 Operating lease receivables		-	-	-	-	-	-
11.3 Other		-	-	-	-	-	-
11.4 Unearned income (-)		66,436	-	66,436	41,917	-	41,917
<b>XII. DERIVATIVE FINANCIAL ASSETS FOR HEDGING PURPOSES</b>	(I-l)	-	-	-	-	-	-
12.1 Fair value hedge		-	-	-	-	-	-
12.2 Cash flow hedge		-	-	-	-	-	-
12.3 Hedge of net investment risks in foreign operations		-	-	-	-	-	-
<b>XIII. TANGIBLE ASSETS (Net)</b>	(I-m)	335,141	627	335,768	238,007	723	238,730
<b>XIV. INTANGIBLE ASSETS (Net)</b>	(I-n)	55,658	40	55,698	43,652	-	43,652
14.1 Goodwill		-	-	-	-	-	-
14.2 Other		55,658	40	55,698	43,652	-	43,652
<b>XV. INVESTMENT PROPERTIES (Net)</b>	(I-o)	-	-	-	-	-	-
<b>XVI. TAX ASSET</b>	(I-p)	30,953	-	30,953	20,804	-	20,804
16.1 Current tax asset		-	-	-	-	-	-
16.2 Deferred tax asset		30,953	-	30,953	20,804	-	20,804
<b>ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)</b>		-	-	-	-	-	-
(I-r) 28,999		-	28,999	30,004	-	30,004	-
17.1 Held for sale		-	28,999	-	-	-	-
17.2 Discontinued operations		-	-	-	-	-	-
<b>XVIII. OTHER ASSETS</b>	(I-s)	251,905	63,218	315,123	267,649	18,479	286,128
<b>TOTAL ASSETS</b>		17,596,880	8,182,672	25,779,552	12,641,854	6,105,428	18,747,282

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

# KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ

## CONSOLIDATED BALANCE SHEET

AS OF 31 DECEMBER 2013

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LİRA (TL) UNLESS OTHERWISE STATED.)

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

	Note	Audited Current Period 31.12.2013			Audited Prior Period 31.12.2012		
		TL	FC	Total	TL	FC	Total
<b>I. FUND COLLECTED</b>	(II-a)	9,326,931	7,699,638	17,026,569	6,768,470	5,983,687	12,752,157
1.1 Funds from risk group of the Bank		128,838	242,479	371,317	44,424	159,668	204,092
1.2 Other		9,198,093	7,457,159	16,655,252	6,724,046	5,824,019	12,548,065
<b>II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING</b>	(II-b)	43,664	15,284	58,948	3,252	4,141	7,393
<b>III. FUNDS BORROWED</b>	(II-c)	5,793	4,034,732	4,040,525	5,440	2,342,370	2,347,810
<b>IV. MONEY MARKET BALANCES</b>		221,428	-	221,428	-	-	-
<b>V. MARKETABLE SECURITIES ISSUED (Net)</b>		151,562	754,332	905,894	-	811,539	811,539
<b>VI. SUNDRY CREDITORS</b>	(II-d)	110,397	12,109	122,506	75,982	16,474	92,456
<b>VII. OTHER LIABILITIES</b>	(II-d)	290,282	24,398	314,680	382,292	68,549	450,841
<b>VIII. FINANCE LEASE PAYABLES</b>	(II-e)	-	1,828	1,828	-	102	102
8.1 Finance lease payables		-	1,878	1,878	-	103	103
8.2 Operating lease payables		-	-	-	-	-	-
8.3 Other		-	-	-	-	-	-
8.4 Deferred finance lease expenses (-)		-	50	50	-	1	1
<b>IX. DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING PURPOSES</b>	(II-f)	-	-	-	-	-	-
9.1 Fair value hedge		-	-	-	-	-	-
9.2 Cash flow hedge		-	-	-	-	-	-
9.3 Hedge of net investment in foreign operations		-	-	-	-	-	-
<b>X. PROVISIONS</b>	(II-g)	241,124	69,190	310,314	181,942	38,925	220,867
10.1 General loan loss provisions		142,814	31,437	174,251	116,390	21,728	138,118
10.2 Restructuring provisions		-	-	-	-	-	-
10.3 Reserve for employee benefits		66,362	703	67,065	40,308	484	40,792
10.4 Insurance technical reserves (net)		-	-	-	-	-	-
10.5 Other provisions		31,948	37,050	68,998	25,244	16,713	41,957
<b>XI. TAX LIABILITY</b>	(II-h)	20,096	-	20,096	15,694	-	15,694
11.1 Current tax liability		20,096	-	20,096	15,694	-	15,694
11.2 Deferred tax liability		-	-	-	-	-	-
<b>XII. PAYABLES RELATED TO ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)</b>	(II-i)	-	-	-	-	-	-
12.1 Held for sale		-	-	-	-	-	-
12.2 Discontinued operations		-	-	-	-	-	-
<b>XIII. SUBORDINATED LOANS</b>	(II-j)	-	433,080	433,080	-	361,661	361,661
<b>XIV. SHAREHOLDERS' EQUITY</b>	(II-k)	2,320,631	3,053	2,323,684	1,683,760	3,002	1,686,762
14.1 Paid-in capital		1,700,000	-	1,700,000	1,100,000	-	1,100,000
14.2 Capital reserves		17,712	(4,713)	12,999	35,387	1,071	36,458
14.2.1 Share premium		23,250	-	23,250	23,250	-	23,250
14.2.2 Share cancellation profits		-	-	-	-	-	-
14.2.3 Marketable securities revaluation reserve		6,738	(4,713)	2,025	12,137	1,071	13,208
14.2.4 Tangible assets revaluation reserve		-	-	-	-	-	-
14.2.5 Intangible assets revaluation reserve		-	-	-	-	-	-
14.2.6 Investment property revaluation reserve		-	-	-	-	-	-
14.2.7 Bonus shares obtained from associates, subsidiaries and jointly controlled entities		-	-	-	-	-	-
14.2.8 Hedging funds (effective portion)		-	-	-	-	-	-
14.2.9 Value increase on assets held for resale		-	-	-	-	-	-
14.2.10 Other capital reserves		(12,276)	-	(12,276)	-	-	-
14.3 Profit reserves		303,422	-	303,422	300,809	-	300,809
14.3.1 Legal reserves		60,800	-	60,800	46,405	-	46,405
14.3.2 Status reserves		-	-	-	-	-	-
14.3.3 Extraordinary reserves		203,396	-	203,396	246,279	-	246,279
14.3.4 Other profit reserves		39,226	-	39,226	8,125	-	8,125
14.4 Profit or loss		299,497	7,766	307,263	247,564	1,931	249,495
14.4.1 Prior period income/(losses)		(2,591)	1,931	(660)	(2,604)	166	(2,438)
14.4.2 Current period income/(losses)		302,088	5,835	307,923	250,168	1,765	251,933
14.5 Minority shares	(II-l)	-	-	-	-	-	-
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>12,731,908</b>	<b>13,047,644</b>	<b>25,779,552</b>	<b>9,116,832</b>	<b>9,630,450</b>	<b>18,747,282</b>

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

# KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ

## STATEMENT OF CONSOLIDATED OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES AS OF 31 DECEMBER 2012

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

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

	Note	Audited Current Period 31.12.2013			Audited Prior Period 31.12.2012		
		TL	FC	Total	TL	FC	Total
<b>OFF BALANCE SHEET CONTINGENCIES AND COMMITMENTS</b>							
<b>A. (I+II+III)</b>		<b>31,894,094</b>	<b>10,745,004</b>	<b>42,639,098</b>	<b>24,820,146</b>	<b>7,131,112</b>	<b>31,951,258</b>
<b>I. GUARANTEES</b>	<b>(III-a)</b>	<b>4,093,800</b>	<b>4,578,547</b>	<b>8,672,347</b>	<b>3,438,273</b>	<b>2,862,179</b>	<b>6,300,452</b>
1.1 Letters of guarantees		4,075,558	3,051,522	7,127,080	3,437,473	1,771,195	5,208,668
1.1.1 Guarantees subject to state tender law		174,507	2,154	176,661	147,127	4,833	151,960
1.1.2 Guarantees given for foreign trade operations		179,860	33,000	212,860	131,129	1,541	132,670
1.1.3 Other letters of guarantee		3,721,191	3,016,368	6,737,559	3,159,217	1,764,821	4,924,038
1.2 Bank loans		1,096	56,491	57,587	-	65,386	65,386
1.2.1 Import letter of acceptances		1,096	56,491	57,587	-	65,386	65,386
1.2.2 Other bank acceptances		-	-	-	-	-	-
1.3 Letter of credits		627	1,216,650	1,217,277	800	990,812	991,612
1.3.1 Documentary letter of credits		227	526,708	526,935	-	378,803	378,803
1.3.2 Other letter of credits		400	689,942	690,342	800	612,009	612,809
1.4 Pre-financing given as guarantee		-	17,321	17,321	-	9,206	9,206
1.5 Endorsements		-	-	-	-	-	-
1.5.1 Endorsements to the Central Bank of Republic of Turkey		-	-	-	-	-	-
1.5.2 Other endorsements		-	-	-	-	-	-
1.6 Other guarantees		16,519	236,563	253,082	-	25,580	25,580
1.7 Other collaterals		-	-	-	-	-	-
<b>II. COMMITMENTS</b>	<b>(III-a)</b>	<b>23,651,192</b>	<b>794,002</b>	<b>24,445,194</b>	<b>19,945,034</b>	<b>263,544</b>	<b>20,208,578</b>
2.1 Irrevocable commitments		1,617,579	794,002	2,411,581	1,342,727	263,544	1,606,271
2.1.1 Forward asset purchase commitments		302,327	794,002	1,096,329	82,664	263,544	346,208
2.1.2 Share capital commitment to associates and subsidiaries		-	-	-	-	-	-
2.1.3 Loan granting commitments		41,181	-	41,181	53,487	-	53,487
2.1.4 Securities underwriting commitments		-	-	-	-	-	-
2.1.5 Commitments for reserve deposit requirements		-	-	-	-	-	-
2.1.6 Payment commitment for checks		824,093	-	824,093	937,408	-	937,408
2.1.7 Tax and fund liabilities from export commitments		106	-	106	106	-	106
2.1.8 Commitments for credit card expenditure limits		449,872	-	449,872	269,062	-	269,062
2.1.9 Commitments for promotions related with credit cards and banking activities		-	-	-	-	-	-
2.1.10 Receivables from short sale commitments		-	-	-	-	-	-
2.1.11 Payables for short sale commitments		-	-	-	-	-	-
2.1.12 Other irrevocable commitments		-	-	-	-	-	-
2.2 Revocable commitments		22,033,613	-	22,033,613	18,602,307	-	18,602,307
2.2.1 Revocable loan granting commitments		22,033,613	-	22,033,613	18,602,307	-	18,602,307
2.2.2 Other revocable commitments		-	-	-	-	-	-
<b>III. DERIVATIVE FINANCIAL INSTRUMENTS</b>		<b>4,149,102</b>	<b>5,372,455</b>	<b>9,521,557</b>	<b>1,436,839</b>	<b>4,005,389</b>	<b>5,442,228</b>
3.1 Derivative financial instruments for hedging purposes		-	-	-	-	-	-
3.1.1 Fair value hedge		-	-	-	-	-	-
3.1.2 Cash flow hedge		-	-	-	-	-	-
3.1.3 Hedge of net investment in foreign operations		-	-	-	-	-	-
3.2 Held for trading transactions		4,149,102	5,372,455	9,521,557	1,436,839	4,005,389	5,442,228
3.2.1 Forward foreign currency buy/sell transactions		4,139,512	5,208,626	9,348,138	1,403,598	3,400,140	4,803,738
3.2.1.1 Forward foreign currency transactions-buy		2,324,327	2,340,715	4,665,042	870,607	1,725,885	2,596,492
3.2.1.2 Forward foreign currency transactions-sell		1,815,185	2,867,911	4,683,096	532,991	1,674,255	2,207,246
3.2.2 Other forward buy/sell transactions		9,590	163,829	173,419	33,241	605,249	638,490
3.3 Other		-	-	-	-	-	-
<b>B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)</b>		<b>87,086,723</b>	<b>68,887,686</b>	<b>155,974,409</b>	<b>50,807,912</b>	<b>59,481,049</b>	<b>110,288,961</b>
<b>IV. ITEMS HELD IN CUSTODY</b>		<b>3,785,834</b>	<b>673,347</b>	<b>4,459,181</b>	<b>2,708,303</b>	<b>426,985</b>	<b>3,135,288</b>
4.1 Assets under management		-	-	-	-	-	-
4.2 Investment securities held in custody		44,848	-	44,848	37,442	-	37,442
4.3 Checks received for collection		3,279,385	400,775	3,680,160	2,418,872	258,671	2,677,543
4.4 Commercial notes received for collection		461,601	91,583	553,184	251,989	34,385	286,374
4.5 Other assets received for collection		-	-	-	-	-	-
4.6 Assets received for public offering		-	-	-	-	-	-
4.7 Other items under custody		-	-	-	-	-	-
4.8 Custodians		-	180,989	180,989	-	133,929	133,929
<b>V. PLEDGED ITEMS</b>		<b>83,289,213</b>	<b>68,188,947</b>	<b>151,478,160</b>	<b>48,087,933</b>	<b>59,032,926</b>	<b>107,120,859</b>
5.1 Marketable securities		204,398	30,619	235,017	62,529	17,380	79,909
5.2 Guarantee notes		102,015	865,325	967,340	102,015	722,312	824,327
5.3 Commodity		2,539,780	224,442	2,764,222	2,291,547	97,293	2,388,840
5.4 Warranty		-	-	-	-	-	-
5.5 Properties		38,528,360	644,430	39,172,790	27,022,226	588,817	27,611,043
5.6 Other pledged items		41,914,660	66,424,131	108,338,791	18,609,616	57,607,124	76,216,740
5.7 Pledged items-depository		-	-	-	-	-	-
<b>VI. ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES</b>		<b>11,676</b>	<b>25,392</b>	<b>37,068</b>	<b>11,676</b>	<b>21,138</b>	<b>32,814</b>
<b>TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)</b>		<b>118,980,817</b>	<b>79,632,690</b>	<b>198,613,507</b>	<b>75,628,058</b>	<b>66,612,161</b>	<b>142,240,219</b>

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

# KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ

## CONSOLIDATED INCOME STATEMENT FOR THE PERIOD ENDED

31 DECEMBER 2013

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

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

		Current Period Audited 01.01 - 31.12.2013	Prior Period Audited 01.01- 31.12.2012
	Note		
<b>I. PROFIT SHARE INCOME</b>	(IV-a)	<b>1,450,218</b>	<b>1,300,882</b>
1.1 Profit share on loans		1,333,523	1,249,695
1.2 Profit share on reserve deposits		-	-
1.3 Profit share on banks		10,116	12,732
1.4 Profit share on money market placements		-	-
1.5 Profit share on marketable securities portfolio		60,880	8,037
1.5.1 Held-for-trading financial assets		-	-
1.5.2 Financial assets at fair value through profit and loss		-	-
1.5.3 Available-for-sale financial assets		60,880	8,037
1.5.4 Investments held-to-maturity		-	-
1.6 Finance lease income		24,139	12,113
1.7 Other profit share income		21,560	18,305
<b>II. PROFIT SHARE EXPENSE</b>	(IV-b)	<b>610,736</b>	<b>599,177</b>
2.1 Expense on profit sharing accounts	(IV-d)	447,306	466,274
2.2 Profit share expense on funds borrowed		111,335	93,557
2.3 Profit share expense on money market borrowings		10,356	-
2.4 Expense on securities issued		41,739	39,346
2.5 Other profit share expense		-	-
<b>III. NET PROFIT SHARE INCOME (I - II)</b>		<b>839,482</b>	<b>701,705</b>
<b>IV. NET FEES AND COMMISSIONS INCOME/EXPENSE</b>		<b>85,708</b>	<b>75,234</b>
4.1 Fees and commissions received		162,895	131,345
4.1.1 Non-cash loans		70,977	60,531
4.1.2 Other	(IV-l)	91,918	70,814
4.2 Fees and commissions paid		77,187	56,111
4.2.1 Non-cash loans		197	122
4.2.2 Other	(IV-l)	76,990	55,989
<b>V. DIVIDEND INCOME</b>	(IV-c)	<b>-</b>	<b>-</b>
<b>VI. NET TRADING INCOME</b>	(IV-e)	<b>172,251</b>	<b>103,645</b>
6.1 Capital market transaction gains / (losses)		(1,647)	(284)
6.2 Gains/ (losses) from derivative financial instruments		40,847	21,403
6.3 Foreign exchange gains / (losses)		133,051	82,526
<b>VII. OTHER OPERATING INCOME</b>	(IV-f)	<b>140,468</b>	<b>112,585</b>
<b>VIII. NET OPERATING INCOME (III+IV+V+VI+VII)</b>		<b>1,237,909</b>	<b>993,169</b>
<b>IX. PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)</b>	(IV-g)	<b>244,853</b>	<b>198,078</b>
<b>X. OTHER OPERATING EXPENSES (-)</b>	(IV-h)	<b>615,830</b>	<b>484,058</b>
<b>XI. NET OPERATING INCOME/(LOSS) (VIII-IX-X)</b>		<b>377,226</b>	<b>311,033</b>
<b>XII. AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER</b>		<b>-</b>	<b>-</b>
<b>XIII. GAIN / (LOSS) ON EQUITY METHOD</b>		<b>(436)</b>	<b>-</b>
<b>XIV. GAIN / (LOSS) ON NET MONETARY POSITION</b>		<b>-</b>	<b>-</b>
<b>XV. PROFIT/(LOSS) FROM CONTINUED OPERATIONS BEFORE TAXES (XI+...+XIV)</b>	(IV-i)	<b>376,790</b>	<b>311,033</b>
<b>XVI. TAX CHARGE FOR CONTINUED OPERATIONS (±)</b>	(IV-j)	<b>(68,867)</b>	<b>(59,100)</b>
16.1 Current income tax charge		(73,152)	(50,379)
16.2 Deferred tax charge / benefit		4,285	(8,721)
<b>XVII. NET PROFIT/(LOSS) FROM CONTINUED OPERATIONS (XV±XVI)</b>	(IV-k)	<b>307,923</b>	<b>251,933</b>
<b>XVIII. INCOME ON DISCONTINUED OPERATIONS</b>	(IV-i)	<b>-</b>	<b>-</b>
18.1 Income on assets held for sale		-	-
18.2 Income on sale of associates, subsidiaries and jointly controlled entities (joint vent.)		-	-
18.3 Income on other discontinued operations		-	-
<b>XIX. LOSS FROM DISCONTINUED OPERATIONS (-)</b>		<b>-</b>	<b>-</b>
19.1 Loss from assets held for sale		-	-
19.2 Loss on sale of associates, subsidiaries and jointly controlled entities (joint vent.)		-	-
19.3 Loss from other discontinued operations		-	-
<b>XX. PROFIT / (LOSS) ON DISCONTINUED OPERATIONS BEFORE TAXES (XVIII-XIX)</b>	(IV-i)	<b>-</b>	<b>-</b>
<b>XXI. TAX CHARGE FOR DISCONTINUED OPERATIONS (±)</b>	(IV-j)	<b>-</b>	<b>-</b>
21.1 Current income tax charge		-	-
21.2 Deferred tax charge / benefit		-	-
<b>XXII. NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XX±XXI)</b>	(IV-k)	<b>-</b>	<b>-</b>
<b>XXIII. NET PROFIT/LOSS (XVII+XXII)</b>	(IV-l)	<b>307,923</b>	<b>251,933</b>
23.1 Group's income/loss		307,923	251,933
23.2 Minority interest income/loss (-)		-	-
Earnings per share income/loss (full TL)		-	-

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



# KUYEY TÜR KATILIM BANKASI ANONİM ŐİRKETİ

## STATEMENTS OF CONSOLIDATED PROFIT AND LOSS ACCOUNTED FOR UNDER EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2013

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LİRA (TL) UNLESS OTHERWISE STATED.)

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

	Audited Current Period 01.01-31.12.2013	Audited Prior Period 01.01-31.12.2012
I. Additions to marketable securities revaluation differences from available for sale financial assets	(13,978)	16,510
II. Tangible assets revaluation differences	-	-
III. Intangible assets revaluation differences	-	-
IV. Currency translation differences for foreign currency transactions	11,329	(1,503)
V. Profit/loss from derivative financial instruments for cash flow hedge purposes (effective portion of fair value differences)	-	-
VI. Profit/loss from derivative financial instruments for hedge of net investment in foreign operations (effective portion of fair value differences)	-	-
VII. The effect of corrections of errors and changes in accounting policies	-	-
VIII. Other profit loss items accounted under equity as per Turkish accounting standards	(15,345)	-
IX. Deferred tax on valuation differences	5,864	(3,302)
X. Total net profit/loss accounted under equity (I+II+...+IX)	(12,130)	11,705
XI. Profit/loss	-	-
XI.1 Change in fair value of marketable securities (transfer to profit/loss)	-	-
XI.2 Reclassification of derivatives accounted for cash flow hedge purposes to income statement	-	-
XI.3 Reclassification of hedge of net investments in foreign operations to income statement	-	-
XI.4 Other	-	-
XII. Total profit/loss accounted for the period (X±XI)	(12,130)	11,705



**KUYEY TÜR K KATILIM BANKASI ANONİM ŐIRKETİ**  
**STATEMENT OF CONSOLIDATED CHANGES IN SHAREHOLDERS'**  
**EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2013**  
**(TUTARLAR AKŖ BELİRTİLMEDİKÇE BİN TÜR K LİRASI (TL) OLARAK İFADE EDİLMİŐTİR.)**

**V. CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**

Audited	Note	Paid-in capital	Effect of inflation accounting on paid-in capital and other reserves	Share premium	Share certificate cancellation profits	Legal reserves	Statutory Reserves	Extraordinary reserve	Other net income / reserve	Current period net income / (loss)	Prior period net income / (loss)	Marketable securities revaluation reserve	Tangible and intangible assets revaluation	Bonus shares from fund investments	Hedging reserves	Asset held for sale and disc.op. valuation fund	Total minority interest	Minority interest	Total equity
Prior Period - (01.01-31.12.2012)																			
I.		950,000	-	23,250	-	34,923	-	233,253	6,399	-	192,604	-	-	-	-	-	1,440,429	-	1,440,429
II.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Effect of Errors Corrected																			
Effect of Changes in Accounting Policies																			
III.		950,000	-	23,250	-	34,923	-	233,253	6,399	-	192,604	-	-	-	-	-	1,440,429	-	1,440,429
Changes in period																			
IV.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Increase/decrease related to merger																			
Marketable securities revaluation differences																			
V.		-	-	-	-	-	-	-	-	-	-	13,208	-	-	-	-	13,208	-	13,208
VI.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Hedging funds (effective portion)																			
6.1		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash-flow hedge																			
6.2		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Hedge of net investment in foreign operations																			
VII.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Tangible assets revaluation differences																			
VIII.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets revaluation differences																			
Bonus shares obtained from associates, subsidiaries and jointly controlled operations																			
IX.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.		-	-	-	-	-	-	-	(1,503)	-	-	-	-	-	-	-	(1,503)	-	(1,503)
Foreign exchange differences																			
XI.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes related to the disposal of assets																			
XII.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes related to the reclassification of assets																			
XIII.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
The effect of change in associate's equity																			
XIV.		150,000	-	-	-	-	-	-	-	-	(150,000)	-	-	-	-	-	-	-	-
14.1		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital increase																			
14.2		150,000	-	-	-	-	-	-	-	-	(150,000)	-	-	-	-	-	-	-	-
Internal sources																			
XV.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share issue premium																			
XVI.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share cancellation profits																			
XVII.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Inflation adjustment to paid-in capital																			
XVIII.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other																			
XIX.		-	-	-	-	-	-	-	251,933	-	-	-	-	-	-	-	251,933	-	251,933
Net income/(loss) for the period																			
XX.		-	-	-	-	11,482	-	13,026	3,229	-	(65,042)	-	-	-	-	-	(17,305)	-	(17,305)
Profit distribution																			
20.1		-	-	-	-	-	-	-	-	-	(17,305)	-	-	-	-	-	(17,305)	-	(17,305)
Dividends distributed																			
20.2		-	-	-	-	-	-	13,026	3,229	-	(27,737)	-	-	-	-	-	-	-	-
Transfers to reserves																			
20.3		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other																			
Closing balance (I-III+IV+...+XVI+XVII+XX)																			
	(I-I)	1,100,000	-	23,250	-	46,405	-	246,279	8,125	251,933	(2,498)	13,208	-	-	-	-	1,686,762	-	1,686,762

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

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**CONSOLIDATED CASH FLOWS STATEMENT**  
**FOR THE PERIOD ENDED 31 DECEMBER 2013**  
**(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LİRA (TL) UNLESS OTHERWISE STATED.)**

**VI. CONSOLIDATED CASH FLOWS STATEMENT**

	Note	Audited Current period 01.01-31.12.2013	Audited Current period 01.01-31.12.2012
<b>A. CASH FLOWS FROM BANKING OPERATIONS</b>			
<b>1.1</b>	<b>Operating profit before changes in operating assets and liabilities</b>	<b>465,180</b>	<b>460,331</b>
1.1.1	Profit share income received	1,405,256	1,277,978
1.1.2	Profit share expense paid	(598,803)	(579,309)
1.1.3	Dividend received	-	-
1.1.4	Fees and commissions received	165,217	130,538
1.1.5	Other income	68,204	57,337
1.1.6	Collections from previously written off loans	44,077	26,564
1.1.7	Payments to personnel and service suppliers	(461,408)	(381,422)
1.1.8	Taxes paid	(96,443)	(59,871)
1.1.9	Others	(60,920)	(11,484)
<b>1.2</b>	<b>Changes in operating assets and liabilities</b>	<b>1,176,354</b>	<b>673,736</b>
1.2.1	Net (increase) decrease held for trading financial assets	2,711	2,628
1.2.2	Net (increase) decrease in financial assets at fair value through profit or loss	-	-
1.2.3	Net (increase) decrease in due from banks and other financial institutions	(747,427)	(1,422,813)
1.2.4	Net (increase) decrease in loans	(4,260,200)	(1,602,983)
1.2.5	Net (increase) decrease in other assets	748	53,443
1.2.6	Net increase (decrease) in bank deposits	429,953	296,422
1.2.7	Net increase (decrease) in other deposits	3,818,558	2,533,682
1.2.8	Net increase (decrease) in funds borrowed	1,786,839	807,303
1.2.9	Net increase (decrease) in due payables	-	-
1.2.10	Net increase (decrease) in other liabilities	145,172	6,054
<b>I.</b>	<b>Net cash provided from / (used in) banking operations</b>	<b>1,641,534</b>	<b>1,134,067</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>II.</b>	<b>Net cash provided from / (used in) investing activities</b>	<b>(895,680)</b>	<b>(650,785)</b>
2.1	Cash paid for purchase jointly controlled operations, associates and subsidiaries	(5,500)	-
	Cash obtained from sale of jointly controlled operations, associates and subsidiaries	-	-
2.2	Fixed assets purchases	(167,683)	(106,061)
2.3	Fixed assets sales	20,830	19,800
2.4	Cash paid for purchase of financial assets available for sale	(767,822)	(539,652)
2.5	Cash obtained from sale of financial assets available for sale	-	-
2.6	Cash paid for purchase of investment securities	-	-
2.7	Cash obtained from sale of investment securities	-	-
2.8	Other	24,495	(24,872)
2.9			
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>III.</b>	<b>Net cash provided from / (used in) financing activities</b>	<b>341,129</b>	<b>(17,305)</b>
3.1	Cash obtained from funds borrowed and securities issued	-	-
3.2	Cash used for repayment of funds borrowed and securities issued	-	-
3.3	Capital increase	360,000	-
3.4	Dividends paid	(18,871)	(17,305)
3.5	Payments for finance leases	-	-
3.6	Other	-	-
<b>IV.</b>	<b>Effect of change in foreign exchange rate on cash and cash equivalents</b>	<b>69,005</b>	<b>10,314</b>
<b>V.</b>	<b>Net increase (decrease) in cash and cash equivalents (I + II + III + IV)</b>	<b>1,155,988</b>	<b>476,291</b>
<b>VI.</b>	<b>Cash and cash equivalents at the beginning of the period</b>	<b>1,831,072</b>	<b>1,355,187</b>
<b>VII.</b>	<b>Cash and cash equivalents at the end of the period</b>	<b>2,987,060</b>	<b>1,831,478</b>

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

**KUYEY TÜR KATILIM BANKASI ANONİM ŐIRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31 DECEMBER 2013**  
**(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LİRA (TL) UNLESS OTHERWISE STATED.)**

**VII. CONSOLIDATED STATEMENT OF PROFIT DISTRIBUTION**

	Current period 01.01-31.12.2013(*)	Prior period 01.01-31.12.2012
<b>I. Distribution of current year profit (***)</b>		
1.1. Current period profit	369,210	309,256
1.2. Taxes and legal duties payable (-)	68,867	59,100
1.2.1. Corporate tax (income tax)	73,152	50,379
1.2.2. Withholding tax	-	-
1.2.3 Other taxes and duties (**)	(4,285)	8,721
<b>A. Net profit for the period (1.1-1.2) (Not V-I-17-c)</b>	<b>300,343</b>	<b>250,156</b>
1.3. Accumulated losses (-)	-	-
1.4. First legal reserves (-)	-	12,508
1.5. Other statutory reserves (-)	-	-
<b>B. Net profit available for distribution [(A)-(1.3+1.4+1.5)]</b>	<b>-</b>	<b>237,648</b>
1.6. First dividend to shareholders (-)	-	17,000
1.6.1. To owners of ordinary shares	-	17,000
1.6.2. To owners of privileged shares	-	-
1.6.3. To owners of redeemed shares	-	-
1.6.4. To profit sharing bonds	-	-
1.6.5. To holders of profit and loss sharing certificates	-	-
1.7. Dividends to personnel(-)	-	-
1.8. Dividends to board of directors (-)	-	1,871
1.9. Second dividend to shareholders (-)	-	-
1.9.1. To owners of ordinary shares	-	-
1.9.2. To owners of privileged shares	-	-
1.9.3. To owners of redeemed shares	-	-
1.9.4. To profit sharing bonds	-	-
1.9.5. To holders of profit and loss sharing certificates	-	-
1.10. Second legal reserves (-)	-	1,887
1.11. Status reserves (-)	-	-
1.12. Extra ordinary reserves	-	195,608
1.13. Other reserves	-	21,281
1.14. Special funds	-	-
<b>II. Distribution of reserves</b>	<b>-</b>	<b>-</b>
2.1. Appropriated reserves	-	-
2.2. Second legal reserves (-)	-	-
2.3. Dividends to shareholders (-)	-	-
2.3.1. To owners of ordinary shares	-	-
2.3.2. To owners of privileged shares	-	-
2.3.3. To owners of redeemed shares	-	-
2.3.4. To profit sharing bonds	-	-
2.3.5. To holders of profit and loss sharing certificates	-	-
2.4. Dividends to personnel (-)	-	-
2.5. Dividends to board of directors (-)	-	-
<b>III. Earnings per share</b>	<b>-</b>	<b>-</b>
3.1. To owners of ordinary shares	-	-
3.2. To owners of ordinary shares (%)	-	-
3.3. To owners of privileged shares	-	-
3.4. To owners of privileged shares (%)	-	-
<b>IV. Dividend per share</b>	<b>-</b>	<b>-</b>
4.1. To owners of ordinary shares	-	0.016
4.2. To owners of ordinary shares (%)	-	1.611
4.3. To owners of privileged shares	-	-
4.4. To owners of privileged shares (%)	-	-

(\*) The profit distribution of the Bank is decided by the General Assembly which is not held as of date of these financial statements.

(\*\*) Deferred income tax is presented under other tax and legal liabilities. Deferred tax income can not be added into profit distribution, thus it is classified under extraordinary reserves.

(\*\*\*) Capital increase amounting TL 240,000 is realized from internal sources in 2013 with the General Assembly Meeting decision on 28 March 2013. TL 50,000 of this amount is provided from net profit of 2012.

(\*\*\*\*) According to Turkish Law, companies do not distribute consolidated profit. In this context, the profit distribution table shown above belongs to the Parent Bank.

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



**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31 DECEMBER 2013**  
**(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LİRA (TL) UNLESS OTHERWISE STATED.)**

**SECTION THREE**

**ACCOUNTING PRINCIPLES**

**I. Explanations on basis of presentation**

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

As per the Article 37 of "Accounting and Recording Rules" of the Turkish Banking Law no. 5411 published on the Official Gazette no.25983 dated 1 November 2005 and became effective, the Bank keeps its accounting records and prepares its unconsolidated financial statements and the related footnotes in accordance with accounting and valuation standards described in "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published by the Banking Regulatory and Supervisory Agency (BRSA) and in effect since 1 November 2006, Turkish Accounting Standards (TAS), Turkish Financial Reporting Standards (TFRS) and the related statements and guidances.

As per the Decree Law no. 660 published in the Official Gazette and become effective on 2 November 2011, the Additional Clause 1 of the Law no. 2499 was abolished and the Public Oversight, Accounting and Auditing Standards Authority was established. The financial statements are prepared based on the TAS/TFRS and the related statements and guidances announced by the Public Oversight, Accounting and Auditing Standards Authority.

**b. Classifications**

The Bank has classified TL 689,505 amount of loans granted to banks, presented under Bank, to "Loans and receivables" as of 31 December 2012 in order to be in consistent with the current period presentation.

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

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

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

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

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

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

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

Gains and losses arising from foreign currency transactions have been recorded in the period in which the transaction took place. Foreign currency denominated monetary assets and liabilities are valued with the period end exchange rates published by the Central Bank of Turkey converting them into Turkish Lira. Valuation differences of foreign currencies have been recognized in the income statement under the 'Net foreign exchange income/expense' account. The foreign currency net investment in consolidated foreign subsidiaries is translated into Turkish Lira using the exchange rate prevailing at the balance sheet date for their assets and liabilities and average exchange rate for their income statement items. The currency translation gain arising from the consolidated subsidiaries' foreign currency differences has been recorded in "Other Profit Reserves" under shareholders' equity.

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

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

### III. Information about the Parent Bank and its Consolidated Subsidiaries

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

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

Description	Address (City/ Country)	Principal Activity	31 December 2013	31 December 2012	Consolidation Method
Kuwait Turkish Participation Bank Dubai Ltd.	Dubai/UEA	Banking	99.99%	99.99%	Full consolidation
KT Sukuk Varlık Kiralama A.Ş.	Istanbul/Turkey	Financial Institution	100%	100%	Full consolidation
KT Kira Sertifikaları Varlık Kiralama A.Ş.	Istanbul/Turkey	Financial Institution	100%	-	Full consolidation
Katılım Emeklilik ve Hayat A.Ş.	Istanbul/Turkey	Financial Institution	50%	-	Accounted for under equity method

The Parent Bank and its consolidated subsidiaries of the Parent Bank, as a whole, are named as "Group". Consolidation principles of subsidiaries:

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

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

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

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

The special purpose entity, Kuveyt Turk Sukuk Limited was established at 24 August 2010 which is not a subsidiary of the Bank. Since the Bank has 100% control power on the subsidiary and it was be liquidation process as of 27 December 2013. As of balance sheet date liquidation process was still continuing.

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

The Group enters into forward agreements to decrease its currency risk and to manage its foreign currency liquidity. The Bank classifies its derivative instruments as “Derivative Financial Instruments Held for Hedging Purposes” and “Derivative Financial Instruments Held for Trading” in accordance with “TAS 39”. Even though some derivative transactions economically hedge risk, since all necessary conditions for hedge accounting are not met, they are accounted for as “held for trading” within the framework of “TAS 39”, and are reflected in the “Derivative Financial Assets/Liabilities Held for Trading” account in the balance sheet. The Bank has no derivative financial assets/liabilities for hedging purposes as of balance sheet date.

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

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

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

**V. Explanations on profit share income and expense**

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

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

**VI. Explanations on fees and commission income and expenses**

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

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

**VII. Explanations on financial assets**

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

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

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

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

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

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

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#### b. Financial assets available for sale:

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

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

#### c. Loans and receivables:

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

#### d. Held to maturity financial assets:

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

### VIII. Explanations on impairment of financial assets:

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

#### i) Loans and receivables:

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

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

#### ii) Financial assets held to maturity:

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

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**iii) Financial assets available for sale:**

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

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

**IX. Explanations on offsetting of financial assets and liabilities**

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

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

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

As of 31 December 2013, the Group has repurchasing agreements amounting to TL 221,428 (31 December 2012 - None).

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

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

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

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

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



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

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

#### XII. Explanations on goodwill and other intangible assets

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

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

There is no goodwill related to associates and subsidiaries.

#### XIII. Explanations on tangible assets

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

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

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

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

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

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

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

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

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

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**XIV. Explanations on leasing transactions**

*Bank as a lessee*

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

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

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

*Bank as a lessor*

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

**XV. Explanations on provisions and contingent liabilities**

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

Provisions are recognized when the Group has a present obligation, legal or constructive, as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The Bank recognizes provisions for obligations which arose from prior periods in current financial year, only if, the possibility of realization is high and a reliable estimation can be made.

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

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

**XVI. Explanations on liabilities relating to employee benefits**

**a) Defined benefit plans:**

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

The retirement pay provision recognized in the accompanying financial statements, is calculated based on "Turkish Accounting Standard on Employee Benefits" ("TAS 19"), and these liabilities are calculated by an independent actuary firm. Group is accounted all actuarial profit and loss under Statement of other Comprehensive Income

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

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#### b) Defined contribution plans:

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

#### c) Short term benefits to employees:

In accordance with "TAS 19", vacation pay liabilities are defined as "Short Term Benefits to Employees" and accrued as earned.

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

## XVII. Explanations on taxation

### Current tax

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

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

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

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

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

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

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

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

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

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

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**Deferred tax**

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

**XVIII. Explanations on additional disclosures on borrowings**

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

There are no debt securities issued by the Group.

The Group has not issued convertible bonds.

*Borrowing through the rent certificates (Sukuk)*

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

In accordance with the letter received from BRSA, numbered B.02.1.BDK.0.06.00.00-045.01(3/8)-5397 and dated 13 March 2012 this transaction is accounted for as “sale and lease back” transaction in accordance with “TAS 17”. As a consequence of this accounting treatment, the net book value of the real estate property transferred and leased back increased from TL 61,195 to TL 248,734. The difference of TL 187,539 between the net book value of TL 61,195 before the aforementioned transaction and the net book value of TL 248,734 after the aforementioned transaction will be recognized as income in 5 years using the effective interest method and accounted for as deferred income under other liabilities. Current period TL 27,587 of the aforementioned deferred income is recognized as income in the income statement. The difference accounted as tangible assets mentioned above, will be recognized as expense by accounting under “other expenses” in the income statement during the period of lease.

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

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

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

The difference between the sales price and the net carrying value before the sale amounting to TL 136,245 (31 December 2012: TL 184,729) of the real estate property concerning rent certificate is eliminated from “Tangible Assets”, deferred income amounting to TL 135,826 (31 December 2012: TL 163,414) is eliminated from “Other Liabilities”, current period PL effect of deferred income from real estate property amounting to TL 27,587 (31 December 2012: 20,896) and amortization expense based on the revaluation of property amounting to TL 2,185 (31 December 2012: 2,185) and fixed asset impairment amounting to TL 25,402 (31 December 2012: TL 18,711) is eliminated from other operating expenses.

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#### XIX. Explanations on share certificates issued

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

#### XX. Explanations on acceptances and availed drafts

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

#### XXI. Explanations on government grants

There are no government grants received by the Group.

#### XXII. Explanations on segment reporting

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

Segment reporting is disclosed in Section Four, Note X.

#### XXIII. Explanations on other matters

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

#### XXIV. Additional paragraph for convenience translation

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

## SECTION FOUR

### INFORMATION ON FINANCIAL STRUCTURE

#### I. Explanations on consolidated capital adequacy standard ratio

Capital adequacy ratio is calculated in accordance with the "The Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks" published in the Official Gazette No: 26333, dated 1 November 2006 and "The Regulation on Amendments to the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks" published in the Official Gazette No: 26669, 26824, 27320, 27968 and 28337 dated 10 October 2007, 22 March 2008, 15 August 2009, 18 June 2011 and 28 June 2012 respectively.

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

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

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

Based on the Communiqué concerning "Measurement and Assessment of Capital Adequacy of Banks", the capital adequacy ratio of the Bank is 14.43% (31 December 2012: %14.16).



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**Information for capital adequacy standard ratio:**

Current Period	Risk Weights (*)								
	0%	10%	20%	50%	75%	100%	150%	200%	250%
<b>Consolidated</b>									
<b>Value at Credit Risk</b>	-	-	288,497	3,255,024	2,528,361	10,418,508	181,986	105,642	37,368
<b>Exposure Categories</b>	<b>4,993,807</b>	<b>-</b>	<b>1,442,483</b>	<b>6,510,048</b>	<b>3,371,148</b>	<b>10,418,508</b>	<b>121,324</b>	<b>52,821</b>	<b>14,947</b>
Conditional and unconditional receivables from central governments or central banks	3,228,145	-	-	-	-	-	-	-	-
Conditional and unconditional receivables from regional or local governments	-	-	-	-	-	-	-	-	-
Conditional and unconditional receivables from administrative units and non-commercial enterprises	-	-	-	-	-	-	-	-	-
Conditional and unconditional receivables from multilateral development banks	-	-	-	-	-	-	-	-	-
Conditional and unconditional receivables from international organizations	-	-	-	-	-	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	41,649	-	1,442,482	1,032,671	-	626,147	-	-	-
Conditional and unconditional receivables from corporates	312,784	-	-	-	-	8,064,074	-	-	-
Conditional and unconditional retail receivables	144,708	-	-	-	3,371,148	14,412	-	-	-
Conditional and unconditional receivables									
secured by mortgages	45,172	-	-	5,469,600	-	907,099	-	-	-
Past due receivables	24	-	-	7,777	-	14,815	-	-	-
Receivables defined in high risk category by BRSA	211	-	-	-	-	-	121,324	52,821	14,947
Securities collateralized by mortgages	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-
Short-term receivables from banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-
Investments similar to collective investment funds	-	-	-	-	-	-	-	-	-
Other receivables	1,221,114	-	1	-	-	791,961	-	-	-

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Current Period	Risk Weights <sup>(*)</sup>								
	0%	10%	20%	50%	75%	100%	150%	200%	250%
<b>Parent Bank</b>									
<b>Value at Credit Risk</b>	-	-	288,497	3,255,024	2,528,361	10,532,501	181,986	105,642	37,368
<b>Exposure Categories</b>	<b>4,993,804</b>	<b>-</b>	<b>1,442,483</b>	<b>6,510,048</b>	<b>3,371,148</b>	<b>10,532,501</b>	<b>121,324</b>	<b>52,821</b>	<b>14,947</b>
Conditional and unconditional receivables from central governments or central banks	3,228,145	-	-	-	-	-	-	-	-
Conditional and unconditional receivables from regional or local governments	-	-	-	-	-	-	-	-	-
Conditional and unconditional receivables from administrative units and non-commercial enterprises	-	-	-	-	-	-	-	-	-
Conditional and unconditional receivables from multilateral development banks	-	-	-	-	-	-	-	-	-
Conditional and unconditional receivables from international organizations	-	-	-	-	-	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	41,649	-	1,442,482	1,032,671	-	625,689	-	-	-
Conditional and unconditional receivables from corporates	312,784	-	-	-	-	7,996,754	-	-	-
Conditional and unconditional retail receivables	144,708	-	-	-	3,371,148	14,412	-	-	-
Conditional and unconditional receivables									
secured by mortgages	45,172	-	-	5,469,600	-	907,099	-	-	-
Past due receivables	24	-	-	7,777	-	14,815	-	-	-
Receivables defined in high risk category by BRSA	211	-	-	-	-	-	121,324	52,821	14,947
Securities collateralized by mortgages	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-
Short-term receivables from banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-
Investments similar to collective investment funds	-	-	-	-	-	-	-	-	-
Other receivables	1,221,111	-	1	-	-	973,732	-	-	-

<sup>(\*)</sup>Since the Group does not perform securitization, 1250% risk weight is not shown in the tables above.

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Current Period	Risk Weights <sup>(*)</sup>							
Consolidated	0%	10%	20%	50%	75%	100%	150%	200%
<b>Value at Credit Risk</b>	-	-	212,903	2,165,602	2,196,661	6,814,278	29,112	17,766
<b>Exposure Categories</b>	4,389,716	-	1,064,513	4,331,204	2,928,881	6,814,278	19,408	8,883
Conditional and unconditional receivables from central governments or central banks	2,061,557	-	-	-	-	-	-	-
Conditional and unconditional receivables from regional or local governments	-	-	-	-	-	-	-	-
Conditional and unconditional receivables from administrative units and non-commercial enterprises	-	-	-	-	-	-	-	-
Conditional and unconditional receivables from multilateral development banks	-	-	-	-	-	-	-	-
Conditional and unconditional receivables from international organizations	-	-	-	-	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	99,052	-	1,063,685	278,602	-	369,226	-	-
Conditional and unconditional receivables from corporates	185,376	-	-	-	-	5,110,227	-	-
Conditional and unconditional retail receivables	131,852	-	-	-	2,928,881	-	-	-
Conditional and unconditional receivables								
secured by mortgages	25,084	-	-	4,047,414	-	602,364	-	-
Past due receivables	42	-	-	5,188	-	12,695	-	-
Receivables defined in high risk category by BRSA	222	-	-	-	-	-	19,408	8,883
Securities collateralized by mortgages	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-
Short-term receivables from banks, brokerage houses and corporates	-	-	-	-	-	-	-	-
Investments similar to collective investment funds	-	-	-	-	-	-	-	-
Other receivables	1,886,531	-	828	-	-	719,766	-	-

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Prior Period	Risk Weights (*)							
	0%	10%	20%	50%	75%	100%	150%	200%
<b>Parent Bank</b>								
<b>Value at Credit Risk</b>	-	-	212,903	2,165,602	2,196,661	6,977,447	29,112	17,766
<b>Exposure Categories</b>	<b>4,389,711</b>	-	<b>1,064,513</b>	<b>4,331,204</b>	<b>2,928,881</b>	<b>6,977,447</b>	<b>19,408</b>	<b>8,883</b>
Conditional and unconditional receivables from central governments or central banks	2,061,557	-	-	-	-	-	-	-
Conditional and unconditional receivables from regional or local governments	-	-	-	-	-	-	-	-
Conditional and unconditional receivables from administrative units and non-commercial enterprises	-	-	-	-	-	-	-	-
Conditional and unconditional receivables from multilateral development banks	-	-	-	-	-	-	-	-
Conditional and unconditional receivables from international organizations	-	-	-	-	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	99,052	-	1,063,685	278,602	-	368,822	-	-
Conditional and unconditional receivables from corporates	185,376	-	-	-	-	5,091,295	-	-
Conditional and unconditional retail receivables	131,852	-	-	-	2,928,881	-	-	-
Conditional and unconditional receivables								
secured by mortgages	25,084	-	-	4,047,414	-	602,364	-	-
Past due receivables	42	-	-	5,188	-	12,695	-	-
Receivables defined in high risk category by BRSA	222	-	-	-	-	-	19,408	8,883
Securities collateralized by mortgages	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-
Short-term receivables from banks, brokerage houses and corporates	-	-	-	-	-	-	-	-
Investments similar to collective investment funds	-	-	-	-	-	-	-	-
Other receivables	1,886,526	-	828	-	-	902,271	-	-

(\*) Since the Group does not perform securitization, 1250% risk weight is not shown in the tables above.

**Summary of the capital adequacy standard ratio of the Group:**

	Parent Bank Current period	Consolidated Current period	Parent Bank Prior period	Consolidated Prior period
Capital Requirement for Credit Risk (Amount Subject to Credit Risk *0.08) (CRCR)	1,354,350	1,345,231	927,959	914,906
Capital Requirement for Market Risk (MRCR)	33,767	35,557	80,394	80,767
Capital Requirement for Operational Risk (ORCR)	116,665	115,876	95,383	95,383
Shareholders' Equity	2,678,763	2,700,398	1,927,929	1,930,655
<b>Capital Requirement for Credit Risk (Amount Subject to Credit Risk *0.08) (CRCR)</b>	<b>14.24</b>	<b>14.43</b>	<b>13.97</b>	<b>14.16</b>

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**Components of shareholders' equity:**

	Current period	Prior period
<b>CORE CAPITAL</b>	<b>1,700,000</b>	<b>1,100,000</b>
Paid-in Capital	2,060,000	1,100,000
Nominal capital	360,000	-
Capital commitments (-)	-	-
Inflation indexation difference on paid-in capital	23,250	23,250
Share premium	-	-
Share cancellations profits	291,146	300,809
Legal Reserves <sup>(*)</sup>	-	-
Inflation Adjustments to Legal Reserves	307,923	251,933
Profit	307,923	251,933
Current Period's Profit	-	-
Prior Periods' Profit	-	-
Provision for Possible Losses (up to 25% of Core Capital)	-	-
Income on Sale of Equity Shares and Real Estates	-	-
Primary subordinated loans up to 15% of the core capital	(660)	(2,438)
Loss (in excess of Reserves) (-)	-	-
Current Period's Losses -	(660)	(2,438)
Prior Periods' Losses	38,046	31,455
Leasehold Improvements on Operational Leases (-)	55,698	43,652
Intangible Assets (-)	-	-
Deferred Tax Asset in excess of 10% of Core Capital (-)	-	-
Excess amount in the Article 56, Clause 3 of the Banking Law (-)	2,227,915	1,598,447
<b>Total core capital</b>		
<b>SUPPLEMENTARY CAPITAL</b>	<b>126,414</b>	<b>86,826</b>
General provisions	-	-
45% of the revaluation reserve for movable fixed assets	-	-
45% of the of revaluation reserve for properties	-	-
Bonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Current Period's Profit	-	-
Primary subordinated loans excluded in the calculation of the core capital	350,741	281,938
Secondary subordinated loans	911	5,944
45% of Securities Value Increase Fund	-	-
Inflation Adjustments to Other Capital and Profit Reserves and Prior Periods' Profit / Loss	478,066	-
<b>Total supplementary capital</b>	<b>2,705,981</b>	<b>374,708</b>
<b>CAPITAL</b>	<b>5,583</b>	<b>1,973,155</b>
<b>DEDUCTIONS FROM CAPITAL</b>	<b>-</b>	<b>42,500</b>
Shareholdings of banks and financial institutions (Domestic, Foreign) in which the Bank has investments of ten percent or more	-	-
Shareholdings of banks and financial institutions (Domestic, Foreign) in which the Bank has investments less than ten percent total of which exceed ten percent of Bank's Core and Supplementary Capital	-	-
Loans to Banks, Financial Institutions (domestic/foreign) or Qualified Shareholders in the form of Secondary Subordinated Debts and Debt Instruments purchased from such parties qualified as Primary or Secondary Subordinated Debts	-	-
Loan granted to Customer against the Articles 50 and 51 of the Banking Law	2,431	2,070
The net book value of properties exceeding fifty percent of equity and properties held for sale and properties and commodity to be disposed, acquired in exchange of loans and receivables according to the Article 57 of the Banking Law and have not been disposed yet after 5 years from foreclosure	-	-
Securitization Positions to be Deducted from Equity	3,152	40,430
<b>TOTAL SHAREHOLDER'S EQUITY</b>	<b>2,700,398</b>	<b>1,930,655</b>

<sup>(\*)</sup>The valuation of retirement pay liability amounting TL 12,276 is including actuarial loss amount in the current period.

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

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

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

#### II. Explanations on Consolidated Credit Risk

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

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

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

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

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

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

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

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

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

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



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The Group's largest 100 and 200 cash loan customers represent 21% and 28% of the total cash loan portfolio, respectively.

The Group's largest 100 and 200 non-cash loan customers represent 37% and 46% of the total non-cash loan portfolio, respectively.

The Group's largest 100 and 200 cash and non-cash loan customers represent 24% and 31% of the total cash and non-cash loan portfolio, respectively.

The general provision for credit risk amounts to TL 174,251 (31 December 2012: TL 138,118).

<b>Exposure Categories</b>	<b>Current Period Risk Amount<sup>(*)</sup></b>	<b>Average Risk Amount<sup>(**)</sup></b>
Conditional and unconditional exposures to central governments or central banks	3,228,145	2,773,643
Conditional and unconditional exposures to regional governments or local authorities	-	-
Conditional and unconditional exposures to administrative bodies and noncommercial undertakings	-	-
Conditional and unconditional exposures to international organizations	-	-
Conditional and unconditional exposures to banks and brokerage houses	3,142,949	2,310,197
Conditional and unconditional exposures to corporates	8,376,858	7,170,433
Conditional and unconditional retail exposures	3,530,268	3,517,523
Past due items	22,616	35,438
Items in regulatory high-risk categories	189,303	133,845
Exposures in the form of bonds secured by mortgages	-	-
Securitization positions	-	-
Exposures in the form of collective investment undertakings	-	-
Other items	2,013,076	2,201,156
<b>Total</b>	<b>26,925,086</b>	<b>23,908,608</b>

<sup>(\*)</sup> Includes total risk amounts before the effect of credit risk mitigation but after credit conversions.

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

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**Profile of significant exposures in major regions:**

<b>Current Period (*)</b>	<b>Conditional and unconditional exposures to central governments or central banks</b>	<b>Conditional and unconditional exposures to banks and brokerage houses</b>	<b>Conditional and unconditional exposures to corporates</b>	<b>Conditional and unconditional exposures to retail exposures</b>	<b>Conditional and unconditional exposures secured by real estate property</b>	<b>Past due items</b>	<b>Items in regulatory high-risk categories</b>	<b>Other</b>	<b>Total</b>
Domestic	3,228,145	1,228,655	8,177,343	3,519,255	6,353,433	22,616	189,303	-	22,718,750
European Union (EU)									
Countries	-	312,000	24,358	1,364	5,535	-	-	-	343,257
OECD Countries**	-	774,416	10,739	172	2,598	-	-	-	787,925
Off-Shore Banking Regions	-	85,767	37,257	596	21,183	-	-	-	144,803
USA, Canada	-	246,196	-	13	189	-	-	-	246,398
Other Countries	-	495,915	127,161	8,868	38,933	-	-	-	670,877
Associates, Subsidiaries and Joint -Ventures	-	-	-	-	-	-	-	72,853	72,853
Unallocated Assets/Liabilities***	-	-	-	-	-	-	-	1,940,223	1,940,223
<b>Total</b>	<b>3,228,145</b>	<b>3,142,949</b>	<b>8,376,858</b>	<b>3,530,268</b>	<b>6,421,871</b>	<b>22,616</b>	<b>189,303</b>	<b>2,013,076</b>	<b>26,925,086</b>

<b>Prior Period</b>	<b>Conditional and unconditional exposures to central governments or central banks</b>	<b>Conditional and unconditional exposures to banks and brokerage houses</b>	<b>Conditional and unconditional exposures to corporates</b>	<b>Conditional and unconditional exposures to retail exposures</b>	<b>Conditional and unconditional exposures secured by real estate property</b>	<b>Past due items</b>	<b>Items in regulatory high-risk categories</b>	<b>Other</b>	<b>Total</b>
Domestic	2,061,557	479,749	5,154,290	3,056,390	4,632,879	17,925	28,402	-	15,431,192
European Union (EU)									
Countries	-	484,194	5,268	1,413	9,321	-	111	-	500,307
OECD Countries**	-	300,291	-	53	313	-	-	-	300,657
Off-Shore Banking Regions	-	103,940	32,123	805	19,077	-	-	-	155,945
USA, Canada	-	78,407	-	22	101	-	-	-	78,530
Other Countries	-	363,984	103,922	2,050	13,171	-	-	-	483,127
Associates, Subsidiaries and Joint -Ventures	-	-	-	-	-	-	-	57,863	57,863
Unallocated Assets/Liabilities***	-	-	-	-	-	-	-	2,549,262	2,549,262
<b>Total</b>	<b>2,061,557</b>	<b>1,810,565</b>	<b>5,295,603</b>	<b>3,060,733</b>	<b>4,674,862</b>	<b>17,925</b>	<b>28,513</b>	<b>2,607,125</b>	<b>19,556,883</b>

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

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

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

# KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ

## NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE PERIOD ENDED 31 DECEMBER 2013

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LİRA (TL) UNLESS OTHERWISE STATED.)

#### Risk profile by sectors or counterparties

Current Period <sup>1)</sup>	Conditional and unconditional receivables										Receivables defined in high risk category by BRSA, by mortgages	Securities collateralized by mortgages	Securitization positions	Investments similar to collective investment funds	Short-term receivables from banks, brokerage houses and corporates	Other receivables	TL	FC	Total
	Conditional and unconditional receivables from central or local governments	Conditional and unconditional receivables from regional units and non-administrative enterprises	Conditional and unconditional receivables from multilateral development banks	Conditional and unconditional receivables from international organizations	Conditional and unconditional receivables from banks	Conditional and unconditional receivables from corporates	Conditional and unconditional receivables secured by retail mortgages	Conditional and unconditional receivables secured by mortgages	Past due receivables	Receivables defined in high risk category by BRSA, by mortgages									
Agriculture	-	-	-	-	-	109,451	57,765	77,230	94	139	-	-	-	-	-	-	179,893	64,786	244,679
Farming and Stockbreeding	-	-	-	-	-	78,947	27,896	38,126	33	94	-	-	-	-	-	-	103,662	41,434	145,096
Forestry	-	-	-	-	-	28,823	28,461	32,479	61	44	-	-	-	-	-	-	69,347	20,521	89,868
Fishery	-	-	-	-	-	1,681	1,408	6,625	-	1	-	-	-	-	-	-	6,884	2,831	9,715
Manufacturing	-	-	-	-	-	3,093,889	719,203	1,273,390	5,898	2,530	-	-	-	-	-	-	2,043,935	3,049,975	5,093,910
Mining and Quarrying	-	-	-	-	-	777,807	144,269	231,946	593	833	-	-	-	-	-	-	640,716	514,732	1,155,448
Production	-	-	-	-	-	1,689,731	546,837	978,578	3,249	1,416	-	-	-	-	-	-	1,269,041	1,950,770	3,219,811
Electricity, Gas and Water	-	-	-	-	-	626,351	27,097	62,866	2,056	281	-	-	-	-	-	-	134,178	584,473	718,651
Construction	-	-	-	-	-	2,006,577	473,880	1,103,634	7,137	2,010	-	-	-	-	-	-	2,045,222	1,548,016	3,593,238
Services	3,228,145	-	-	-	-	3,142,948	2,563,442	1,246,573	4,331	4,686	-	-	-	-	-	-	3,118,243	8,770,609	11,888,852
Wholesale and Retail Trade	-	-	-	-	-	1,474,209	808,902	1,214,353	3,113	2,145	-	-	-	-	-	-	1,811,082	1,691,640	3,502,722
Accommodation and Dining	-	-	-	-	-	50,852	32,296	111,910	668	176	-	-	-	-	-	-	92,423	103,479	195,902
Transportation and Telecom.	-	-	-	-	-	647,720	261,210	138,598	441	1,916	-	-	-	-	-	-	487,326	562,559	1,049,885
Financial Institutions	3,228,145	-	-	-	-	3,142,949	31,568	290	16,829	-	-	-	-	-	-	-	387,007	6,032,774	6,419,781
Real Estate and Rental Services	-	-	-	-	-	165,449	19,595	74,408	4	85	-	-	-	-	-	-	42,331	217,210	259,541
Professional Services	-	-	-	-	-	39	338	819	-	-	-	-	-	-	-	-	1,102	94	1,196
Educational Services	-	-	-	-	-	33,759	9,511	16,681	76	71	-	-	-	-	-	-	28,122	31,976	60,098
Health and Social Services	-	-	-	-	-	159,846	114,431	125,128	29	293	-	-	-	-	-	-	268,850	130,877	399,727
Others	-	-	-	-	-	603,499	1,033,847	2,268,891	5,156	179,938	-	-	-	-	-	-	2,013,076	4,512,465	1,591,942
<b>Total</b>	<b>3,228,145</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,142,949</b>	<b>8,376,858</b>	<b>3,530,268</b>	<b>6,421,871</b>	<b>22,616</b>	<b>189,303</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11,899,758</b>	<b>15,025,328</b>	<b>26,925,086</b>

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

# KUYEY TÜRK KATILIM BANKASI ANONİM ŞİRKETİ

## NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE PERIOD ENDED 31 DECEMBER 2013

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LİRA (TL) UNLESS OTHERWISE STATED.)

Prior Period	Conditional and unconditional receivables from central governments or central banks	Conditional and unconditional receivables from regional governments or local governments	Conditional and unconditional receivables from administrative units and non-commercial enterprises	Conditional and unconditional receivables from multilateral development banks	Conditional and unconditional receivables from international organizations	Conditional and unconditional receivables from houses	Conditional and unconditional receivables from banks	Conditional and unconditional receivables from brokerage houses	Conditional and unconditional receivables from retail corporations	Conditional and unconditional receivables secured by mortgages	Past due receivables	Receivables defined in high risk category by BRSAs by mortgages	Securities collateralized by securitization positions	Short-term receivables from banks, brokerage houses and corporates	Investments similar to collective investment funds	Other receivables	TL	FC	Total
Agriculture	-	-	-	-	-	63,940	51,586	133,332	-	142	116	-	-	-	-	-	232,229	16,687	249,116
Farming and Stockbreeding	-	-	-	-	-	34,253	26,928	98,055	-	2	66	-	-	-	-	-	149,520	10,784	160,304
Forestry	-	-	-	-	-	27,008	22,766	30,411	-	139	50	-	-	-	-	-	74,471	5,903	80,374
Fishery	-	-	-	-	-	2,679	1,892	3,866	-	1	-	-	-	-	-	-	8,238	200	8,438
Manufacturing	-	-	-	-	-	811,910	572,986	1,534,897	-	1,371	2,522	-	-	-	-	-	2,369,630	554,056	2,923,686
Mining and Quarrying	-	-	-	-	-	163,243	108,926	310,601	-	586	363	-	-	-	-	-	426,153	157,566	583,719
Production	-	-	-	-	-	593,677	442,089	1,010,373	-	780	2,127	-	-	-	-	-	1,744,609	304,437	2,049,046
Electricity, Gas and Water	-	-	-	-	-	54,990	21,971	213,923	-	5	32	-	-	-	-	-	198,868	92,053	290,921
Construction	-	-	-	-	-	730,162	385,791	1,394,542	-	14,223	1,414	-	-	-	-	-	1,941,738	584,394	2,526,132
Services	2,061,557	-	-	-	1,810,565	1,256,682	948,613	1,463,557	-	894	4,208	-	-	-	-	-	3,583,937	3,862,139	7,546,076
Wholesale and Retail Trade	-	-	-	-	-	891,176	614,851	767,288	-	777	3,193	-	-	-	-	-	1,979,476	297,809	2,277,285
Accommodation and Dining	-	-	-	-	-	80,093	21,343	36,447	-	16	116	-	-	-	-	-	97,024	40,991	138,015
Transportation and Telecom.	-	-	-	-	-	107,466	222,150	438,329	-	10	651	-	-	-	-	-	575,585	193,021	768,606
Financial Institutions	2,061,557	-	-	-	1,810,565	527	14,297	38,555	-	-	-	-	-	-	-	-	541,748	3,383,753	3,925,501
Real Estate and Rental Services	-	-	-	-	-	36,513	11,998	79,737	-	-	13	-	-	-	-	-	98,109	30,152	128,261
Professional Services	-	-	-	-	-	190	134	103	-	-	1	-	-	-	-	-	428	-	428
Educational Services	-	-	-	-	-	15,819	6,217	3,927	-	1	3	-	-	-	-	-	24,952	1,015	25,967
Health and Social Services	-	-	-	-	-	111,128	71,393	99,171	-	90	231	-	-	-	-	-	266,615	15,398	282,013
Others	-	-	-	-	-	1,812,168	1,101,757	769,275	-	1,295	20,253	-	-	-	-	-	2,607,125	4,306,154	6,913,279
Total	2,061,557	-	-	-	1,810,565	4,674,862	3,060,733	5,295,603	-	17,925	28,513	-	-	-	-	-	2,607,125	12,433,688	19,556,883

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31 DECEMBER 2013**  
**(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LİRA (TL) UNLESS OTHERWISE STATED.)**

**Analysis of maturity-bearing exposures according to remaining maturities:**

Exposure Categories <sup>(*)</sup> - Current Period	Term to Maturity				
	1 month	1-3 months	3-6 months	6-12 months	Over 1 year
Conditional and unconditional exposures to central governments or central banks	-	-	-	-	-
Conditional and unconditional exposures to regional governments or local authorities	-	-	-	-	-
Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	-	-	-	-	-
Conditional and unconditional exposures to multilateral development banks	-	-	-	-	-
Conditional and unconditional exposures to international organizations	-	-	-	-	-
Conditional and unconditional exposures to banks and brokerage houses	548,262	87,314	5,413	161	27,462
Conditional and unconditional exposures to corporates	1,590,788	962,429	883,396	1,404,830	3,472,191
Conditional and unconditional retail exposures	319,086	358,012	484,033	665,055	1,494,354
Conditional and unconditional exposures secured by real estate property	283,221	323,105	526,967	945,733	4,342,845
Past due items					
Items in regulatory high-risk categories	6,212	962	846	2,692	178,591
Items in regulatory high-risk categories	-	-	-	-	-
Securitization positions	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-
Exposures in the form of collective investment undertakings	-	-	-	-	-
Other items	66,476	-	9,605	-	-
<b>Total</b>	<b>2,814,045</b>	<b>1,731,822</b>	<b>1,910,260</b>	<b>3,018,471</b>	<b>9,515,443</b>

<sup>(\*)</sup> Includes risk amounts before the effect of credit risk mitigation but after the credit conversions.

Exposure Categories <sup>(*)</sup> Prior Period	Term to Maturity				
	1 month	1-3 months	3-6 months	6-12 months	Over 1 year
Conditional and unconditional exposures to central governments or central banks	2,061,557	-	-	-	-
Conditional and unconditional exposures to regional governments or local authorities	-	-	-	-	-
Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	-	-	-	-	-
Conditional and unconditional exposures to multilateral development banks	-	-	-	-	-
Conditional and unconditional exposures to international organizations	-	-	-	-	-
Conditional and unconditional exposures to banks and brokerage houses	597,331	158,399	1,854	149,458	9,562
Conditional and unconditional exposures to corporates	783,547	441,571	640,018	923,778	2,423,187
Conditional and unconditional retail exposures	311,242	262,599	416,515	591,755	1,294,092
Conditional and unconditional exposures secured by real estate property	215,885	237,503	441,325	844,623	2,935,524
Past due items	-	-	-	-	-
Items in regulatory high-risk categories	7,807	443	268	2,863	17,130
Items in regulatory high-risk categories	-	-	-	-	-
Securitization positions	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-
Exposures in the form of collective investment undertakings	-	-	-	-	-
Other items	14,646	-	10,752	-	-
<b>Total</b>	<b>3,992,015</b>	<b>1,100,515</b>	<b>1,510,732</b>	<b>2,512,477</b>	<b>6,679,495</b>

<sup>(\*)</sup> Includes risk amounts before the effect of credit risk mitigation but after the credit conversions.

# KUYEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ

## NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE PERIOD ENDED 31 DECEMBER 2013

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LİRA (TL) UNLESS OTHERWISE STATED.)

#### Exposure Categories

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

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

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

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

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

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



**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31 DECEMBER 2013**  
**(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LİRA (TL) UNLESS OTHERWISE STATED.)**

**Exposures by risk weights:**

<b>Current Period</b>										
<b>Risk Weights</b>	<b>%0</b>	<b>% 10</b>	<b>%20</b>	<b>%50</b>	<b>%75</b>	<b>%100</b>	<b>%150</b>	<b>%200</b>	<b>%250</b>	<b>Deductions from Equity</b>
Exposures before										
Credit Risk										
Mitigation	4,490,908	0	1,442,483	6,510,058	3,515,856	10,776,478	121,535	52,821	14,947	5,583
Exposures after										
Credit Risk										
Mitigation	4,993,807	0	1,442,483	6,510,048	3,371,148	10,418,508	121,324	52,821	14,947	5,583

<b>Prior Period</b>										
<b>Risk Weights</b>	<b>%0</b>	<b>% 10</b>	<b>%20</b>	<b>%50</b>	<b>%75</b>	<b>%100</b>	<b>%150</b>	<b>%200</b>	<b>%250</b>	<b>Deductions from Equity</b>
Exposures before										
Credit Risk										
Mitigation	4,047,140	-	1,064,513	4,331,247	3,060,733	7,024,737	19,630	8,883	-	42,500
Exposures after										
Credit Risk										
Mitigation	4,389,716	-	1,064,513	4,331,205	2,928,881	6,814,277	19,408	8,883	-	42,500

**Information by major sectors and type of counterparties**

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

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

	<b>Credits</b>		<b>Provisions</b>	
	<b>Impaired Credits</b>	<b>Past due Credits</b>	<b>Impaired Credits</b>	<b>Past due Credits</b>
<b>Current Period</b>				
<b>Agriculture</b>	<b>4,075</b>	<b>4,341</b>	<b>163</b>	<b>3,778</b>
Farming and Stockbreeding	1,515	1,858	60	1,349
Forestry	2,313	2,331	100	2,184
Fishery	247	152	3	245
<b>Manufacturing</b>	<b>99,722</b>	<b>86,955</b>	<b>3,057</b>	<b>89,312</b>
Mining and Quarrying	28,560	18,663	513	26,686
Production	64,495	65,269	2,406	58,489
Electricity, Gas and Water	6,667	3,023	138	4,137
<b>Construction</b>	<b>104,444</b>	<b>96,868</b>	<b>3,626</b>	<b>94,148</b>
<b>Services</b>	<b>117,603</b>	<b>147,251</b>	<b>5,171</b>	<b>105,552</b>
Wholesale and Retail Trade	73,431	75,317	3,037	66,359
Accommodation and Dining	4,326	2,727	73	3,146
Transportation and Telecommunication	32,161	56,887	1,743	29,073
Financial Institutions	22	19	-	22
Real Estate and Rental Services.	1,096	2,365	51	981
Professional Services	26	-	-	26
Educational Services	341	1,391	39	152
Health and Social Services	6,200	8,545	228	5,793
<b>Others</b>	<b>55,832</b>	<b>114,760</b>	<b>2,682</b>	<b>43,393</b>
<b>Total</b>	<b>381,676</b>	<b>450,175</b>	<b>14,699</b>	<b>336,183</b>

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

# KUYEY TÜR KATILIM BANKASI ANONİM ŐIRKETİ

## NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE PERIOD ENDED 31 DECEMBER 2013

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LİRA (TL) UNLESS OTHERWISE STATED.)

Prior Period	Credits		Provisions	
	Impaired Credits	Past due Credits	Impaired Credits	Past due Credits
<b>Agriculture</b>	<b>5,109</b>	<b>6,799</b>	<b>88</b>	<b>4,762</b>
Farming and Stockbreeding	2,129	4,626	64	2,038
Forestry	2,728	1,978	22	2,473
Fishery	252	195	2	251
<b>Manufacturing</b>	<b>74,336</b>	<b>91,305</b>	<b>1,597</b>	<b>69,866</b>
Mining and Quarrying	12,367	10,191	140	11,162
Production	59,362	76,425	1,361	56,142
Electricity, Gas and Water	2,607	4,689	96	2,562
<b>Construction</b>	<b>75,898</b>	<b>178,042</b>	<b>4,883</b>	<b>58,785</b>
<b>Services</b>	<b>89,412</b>	<b>138,945</b>	<b>2,491</b>	<b>82,965</b>
Wholesale and Retail Trade	59,342	74,442	1,715	54,429
Accommodation and Dining	2,198	6,922	95	2,023
Transportation and Telecommunication	23,177	41,729	478	22,261
Financial Institutions	-	51	1	-
Real Estate and Rental Services.	790	2,023	23	774
Professional Services	26	-	-	25
Educational Services	42	724	8	37
Health and Social Services	3,837	13,054	171	3,416
<b>Others</b>	<b>40,584</b>	<b>126,854</b>	<b>1,493</b>	<b>35,780</b>
<b>Total</b>	<b>285,339</b>	<b>541,945</b>	<b>10,552</b>	<b>252,158</b>

<sup>(1)</sup> The general provision amount is presented for past due loans.

#### Movements in value adjustments and provisions

Current Period	Opening Balance	Provision for Period	Provision Reversals	Other Adjustments <sup>(1)</sup>	Closing Balance
Specific Provisions	252,158	197,727	(73,235)	(40,467)	336,183
General Provisions	138,118	36,133	-	-	174,251

Prior Period	Opening Balance	Provision for Period	Provision Reversals	Other Adjustments <sup>(1)</sup>	Closing Balance
Specific Provisions	178,714	159,532	(57,446)	(28,642)	252,158
General Provisions	110,388	27,730	-	-	138,118

<sup>(1)</sup> Represents written-off loans.

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

The bank calculates the probability of delinquency and internal rating notes for the portfolio of business loans based on statistical methods up to TL 850,000(full amount) for all types of limits and up to TL 3,000,000(full amount) for real estate transactions of Turkish Commercial Code. Ratings which are calculated since 1 February 2013 are shown the table below as of 31 December 2013.

	Cash Loans	Non-Cash Loans	Total
High Quality	30%	34%	31%
Medium Quality	16%	16%	16%
Average	12%	10%	11%
Below Average	2%	4%	2%
Unrated	40%	36%	40%

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**III. Explanations on consolidated market risk**

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

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

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

The capital which should be kept against general market risk and specific risks, is calculated and monthly reported in accordance with the "Marketing risk measurement process with standard method" which is the third chapter of "Calculation of Marketing Risk Amount" of the "Communiqué on the "Measurement and Assessment of Capital Adequacy of Banks". The following table indicates the details of the market risk calculation as of 31 December 2013, in accordance with the Market Risk Calculation principles pursuant to the Part 2 of the Second Section of the "Regulation on Measurement and Assessment of Capital Adequacy of Banks" published in the Official Gazette No. 28337 on 28 June 2012.

**a. Information related to consolidated market risk:**

	Current Period	Prior Period
(I) Capital Obligation against General Market Risk - Standard Method	14,451	42,549
(II) Capital Obligation against Specific Risk - Standard Method	3,392	21,051
Capital Requirement against Specific Risks of Securitization Positions - Standard Method	-	-
(III) Capital Obligation against Currency Risk - Standard Method	10,198	6,954
(IV) Capital Obligation against Commodity Risk - Standard Method	5,493	9,010
(V) Capital Obligation against Settlement Risk - Standard Method	-	-
(VI) Total Capital Obligation against Market Risks of Options - Standard	-	-
(VII) Capital Requirement against Counterparty Credit Risks - Standard Method	2,023	1,203
(VIII) Total Capital Obligation against Market Risks of Banks applying Risk Measurement Models	-	-
(IX) Total Capital Obligation against Market Risk (I+II+III+IV+V+VI+VII)	35,557	80,767
<b>(X) Value-At-Market Risk (12.5 x VIII) or (12.5 x IX)</b>	<b>444,461</b>	<b>1,009,588</b>

**b. Monthly average values at market risk**

	Current Period		
	Average	Highest	Lowest
Interest Rate Risk	16,445	18,150	12,611
Equity-Shares Position Risk	2,061	3,906	843
Currency Position Risk	10,986	15,450	7,933
Commodity Risk	6,766	8,027	5,493
Clearing Risk	-	-	-
Option Market Risk	-	-	-
Counterparty Credit Risk	1,776	2,022	1,210
<b>Total Value at Risk</b>	<b>38,034</b>	<b>47,555</b>	<b>28,090</b>

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	Prior Period <sup>(*)</sup>		
	Average	Highest	Lowest
Interest Rate Risk	481	511	450
Equity-Shares Position Risk	40,845	63,149	18,540
Currency Position Risk	7,186	7,417	6,954
Commodity Risk	12,190	15,370	9,010
Clearing Risk	-	-	-
Option Market Risk	-	-	-
Counterparty Credit Risk	1,360	1,517	1,203
<b>Total Value at Risk</b>	<b>62,062</b>	<b>87,964</b>	<b>36,157</b>

<sup>(\*)</sup>Above table is prepared starting from 1 July 2012 according to the Communiqué on "Regulation on Measurement and Assessment of Capital Adequacy of Banks" published in the Official Gazette numbered 28337 on 28 June 2012.

#### Consolidated Quantitative information on counterparty risk

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

	Current Period	Prior Period
Interest-Rate Contracts	-	-
Foreign-Exchange-Rate Contracts	46,803	26,115
Commodity Contracts	4,435	1,919
Equity-Shares Related Contracts	-	-
Other	-	-
Gross Positive Fair Values	1,098	389
Netting Benefits	-	-
Net Current Exposure Amount	-	-
Collaterals Received	-	-
<b>Net Derivative Position</b>	<b>52,336</b>	<b>28,423</b>

#### Information on Consolidated Operational Risk

"Basic Indicator Method" is used in operational risk calculation of the Group. The sum that is the basis for the operational risk is calculated by the use of the gross revenues of the Group for the last 3 years, 2012, 2011 and 2010 in compliance with "Third Section "Calculation of the Operational Risk" of The Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks published in the Official Gazette numbered 28337 and dated 28 June 2012. The annual gross revenue is calculated by addition of the net fees and commission revenues, dividend income obtained other than subsidiaries and affiliates, the trading gain/loss(net) and other operating income to the net profit share income and by deduction of the gain/loss from the sale of the assets accounted other than the trading book, extraordinary income, the operational expenses for the support services taken from the main shareholder of the bank, subsidiary of the bank or subsidiary of the shareholder of the bank performing the calculation or the institutions which are subject to the relevant Regulation or the equivalent arrangements and the operational expenses for the support service taken from a bank and the amounts compensated from insurance. TL 115,876 corresponding to the 8% of TL 1,448,447 used in the calculation of the operational risk within the scope of "Capital adequacy standard rate" indicated in the disclosure I of this section, represents the operational risk which might be exposed to. TL 115,876 also defines the minimum capital sum which is required in order to eliminate the mentioned risk.

Current Period	31/12/2010	31/12/2011	31/12/2012	Total/ No. of Years of Positive Gross	Rate (%)	Total
	Amount	Amount	Amount			
Gross Income	595,806	769,979	951,730	772,505	15	115,876
Value at Operational Risk (Total*12.5)						1,448,447

Prior Period	31/12/2009	31/12/2010	31/12/2011	Total/ No. of Years of Positive Gross	Rate (%)	Total
	Amount	Amount	Amount			
Gross Income	541,872	595,806	769,979	635,886	15	95,383
Value at Operational Risk (Total*12.5)						1,192,287

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**IV. Explanations on consolidated currency risk**

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

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

As of 31 December 2013, the Group carries a net foreign currency long position of TL 627,668 (31 December 2012 - TL 334,605 long position) comprising TL 558,509 balance sheet short position (31 December 2012 - TL 312,859 short position) and TL 69,159 off balance sheet long position (31 December 2012 - TL 21,745 long position).

The announced current foreign exchange buying rates of the Parent Bank as of 31 December 2012 and the previous five working days are as follows (Full TL):

	24/12/2013	25/12/2013	26/12/2013	27/12/2013	30/12/2013	Balance sheet evaluation rate
USD	2.0877	2.0812	2.071	2.0957	2.1604	2.1343
EURO	2.8573	2.8466	2.8353	2.8693	2.9844	2.9365
GBP	3.4091	3.3978	3.3735	3.4286	3.5601	3.5114
CHF	2.3255	2.3194	2.3111	2.3337	2.4307	2.3899
100 JPY	2.004	1.991	1.98	1.996	2.056	2.0231

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

	Monthly average FC purchase rate
USD	2.0572
EURO	2.8160
GBP	3.3627
CHF	2.2932
100 JPY	1.9854

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#### Currency risk of the Group:

	EURO	USD	Other FC	Total
<b>Current period</b>				
<b>Assets</b>				
Cash (cash in vault, effectives, money in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey (****)	339,733	2,288,517	1,286,874	3,915,124
Banks	363,031	1,284,093	795,946	2,443,070
Financial assets at fair value through profit and loss	-	-	-	-
Money market placements	-	-	-	-
Available-for-sale financial assets (**)	-	219,974	-	219,974
Loans and finance lease receivables (*)	1,690,269	5,171,509	138,730	7,000,508
Subsidiaries, associates and joint ventures (**)	-	-	-	-
Held-to-maturity investments	-	-	-	-
Derivative financial assets for hedging purposes	-	-	-	-
Tangible assets	254	373	-	627
Intangible assets	5	35	-	40
Other assets	27,880	33,941	115	61,936
<b>Total assets</b>	<b>2,421,172</b>	<b>8,998,442</b>	<b>2,221,665</b>	<b>13,641,279</b>
<b>Liabilities</b>				
Current account and funds collected from Banks via participation accounts	92,686	229,009	97,867	419,562
Current and profit sharing accounts FC (****)	1,711,734	3,357,653	2,210,689	7,280,076
Money market borrowings	-	-	-	-
Funds provided from other financial institutions	267,924	4,201,716	-	4,469,640
Marketable securities issued	-	754,332	-	754,332
Miscellaneous payables	4,599	7,105	405	12,109
Derivative financial liabilities for hedging purposes	-	-	-	-
Other liabilities	19,582	55,657	2,653	77,892
<b>Total liabilities</b>	<b>2,096,525</b>	<b>8,605,472</b>	<b>2,311,614</b>	<b>13,013,611</b>
Net balance sheet position	324,647	392,970	(89,949)	627,668
Net off-balance sheet position	(306,654)	(336,898)	85,043	(558,509)
Financial derivative assets	560,227	1,997,013	246,734	2,803,974
Financial derivative liabilities	866,881	2,333,911	161,691	3,362,483
Non-cash loans (****)	1,484,520	2,613,401	480,626	4,578,547
<b>Prior period</b>				
Total assets	1,568,443	5,748,774	2,637,875	9,955,092
Total liabilities	1,138,725	6,207,256	2,274,506	9,620,487
Net balance sheet position	429,718	(458,482)	363,369	334,605
Net off-balance sheet position	(421,493)	468,106	(359,472)	(312,859)
Financial derivative assets	333,445	1,470,499	174,093	1,978,037
Financial derivative liabilities	754,938	1,002,394	533,565	2,290,897
Non-cash loans (****)	728,611	1,962,846	170,722	2,862,179

(\*) Includes foreign currency indexed loans amounting to TL 5,474,647 (31 December 2012 - TL 3,872,406) followed as TL on the balance sheet.

(\*\*) Includes TL 714 (31 December 2012 - TL 714) of foreign currency denominated available for sale financial assets, which are followed in Turkish Lira as TL 1,104,437 on the balance sheet and TL 50,301 (31 December 2012 - TL 17,917) of foreign currency denominated subsidiaries, which are followed in Turkish Lira as TL 72,853 on the balance sheet.

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

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

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

- Derivative financial assets held for trading : 15,472 TL (31 December 2012 - 23,456 TL)
- Prepaid expenses: 1,282 TL (31 December 2012 - 0 TL)
- Derivative financial liabilities held for trading: 15,284 TL (31 December 2012 - 4,141 TL)
- The general provision for the bank's share: 15,696 TL (31 December 2012: 24,417 TL)
- Shareholders equity of FC: 3,053 TL (31 December 2012: 3,002 TL)



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

- Forward foreign currency purchase transactions: 346,835 TL (31 December 2012 - 125,986 TL)
- Forward foreign currency sale transactions: 447,167 TL (31 December 2012 - 137,557 TL)
- Future precious metal purchase transactions: 116,424 TL (31 December 2012 - 126,166 TL)
- Future precious metal sale transactions: 47,405 TL (31 December 2012- 479,084 TL)

**Currency risk sensitivity:**

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

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

	Effects on profit/ loss% changes on foreign currency	Effects on equity			
		Current period	Prior period	Current period	Prior period
USD	%10	5,607	(962)	(471)	(43)
EURO	%10	1,799	823	-	-

**V. Explanations on position risk of equity securities in banking book**

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

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

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

Current Period Equity Securities (shares) Comparison	Carrying Value	Fair Value	Market Value
<b>1 Securities Available-for-Sale <sup>(*)</sup></b>	<b>51,558</b>	-	-
Unquoted Securities	-	-	-
<b>2 Investments in Associates</b>	-	-	-
Unquoted Securities	-	-	-
<b>3 Investment in Subsidiaries<sup>(*)</sup></b>	<b>72,853</b>	-	-
Unquoted Securities	-	-	-
<b>4 Securities Available-for-Sale</b>	<b>5,064</b>	-	-
Unquoted Securities	5,064	-	-

Prior Period Equity Securities (shares) Comparison	Carrying Value	Fair Value	Market Value
<b>1 Securities Available-for-Sale <sup>(*)</sup></b>	<b>8,437</b>	-	-
Unquoted Securities	-	-	-
<b>2 Investments in Associates</b>	-	-	-
Unquoted Securities	-	-	-
<b>3 Investment in Subsidiaries<sup>(*)</sup></b>	<b>57,863</b>	-	-
Unquoted Securities	-	-	-

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

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c) Realized gains/losses, revaluation surpluses and unrealized gains/losses on equity securities and results included in core and supplementary capitals: None.

None (31December 2012: None).

**VI. Explanations on consolidated liquidity risk**

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

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

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

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

<b>First Maturity Bracket (Weekly)</b>			
<b>Current Period</b>	<b>Average (%)</b>	<b>Highest (%)</b>	<b>Lowest (%)</b>
FC	207.47	245.47	133.19
TL+FC	164.24	181.02	124.77
<b>Second Maturity Bracket (Monthly)</b>			
	<b>Average (%)</b>	<b>Highest (%)</b>	<b>Lowest (%)</b>
FC	345.95	452.19	210.34
TL+FC	245.35	301.76	190.15
<b>First Maturity Bracket (Weekly)</b>			
<b>Prior Period</b>	<b>Average (%)</b>	<b>Highest (%)</b>	<b>Lowest (%)</b>
FC	287.89	456.18	146.16
TL+FC	217.67	301.97	134.34
<b>Second Maturity Bracket (Monthly)</b>			
	<b>Average (%)</b>	<b>Highest (%)</b>	<b>Lowest (%)</b>
FC	184.48	275.68	118.73
TL+FC	151.19	199.69	110.67

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Presentation of assets and liabilities according to their remaining maturities:

	Demand	Up to 1 month	1-3 Months	3-12 months	1-5 years	Over 5 years	Unallocated (**)	Total
<b>Current period</b>								
<b>Assets</b>								
Cash (cash in vault, effectives, cash in transit, Cheques purchased) and balances with the Central Bank of the Republic of Turkey	1,325,519	2,988,091	-	-	-	-	-	4,313,610
Banks	2,220,473	180,690	62,926	10,248	-	-	-	2,474,337
Financial assets at fair value through profit and loss	7,014	37,555	54,651	15,325	247	-	-	114,792
Money market placements	-	-	-	-	-	-	-	-
Available-for-sale financial assets	-	-	-	3,427	1,268,712	-	51,558	1,323,697
Loans (*)	-	9,981,582	1,807,883	2,124,104	2,396,951	352,645	45,493	16,708,658
Held-to-maturity investments	-	-	-	-	-	-	-	-
Other assets (**)	37,352	269,808	54,079	-	30,953	-	452,266	844,458
<b>Total assets</b>	<b>3,590,358</b>	<b>13,457,726</b>	<b>1,979,539</b>	<b>2,153,104</b>	<b>3,696,863</b>	<b>352,645</b>	<b>549,317</b>	<b>25,779,552</b>
<b>Liabilities</b>								
Current account and funds collected from banks via participation accounts	120,344	197,455	72,120	40,034	-	-	-	429,953
Current and profit sharing accounts	4,883,841	4,408,679	5,873,371	1,209,445	221,280	-	-	16,596,616
Funds provided from other financial institutions	-	772,669	709,197	1,647,434	913,105	433,028	-	4,475,433
Money market borrowings	-	221,428	-	-	-	-	-	221,428
Marketable securities issued	-	-	-	-	905,894	-	-	905,894
Miscellaneous payables	92,924	29,582	-	-	-	-	-	122,506
Other liabilities (**)	-	348,105	32,426	7,249	5,944	-	2,633,998	3,027,722
<b>Total liabilities</b>	<b>5,097,109</b>	<b>5,977,918</b>	<b>6,687,114</b>	<b>2,904,162</b>	<b>2,046,223</b>	<b>433,028</b>	<b>2,633,998</b>	<b>25,779,552</b>
Net liquidity gap	(1,506,751)	7,479,808	(4,707,575)	(751,058)	1,650,640	(80,383)	(2,084,681)	-
<b>Prior period</b>								
Total assets	3,042,351	4,775,768	2,107,672	4,315,510	3,669,708	457,681	378,592	18,747,282
Total liabilities	3,354,024	4,258,872	5,242,147	2,243,846	1,379,103	361,661	1,907,629	18,747,282
Net liquidity gap	(311,673)	516,896	(3,134,475)	2,071,664	2,290,605	96,020	(1,529,037)	-

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

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

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#### Analysis of financial liabilities by remaining contractual maturities:

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

	Up to 1 month	1-3 month	3-12 month	1-5 years	Above 5 years	Total	Adjustments	Balance Sheet Value
<b>31 December 2013</b>								
Collective Fundings	9,610,319	5,945,491	1,249,479	221,280	-	17,026,569	-	17,026,569
Marketable Securities Issued	-	3,405	204,102	834,778	-	1,042,285	(136,391)	905,894
Other Fundings	773,577	723,928	1,544,437	1,203,830	498,401	4,744,173	(270,568)	4,473,605
Borrowings from Leasings	-	-	-	1,849	-	1,849	(21)	1,828
Money market balances	221,509	-	-	-	-	221,509	(81)	221,428
<b>Total</b>	<b>10,605,405</b>	<b>6,672,824</b>	<b>2,998,018</b>	<b>2,261,737</b>	<b>498,401</b>	<b>23,036,385</b>	<b>(407,061)</b>	<b>22,629,324</b>

<b>31 December 2012</b>								
Collective Fundings	6,325,959	4,975,113	1,069,254	381,831	-	12,752,157	-	12,752,157
Marketable Securities Issued	-	4,679	219,594	733,875	-	958,148	(146,609)	811,539
Other Fundings	742,288	253,988	1,026,263	490,732	436,098	2,949,369	(239,898)	2,709,471
Borrowings from Leasings	26	51	26	-	-	103	(1)	102
<b>Total</b>	<b>7,068,273</b>	<b>5,233,831</b>	<b>2,315,137</b>	<b>1,606,438</b>	<b>436,098</b>	<b>16,659,777</b>	<b>(386,508)</b>	<b>16,273,269</b>

#### Maturity analysis for guarantees and contingencies:

	Demand	Up to 1 month	1-3 month	3-12 month	1-5 years	Above 5 years	Unallocated	Total
<b>31 December 2013</b>								
Letters of Guarantee	4,090,787	264,274	346,261	1,445,490	925,457	54,811	-	7,127,080
Bills of Exchange and Bank Acceptances	36,355	-	1,265	4,565	15,402	-	-	57,587
Letters of Credit	745,915	12,525	24,756	283,255	150,729	97	-	1,217,277
Other guarantees	211,765	-	405	1,544	39,147	221	-	253,082
Pre-financings given as guarantee	10,143	-	592	733	5,853	-	-	17,321
<b>Total</b>	<b>5,094,965</b>	<b>276,799</b>	<b>373,279</b>	<b>1,735,587</b>	<b>1,136,588</b>	<b>55,129</b>	<b>-</b>	<b>8,672,347</b>

<b>31 December 2012</b>								
Letters of Guarantee	1,011,744	4,923	1,489	168,843	3,294,447	727,222	-	5,208,668
Bills of Exchange and Bank Acceptances	58,915	-	-	-	6,471	-	-	65,386
Letters of Credit	278,562	5,397	8,390	122,705	557,307	19,251	-	991,612
Other guarantees	6,320	-	265	698	1,033	17,264	-	25,580
Pre-financings given as guarantee	3,477	-	-	240	1,828	3,661	-	9,206
<b>Total</b>	<b>1,359,018</b>	<b>10,320</b>	<b>10,144</b>	<b>292,486</b>	<b>3,861,086</b>	<b>767,398</b>	<b>-</b>	<b>6,300,452</b>

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Contractual maturity analysis of derivative instruments:

31 December 2013	Up to 1 month	1-3 month	3-12 month	1-5 years	5 years and over	Total
<b>Derivatives financial assets held for trading</b>						
Foreign exchange derivatives:						
Entry	3,607,829	858,832	237,291	80,282	-	4,784,234
Exit	3,602,697	816,969	230,128	87,529	-	4,737,323
<b>Hedging purposes financial assets</b>						
Foreign exchange derivatives						
Entry	-	-	-	-	-	-
Exit	-	-	-	-	-	-
<b>Total Cash Inflow</b>	<b>3,607,829</b>	<b>858,832</b>	<b>237,291</b>	<b>80,283</b>	<b>-</b>	<b>4,784,234</b>
<b>Total Cash Outflow</b>	<b>3,602,697</b>	<b>816,969</b>	<b>230,128</b>	<b>87,529</b>	<b>-</b>	<b>4,737,323</b>
<b>31 December 2012</b>						
	<b>Up to 1 month</b>	<b>1-3 month</b>	<b>3-12 month</b>	<b>1-5 years</b>	<b>5 years and over</b>	<b>Total</b>
<b>Derivatives financial assets held for trading</b>						
Foreign exchange derivatives:						
Entry	1,816,294	791,865	128,550	-	-	2,736,709
Exit	1,796,251	781,943	127,325	-	-	2,705,519
<b>Hedging purposes financial assets</b>						
Foreign exchange derivatives						
Entry	-	-	-	-	-	-
Exit	-	-	-	-	-	-
<b>Total Cash Inflow</b>	<b>1,816,294</b>	<b>791,865</b>	<b>128,550</b>	<b>-</b>	<b>-</b>	<b>2,736,709</b>
<b>Total Cash Outflow</b>	<b>1,796,251</b>	<b>781,943</b>	<b>127,325</b>	<b>-</b>	<b>-</b>	<b>2,705,519</b>

**VII. Explanations on consolidated securitization positions**

None (31 December 2012 – None).

**VIII. Credit risk mitigation techniques**

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

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

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

Financial collaterals are evaluated on a daily basis.

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

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

Exposure Categories	Amount <sup>(*)</sup>	Financial Collaterals	Other/Physical Collaterals	Guaranties and Credit
Derivatives				
Conditional and unconditional receivables from central governments or central banks	3,228,145	-	-	-
Conditional and unconditional receivables from regional or local governments	-	-	-	-
Conditional and unconditional receivables from administrative units and non-commercial enterprises	-	-	-	-
Conditional and unconditional receivables from multilateral development banks	-	-	-	-
Conditional and unconditional receivables from international organizations	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	3,828,652	-	-	-
Conditional and unconditional receivables from Corporates	30,277,556	312,784	-	-
Conditional and unconditional retail receivables	8,554,173	144,708	-	-
Conditional and unconditional receivables secured by Mortgages	6,841,108	45,172	-	-
Past due receivables	22,616	24	-	-
Receivables defined in high risk category by BRSA	189,303	211	-	-
Securities collateralized by mortgages	-	-	-	-
Securitization positions	-	-	-	-
Short-term receivables from banks, brokerage houses and corporates	-	-	-	-
Investments similar to collective investment funds	-	-	-	-
Other receivables	2,013,076	-	-	-
<b>Total</b>	<b>54,954,629</b>	<b>502,899</b>	<b>-</b>	<b>-</b>

<sup>(\*)</sup> Includes total risk amounts before the effect of credit risk mitigation but after credit conversions.

Exposure Categories (Prior Period)	Amount <sup>(*)</sup>	Financial Collaterals	Other/Physical Collaterals	Guaranties and Credit Derivatives
Conditional and unconditional receivables from central governments or central banks	2,061,557	-	-	-
Conditional and unconditional receivables from regional or local governments	-	-	-	-
Conditional and unconditional receivables from administrative units and non-commercial enterprises	-	-	-	-
Conditional and unconditional receivables from multilateral development banks	-	-	-	-
Conditional and unconditional receivables from international organizations	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	1,996,825	-	-	-
Conditional and unconditional receivables from Corporates	23,052,789	185,376	-	-
Conditional and unconditional retail receivables	7,753,788	131,852	-	-
Conditional and unconditional receivables secured by Mortgages	5,015,330	25,084	-	-
Past due receivables	17,925	42	-	-
Receivables defined in high risk category by BRSA	28,513	222	-	-
Securities collateralized by mortgages	-	-	-	-
Securitization positions	-	-	-	-
Short-term receivables from banks, brokerage houses and corporates	-	-	-	-
Investments similar to collective investment funds	-	-	-	-
Other receivables	2,607,125	-	-	-
<b>Total</b>	<b>42,533,852</b>	<b>342,576</b>	<b>-</b>	<b>-</b>

<sup>(\*)</sup> Includes total risk amounts before the effect of credit risk mitigation but after credit conversions.



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#### IX. Explanations on risk management objectives and policies

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

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

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

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

#### Fair values of financial assets and liabilities

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

	Current period		Prior period	
	Book Value	Fair Value	Current period	Prior period
<b>Financial Assets</b>				
Banks	2,474,337	894,367	2,474,337	894,367
Financial assets available for sale	1,323,697	549,496	1,323,697	549,496
Loans and lease receivables	16,663,165	12,556,856	16,642,011	12,747,032
<b>Financial Liabilities</b>				
Current account and funds collected from banks via participation accounts.	429,953	296,422	429,953	296,422
Other current and profit sharing accounts	16,596,616	12,455,735	16,596,616	12,455,735
Funds provided from other financial institutions	4,475,433	2,709,573	4,477,097	2,748,140
Money market balances	221,428	-	221,428	-
Marketable Securities issued	905,894	811,539	898,353	848,473
Miscellaneous payables	122,506	92,456	122,506	92,456

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

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

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

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

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

Fair value hierarchy of the financial assets and liabilities carried at fair value according to the foregoing principles as of 31 December 2013 and 31 December 2012 are given in the table below:

Current Period	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
Financial assets held for trading	7,016	107,776	-	114,792
Forward transactions	-	102,418	-	102,418
Swap transactions	-	5,358	-	5,358
Other marketable securities	7,016	-	-	7,016
Available-for-sale financial assets	1,272,139	-	-	1,272,139
Equity securities	1,268,712	-	-	1,268,712
Government debt securities	3,427	-	-	3,427
Other marketable securities	-	-	-	-
<b>Financial liabilities</b>	-	<b>58,948</b>	-	<b>58,948</b>
Financial liabilities held for trading	-	32,480	-	32,480
Forward transactions	-	26,468	-	26,468
<b>Prior Period</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial assets</b>				
Financial assets held for trading	9,727	38,891	-	48,618
Forward transactions	-	25,293	-	25,293
Swap transactions	-	13,598	-	13,598
Other marketable securities	9,727	-	-	9,727
Available-for-sale financial assets	541,059	-	-	541,059
Government debt securities	541,059	-	-	541,059
<b>Financial liabilities</b>	-	-	-	-
Financial liabilities held for trading	-	7,393	-	7,393
Forward transactions	-	5,132	-	5,132
Swap transactions	-	2,261	-	2,261

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

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

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

#### XI. Explanations on business segments

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

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

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

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

Specific balance sheet and income statement items according to segments:

<b>Current Period 1 January – 31 December 2013</b>	<b>Retail and enterprise banking</b>	<b>Commercial banking</b>	<b>Corporate and international banking</b>	<b>Unallocated</b>	<b>Group's total operation</b>
Operating income	751,243	948,486	224,585	-	1,924,314
Operating expenses	427,779	308,502	195,654	615,589	1,547,524
Transfers between segments	231,803	(202,790)	(29,013)	-	-
<b>Net operating income(loss)</b>	<b>555,267</b>	<b>437,194</b>	<b>(82)</b>	<b>(615,589)</b>	<b>376,790</b>
Income from associates	-	-	-	-	-
<b>Income (loss) before tax</b>	<b>555,267</b>	<b>437,194</b>	<b>(82)</b>	<b>(615,589)</b>	<b>376,790</b>
Provision for taxation	-	-	-	68,867	68,867
<b>Net income for the period</b>	<b>555,267</b>	<b>437,194</b>	<b>(82)</b>	<b>(684,456)</b>	<b>307,923</b>
<b>Current Period</b>					
<b>31 December 2013</b>					
Segment assets	5,262,667	9,787,448	9,884,979	-	24,935,094
Associates, subsidiaries and joint					
Ventures	-	-	-	77,917	77,917
Undistributed assets	-	-	-	766,541	766,541
<b>Total assets</b>	<b>5,262,667</b>	<b>9,787,448</b>	<b>9,884,979</b>	<b>844,458</b>	<b>25,779,552</b>
Segment liabilities	12,095,960	4,733,518	5,635,538	-	22,465,016
Undistributed liabilities	-	-	-	990,852	990,852
Shareholders' equity	-	-	-	2,323,684	2,323,684
<b>Total liabilities</b>	<b>12,095,960</b>	<b>4,733,518</b>	<b>5,635,538</b>	<b>3,314,536</b>	<b>25,779,552</b>

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Prior Period 1 January - 31 December 2012	Retail and enterprise banking	Commercial banking	Corporate and international banking	Unallocated	Group's total operation
Operating income	642,530	864,292	141,635	-	1,648,457
Operating expenses	417,117	265,379	171,149	483,779	1,337,424
Transfers between segments	234,631	(179,150)	(55,481)	-	-
<b>Net operating income(loss)</b>	<b>460,044</b>	<b>419,763</b>	<b>(84,995)</b>	<b>(483,779)</b>	<b>311,033</b>
Income from associates	-	-	-	-	-
<b>Income (loss) before tax</b>	<b>460,044</b>	<b>419,763</b>	<b>(84,995)</b>	<b>(483,779)</b>	<b>311,033</b>
Provision for taxation	-	-	-	59,100	59,100
<b>Net income for the period</b>	<b>460,044</b>	<b>419,763</b>	<b>(84,995)</b>	<b>(542,879)</b>	<b>251,933</b>
<b>Prior Period</b>					
<b>31 December 2012</b>	<b>4,005,148</b>	<b>5,108,569</b>	<b>8,956,384</b>	<b>-</b>	<b>18,070,101</b>
Segment assets	-	-	-	57,863	57,863
Associates, subsidiaries and joint Ventures	-	-	-	619,318	619,318
<b>Total assets</b>	<b>4,005,148</b>	<b>5,108,569</b>	<b>8,956,384</b>	<b>677,181</b>	<b>18,747,282</b>
Segment liabilities	9,331,261	2,951,073	3,998,226	-	16,280,560
Undistributed liabilities	-	-	-	779,960	779,960
Shareholders' equity	-	-	-	1,686,762	1,686,762
<b>Total liabilities</b>	<b>9,331,261</b>	<b>2,951,073</b>	<b>3,998,226</b>	<b>2,466,722</b>	<b>18,747,282</b>

## SECTION FIVE

## EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

## I. Explanations and notes related to assets

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

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash/foreign currency	243,463	460,198	175,840	128,245
The Central Bank of Republic of Turkey	155,023	2,988,091	173,223	1,853,649
Other <sup>(*)</sup>	-	466,835	280	1,656,346
<b>Total</b>	<b>398,486</b>	<b>3,915,124</b>	<b>349,343</b>	<b>3,638,240</b>

<sup>(\*)</sup> As of 31 December 2013, precious metal account amounting to TL 466,835 (31 December 2012 - TL 1,655,798) and money in transit are presented in this line.

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2. Balances with the Central Bank of Turkey:

	Current Period		Prior Period	
	TL	FC	TL	FC
Unrestricted demand deposit	155,023	-	173,223	-
Unrestricted time deposit	-	-	-	-
Restricted time deposit	-	2,988,091	-	1,853,649
<b>Total</b>	<b>155,023</b>	<b>2,988,091</b>	<b>173,223</b>	<b>1,853,649</b>

In accordance with the "Communiqué on Reserve Requirements no. 2005/1", published by the Central Bank of the Republic of Turkey, required reserves in Turkish Lira, Foreign Currency and Gold are included in the table.

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

1. As of 31 December 2013, there are no financial assets at fair value through profit and loss subject to repurchase transactions, given as a collateral or blocked (31 December 2012 – None).

2. Positive Differences Related to Derivative Financial Assets Held-for-Trading:

Derivative financial assets held-for-trading	Current Period		Prior Period	
	TL	FC	TL	FC
Forward transactions	87,054	15,364	13,873	11,421
Swap transactions	5,250	108	1,562	12,035
Futures transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>92,304</b>	<b>15,472</b>	<b>15,435</b>	<b>23,456</b>

c. Information on Banks:

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	31,267	2,443,070	62,663	834,286
Domestic	30,558	1,183,614	62,030	413,449
Foreign	709	1,259,456	633	420,837
Branches and head office abroad	-	-	-	-
<b>Total</b>	<b>31,267</b>	<b>2,443,070</b>	<b>62,633</b>	<b>834,286</b>

d. Information on foreign bank accounts::

	Current Period		Prior Period	
	Unrestricted Amount	Restricted Amount	Unrestricted Amount	Restricted Amount
EU Countries	504,629	-	775,226	-
USA and Canada	246,196	-	78,407	-
OECD Countries <sup>(*)</sup>	372,325	-	6,343	-
Off-shore Banking Regions	386	-	103,942	-
Other	136,629	-	144,476	-
<b>Total</b>	<b>1,260,165</b>	<b>-</b>	<b>1,108,394</b>	<b>-</b>

<sup>(\*)</sup> OECD countries other than European Union countries, USA and Canada.

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

##### 1. Information on Financial Assets Available-for-Sale subject to repurchase transactions, given as a guarantee or blocked:

On 14 September 2013, an open market transaction is performed for the first time with CBRT which is subject to sales of repurchasing agreement of Treasury Rent Certificates. Beginning from this date, offers are made to purchasing tenders, which is monitored by CBRT and has one week maturity, in order to obtain fund by performing repurchasing agreements of Treasury Rent Certificates. As of 31 December 2013, rent certificates recorded as financial assets available-for-sale, amounting to TL 218,522 subject to sales transactions of repurchase agreements and based upon this transaction, rent certificate amounting to TL 61,000 given as collateral. The amount of fund provided from CBRT is TL 221,428 based upon repurchasing agreements.

##### 2. Information on Financial Assets Available-for-Sale:

The details of the Rent Certificates which are in Bank's Portfolio "Financial Assets Available for-Sale" are presented below as of 31 December 2013.

a) On 5 March 2013 and 19 November 2013 the Bank invested in domestic currency rent certificates ("Sukuk") issued by a private company with an annual profit rate of 7.1% and 9.1%, quarterly profit share payment schedule, maturity of 1 and 5 year, amounting to TL 2,000,000 (full amount) and TL 1,000,000 (full amount) respectively. The aforementioned "Sukuk" is classified under "Other Marketable Securities" at the accompanying financial statements.

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

On 26 September 2012, the Bank invested in foreign currency rent certificate issued by T.R Undersecretariat of the Treasury with an annual profit rate of 2.8%, semiannual profit share payment schedule, maturity of 5.5 years and amounting to USD 75,000,000 (full amount).

On 3 October 2012, the Bank invested in domestic currency rent certificate issued by T.R Undersecretariat of the Treasury with an annual profit rate of 7.4%, semiannual profit share payment schedule, maturity of 2 years and amounting to TL 382,820,168 (full amount).

On 20 February 2013, the Bank invested in domestic currency rent certificate issued by T.R Undersecretariat of the Treasury again with an annual profit rate of 5.7%, semiannual profit share payment schedule, maturity of 2 years and amounting to TL 352,504,059 (full amount).

On 20 February 2013, the Bank invested in domestic currency rent certificate issued by T.R Undersecretariat of the Treasury with an annual profit rate of 5.7%, semiannual profit share payment schedule, maturity of 2 years and amounting to TL 1,000,000 (full amount).

On 21 August 2013, the Bank invested in domestic currency rent certificate issued by T.R Undersecretariat of the Treasury again with an annual profit rate of 9%, semiannual profit share payment schedule, maturity of 2 years and amounting to TL 323,000,000 (full amount).

On 10 October 2013, the Bank invested in foreign currency rent certificate issued by T.R Undersecretariat of the Treasury with an annual profit rate of 4.5%, semiannual profit share payment schedule, maturity of 5 years and amounting to USD 9,800,000 (full amount).

	Current Period	Prior Period
Debt Securities	1,282,841	541,059
Quoted on stock exchange	1,282,841	541,059
Not quoted on stock exchange	-	-
Share certificates	51,558	8,437
Quoted on stock exchange	-	-
Not quoted on stock exchange	51,558	8,437
Impairment provision (-)	(10,702)	-
<b>Total</b>	<b>1,323,697</b>	<b>549,496</b>



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f. Information on loans and receivables:

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

	Current period		Prior period	
	Cash	Non-Cash	Cash	Non-Cash
Direct Loans Granted to Shareholders	621	676	1,146	544
Corporate Shareholders	-	676	-	544
Real Person Shareholders	621	-	1,146	-
Indirect Loans Granted to Shareholders	80,270	55	84,084	13,157
Loans Granted to Employees	6,031	7	4,677	6
<b>Total</b>	<b>86,922</b>	<b>738</b>	<b>89,907</b>	<b>13,707</b>

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

Current Period	Performing Loans and Other Receivables			Loans and Other Receivables under Follow-Up		
	Cash Loans	Loans and Other Receivables (Total)	Loans and Receivables with Revised Contract Terms	Loans and Other Receivables (Total)	Loans and Receivables with Revised Contract Terms	Other
Extension of Repayment Plan						
<b>Loans</b>	<b>15,591,182</b>	<b>210,740</b>	<b>-</b>	<b>286,797</b>	<b>161,224</b>	<b>-</b>
Financing commodity against document	9,234	-	-	-	-	-
Exports Loan	32,836	-	-	38	3,200	-
Imports Loans	1,217,096	-	-	1,953	-	-
Enterprise Loans	9,575,752	206,091	-	208,831	149,792	-
Consumer Loans	2,584,387	3,571	-	68,844	4,223	-
Credit Cards	186,981	-	-	3,025	-	-
Precious Metal Loans	136,359	-	-	-	-	-
Loans Given to Financial Sector	3	-	-	-	-	-
Loans Extended Abroad	510,531	1,078	-	322	4,009	-
Other	1,338,003	-	-	3,784	-	-
<b>Other Receivables</b>	<b>2,636</b>	<b>-</b>	<b>-</b>	<b>2,154</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>15,593,818</b>	<b>210,740</b>	<b>-</b>	<b>288,951</b>	<b>161,224</b>	<b>-</b>

Prior Period	Performing Loans and Other Receivables			Loans and Other Receivables under Follow-Up		
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Cash Loans	Loans and Other Receivables (Total)	Loans and Receivables with Revised Contract Terms		Loans and Other Receivables (Total)	Loans and Receivables with Revised Contract Terms	
		Extension of Repayment Plan	Other		Extension of Repayment Plan	Other
<b>Loans</b>	<b>11,796,565</b>	<b>31,604</b>	-	<b>349,392</b>	<b>178,309</b>	-
Financing commodity against document	60,054	-	-	-	-	-
Exports Loan	965,684	-	-	4,333	-	-
Imports Loans	6,749,257	30,973	-	262,437	175,566	-
Enterprise Loans	1,865,306	631	-	67,712	2,743	-
Consumer Loans	131,751	-	-	3,440	-	-
Credit Cards	144,187	-	-	1	-	-
Precious Metal Loans	9	-	-	-	-	-
Loans Given to Financial Sector	866,604	-	-	3,805	-	-
Loans Extended Abroad	1,013,713	-	-	7,664	-	-
<b>Other</b>	<b>2,999</b>	-	-	<b>14,246</b>	-	-
<b>Other Receivables</b>	<b>11,799,564</b>	<b>31,604</b>	-	<b>363,638</b>	<b>178,309</b>	-

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

Current Period	Number of Extensions for Repayment Plan	
	Performing Loans and Other Receivables	Performing Loans and Other Receivables
1 or 2 times	210,740	161,224
3,4 or 5 times	-	-
Over 5 times	-	-
<b>Total</b>	<b>210,740</b>	<b>161,224</b>

Extension Periods for Repayment Plan Changes	Performing Loans and Other Receivables	
	Loans and Other Receivables under Follow-Up	
0 - 6 months	5,621	3,249
6 - 12 months	17,753	18,652
1 - 2 years	44,252	57,256
2 - 5 years	82,244	81,585
5 years and over	60,870	482
<b>Total</b>	<b>210,740</b>	<b>161,224</b>

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	Number of Extensions for Repayment Plan	
Prior Period	Performing Loans and Other Receivables	Loans and Other Receivables under Follow-Up
1 or 2 times	31,604	178,309
3,4 or 5 times	-	-
Over 5 times	-	-
<b>Total</b>	<b>31,604</b>	<b>178,309</b>

	Performing Loans and Other Receivables	Loans and Other Receivables under Follow-Up
<b>Extension Periods for Repayment Plan Changes</b>		
0 - 6 months	1,023	5,526
6 - 12 months	4,358	20,239
1 - 2 years	23,156	97,442
2 - 5 years	2,741	54,295
5 years and over	326	807
<b>Total</b>	<b>31,604</b>	<b>178,309</b>

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

Current Period	Performing Loans and Other Receivables		Loans and other receivables under Follow-Up	
Cash Loans	Loans and other receivables	Loans and Receivables with Revised Contract Terms	Loans and other receivables	Loans and Receivables with Revised Contract Terms
<b>Short-term loans and other receivables</b>	<b>5,240,875</b>	<b>6,395</b>	<b>48,683</b>	<b>1,568</b>
Loans	5,238,239	6,395	46,529	1,568
Other receivables	2,636	-	2,154	-
<b>Medium and long-term loans and other receivables</b>	<b>10,352,943</b>	<b>204,345</b>	<b>240,268</b>	<b>159,656</b>
Loans	10,352,943	204,345	240,268	159,656
Other receivables	-	-	-	-
<b>Total</b>	<b>15,593,818</b>	<b>210,740</b>	<b>288,951</b>	<b>161,224</b>

Prior Period	Performing Loans and Other Receivables		Loans and other receivables under Follow-Up	
Cash Loans	Loans and other receivables	Loans and Receivables with Revised Contract Terms	Loans and other receivables	Loans and Receivables with Revised Contract Terms
<b>Short-term loans and other receivables</b>	<b>4,433,638</b>	<b>1,426</b>	<b>72,210</b>	<b>17,825</b>
Loans	4,430,639	1,426	57,964	17,825
Other receivables	2,999	-	14,246	-
<b>Medium and long-term loans and other receivables (*)</b>	<b>7,365,926</b>	<b>30,178</b>	<b>291,428</b>	<b>160,484</b>
Loans	7,365,926	30,178	291,428	160,484
Other receivables	-	-	-	-
<b>Total</b>	<b>11,799,564</b>	<b>31,604</b>	<b>363,638</b>	<b>178,309</b>

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

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

Current Period	Short term	Medium and long term	Total
<b>Consumer Loans-TL</b>	<b>4,212</b>	<b>2,522,900</b>	<b>2,527,112</b>
Housing Loans	1,245	2,380,610	2,381,855
Vehicle Loans	2,185	122,276	124,461
Consumer Loans	750	18,214	18,964
Other	32	1,800	1,832
<b>Consumer Loans-FC Indexed</b>	<b>-</b>	<b>20,470</b>	<b>20,470</b>
Housing Loans	-	19,031	19,031
Vehicle Loans	-	22	22
Consumer Loans	-	-	-
Other	-	1,417	1,417
<b>Consumer Loans-FC</b>	<b>-</b>	<b>111,847</b>	<b>111,847</b>
Housing Loans	-	36,658	36,658
Vehicle Loans	-	57	57
Consumer Loans	-	-	-
Other	-	75,132	75,132
<b>Retail Credit Cards-TL</b>	<b>98,775</b>	<b>17,009</b>	<b>115,784</b>
With Installment	38,792	17,004	55,796
Without Installment	59,983	5	59,988
<b>Retail Credit Cards-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
With Installment	-	-	-
Without Installment	-	-	-
<b>Personnel Loans-TL</b>	<b>37</b>	<b>1,559</b>	<b>1,596</b>
Housing Loans	-	454	454
Vehicle Loans	30	752	782
Consumer Loans	7	351	358
Other	-	2	2
<b>Personnel Loans-FC Indexed</b>	<b>-</b>	<b>-</b>	<b>-</b>
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Personnel Loans-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Personnel Credit Cards-TL</b>	<b>4,559</b>	<b>313</b>	<b>4,872</b>
With Installment	1,883	313	2,196
Without Installment	2,676	-	2,676
<b>Personnel Credit Cards-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Installment based	-	-	-
Without-installment	-	-	-
<b>Overdraft Account-TL (Real Person)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Overdraft Account-FC (Real Person)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>107,583</b>	<b>2,674,098</b>	<b>2,781,681</b>

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Prior Period	Short term	Medium and long term	Total
<b>Consumer Loans-TL</b>	<b>4,698</b>	<b>1,877,906</b>	<b>1,882,604</b>
Housing Loans	1,357	1,746,412	1,747,769
Vehicle Loans	2,212	123,235	125,447
Consumer Loans	1,014	6,555	7,569
Other	115	1,704	1,819
<b>Consumer Loans-FC Indexed</b>	<b>-</b>	<b>28,355</b>	<b>28,355</b>
Housing Loans	-	27,938	27,938
Vehicle Loans	-	78	78
Consumer Loans	-	98	98
Other	-	241	241
<b>Consumer Loans-FC</b>	<b>-</b>	<b>23,797</b>	<b>23,797</b>
Housing Loans	-	23,707	23,707
Vehicle Loans	-	89	89
Consumer Loans	-	-	-
Other	-	1	1
<b>Retail Credit Cards-TL</b>	<b>58,137</b>	<b>19,803</b>	<b>77,940</b>
With Installment	12,586	19,803	32,389
Without Installment	45,551	-	45,551
<b>Retail Credit Cards-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
With Installment	-	-	-
Without Installment	-	-	-
<b>Personnel Loans-TL</b>	<b>25</b>	<b>1,611</b>	<b>1,636</b>
Housing Loans	-	592	592
Vehicle Loans	12	598	610
Consumer Loans	8	418	426
Other	5	3	8
<b>Personnel Loans-FC Indexed</b>	<b>-</b>	<b>-</b>	<b>-</b>
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Personnel Loans-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Personnel Credit Cards-TL</b>	<b>3,314</b>	<b>240</b>	<b>3,554</b>
With Installment	1,339	240	1,579
Without Installment	1,975	-	1,975
<b>Personnel Credit Cards-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Installment based	-	-	-
Without-installment	-	-	-
<b>Overdraft Account-TL (Real Person)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Overdraft Account-FC (Real Person)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>66,174</b>	<b>1,951,712</b>	<b>2,017,886</b>

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<b>Current Period</b>	<b>Short term</b>	<b>Medium and long term</b>	<b>Total</b>
<b>Commercial Installment Loans-TL</b>	<b>79,056</b>	<b>1,905,718</b>	<b>1,984,774</b>
Business Loans	4,105	424,021	428,126
Vehicle Loans	35,493	625,331	660,824
Consumer Loans	-	69,683	69,683
Other	39,458	786,683	826,141
<b>Commercial Installment Loans-FC Indexed</b>	<b>16,047</b>	<b>1,099,590</b>	<b>1,115,637</b>
Business Loans	460	270,187	270,647
Vehicle Loans	7,713	283,186	290,899
Consumer Loans	-	-	-
Other	7,874	546,217	554,091
<b>Commercial Installment Loans-FC</b>	<b>-</b>	<b>286,114</b>	<b>286,114</b>
Business Loans	-	71,951	71,951
Vehicle Loans	-	973	973
Consumer Loans	-	-	-
Other	-	213,190	213,190
<b>Corporate Credit Cards-TL</b>	<b>69,350</b>	<b>-</b>	<b>69,350</b>
With Installment	10,159	-	10,159
Without Installment	59,191	-	59,191
<b>Corporate Credit Cards-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
With Installment	-	-	-
Without Installment	-	-	-
<b>Overdraft Account-TL (Legal Entity)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Overdraft Account-FC (Legal Entity)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>164,453</b>	<b>3,291,422</b>	<b>3,455,875</b>
<b>Prior Period</b>	<b>Short term</b>	<b>Medium and long term</b>	<b>Total</b>
<b>Commercial Installment Loans-TL</b>	<b>52,860</b>	<b>1,271,436</b>	<b>1,324,296</b>
Business Loans	3,554	230,124	233,678
Vehicle Loans	23,898	596,931	620,829
Consumer Loans	-	30,260	30,260
Other	25,408	414,121	439,529
<b>Commercial Installment Loans-FC Indexed</b>	<b>8,889</b>	<b>677,124</b>	<b>686,013</b>
Business Loans	961	136,921	137,882
Vehicle Loans	3,225	222,750	225,975
Consumer Loans	-	-	-
Other	4,703	317,453	322,156
<b>Commercial Installment Loans-FC</b>	<b>74</b>	<b>142,656</b>	<b>142,730</b>
Business Loans	-	34,777	34,777
Vehicle Loans	74	1,245	1,319
Consumer Loans	-	-	-
Other	-	106,634	106,634
<b>Corporate Credit Cards-TL</b>	<b>53,697</b>	<b>-</b>	<b>53,697</b>
With Installment	5,827	-	5,827
Without Installment	47,870	-	47,870
<b>Corporate Credit Cards-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
With Installment	-	-	-
Without Installment	-	-	-
<b>Overdraft Account-TL (Legal Entity)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Overdraft Account-FC (Legal Entity)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>115,520</b>	<b>2,091,216</b>	<b>2,206,736</b>



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## 6. Allocation of loans by customers:

	Current period	Prior period
Public	16,253	64,774
Private	16,238,480	12,305,759
<b>Total</b>	<b>16,254,733</b>	<b>12,370,533</b>

## 7. Breakdown of domestic and foreign loans:

	Current period	Prior period
Domestic loans	15,738,793	12,189,630
Foreign loans	515,940	180,903
<b>Total</b>	<b>16,254,733</b>	<b>12,370,533</b>

## 8. Loans granted to subsidiaries and associates:

	Current period	Prior period
Loans granted directly to subsidiaries and associates	42,032	126,633
Loans granted indirectly to subsidiaries and associates	-	-
<b>Total</b>	<b>42,032</b>	<b>126,633</b>

## 9. Specific provisions for loans:

	Current period	Prior period
Specific provisions		
Loans and receivables with limited collectability	27,935	34,838
Loans and receivables with doubtful collectability	72,971	55,484
Uncollectible loans and receivables	235,277	161,836
<b>Total</b>	<b>336,183</b>	<b>252,158</b>

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

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

	Group III Loans and receivables with limited collectability	Group IV Loans and receivables with doubtful collectability	Group V Uncollectible loans and receivables
<b>Current period</b>			
(Gross amounts before specific provision)			
Restructured loans and other receivables	4,156	245	11,903
Rescheduled loans and other receivables	-	-	-
<b>Prior period</b>			
(Gross amounts before specific provision)			
Restructured loans and other receivables	116	-	8,569
Rescheduled loans and other receivables	-	-	-

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	Group III Loans and receivables with limited collectability	Group IV Loans and receivables with doubtful collectability	Group V Uncollectible loans and receivables
<b>Ending balance of prior period</b>	<b>53,190</b>	<b>68,127</b>	<b>164,022</b>
Additions in the current period (+)	40,707	94,369	55,692
Transfers from other categories of non-performing loans(+)	-	8,208	91,478
Transfers to other categories of non-performing loans (-)	44,261	55,425	-
Collections in the current period (-)	3,873	9,242	30,962
Disposals in the current period (-)	1,937	987	6,963
Write offs (-)	2,433	5,755	32,279
Corporate and commercial loans	1,432	1,778	22,240
Retail loans	863	3,112	7,503
Credit Cards	138	865	2,536
Other	-	-	-
<b>Ending balance of the current period</b>	<b>41,393</b>	<b>99,295</b>	<b>240,988</b>
Specific provisions (-)	27,935	72,971	235,277
<b>Net balance at the balance sheet</b>	<b>13,458</b>	<b>26,324</b>	<b>5,711</b>

	Group III Loans and receivables with limited collectability	Group IV Loans and receivables with doubtful collectability	Group V Uncollectible loans and receivables
<b>Ending balance of prior period</b>	<b>28,016</b>	<b>29,201</b>	<b>152,211</b>
Additions in the current period (+)	53,202	66,280	28,426
Transfers from other categories of non-performing loans(+)	-	1,204	35,055
Transfers to other categories of non-performing loans (-)	14,942	21,317	-
Collections in the current period (-)	2,919	3,099	20,545
Disposals in the current period (-)	10,167	4,142	2,483
Write offs (-)	-	-	28,642
Corporate and commercial loans	-	-	18,595
Retail loans	-	-	7,512
Credit Cards	-	-	2,535
Other	-	-	-
<b>Ending balance of the current period</b>	<b>53,190</b>	<b>68,127</b>	<b>164,022</b>
Specific provisions (-)	34,838	55,484	161,836
<b>Net balance at the balance sheet</b>	<b>18,352</b>	<b>12,643</b>	<b>2,186</b>

(iii). Information on non-performing loans granted as foreign currency: None (31 December 2012 – None).

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

	Group III: Loans and receivables with limited collectability	Group IV: Loans and receivables with doubtful collectability	Group V: Uncollectible loans and receivables
<b>Current period (Net)</b>	<b>13,458</b>	<b>26,324</b>	<b>5,711</b>
Loans granted to real persons and legal entities (Gross)	41,393	99,295	240,988
Specific provision (-)	27,935	72,971	235,277
<b>Loans to real persons and legal entities (Net)</b>	<b>13,458</b>	<b>26,324</b>	<b>5,711</b>
Banks (Gross)	-	-	-
Specific provision (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	-	-	-
Specific provision (-)	-	-	-
Other loans and receivables (Net)	-	-	-
<b>Prior period (Net)</b>	<b>18,352</b>	<b>12,643</b>	<b>2,186</b>
Loans to real persons and legal entities (Gross)	53,190	68,127	164,022
Specific provision (-)	34,838	55,484	161,836
<b>Loans to real persons and legal entities (Net)</b>	<b>18,352</b>	<b>12,643</b>	<b>2,186</b>
Banks (Gross)	-	-	-
Specific provision (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	-	-	-
Specific provision (-)	-	-	-
Other loans and receivables (Net)	-	-	-

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

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

Current period – 31 December 2013	Less than 30 days	31-60 days	61-90 days	More than 91 days	Total
Loans and receivables					
Corporate loans	147,027	72,062	61,805	-	280,894
Retail loans	25,224	86,798	54,233	-	166,255
Credit cards	2,376	445	205	-	3,026
<b>Total</b>	<b>174,627</b>	<b>159,305</b>	<b>116,243</b>	<b>-</b>	<b>450,175</b>
<b>Prior Period – 31 December 2012</b>	<b>Less than 30 days</b>	<b>31-60 days</b>	<b>61-90 days</b>	<b>More than 91 days</b>	<b>Total</b>
Loans and receivables					
Corporate loans	215,566	92,350	53,164	-	361,080
Retail loans	30,110	93,335	53,980	-	177,425
Credit cards	1,778	1,366	296	-	3,440
<b>Total</b>	<b>247,454</b>	<b>187,051</b>	<b>107,440</b>	<b>-</b>	<b>541,945</b>

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

Loans and other receivables, which were deemed uncollectible according to the "Principles and Procedures for the Determination of the Quality of Loans and Other Receivables and Reserves to be provided for these Loans" published in the Official Gazette No. 26333 dated 1 November 2006 and for which a full impairment provision has been made, are written-off per the decision of the Bank top management. Within 2013, non-performing loans amounting to TL 40,467 have been written-off (31 December 2012 - TL 28,642).

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#### 12. Information on the write-off policy:

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

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

None (31 December 2012 – None).

#### h. Information on investment in associates (Net):

1. The 1.75% ownership of Kredi Garanti Fonu A.Ő. of TL 4,210 (31 December 2012 – TL 4,210), 8.36% ownership of Islamic International Rating Agency of TL 714 (31 December 2012 – TL 714), and 6.99% ownership of Neova Sigorta A.Ő. of TL 3,752 (31 December 2012 – TL 3,332) and TL 181 amount of swift shares (31 December 2012 – TL 181) and 0,0035% ownership of Borsa İstanbul A.Ő. of TL 15 (31 December 2012 – None) are classified as financial assets available for sale since the Bank's ownership in these institutions is less than 10% and the Bank does not have a significant influence on these institutions.

2. Information about investments in unconsolidated assoc: None (31 December 2012 – None).

3. Information related to consolidated associates: None (31 December 2012 – None).

#### i. Information on investment in associates (Net):

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

#### 2. Information on subsidiaries:

Title	Address (City/Country)	Bank's sharepercentage, if different-voting Percentage (%)	Bank's risk group share Percentage (%)
Körfez Tatil Beldesi Turistik Tesisler ve Devremülk İşletmeciliđi San.ve Tic. A.Ő. (*)	İstanbul/Türkiye	%99.9	%99.9
Körfez Gayrimenkul Yatırım Ortaklıđı A.Ő. (*) (**)	İstanbul/Türkiye	%99.9	%99.9

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

Total assets	Equity	Total fixed assets	Profit share income	Income from marketable securities	Current period profit/loss	Prior period profit /loss	Fair value
22,764	22,707	39	702	-	555	(151)	-
78,147	29,476	11,229	-	-	(2,559)	(1,651)	-

(\*) These figures are shown per Turkish Trade Law financial statements as at 31 December 2013.

(\*\*) The previous name of the Company is Körfez Gayrimenkul İnŐaat Taahhüt Turizm Sanayi ve Anonim Őirketi. On 29 December 2011 the Company completed its conversion to real estate investment trust company and registered as ' Körfez Gayrimenkul Yatırım Ortaklıđı Anonim Őirketi.

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Movement for subsidiaries

	Current period	Prior period
<b>Balance at the beginning of the year</b>	<b>57,863</b>	<b>65,653</b>
Movements during the year	-	-
Purchases (*)	-	-
Transfers from subsidiaries	-	-
Bonus shares	-	-
Dividends from current year income	-	-
Sales	-	-
Revaluation increase	31,312	-
(Impairment)/reversal of impairment	-	(7,790)
Capital commitment payments (**)	(16,322)	-
<b>Balance at the end of the year</b>	<b>72,853</b>	<b>57,863</b>
Capital commitments	-	-
Share percentage at the end of the year (%)	-	-

(\*) The bank's subsidiary, Körfez Gayrimenkul Yatırım Ortaklığı A.Ş. performed capital decrement amounting to TL 16,322 from accumulated prior year losses by deducting from paid-in capital. Cancellation of shares method is used for the capital decrement and Kuveyt Türk Katılım Bankası A.Ş.'s nominal values of shares amounting to TL 16,322 were cancelled. Kuveyt Türk Katılım Bankası A.Ş.'s capital amount has been decreased to TL 49,498. Extraordinary General Assembly Decision and Board of Directors Report for capital decrease are registered on 01 August 2013 and published in Trade Registry Gazette No. 8380 dated 07 August 2013.

3. Information on consolidated subsidiaries:

Description	Address (City/ Country)	Bank's share percentage- If different voting percentage (%)	Bank's risk group share percentage (%)
1. Kuwait Turkish Participation Bank Dubai Ltd (*)	Dubai/BAE	100%	100%
2. KT Sukuk Varlık Kiralama A.Ş. (**)	İstanbul/Türkiye	100%	100%
3. KT Kira Sertifikaları Varlık Kiralama A.Ş. (***)	İstanbul/Türkiye	100%	100%

(\*) Financial figures as of 31 December 2013 for this entity in the table above are based on the financial information prepared in accordance with the local regulations of the country in which this entity operates.

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

(\*\*\*) With the decision of Board of Directors at 18 September 2013, KT Kira Sertifikaları Varlık Kiralama A.Ş. included in the scope of consolidation as subsidiary of the Bank's.

	Total Assets	Shareholders' Equity	Total Fixed Assets	Profit Share Income	Income from marketable securities	Current Period Profit/Loss	Prior Period Profit/Loss	Fair Value
1.	77,114	72,781	252	15,641	-	6,546	1,751	-
2.	754,410	78	-	3	-	15	13	-
3.	151,595	31	-	-	-	(19)	-	-

Sectoral information on consolidated subsidiaries and the related carrying amounts:

	Current Period	Prior Period
Banks	50,301	17,917
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	-	-
Finance Companies	-	-
Other Financial Subsidiaries	100	50

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Subsidiaries that are quoted on the stock exchange: None (31 December 2012 – None).

#### 4. Information on capital adequacies of major subsidiaries:

The Bank does not have any major subsidiary.

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

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

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

	Bank's share percentage	Total assets	Equity	Total fixed assets	Current period profit/loss	Prior period profit /loss
Katılım Emeklilik ve Hayat A.Ş. (*) (**)	50%	11,943	11,000	968	1,090	-

(\*) As of 31 December 2013, financial figures for this entity in the table above are based on the financial information prepared in accordance with the local regulations

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

#### k. Information on finance lease receivables (Net):

##### 1. Presentation of remaining maturities of net finance leases:

	Current period		Prior period	
	Gross	Net	Gross	Net
Less than 1 year	243,846	208,397	92,278	74,930
1 to 4 years	207,259	178,361	123,213	100,109
More than 4 years	23,763	21,674	10,167	8,702
<b>Total</b>	<b>474,868</b>	<b>408,432</b>	<b>225,658</b>	<b>183,741</b>

##### 2. Net investments in finance leases:

	Current period	Prior period
Gross receivable from finance leases	474,868	225,658
Unearned finance lease income (-)	(66,436)	(41,917)
Cancelled amounts (-)	-	-
<b>Net receivable from finance leases</b>	<b>408,432</b>	<b>183,741</b>

##### 3. Information on finance lease contracts:

The Group determines the settlements of the financial lease agreements in accordance with related legislations. Payment terms and amounts may be rearranged with additional agreements upon customers' requests. On the agreements, the Bank gives the customer the option to buy the related property. According to the Financial Lease Law, if a customer does not fulfill its obligations, the Bank sends a notice to the customer and the Bank takes legal action against the customer if necessary. Non performing finance lease receivables amounting to TL 3,905 are included in the non-performing loans in the balance sheet (31 December 2012– TL 2,597).

Impairment provision amounting to TL 3,043 (31 December 2012– TL 2,095) for financial lease receivables are included under the specific provision account under loans in the balance sheet.

#### l. Information on derivative financial assets for hedging purposes:

None (31 December 2012 – None).



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m. Explanations on Tangible Assets (Net):

	Real Estates	Leased Tangible Assets	Vehicles	Other Tangible Assets <sup>(*)</sup>	Total
<b>At End of Prior Period: 31 December 2012</b>					
Cost	61,216	71,640	1,061	207,847	341,764
Accumulated Depreciation (-)	1,948	10,114	775	90,197	103,034
Net Book Value	59,268	61,526	286	117,650	238,730
<b>At End of Current Period: 31 December 2013</b>					
Net book value at beginning of period	59,268	61,526	286	117,650	238,730
Additions	81,817	5,651	-	52,628	140,096
Disposals (-)	19,276	615	34	905	20,830
Transfers to assets held for sale (-)	-	-	-	323	323
Transfer from assets held for sale	-	-	-	5,036	5,036
Impairment/Reversal of Impairment Losses (**)	-	-	-	(82)	(82)
Depreciation Expense (-)	631	714	31	25,647	27,023
Currency Translation Differences on Foreign Operations (-)	-	-	-	-	-
Reversal of the provision for decrease in value	-	-	-	-	-
Cost at period end	123,758	76,676	1,027	264,364	465,825
Accumulated depreciation end of period (-)	2,580	10,828	806	115,843	130,057
<b>Closing net book value</b>	<b>121,178</b>	<b>65,848</b>	<b>221</b>	<b>148,521</b>	<b>335,768</b>
<b>At End of Prior Period: 31 December 2011</b>					
Cost	5,697	71,354	923	172,840	250,814
Accumulated Depreciation (-)	1,796	9,240	653	67,103	78,792
Net Book Value	3,901	62,114	270	105,737	172,022
<b>At End of Current Period: 31 December 2012</b>					
Net book value at beginning of period	3,901	62,114	270	105,737	172,022
Additions	55,519	295	149	50,099	106,061
Disposals (-)	-	9	11	19,769	19,789
Transfers to assets held for sale (-)	-	-	-	8,935	8,935
Transfer from assets held for sale	-	-	-	13,151	13,151
Impairment/Reversal of Impairment Losses (**)	-	-	-	(461)	(461)
Depreciation Expense (-)	152	874	122	23,094	24,242
Cost at period end	61,216	71,640	1,061	207,847	341,764
Accumulated depreciation end of period (-)	1,948	10,114	775	90,197	103,034
<b>Closing net book value</b>	<b>59,268</b>	<b>61,526</b>	<b>286</b>	<b>117,650</b>	<b>238,730</b>

(\*) TL 18,361 (31 December 2012-TL 33,228) includes the amount of real estates to be disposed off.

n. Explanations on Intangible Assets:

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

	End of Period	Beginning of Period
Cost	82,916	58,421
Accumulated Amortization	(27,218)	(14,769)
<b>Total (net)</b>	<b>55,698</b>	<b>43,652</b>

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2. Movements of intangible assets

	Current Period	Prior Period
Opening balance	43,652	26,454
Additions	29,074	24,872
Disposals (-), net	(4,579)	(12)
Depreciation amount (-)	(12,449)	(7,662)
<b>Closing net book value</b>	<b>55,698</b>	<b>43,652</b>

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

o. Investment property:

None.

p. Information on deferred tax asset:

In accordance with the related regulations deferred tax asset calculated as of 31 December 2013 is TL 47,829 (31 December 2012 - TL 35,058) and deferred tax liability is TL 16,876 (31 December 2012 - TL 14,254).

	Current Period	Prior Period
Reserve for employee benefits	21,195	18,442
Retirement pay liability	9,260	2,998
Deferred income	5,755	2,342
Impairment provision for subsidiaries, fixed assets and assets held for sale	7,621	5,797
Precious metals valuation difference	2,525	5,243
Other	1,473	236
<b>Deferred tax asset</b>	<b>47,829</b>	<b>35,058</b>
Difference between carrying value and tax base of tangible assets	(4,552)	(3,206)
Accruals of derivative financial instruments held for trading(net)	(9,620)	(6,207)
Other	(2,704)	(4,841)
<b>Deferred tax liability</b>	<b>(16,876)</b>	<b>(14,254)</b>
<b>Deferred tax asset, (net)</b>	<b>30,953</b>	<b>20,804</b>

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Table of deferred tax asset movement:

	Current period	Prior period
As of January 1	20,804	32,827
Deferred tax (expense)/income	4,285	(8,721)
Deferred tax accounted under shareholders' equity	5,864	(3,302)
<b>Deferred tax asset</b>	<b>30,953</b>	<b>20,804</b>

**r. Assets held for sale and assets of discontinued operations**

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

	Current Period	Prior Period
Opening balance	30,004	25,015
Additions	17,892	22,028
Transfer from tangible assets	322	8,935
Disposals (-), net	(13,123)	(12,855)
Transfer to tangible assets	(6,096)	(13,151)
Depreciation amount (-)	-	-
Impairment losses provision (-)	-	(32)
<b>Closing net book value</b>	<b>28,999</b>	<b>30,004</b>

**s. Information on other assets:**

As of balance sheet date, the Group's other assets amount to TL 315,123 (31 December 2012 - TL 286,128). Other assets balance does not exceed 10% of the total assets on the balance sheet excluding off balance sheet commitments.

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## SECTION FIVE

## II. Explanations and notes related to liabilities

## a. Information on funds collected:

## 1. Information on maturity structure of funds collected:

## i. Current period:

	Demand	Up to 1Month	Up to 3Months	Up to 6months	Up to 9months	Up to 1 year	1 year and over	Accumulated profit sharingaccounts	Total
<b>I. Real persons current accounts-TL</b>	<b>1,258,677</b>	-	-	-	-	-	-	-	<b>1,258,677</b>
<b>II. Real persons profit sharing accounts TL</b>	-	<b>1,787,884</b>	<b>2,767,949</b>	<b>432,619</b>	-	<b>186,385</b>	<b>333,875</b>	-	<b>5,508,712</b>
<b>III. Other current accounts-TL</b>	<b>1,381,890</b>	-	-	-	-	-	-	-	<b>1,381,890</b>
Public sector	55,130	-	-	-	-	-	-	-	55,130
Commercial sector	1,298,169	-	-	-	-	-	-	-	1,298,169
Other institutions	20,476	-	-	-	-	-	-	-	20,476
Commercial and other institutions	-	-	-	-	-	-	-	-	-
Banks and participation banks	8,115	-	-	-	-	-	-	-	8,115
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	288	-	-	-	-	-	-	-	288
Foreign banks	1,801	-	-	-	-	-	-	-	1,801
Participation banks	3,026	-	-	-	-	-	-	-	3,026
Others	3,000	-	-	-	-	-	-	-	3,000
<b>IV. Profit sharing accounts-TL</b>	-	<b>269,772</b>	<b>562,021</b>	<b>128,288</b>	-	<b>127,289</b>	<b>90,281</b>	-	<b>1,177,651</b>
Public sector	-	1,928	74	38	-	4,294	-	-	6,334
Commercial sector	-	246,838	525,063	125,066	-	109,720	89,846	-	1,096,533
Other institutions	-	21,006	36,627	3,184	-	13,275	435	-	74,527
Commercial and other institutions	-	-	238	-	-	-	-	-	238
Banks and participation banks	-	-	19	-	-	-	-	-	19
<b>V. Real persons current accounts-FC</b>	<b>730,758</b>	-	-	-	-	-	-	-	<b>730,758</b>
<b>VI. Real persons profit sharing accounts-FC</b>	-	<b>718,971</b>	<b>1,129,443</b>	<b>352,656</b>	-	<b>183,833</b>	<b>170,752</b>	-	<b>2,555,655</b>
VII. Other current accounts-FC	887,167	-	-	-	-	-	-	-	887,167
Commercial residents in Turkey	705,942	-	-	-	-	-	-	-	705,942
Commercial residents in Abroad	68,892	-	-	-	-	-	-	-	68,892
Banks and participation banks	112,333	-	-	-	-	-	-	-	112,333
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	609	-	-	-	-	-	-	-	609
Foreign banks	105,355	-	-	-	-	-	-	-	105,355
Participation banks	6,369	-	-	-	-	-	-	-	6,369
Others	-	-	-	-	-	-	-	-	-
<b>VIII. Profit sharing accounts- FC</b>	-	<b>267,138</b>	<b>856,418</b>	<b>39,595</b>	-	<b>67,423</b>	<b>125,513</b>	-	<b>1,356,087</b>
Public sector	-	-	35	-	-	-	-	-	35
Commercial sector	-	126,944	653,020	26,457	-	67,396	64,919	-	938,736
Other institutions	-	51,138	4,687	12,236	-	27	3,345	-	71,433
Commercial and other institutions	-	9,532	12,308	902	-	-	13,648	-	36,390
Banks and participation banks	-	79,524	186,368	-	-	-	43,601	-	309,493
<b>IX. Precious metal funds</b>	<b>745,899</b>	-	<b>1,306,651</b>	<b>72,840</b>	-	<b>44,582</b>	-	-	<b>2,169,972</b>
<b>X. Profit sharing accounts special funds - TL</b>	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
<b>XI. Profit sharing accounts special funds - FC</b>	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>5,004,391</b>	<b>3,043,765</b>	<b>6,622,482</b>	<b>1,025,998</b>	-	<b>609,512</b>	<b>720,421</b>	-	<b>17,026,569</b>

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

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ii. Prior period:

	Demand	Up to 1 month	Up to 3 Months	Up to 6 months	Up to 9 months	Up to 1 year	1 year and over	Accumulated profit sharing accounts	Total
<b>I. Real persons current accounts-TL</b>	<b>641,852</b>	-	-	-	-	-	-	-	<b>641,852</b>
<b>II. Real persons profit sharing accounts-TL</b>	-	<b>884,890</b>	<b>2,709,314</b>	<b>211,319</b>	-	<b>94,914</b>	<b>434,852</b>	-	<b>4,335,289</b>
<b>III. Other current accounts-TL</b>	<b>886,312</b>	-	-	-	-	-	-	-	<b>886,312</b>
Public sector	40,229	-	-	-	-	-	-	-	40,229
Commercial sector	826,724	-	-	-	-	-	-	-	826,724
Other institutions	18,733	-	-	-	-	-	-	-	18,733
Commercial and other institutions	-	-	-	-	-	-	-	-	-
Banks and participation banks	626	-	-	-	-	-	-	-	626
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	-	-	-	-	-	-	-	-	-
Foreign banks	611	-	-	-	-	-	-	-	611
Participation banks	15	-	-	-	-	-	-	-	15
Others	-	-	-	-	-	-	-	-	-
<b>IV. Profit sharing accounts-TL</b>	-	<b>93,992</b>	<b>574,975</b>	<b>23,972</b>	-	<b>137,989</b>	<b>74,085</b>	-	<b>905,013</b>
Public sector	-	66	6,012	2,740	-	2,173	250	-	11,241
Commercial sector	-	87,567	458,059	18,372	-	74,915	72,323	-	711,236
Other institutions	-	6,359	62,923	2,860	-	258	1,512	-	73,912
Commercial and other institutions	-	-	820	-	-	115	-	-	935
Banks and participation banks	-	-	47,161	-	-	60,528	-	-	107,689
<b>V. Real persons current accounts-FC</b>	<b>412,871</b>	-	-	-	-	-	-	-	<b>412,871</b>
<b>VI. Real persons profit sharing accounts-FC</b>	-	<b>403,542</b>	<b>1,082,449</b>	<b>159,296</b>	-	<b>93,875</b>	<b>158,157</b>	-	<b>1,897,319</b>
<b>VII. Other current accounts-FC</b>	<b>631,630</b>	-	-	-	-	-	-	-	<b>631,630</b>
Commercial residents in Turkey	486,891	-	-	-	-	-	-	-	486,891
Commercial residents in Abroad	21,337	-	-	-	-	-	-	-	21,337
Banks and participation banks	123,402	-	-	-	-	-	-	-	123,402
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	-	-	-	-	-	-	-	-	-
Foreign banks	90,449	-	-	-	-	-	-	-	90,449
Participation banks	32,953	-	-	-	-	-	-	-	32,953
Others	-	-	-	-	-	-	-	-	-
<b>VIII. Profit sharing accounts- FC</b>	-	<b>122,929</b>	<b>627,265</b>	<b>17,471</b>	-	<b>7,862</b>	<b>104,251</b>	-	<b>879,778</b>
Public sector	-	-	43	-	-	-	-	-	43
Commercial sector	-	66,262	520,160	12,723	-	7,810	63,922	-	670,877
Other institutions	-	27,136	95,473	916	-	52	3,012	-	126,589
Commercial and other institutions	-	1,718	6,251	2,937	-	-	6,658	-	17,564
Banks and participation banks	-	27,813	5,338	895	-	-	30,659	-	64,705
<b>IX. Precious metal funds</b>	<b>712,098</b>	-	<b>1,351,218</b>	<b>45,890</b>	-	<b>52,887</b>	-	-	<b>2,162,093</b>
<b>X. Profit sharing accounts special funds - TL</b>	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
<b>XI. Profit sharing accounts special funds - FC</b>	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>3,284,763</b>	<b>1,505,353</b>	<b>6,345,221</b>	<b>457,948</b>	-	<b>387,527</b>	<b>771,345</b>	-	<b>12,752,157</b>

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

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

	Under the guarantee of saving deposit insurance		Exceeding the limit of saving Deposit	
	Current period	Prior period	Current period	Prior period
Real persons current and profit sharing accounts that are not subject to commercial activities				
TL accounts	4,075,680	2,395,607	2,663,583	2,558,714
FC accounts	2,774,746	1,972,913	2,559,062	2,401,604
Foreign branches' deposits under foreign authorities' insurance	-	-	-	-
Off-shore banking regions' under foreign authorities' insurance	-	-	-	-

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

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

The headquarters of the Parent Bank is in Turkey.

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

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

	Current period	Prior period
Foreign branches' profit sharing accounts and other accounts	-	-
Profit sharing accounts and other accounts of controlling shareholders and profit sharing accounts of their mother, father, spouse, children in care	-	-
Profit sharing account and other accounts of President and Members of Board of Directors, CEO and Vice Presidents and profit sharing accounts of their mother, father, spouse and children in care	2,484	2,685
Profit sharing account and other accounts in scope of the property holdings derived from crime defined in article 282 of Turkish Criminal Law No:5237 dated 26 September 2004	-	-
Profit sharing accounts in participation banks which are established in Turkey in order to engage in off-shore banking activities solely	208	170



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**b. Information on derivative financial liabilities held for trading:**

Derivative financial liabilities held for trading:

	Current period		Prior period	
	TL	FC	TL	FC
Forward transactions	24,364	8,116	3,252	1,880
Swap transactions	19,300	7,168	-	2,261
Futures transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>43,664</b>	<b>15,284</b>	<b>3,252</b>	<b>4,141</b>

**c. Information on funds borrowed:**

**1. Information on banks and other financial institutions:**

	Current period		Prior period	
	TL	FC	TL	FC
Loans from The Central Bank of the Republic of Turkey	-	-	-	-
From Domestic Banks and Institutions	-	-	-	9,254
From Foreign Banks, Institutions and Funds	5,793	4,034,732	5,440	2,333,116
<b>Total</b>	<b>5,793</b>	<b>4,034,732</b>	<b>5,440</b>	<b>2,342,370</b>

**2. Information on maturity structure of borrowings:**

	Current period		Prior period	
	TL	FC	TL	FC
Short-term	5,793	3,519,813	5,440	2,157,740
Medium and Long-Term	-	514,894	-	184,630
<b>Total</b>	<b>5,793</b>	<b>4,034,707</b>	<b>5,440</b>	<b>2,342,370</b>

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

The Bank invested in domestic currency rent certificate issued by KT Kira Sertifikaları Varlık Kiralama A.Ş. with permission of Capital Markets Boards of Turkey on 7 November 2013, quarterly profit share payment schedule, maturity of 364 day and amounting to TL 150,000,000 (full amount) and classified under "Funds Borrowed" at the accompanying financial statements.

The Bank provided subordinated loans, with maturity of 1 and 2 years respectively, amounting to USD 275 million and EUR 83 million in the current period. Subordinated loans have profit share of Libor/Euribor + %0.90 for annual maturity and profit share of Libor/Euribor + %1.25 for 2 years maturity.

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

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

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

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#### d. Information on other liabilities and miscellaneous payables:

As of 31 December 2013, other liabilities amounting to TL 314,680 (31 December 2012 - TL 450,841), sundry creditors amounting to TL 122,506 (31 December 2012- TL 92,456), both of them do not exceed 10% of the balance sheet total.

#### e. Information on finance lease payables (net):

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

i. Information on the changes in agreements and new obligations originating from these changes: None (31 December 2012 – None).

ii. Information on Financial Lease Obligations

	Current period		Prior period	
	Gross	Net	Gross	Net
Less than 1 year	-	-	-	-
Between 1-4 years	1,878	1,828	-	-
More than 4 years	-	-	103	102
<b>Total</b>	<b>1,878</b>	<b>1,828</b>	<b>103</b>	<b>102</b>

iii. Information on Operational Leases:

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

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

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

f. Information on hedging derivative financial liabilities: None (31 December 2012 – None).

#### g. Information on provisions:

1. Information on general provisions:

	Current period	Prior Period
<b>General Provisions</b>	<b>174,251</b>	<b>138,118</b>
<b>I.For Loans and Receivables in Group I (Total)</b>	<b>127,687</b>	<b>109,118</b>
Profit Sharing Accounts' Share	37,629	45,477
The Bank's Share	83,227	62,109
Other	-	-
<b>I.Additional Provision for Loans and Receivables with Extended Maturities</b>	<b>6,831</b>	<b>1,532</b>
Profit Sharing Accounts' Share	1,900	1,235
The Bank's Share	4,931	297
Other	-	-
<b>II.Loans and Receivables in Group II (Total)</b>	<b>15,016</b>	<b>10,305</b>
Profit Sharing Accounts' Share	2,721	1,468
The Bank's Share	4,567	237
Other	-	-
<b>II.Additional Provision for Loans and Receivables with Extended Maturities</b>	<b>7,728</b>	<b>8,600</b>
Profit Sharing Accounts' Share	5,587	3,112
The Bank's Share	2,141	5,488
Other	-	-
<b>Provisions for Non Cash Loans</b>	<b>15,775</b>	<b>14,174</b>
<b>Other</b>	<b>15,773</b>	<b>4,521</b>

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2. Information on provisions related with foreign currency evaluation difference of foreign currency indexed loans: As of 31 December 2013, effect of decrease in exchange rates on foreign currency indexed loans amounting to TL 548 (31 December 2012 - TL 30,174) and TL 5,622 for leasing receivables (31 December 2012 - TL 5,439) is offset against loans and receivables.

3. Information on other provisions:

	Current Period	Prior Period
Provisions for non- liquidated non cash loans <sup>(*)</sup>	27,593	20,509
Provisions for cheque books <sup>(*)</sup>	9,605	6,401
Provisions from equity/profit sharing accounts	30,430	14,713
Other	1,370	334
<b>Total</b>	<b>68,998</b>	<b>41,957</b>

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

4. Information on provisions for employee benefits:

Provisions for employee benefits consist of reserve for employee termination benefits amounting to TL 28,959 (31 December 2012 - TL 11,806), vacation pay liability amounting to TL 608 (31 December 2012 - TL 435), performance premium amounting to TL 36,700 (31 December 2012 - TL 28,000), retirement bonuses on payment of TL 15 (31 December 2012 - TL 551) and overtime payment amounting to TL 783 (31 December 2012 - TL 0).

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

The amount payable consists of one month's salary limited to a maximum of TL 3,438 (31 December 2012 - TL 3,129) for each year of service. The liability is not funded, as there is no funding requirement.

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

	Current period	Prior period
Discount Rate (%)	3.29	2.38
Inflation rate (%)	6.5	5
Interest rate (%)	10.0	7.5

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

	Current period	Prior period
Balance at the beginning of the period	11,806	9,193
Provisions recognized during the period	4,179	4,061
Actuarial loss <sup>(*)</sup>	15,345	-
Paid during the period	(2,371)	(1,448)
<b>Balances at the end of the period</b>	<b>28,959</b>	<b>11,806</b>

<sup>(\*)</sup>Retirement pay liability arising from current period and amounting TL 15,345 is an actuarial loss amount and deferred tax amounting to TL 3,069 related with the retirement pay liability is accounted under Statement of other Comprehensive Income .

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**h. Explanations on tax liability:**

**1. Explanations on current tax liability:**

i. Information on tax provisions: As of 31 December 2013, the Bank has current tax liability after deducting temporary taxes paid during the period from the provision for corporate income tax amounting to TL 20,096.

	Current period	Prior period
Provision for corporate income tax	73,152	50,379
Prepaid taxes	(53,056)	(34,685)
<b>Total (*)</b>	<b>20,096</b>	<b>15,694</b>

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

ii. Information on taxes payable (\*):

	Current period	Prior period
Taxation of marketable securities	6,284	6,908
Taxation of immovable property	662	514
Banking Insurance Transaction Tax (BITT)	9,104	6,114
Foreign Exchange Transaction Tax	-	-
Value Added Tax Payable	1,820	1,469
Income tax deducted from wages	4,340	3,218
Other	1,630	733
<b>Total</b>	<b>23,840</b>	<b>18,956</b>

iii. Information on premiums (\*):

	Current period	Prior period
Social Security Premiums-Employee	2,492	1,887
Social Security Premiums-Employer	2,671	1,865
Unemployment insurance-Employee	178	135
Unemployment insurance-Employer	401	308
<b>Total</b>	<b>5,742</b>	<b>4,195</b>

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

iv. Information on deferred tax liability: None (31 December 2012 - None).

i. Information on payables related to assets held for sale: None (31 December 2012 - None).

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**j. Information on subordinated loans:**

	Current Period		Prior Period	
	TL	FC	TL	FC
From Domestic Banks	-	-	-	-
From Other Domestic Institutions	-	-	-	-
From Foreign Banks	-	433,080	-	361,661
From Other Foreign Institutions	-	-	-	-
<b>Total</b>	<b>-</b>	<b>433,080</b>	<b>-</b>	<b>361,661</b>

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

**k. Information on shareholders' equity:**

**1. Presentation of paid-in capital:**

	Current period	Prior period
Common stock	1,700,000	1,100,000
Preferred stock	-	-

2. Amount of paid-in capital, disclosure on whether the bank applies the registered share capital system, and, if so, the ceiling amount of the registered share capital: Registered capital system is not applied in the Parent Bank.

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

Date of increase	Amount of increase	Cash	Profit reserves subject to increase
24 June 2013	600,000	360,000	240,000

4 Information on share capital increases from capital reserves during the current period: None. (31 December 2012 – None)

5. Information on capital commitments, the purpose and the sources until the end of the fiscal year and the subsequent interim period: According to Ordinary General Assembly dated 28 March 2013, cash capital increase will be made in two parts. TL 360,000, the first part, was paid as at 24 June 2013. TL 360,000, the second part, will be paid to the shareholders in following 15 months (until 10 September 2014) after the registration of capital increase by 10 June 2013.

6. Possible effect of estimations made for the Group's revenues, profitability and liquidity on equity considering prior period indicators and uncertainties:

Based on the evaluation made considering the Group's prior and current period indicators related to net profit share and commission income, it is observed that the Group continues its operations profitably.

7. Summary of privileges given to shares representing the capital: None.

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8. Information on marketable securities value increase fund:

	Current period		Prior period	
	TL	FC	TL	FC
From Associates, Subsidiaries and Entities Under Common Control (Joint Vent.)	-	-	-	-
Valuation Difference (*)	6,738	(4,713)	12,137	1,071
Foreign Exchange Difference	-	-	-	-
<b>Total</b>	<b>6,738</b>	<b>(4,713)</b>	<b>12,137</b>	<b>1,071</b>

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

I. Information on minority shares: None (31 December 2012 - None).

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

a. Explanations on off-balance sheet accounts:

1. Type and amount of irrevocable commitments: Commitment for credit card limits, as of 31 December 2013 is TL 449,872 (31 December 2012 - TL 269,062); payment commitments for cheque books are TL 824,093 (31 December 2012 - TL 937,408)

2. Type and amount of probable losses and obligations arising from off-balance sheet items:

i. Non-cash loans including guarantees, bank acceptances, collaterals and others that are accepted as financial commitments and other letter of credits:

As of 31 December 2013, the Bank has guarantees and surety ships constituting of TL 7,127,080 (31 December 2012 - TL 5,208,668) letters of guarantee; TL 57,587 (31 December 2012 - TL 65,386) acceptances and TL 1,217,277 (31 December 2012 - TL 991,612) letters of credit. In addition, the Bank has also Other Guarantees and Securities amounting to TL 253,082 (31 December 2012: 25,580).

ii. Revocable, irrevocable guarantees and other similar commitments and contingencies: There are no other than those explained in 2.i).

3. (i). Total amount of non-cash loans:

	Current period	Prior period
Non-cash loans given against cash loans	-	-
With original maturity of 1 year or less	-	-
With original maturity of more than 1 year	-	-
Other non-cash loans	8,672,347	6,300,452
<b>Total</b>	<b>8,672,347</b>	<b>6,300,452</b>

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

	Current period				Prior period			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
<b>Agriculture</b>	<b>49,384</b>	<b>1.21</b>	<b>8,857</b>	<b>0.19</b>	<b>32,306</b>	<b>0.94</b>	<b>17,783</b>	<b>0.62</b>
Farming and Stockbreeding	29,277	0.72	6,512	0.14	19,048	0.55	13,419	0.47
Forestry	19,999	0.49	2,051	0.04	12,236	0.36	3,964	0.14
Fishery	108	0.00	294	0.01	1,022	0.03	400	0.01
<b>Manufacturing</b>	<b>675,374</b>	<b>16.50</b>	<b>1,020,681</b>	<b>22.29</b>	<b>467,200</b>	<b>13.59</b>	<b>594,213</b>	<b>20.76</b>
Mining and quarrying	181,676	4.44	258,192	5.64	147,462	4.29	201,999	7.06
Production	332,373	8.12	412,445	9.01	251,979	7.33	350,607	12.25
Electricity, Gas, Water	161,325	3.94	350,044	7.65	67,759	1.97	41,607	1.45
<b>Construction</b>	<b>1,805,231</b>	<b>44.10</b>	<b>1,664,001</b>	<b>36.34</b>	<b>1,483,639</b>	<b>43.15</b>	<b>990,309</b>	<b>34.60</b>
<b>Services</b>	<b>1,081,576</b>	<b>26.42</b>	<b>1,494,332</b>	<b>32.64</b>	<b>747,554</b>	<b>21.74</b>	<b>734,311</b>	<b>25.66</b>
Wholesale and Retail Trade	515,266	12.59	432,119	9.44	369,609	10.75	298,015	10.41
Hotel, Food and Beverage Services	53,700	1.31	30,804	0.67	39,926	1.16	18,094	0.63
Transportation and Telecom.	255,737	6.25	445,850	9.74	124,730	3.63	134,892	4.71
Financial Institutions	30,279	0.74	536,107	11.71	12,858	0.37	259,529	9.07
Real Estate and Renting Services	7,804	0.19	816	0.02	6,375	0.19	1,641	0.06
"Self-Employment" Type Services	195	0.00	-	-	344	0.01	-	-
Educational Services	16,020	0.39	9,675	0.21	8,356	0.24	2,031	0.07
Health and Social Services	202,575	4.95	38,961	0.85	185,356	5.39	20,109	0.70
<b>Other</b>	<b>482,235</b>	<b>11.77</b>	<b>390,676</b>	<b>8.54</b>	<b>707,574</b>	<b>20.58</b>	<b>525,563</b>	<b>18.36</b>
<b>Total</b>	<b>4,093,800</b>	<b>100.00</b>	<b>4,578,547</b>	<b>100.00</b>	<b>3,438,273</b>	<b>100.00</b>	<b>2,862,179</b>	<b>100.00</b>

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

Current Period	Group I		Group II	
	TL	FC	TL	FC
<b>Non-Cash Loans</b>	<b>4,035,160</b>	<b>4,568,049</b>	<b>58,640</b>	<b>10,498</b>
Letters of Guarantee	4,016,918	3,043,277	58,640	8,247
Bills of Exchange and Bank Acceptances	1,096	54,818	-	1,673
Letters of Credit	627	1,216,072	-	578
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Related Guarantees	-	-	-	-
Other Guarantees and Sureties	16,519	253,882	-	-
Prior Period	Group I		Group II	
	TL	FC	TL	FC
<b>Non-Cash Loans</b>	<b>3,386,069</b>	<b>2,849,255</b>	<b>52,204</b>	<b>12,924</b>
Letters of Guarantee	3,385,269	1,758,294	52,204	12,901
Bills of Exchange and Bank Acceptances	-	65,386	-	-
Letters of Credit	800	990,789	-	23
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Related Guarantees	-	-	-	-
Other Guarantees and Sureties	-	34,786	-	-



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b. Financial derivative instruments

	Derivative transactions according to aims	
	Current Period	Current Period
<b>Trading derivatives</b>		
<b>Foreign Currency Related Derivative</b>		
Transactions (I):	9,348,138	4,803,738
Currency Forwards-Purchases, sales	4,826,767	2,189,777
Currency Swaps-Purchases, sales	4,521,371	2,613,961
Currency Futures	-	-
Currency Options-Purchases, sales	-	-
<b>Interest Rate Related Derivative</b>		
<b>Transactions (II):</b>	-	-
Interest rates forwards-Purchase, sales	-	-
Interest rates swaps-Purchases, sales	-	-
Interest rates options-Purchases, sales	-	-
Interest rates futures-Purchases, sales	-	-
<b>Other Trading Derivatives (III)</b>	<b>173,419</b>	<b>638,490</b>
<b>A.Total Trading Derivatives (I+II+III)</b>	<b>9,521,557</b>	<b>5,442,228</b>
<b>Hedging Derivatives</b>		
Fair value hedges	-	-
Cash flow hedges	-	-
Foreign currency investment hedges	-	-
<b>B. Total Hedging Derivatives</b>	<b>-</b>	<b>-</b>
<b>Total Derivatives Transactions (A+B)</b>	<b>9,521,557</b>	<b>5,442,228</b>

The Parent Bank enters short term swap transactions based on its market expectations and cash flow. These transactions are generally short term and consist of foreign currency to foreign currency and foreign currency to Turkish Lira agreements. As of 31 December 2013, the Bank has commitments to buy TL 802,691, USD 527,197,000, EUR 171,524,000 and GBP 1,792,000 in return of selling commitments of TL 1,332,609, USD 299,591,000, EUR 120,782,000 and GBP 1,494,000 (As of 31 December 2012, the Parent Bank has commitments to buy TL 309,852, USD 279,712,000 EUR 120,804,000 and GBP 2,057,000 in return of selling commitments of TL 552,182, USD 168,975,000, EUR 93,244,000 and GBP 2,164,000).

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

d. Contingent liabilities and assets:

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

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e. Explanations on custodian and intermediary services

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

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

Fitch Rating's December 2013	Notes
Long Term Issuer Default Rating	BBB
Short Term Issuer Default Rating	F3
Local Currency Long Term Issuer Default Rating	BBB+
Local Currency Short Term Issuer Default Rating	F2
Support Rating	2

IV. Explanations and disclosures related to the income statement

a. Information on profit share income:

1. Information on profit share received from loans:

	Current period		Prior period	
	TL	FC	TL	FC
<b>Profit share on loans</b>	<b>1,260,333</b>	<b>73,190</b>	<b>1,191,252</b>	<b>58,443</b>
Short term loans	382,334	12,829	413,180	10,670
Medium and long term loans	872,772	60,361	774,725	47,773
Profit share on non-performing loans	5,227	-	3,347	-
Premiums received from resource utilization support fund	-	-	-	-

2. Information on profit share received from banks:

	Current period		Prior period	
	TL	FC	TL	FC
The Central Bank of the Republic of Turkey	-	-	-	-
Domestic Banks	-	-	-	-
Foreign Banks	2,047	8,069	7,879	4,853
Branches and head office abroad	-	-	-	-
<b>Total</b>	<b>2,047</b>	<b>8,069</b>	<b>7,879</b>	<b>4,853</b>

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3. Information on profit share income from securities portfolio:

The Parent Bank has received TL 60,880 profit share income from rent certificates (sukuk) which is given the details in available for sale financial assets information. (1 January-31 December 2012: 8.037 TL).

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

	Current period	Prior period
Profit share income received from associates and subsidiaries	31	237

b. Information on profit share expenses:

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

	Current period		Prior period	
	TL	FC	TL	FC
<b>Banks</b>	<b>1,929</b>	<b>108,444</b>	<b>40</b>	<b>65,035</b>
The Central Bank of the Republic of Turkey	-	-	-	-
Domestic banks	367	71,665	-	-
Foreign banks	-	-	40	65,035
Branches and head office abroad	1,562	37,741	-	-
<b>Other Institutions</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>28,482</b>
<b>Total</b>	<b>1,929</b>	<b>109,406</b>	<b>40</b>	<b>93,517</b>

ii. Profit share expense given to associates and subsidiaries:

	Current Period	Prior Period
Profit share expenses given to associates and subsidiaries	1,829	1,937

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iii. Profit share expense paid to securities issued: The Group has paid TL 41,739 for securities issued (1 January-31 December 2012: 39,364).

c. Information on dividend income: None (1 January-31 December 2012: None).

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

Current period	Profit Sharing Accounts						Accumulated profit sharing accounts	Total
	Up to 1 month	Up to 3 month	Up to 6 month	Up to 9 month	Up to 1 year	Above 1 year		
<b>TL</b>								
Collected funds from banks through current and profit share accounts	-	585	1,692	-	2,929	-	-	5,206
Real person's non-trading profit sharing account	79,691	153,569	22,361	-	9,832	24,381	-	289,834
Public sector profit sharing account	76	112	40	-	794	7	-	1,029
Commercial sector profit sharing account	9,832	29,869	7,140	-	2,963	2,056	-	51,860
Other institutions profit sharing account	1,039	4,398	904	-	17	49	-	6,407
<b>Total</b>	<b>90,638</b>	<b>188,533</b>	<b>32,137</b>	<b>-</b>	<b>16,535</b>	<b>26,493</b>	<b>-</b>	<b>354,336</b>
<b>FC</b>								
Banks	-	382	4	-	-	-	-	386
Real person's non-trading profit sharing account	13,912	24,971	6,329	-	3,811	4,948	-	53,971
Public sector profit sharing account	-	1	-	-	-	-	-	1
Commercial sector profit sharing account	3,042	13,579	755	-	2,712	751	-	20,839
Other institutions profit sharing account	1,143	3,267	409	-	1	98	-	4,819
Precious metal accounts	-	11,978	498	-	379	-	-	12,855
<b>Total</b>	<b>18,097</b>	<b>54,178</b>	<b>7,995</b>	<b>-</b>	<b>6,903</b>	<b>5,797</b>	<b>-</b>	<b>92,970</b>
<b>Total</b>	<b>108,735</b>	<b>242,711</b>	<b>40,132</b>	<b>-</b>	<b>23,438</b>	<b>32,290</b>	<b>-</b>	<b>447,306</b>

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Prior Period	Profit Sharing Accounts							Accumulated profit sharing accounts	Total
	Up to 1 month	Up to 3 month	Up to 6 month	Up to 9 month	Up to 1 year	Above 1 year			
<b>TL</b>	<b>31</b>	<b>960</b>	<b>-</b>	<b>-</b>	<b>528</b>	<b>-</b>	<b>-</b>	<b>1,519</b>	
Collected funds from banks through current and profit share accounts	67,941	176,957	12,586	-	7,630	53,595	-	318,709	
Real person's non-trading profit sharing account	3	54	178	-	654	24	-	913	
Public sector profit sharing account	5,483	30,664	2,663	-	1,836	5,769	-	46,415	
Commercial sector profit sharing account	532	3,093	73	-	22	178	-	3,898	
Other institutions profit sharing account	73,990	211,728	15,500	-	10,670	59,566	-	371,454	
<b>Total</b>	<b>60</b>	<b>119</b>	<b>4</b>	<b>-</b>	<b>-</b>	<b>355</b>	<b>-</b>	<b>538</b>	
<b>FC</b>	<b>60</b>	<b>119</b>	<b>4</b>	<b>-</b>	<b>-</b>	<b>355</b>	<b>-</b>	<b>538</b>	
Banks	12,870	28,737	3,325	-	3,059	6,728	-	54,719	
Real person's non-trading profit sharing account	-	-	-	-	-	-	-	-	
Public sector profit sharing account	1,245	17,354	3,557	-	151	1,581	-	23,888	
Commercial sector profit sharing account	919	1,276	407	-	2	361	-	2,965	
Other institutions profit sharing account	-	11,805	346	-	559	-	-	12,710	
Precious metal accounts	15,094	59,291	7,639	-	3,771	9,025	-	94,820	
<b>Total</b>	<b>89,084</b>	<b>271,019</b>	<b>23,139</b>	<b>-</b>	<b>14,441</b>	<b>68,591</b>	<b>-</b>	<b>466,274</b>	

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

	Current period	Prior period
	172,251	103,645
<b>Trading income/loss (net)</b>	<b>16,223,297</b>	<b>5,912,277</b>
<b>Income</b>	<b>848</b>	<b>1,652</b>
Gain on capital market transactions	274,427	84,478
Gain on derivative financial instruments	15,948,022	5,826,147
<b>Foreign exchange gains</b>	<b>16,051,046</b>	<b>5,808,632</b>
<b>Losses (-)</b>	<b>2,495</b>	<b>1,936</b>
Losses on capital market transactions	233,580	63,075
Losses on derivative financial instruments	15,814,971	5,743,621

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**f. Information on other operating income:**

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

	Current period	Prior period
Reversal of prior period provisions	79,778	57,563
Income from sale of assets	17,333	20,926
Expertise fees	12,433	8,271
Income from EFT and money transfers	9,385	7,436
Income from checkbooks	3,297	3,873
Income from bounced check provisions	2,333	2,538
Income from check provisions	2,157	2,041
Lease income	1,686	1,494
Other Income	12,066	8,443
<b>Total</b>	<b>140,468</b>	<b>112,585</b>

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

	Current period	Prior period
<b>Specific provisions for loans and other receivables</b>	<b>197,727</b>	<b>159,532</b>
III. group loans and receivables	35,547	37,118
IV. group loans and receivables	71,015	51,626
V. group loans and receivables	91,165	70,788
<b>Doubtful commissions, fees and other receivables</b>	<b>1</b>	<b>57</b>
<b>General provision expenses</b>	<b>36,133</b>	<b>27,730</b>
<b>Provision expenses for possible losses</b>	<b>-</b>	<b>-</b>
<b>Impairment provision of marketable securities</b>	<b>355</b>	<b>28</b>
Financial Assets at fair value through profit and loss	355	28
Investment securities available for sale	-	-
<b>Impairment provision of associates, subsidiaries, joint ventures and held to maturity investments</b>	<b>-</b>	<b>7,790</b>
Associates	-	-
Subsidiaries	-	7,790
Joint ventures	-	-
Held to maturity investments	-	-
<b>Other</b>	<b>10,637</b>	<b>2,941</b>
<b>Total</b>	<b>244,853</b>	<b>198,078</b>

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**h. Information on other operating expenses:**

	Current period	Prior period
Personnel expenses	338,496	261,541
Provision for retirement pay liability	1,808	2,613
Depreciation expenses of fixed assets	26,493	24,242
Depreciation expenses of intangible assets	12,449	7,662
Depreciation expenses of assets held for sale	530	727
Other operating expenses	149,082	123,124
Rent expenses	59,991	42,610
Maintenance expenses	10,482	13,778
Advertisement expenses	14,099	13,756
Communication expenses	13,928	11,304
Heating, electricity and water expenses	7,011	6,282
Cleaning expenses	2,019	1,918
Vehicle expenses	4,001	3,168
Stationery expenses	3,050	2,753
Other expenses	34,501	27,555
Losses on sales of assets	241	279
Deposit insurance fund expenses	32,673	20,859
Other	54,058	43,011
<b>Total</b>	<b>615,830</b>	<b>484,058</b>

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

Income before tax amounts to TL 376,790 increased by 21.14% as compared to the prior period (2012 – TL 311,033). Income before tax includes TL 839,482 (2012 – TL 701,705) net profit share income and TL 85,708 (2012 – TL 75,234) net fees and commission income. Other operating expense amount is TL 615,830 (2012 – TL 484,058).

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

At current period, deferred tax income of the Group is TL 4,285 (31 December 2012 – TL 8,721 deferred tax expense) and current tax provision expense is TL 73,152 (2012 – TL 50,379).

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

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

**l. Information on net income/loss:**

i. The nature and amount of certain income and expense items from ordinary operations is disclosed if the disclosure for nature, amount and repetition rate of such items is required for a complete understanding of the Group's performance for the period: As of 31 December 2013, net profit share income is TL 839,482 (1 January-31 December 2012 – TL 701,705), net fees and commission income is TL 85,708 (1 January-31 December 2012 – TL 75,234).

ii. Effect of changes in accounting estimates on income statement for the current and, if any for subsequent periods: None (1 January-31 December 2012 – None).

iii. Profit/Loss attributable to minority interest: None (1 January-31 December 2012 – None).



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

As of 31 December 2013, other fees and commissions received is TL 91,918 (1 January-31 December 2012 – TL 70,814), TL 12,763 of this amount is related with credit card fees and commissions (1 January-31 December 2012 – TL 12,251) and TL 23,098 of this amount is related with POS machine commissions (1 January-31 December 2012 – TL 22,078).

As of 31 December 2013, other fees and commissions given is TL 76,990 (1 January-31 December 2012 – TL 55,989), TL 27,582 (1 January-31 December 2012 – TL 25,734) of this amount is related with POS clearing commissions and installation expenses, TL 5,476 (1 January-31 December 2012 – TL 5,356) of this amount is related with fees and commissions paid for credit cards.

**V. Statement of Changes in Shareholders' Equity**

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

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

b) In current year, the Bank has realized dividend payments amounting to TL 17,000 to its shareholders and TL 1,872 TL to members of Board of Directors. In the General Assembly meeting has decided amounting to TL 14,395 transferred to legal reserves, amounting to TL 145,608 transferred to extraordinary reserve and amounting to TL 50,000 transferred to paid up capital.

**VI. Explanations and notes related to cash flow statement**

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

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

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

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

	Current period	Prior period
<b>Cash</b>	<b>1,831,072</b>	<b>1,355,187</b>
Cash in TL/foreign currency, others	304,085	170,832
Demand deposits at banks	1,526,987	1,184,355
<b>Cash equivalents</b>	<b>-</b>	<b>-</b>
Interbank money markets	-	-
Time deposits at banks	-	-
Marketable securities	-	-
<b>Total cash and cash equivalents</b>	<b>1,831,072</b>	<b>1,355,187</b>

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

	Current period	Prior period
<b>Cash</b>	<b>2,987,060</b>	<b>1,831,478</b>
Cash in TL/foreign currency, others	703,661	304,085
Demand deposits at banks (up to 3 months)	2,283,399	1,527,393
<b>Cash equivalents</b>	<b>-</b>	<b>-</b>
Interbank money markets	-	-
Time deposits at banks	-	-
Marketable securities	-	-
<b>Total cash and cash equivalents</b>	<b>2,987,060</b>	<b>1,831,478</b>

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

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

“Other items” amounting to TL 60,920 (2012: TL 11,484) in “Operating profit before changes in operating assets and liabilities” consists of fees and commissions paid and other operating expenses except for collection from non-performing loans and personnel expenses.

“Net increase/decrease in other liabilities” amounting to TL 145,172 (2012: TL 6,054) in “Changes in operating assets and liabilities” consists of changes in sundry creditors, other liabilities and taxes and other duties payables.

“Net increase/decrease in other assets” amounting to TL 478 (2012: TL 53,443) in “Changes in operating assets and liabilities” consist of changes in prepaid rent expense and other asset.

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

Effect of the changes in foreign currency rates on cash and cash equivalents has been calculated approximately TL 69,005 as of 2013 (2012 – TL 10,314).

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

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

1. Current period:

Risk group of the Bank <sup>(*)</sup>	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the Bank		Other real or legal persons included in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Balance at beginning of period	126,633	30	1,146	544	84,273	13,157
Balance at end of period	42,032	78	621	676	96,077	55
Profit share and commission income	31	-	48	-	6,736	-

<sup>(\*)</sup> Defined in the Subsection 2, Article 49 of the Banking Law No. 5411.

2. Prior period:

Risk group of the Bank <sup>(*)</sup>	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the Bank		Other real or legal persons included in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Balance at beginning of period	-	30	147	298	87,387	2,919
Balance at end of period	126,633	30	1,146	544	84,273	13,157
Profit share and commission income	237	-	88	-	4,154	-

<sup>(\*)</sup> Defined in the Subsection 2, Article 49 of the Banking Law No. 5411.

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

Risk group of the Bank <sup>(*)</sup>	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the bank		Other real or legal persons included in the risk group	
	Current period	Prior period	Current period	Prior period	Current period	Prior period
Current and profit sharing accounts						
Balance at the beginning of period	75,445	28,441	21,047	22,759	107,600	95,340
Balance at the end of period	171,298	75,445	28,882	21,047	171,137	107,600
Profit share expense	1,829	1,937	1,298	1,358	3,210	612

<sup>(\*)</sup> Defined in the Subsection 2, Article 49 of the Banking Law No. 5411.

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

**KUYEY TÜR KATILIM BANKASI ANONİM ŐRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31 DECEMBER 2013**  
**(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LİRA (TL) UNLESS OTHERWISE STATED.)**

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

Risk group of the Bank	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the bank		Other real or legal persons included in the risk group	
	Current period	Prior period	Current period	Prior period	Current period	Prior period
Loans Received						
Balance at beginning of period	-	-	1,919,506	953,854	89,620	242,455
Balance at end of period	-	-	2,300,361	1,919,506	70,022	89,620
Profit share expense	-	-	74,197	60,712	2,080	3,046

b. Information on remunerations provided to top management:

As of 31 December 2013, the Bank has paid TL 11,288 to top management (31 December 2012 - TL 10,510).

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

1. Domestic and foreign branches and representative offices:

	Number of Branches	Number of Employees			
Domestic branches (*)	266	3,330			
			Country		
Foreign representative offices	1	1	Germany	Total Assets (TL)	Legal Capital (USD)
Foreign banks	1	3		2,762,893	
Off-shore branches	1	6	Bahrain	1,729	

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

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

In 2013, 47 new domestic branches (2012-41 branches) were opened.

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

On January 29, 2014, the Bank's Board of Directors' decided to increase Kuwait Turkish Participation Bank Dubai Ltd.'s, one of the Bank's Subsidiaries, capital by USD 10,000,000, from USD 30,000,000 (total amount) to USD 40,000,000 (total amount).

The Parent Bank will be plan to finalize second part of unpaid capital which was increased in 2013 as amount TL 360,000,000 (full amount) based on the decision of the Board of Directors numbered 1446 and dated 29 January 2014.

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31 DECEMBER 2013**  
**(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LİRA (TL) UNLESS OTHERWISE STATED.)**

**SECTION SIX**

**OTHER EXPLANATIONS AND DISCLOSURES**

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

**SECTION SEVEN**  
**INDEPENDENT AUDITORS' REPORT**

**I- Explanations on the independent auditors' report**

The consolidated financial statements of the Bank have been audited by DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member of Deloitte Touche Tohmatsu Limited) and the independent auditors' report dated 3 March 2014 is presented before the accompanying consolidated financial statements.

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

## CONTACT INFORMATION AND BRANCH DIRECTORY

### Headquarters

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Esentepe-Şişli/İSTANBUL  
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**Fax:** +90 (212) 354 10 75  
Credit Allocation Dep.  
**Fax:** +90 (212) 354 11 04-  
+90 (212) 354 13 86  
Credit Monitoring Dep.  
**Fax:** +90 (212) 354 10 94  
Security Office  
**Fax:** +90 (212) 354 11 22

### Human Resources & Quality

Dep.  
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Intelligence Dep.  
**Fax:** +90 (212) 354 13 21  
Marketing Dep.  
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Board of Inspectors  
**Fax:** +90 (212) 354 13 42  
International Banking Dep.  
**Fax:** +90 (212) 354 12 26  
Investor Relations Dep.  
**Fax:** +90 (212) 354 75 84  
Investment Banking Dep.  
**Fax:** +90 (212) 354 75 23

### Subsidies

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The Gate Village Building 4, Level 3 Office 3  
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Dubai United Arab Emirates  
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### Branches

#### Adana Branch:

Ali Münif Cad. No:5 Seyhan/ADANA  
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#### Adapazarı Branch:

Atatürk Bulvarı No:35 ADAPAZARI  
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#### Adıyaman Branch:

Sümer Meydanı, Gölbaşı Cad. No:13/B  
ADİYAMAN  
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**Fax:** +90 213 09 09

#### Afyonkarahisar Branch:

Millet Cad. No: 70 AFYONKARAHİSAR  
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#### Ağrı Branch:

Erzurum Cd. Gazi Bulv. Adliye  
Sarayı Karşısı 11 AĞRI  
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#### Akhisar Branch:

Paşa Mah. Mustafa Abut Cad. 19.Sk.  
No:66 Akhisar/MANİSA  
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#### Aksaray Branch:

Bankalar Cad.No:25/A AKSARAY  
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**Fax:** +90 212 64 35

#### Alaaddin (Konya) Branch:

Mevlana Cad. No:3 Karatay/KONYA  
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**Fax:** +90 350 74 38

#### Alanya (Antalya) Branch:

Saray Mah. Atatürk Cad. No:88  
Alanya/ANTALYA  
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**Fax:** +90 512 09 66

#### Altın Borsası Branch

Rıhtım Caddesi No: 81 Karaköy/İSTANBUL  
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#### Altunizade Branch:

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Altunizade/İSTANBUL  
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#### Ambaryolu Branch:

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AFYONKARAHİSAR  
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**Fax:** +90 214 34 17

#### Ankara Branch:

Şehit Teğmen Kalmaz Cd. 17/A  
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#### Antakya (Hatay) Branch:

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#### Antalya Branch:

Adnan Menderes Bulvarı No:25/1 ANTALYA  
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#### Aspendos Bulvarı Branch:

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Bulv. No:69/E ANTALYA  
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#### Atakum Branch:

Mimar Sinan Mah. Atatürk Bulvarı No: 299  
Atakum/SAMSUN  
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Avcılar/ İSTANBUL  
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#### Aydın Branch:

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Bulvarı No: 1 AYDIN  
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Mevlana Cad. No:44/B KONYA  
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Istanbul Cad. Çınar Mah. No: 31  
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**Bahçelievler Branch:**

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**Bahçeşehir Branch:**

Kemal Sunal Cad. Galeria Alışveriş Merkezi  
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Ziyabey Cad. No: 53

Balgat-Çankaya/ANKARA

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No: 18 BALIKESİR

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**Barajyolu Branch:**

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**Beşiktaş Branch:**

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Pınarteppe Mahallesi Yavuz Sultan Selim  
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**Bodrum Branch:**

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**BT Konya Arge Merkezi**

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Plaza İş Merkezi

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**Buca Branch:**

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**Cennet Mahallesi Branch:**

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**Cevizli Branch:**

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**Darıca Branch:**

Kazım Karabekir Mah. İstasyon Cad.  
No:46/1 Darıca/KOCAELİ  
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Demetevler 4. Cadde 4/A  
Yenimahalle/ANKARA  
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**Demirtaş-Bursa Branch:**

Panayır Mah. Yeni Yalova Yolu No:455/G  
Osmangazi/BURSA  
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**Demirtepe-Ankara Branch:**

Kızılay Mh. Fevzi Çakmak Sk. No: 24/33-34  
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İkinci Ticariyol Cd. No:10  
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**Denizli Sanayi Branch:**

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**Derince Branch:**

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**Dikkaldırım Branch:**

Hüdavendigar Mh. Dikkaldırım Cd. No: 91  
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**Dişarbakır Ofis Branch:**

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Çınardere Mah. E-5 Yanyolu No: 71/A  
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İstanbul Cad. No:9 Merkez/Düzce

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**Fax:** +90 514 99 26

**Düzce Meydan Branch:**

Camikebir Mah. Şen Sk. No:1B-1C DÜZCE

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**Edremit Branch:**

Yılmaz Akpınar Bulvarı No:6 Edremit/  
BALIKESİR

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**Elazığ Branch:**

Hürriyet Cad. No:14 ELAZIĞ

**Tel:** +90 (0424) 238 80 81 (PBX)

**Fax:** +90 238 80 88

**Eminönü Branch:**

Ankara Cad. No: 51 Sirkeci/İSTANBUL

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**Fax:** +90 514 87 34

**Erenköy Branch:**

Şemsettin Günaltay C. No:244/A  
Kadıköy/İSTANBUL

**Tel:** +90 (0216) 359 41 09 (PBX)

**Fax:** +90 359 41 08

**Erenler Branch:**

Erenler Mah. Sakarya Cad. No:316/2  
Erenler/SAKARYA

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**Fax:** +90 241 29 11

**Erzincan Branch:**

Fevziapaşa Cad. No:40 ERZİNCAN

**Tel:** +90 (0446) 212 09 09 (PBX)

**Fax:** +90 212 33 66

**Erzurum Branch:**

İstasyon Cad. Merkez Bankası Karşısı No:  
24 ERZURUM

**Tel:** +90 (0442) 235 76 26 (PBX)

**Fax:** +90 235 76 32

**Esenler Branch:**

Atışalanı Cad. No:44/B Esenler/İSTANBUL

**Tel:** +90 (0212) 508 17 87 (PBX)

**Fax:** +90 508 77 34

**Esenyurt Branch:**

Doğan Araslı Bulvarı Tabela Durağı No: 85/2  
Esenyurt/İSTANBUL

**Tel:** +90 (0212) 699 33 55 (PBX)

**Fax:** +90 699 33 50

**Eskişehir Branch:**

İsmet İnönü Cad. No:2 ESKİŞEHİR

**Tel:** +90 (0222) 220 23 50 (PBX)

**Fax:** +90 220 20 33

**Eskişehir Sanayi Branch:**

S.S. Eskişehir Mobilya ve Ağaç İşleri (EMKO)  
Küçük Sanayi Sitesi Yapı Koop. A1 Blok

No:2/B ESKİŞEHİR

**Tel:** +90 (0222) 228 02 44 (PBX)

**Fax:** +90 228 02 40

**Etimesgut Branch:**

Kazım Karabekir Mah. 2052. Sk. No: 8

Etimesgut/ANKARA

**Tel:** +90 (0312) 243 35 25 (PBX)

**Fax:** +90 243 35 31

**Etlik Branch:**

Emrah Mah. Yunus Emre Cad. 8/A Etlik-  
Keçiören/ANKARA

**Tel:** +90 (0312) 326 77 88 (PBX)

**Fax:** +90 326 77 64

**Eyüp Sultan Branch:**

Fahri Korutürk Cad. No:48 Eyüp/İSTANBUL

**Tel:** +90 (0212) 616 15 67 (PBX)

**Fax:** +90 418 82 65

**Fatih Branch:**

Fevziapaşa Cad. No:42 34240 Fatih/  
İSTANBUL

**Tel:** +90 (0212) 631 32 50 (PBX)

**Fax:** +90 631 32 54

**Fatih Sultan Mehmet Bulvarı Branch:**

Fethiye Mah. Fatih Sultan Mehmet Bulvarı  
Bulvar İş Merkezi No:199/23

Nilüfer/BURSA

**Tel:** +90 (0224) 242 02 60 (PBX)

**Fax:** +90 243 02 09

**Fethiye Branch:**

Cumhuriyet Mah. Belediye Cad.  
Özyer İşhanı No:8/B Fethiye/MUĞLA

**Tel:** +90 (0252) 612 53 02 (PBX)

**Fax:** +90 612 53 27

**Fındıkzade Branch:**

Millet Cad. No: 86/2-3-4

Fındıkzade/İSTANBUL

**Tel:** +90 (0212) 523 88 73 (PBX)

**Fax:** +90 523 83 98

**Fikirtepe Branch:**

Dumlupınar Mh. Mandıra Cd. No: 184

Fikirtepe-Kadıköy/İSTANBUL

**Tel:** +90 (0216) 551 07 00 (PBX)

**Fax:** +90 551 07 05

**Firüzköy Branch:**

Firüzköy Bulvarı No: 131/A Avcılar/  
İSTANBUL

**Tel:** +90 ( 0212) 428 28 63 (PBX)

**Fax:** +90 428 20 08

**Florya Branch:**

Şenlikköy Cad. No: 70/2 A Blok Florya-  
Bakırköy/İSTANBUL

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**Fax:** +90 573 53 99

## → CONTACT INFORMATION AND BRANCH DIRECTORY

**Gatem-Gaziantep Branch:**

Gatem Topt. Sit. Mavi Ada 3. Blok No: 2  
Şehitkamil/GAZİANTEP

**Tel:** +90 (0342) 238 01 35 (PBX)

**Fax:** +90 238 04 70

**Gaziantep Branch:**

Prof. M. Aksoy Bulvarı Osmanlı İşmerkezi/  
GAZİANTEP

**Tel:** +90 (0342) 215 32 72 (PBX)

**Fax:** +90 215 29 66

**Gaziemir (İzmir) Branch:**

Dokuz Eylül Mh. Akçay Cd. No: 167  
Gaziemir/İZMİR

**Tel:** +90 (0232) 252 24 62 (PBX)

**Fax:** +90 252 14 59

**Gaziosmanpaşa Branch:**

Merkez Mh. Salihpaşa Cd. No: 54  
Gaziosmanpaşa/İSTANBUL

**Tel:** +90 (0212) 615 51 35 (PBX)

**Fax:** +90 615 52 02

**Gebze Branch:**

Atatürk Cad. No:15 Gebze/KOCAELİ

**Tel:** +90 (0262) 643 29 70 (PBX)

**Fax:** +90 643 29 69

**Gebze Çarşısı Branch:**

Hacı Halil Mh. Zübeyde Hanım Cd. İkizhan 1  
No: 1 KOCAELİ

**Tel:** +90 (0262) 644 40 44 (PBX)

**Fax:** +90 644 31 32

**Gemlik Branch:**

Orhangazi Cad. No:1 Gemlik/BURSA

**Tel:** +90 (0224) 514 84 04 (PBX)

**Fax:** +90 514 84 80

**Genel Müdürlük Ek Ofis:**

Gülbahar Mah. Altan Erbulak Sk.  
Maya Han No:14/1

Mecidiyeköy-Şişli/İSTANBUL

**Tel:** +90 (0212) 356 53 39

(0212) 354 26 66 (PBX)

**Gıda Çarşısı (İzmir) Branch:**

1202 Sk. No:81 Gıda Çarşısı  
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**Tel:** +90 (0232) 449 99 09 (PBX)

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**Giresun Branch:**

Sultanselim Mah. Osmanağa Cad.  
No:1 GİRESUN

**Tel:** +90 (0454) 202 00 52 (PBX)

**Fax:** +90 202 00 60

**Güllük-Antalya Branch:**

Güllük Cad. Saraçoğlu İşmerkezi  
No: 78 ANTALYA

**Tel:** +90 (0242) 247 43 71 (PBX)

**Fax:** +90 247 94 71

**Gültepe Branch:**

Talatpaşa Cad. No: 70 Ortabayır/İSTANBUL

**Tel:** +90 (0212) 278 73 43 (PBX)

**Fax:** +90 284 73 88

**Güneşli Branch:**

Gülbahar Cad. 6.Sk. No: 66

Güneşli/İSTANBUL

**Tel:** +90 (0212) 489 21 51 (PBX)

**Fax:** +90 489 21 50

**Güneşli Çarşısı Branch:**

Güneşli Mah. Koçman Cad. No:12/B

Bağcılar/İSTANBUL

**Tel:** +90 (0212) 550 40 99 (PBX)

**Fax:** +90 550 40 82

**Gölcük Branch:**

Amiral Sağlam Cad. No:5 Gölcük/KOCAELİ

**Tel:** +90 (0262) 412 48 80 (PBX)

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**Gümüşhane Branch:**

Karaer Mah. Atatürk Cad. No:10/D

GÜMÜŞHANE

**Tel:** +90 (0456) 213 58 13 (PBX)

**Fax:** +90 213 48 93

**Güngören Branch:**

Güven Mh. İnönü Cd. No: 23/1

Güngören/İSTANBUL

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**Fax:** +90 505 51 59

**Hadımköy Branch:**

Sanayi 1 Bulvarı Alkent 2000

Evleri Karşısı No:202

Çakmaklı-Büyükçekmece/İSTANBUL

**Tel:** +90 (0212) 886 28 98 (PBX)

**Fax:** +90 886 28 99

**Hasanpaşa Branch:**

Kurbalidere Cd. No: 43/A Hasanpaşa-  
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**Tel:** +90 (0216) 345 45 75 (PBX)

**Fax:** +90 345 69 29

**Ihlamurkuyu Branch:**

Alemdağ Cd. No: 283/A/A Ihlamurkuyu-  
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**Tel:** +90 (0216) 611 02 11 (PBX)

**Fax:** +90 611 04 41

**Isparta Branch:**

Yayla Mah. 118. Cad.

(Cumhuriyet Caddesi) İTKM

No: 25-27B/5 Merkez/İSPARTA

**Tel:** +90 (0246) 232 46 27 (PBX)

**Fax:** +90 232 46 78

**Işıkkent Branch:**

6121 Sk. No: 40 Aykusan,

Işıkkent-Bornova/İZMİR

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**Fax:** +90 436 34 41

**İçerenköy Branch:**

Kayışdağı Cad. No: 29 K.Bakkalköy-  
Kadıköy/ İSTANBUL

**Tel:** +90 (0216) 574 99 60

**Fax:** +90 574 99 45

**İhsaniye-Konya Branch:**

İhsaniye Mah. Abdülezelpaşa Cad. Bezirci İş  
Merkezi No:10-A Selçuklu/KONYA

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**Fax:** +90 351 48 87

**İkitelli Branch:**

İkitelli Organize Sanayi Bölgesi Atatürk  
Bulvarı Altay İş Merkezi No: 58/C

Başakşehir/İSTANBUL

**Tel:** +90 (0212) 671 13 33 (PBX)

**Fax:** +90 671 13 31

**İkitelli Sanayi Branch:**

İkitelli O.S.B. Süleyman Demirel Bulvarı  
HESKOP-İŞ Modern San. Sit. I Blok No: 20

Başakşehir/İSTANBUL

**Tel:** +90 (0212) 777 63 07 (PBX)

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**İmes Branch:**

İMES San. Sit. 202.S.B Blok N.2

Ümraniye/İSTANBUL

**Tel:** +90 (0216) 466 48 70 (PBX)

**Fax:** +90 466 48 74

**İmsan-İkitelli Branch:**

İkitelli C. İmsan San. Sit. E Bl. 23-24  
K.Çekmece/İSTANBUL  
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**Fax:** +90 698 04 38

**İnegöl Branch:**

Nuri Doğrul Cad. No:20 İnegöl/BURSA  
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**İskenderun Branch:**

Savaş Mh. Mareşal Çakmak Cd. Akıncı  
İşhanı HATAY  
**Tel:** +90 (0326) 613 07 57 (PBX)  
**Fax:** +90 613 08 67

**İstoç Branch:**

İstoç Ticaret Merkezi 17. Ada N:162-168  
Mahmutbey/İSTANBUL  
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**Fax:** +90 659 48 58

**İvedik Branch:**

İvedik O.S.B. 1368. Cadde Eminel İş Merkezi  
No:18/9 Yenimahalle/ANKARA  
**Tel:** +90 (0312) 395 53 12 (PBX)  
**Fax:** +90 395 54 87

**İzmir Branch:**

Fevzi Paşa Bulvarı N:61/A Çankaya/İZMİR  
**Tel:** +90 (0232) 445 26 92 (PBX)  
**Fax:** +90 445 26 96

**İzmit Branch:**

Karabaş Mah. Cumhuriyet  
Cad. No: 160/A İZMİT  
**Tel:** +90 (0262) 325 55 33 (PBX)  
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**Kadıköy Branch:**

Söğütlüçeşme C. Başçavuş Sk. 57/2  
Kadıköy/ İSTANBUL  
**Tel:** +90 (0216) 349 77 61 (PBX)  
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**Kağıthane Branch:**

Merkez Mah. Mezbaha Sk. No:7  
Kağıthane/İSTANBUL  
**Tel:** +90 (0212) 295 13 43 (PBX)  
**Fax:** +90 295 13 30

**Kahramanmaraş Branch:**

Trabzon Cad. No: 56/B KAHRAMANMARAŞ  
**Tel:** +90 (0344) 225 17 00 (PBX)  
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**Kapalıçarşı Branch:**

Mahmutpaşa Cad. No: 2/4  
Eminönü/İSTANBUL  
**Tel:** +90 (0212) 514 87 27 (PBX)  
**Fax:** +90 514 87 22

**Karabağlar Branch:**

Yeşillik Cad. No: 417/1 Karabağlar/İZMİR  
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**Karagöz Branch:**

Karagöz Cad. No: 4/A  
Şahinbey /GAZİANTEP  
**Tel:** +90 (0342) 232 99 79 (PBX)  
**Fax:** +90 232 99 78

**Karaköy Branch:**

Necatibey Cad. No: 34 Karaköy/İSTANBUL  
**Tel:** +90 (0212) 292 02 42  
**Fax:** +90 292 02 52

**Karaman Branch:**

Mansurdede Mah. Atatürk Bulvarı No:  
42/A-B KARAMAN  
**Tel:** +90 (0338) 214 31 24 (PBX)  
**Fax:** +90 214 31 22

**Karataş Branch:**

Karataş Mah. 428. Cadde No: 1/F  
Şahinbey/GAZİANTEP  
**Tel:** +90 (0342) 371 00 11 (PBX)  
**Fax:** +90 371 01 56

**Kars Branch:**

Yusufoğlu Mah. Kazım Paşa Cad.  
No: 65 KARS  
**Tel:** +90 (0474) 223 11 21 (PBX)  
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**Karşıyaka Branch:**

Girne Bulvarı No:172/A Karşıyaka/İZMİR  
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**Kartal Branch:**

Kordonboyu Mah. Ankara Cad. No: 66  
Kartal/İSTANBUL  
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**Kastamonu Branch:**

Hepkebirler Mah. Cumhuriyet Cad.  
No: 46/C KASTAMONU  
**Tel:** +90 (0366) 212 19 29 (PBX)  
**Fax:** +90 212 19 61

**Kavacık Branch:**

Fatih Sultan Mehmet Cad. Otakçı Çıkmazi  
No: 1 Ak İş Merkezi  
Kavacık-Beykoz/İSTANBUL  
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**Kayapınar Branch:**

Urfa Yolu 1. Km., Honda Plaza Karşısı Elmas  
Ap. Altı Kayapınar/DİYARBAKIR  
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**Kaynarca Branch:**

Fevzi Çakmak Mh. Cemal Gürsel C. 135/1  
Pendik/ İSTANBUL  
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**Kayseri Organize Sanayi Bölgesi Branch:**

Kayseri Organize Sanayi Bölgesi 11. Cadde  
No:9/B KAYSERİ  
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**Fax:** +90 290 98 29

**Kayseri Branch:**

Cumhuriyet Mah. Vatan Cad. No: 25  
Melikgazi/KAYSERİ  
**Tel:** +90 (0352) 222 12 87 (PBX)  
**Fax:** +90 222 55 49

**Keçiören Branch:**

Kızılarpınarı Cad. No: 55/  
B Keçiören/ANKARA  
**Tel:** +90 (0312) 361 99 90 (PBX)  
**Fax:** +90 361 99 98

**Kemalpaşa-İzmir Branch:**

Atatürk Mah. İnönü Cad. 41/1 Sk. No: 2/10  
Kemalpaşa/İZMİR  
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## → CONTACT INFORMATION AND BRANCH DIRECTORY

**Kepez Branch:**

Teomanpaşa Mah. Yeşilirmak Cad. No:36/A  
Kepez/ANTALYA

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**Fax:** +90 339 31 17

**Kestel Branch:**

Kestel OSB, Bursa Cad. No:75/B-4  
Kestel/BURSA

**Tel:** +90 (0224) 372 96 11 (PBX)

**Fax:** +90 372 60 79

**Kırıkkale Branch:**

Zafer Cad. No:38/1 KIRIKKALE

**Tel:** +90 (0318) 220 00 10 (PBX)

**Fax:** +90 220 00 11

**Kırşehir Branch:**

Medrese Mah. Atatürk Cad. No: 11  
KIRŞEHİR

**Tel:** +90 (0386) 212 23 13 (PBX)

**Fax:** +90 212 22 14

**Kızılay Branch:**

Mithatpaşa Cad. No:31-32 Kızılay/ANKARA

**Tel:** +90 (0312) 431 01 73 (PBX)

**Fax:** +90 431 01 85

**Kızılırmak Branch:**

Pulur Mah. Atatürk Cad. No:100/E SİVAS

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**Fax:** +90 222 37 20

**Kıztaşı Branch:**

Sofular Mah. Macar Kardeşler Cad. No: 43  
Kıztaşı-Fatih/ İSTANBUL

**Tel:** +90 (0212) 523 23 03 (PBX)

**Fax:** +90 523 23 53

**Kocamustafapaşa Branch:**

Kuvva-i Milliye Cad. No: 4/A  
Kocamustafapaşa-Fatih/ İSTANBUL

**Tel:** +90 (0212) 589 43 69 (PBX)

**Fax:** +90 589 09 72

**Konya Branch:**

Musalla Bağları Mah. Ankara Cad. No:119  
Selçuklu/KONYA

**Tel:** +90 (0332) 238 10 10 (PBX)

**Fax:** +90 237 67 34

**Konyaaltı-Antalya Branch:**

Arapşuyu Mah. Atatürk Bul. No:115/B  
Konyaaltı/ANTALYA

**Tel:** +90 (0242) 229 78 29 (PBX)

**Fax:** +90 230 35 69

**Konya Organize Sanayi Branch:**

Konya Organize Sanayi Bölgesi,  
Büyük Kayalık Mah.

Kırım Cad. No:22 Selçuklu/KONYA

**Tel:** +90 (0332) 239 21 69 (PBX)

**Fax:** +90 239 21 66

**Konya Yeni Toptancılar Branch:**

Fevzi Çakmak Mah. Karakayış Cad. No:287  
Karataş/KONYA

**Tel:** +90 (0332) 342 56 12 (PBX)

**Fax:** +90 342 56 83

**Kozyatağı Branch:**

Sahrayı Cedit Mah. Atatürk Cad. No:63/D/4  
Kadıköy/İSTANBUL

**Tel:** +90 (0216) 386 73 66 (PBX)

**Fax:** +90 386 73 46

**Kurtköy Branch:**

Ankara Cd. 203/B Efe İşmerk. Şişli-  
Kurtköy/İSTANBUL

**Tel:** +90 (0216) 595 40 15 (PBX)

**Fax:** +90 595 39 08

**Kuyumcukent Branch:**

Yenibosna Mah. Köyaltı Mevkii  
29 Ekim Cad. Kuyumcukent

Sitesi Atölye Bloğu Zemin Kat 5.Sk.

No:22 (251)

Bahçelievler/İSTANBUL

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**Fax:** +90 603 22 57

**Küçükköy Branch:**

Cengiz Topel Cad. No: 171/D Küçükköy-  
Gaziosmanpaşa/İSTANBUL

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**Fax:** +90 609 09 41

**Kütahya Branch:**

Balıklı Mah. İtfaiye Sk. No:2 KÜTAHYA

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**Fax:** +90 223 60 63

**Laleli-Ordu Caddesi Branch:**

Balabanağa Mah. Ordu Cad. No: 24  
E Laleli/İSTANBUL

**Tel:** +90 (0212) 638 79 94 (PBX)

**Fax:** +90 638 79 49

**Laleli Branch:**

Mimar Kemalettin Mh. Koca Ragıp Paşa Cd.  
No: 8/B Laleli/İSTANBUL

**Tel:** +90 (0212) 527 49 00 (PBX)

**Fax:** +90 527 48 61-62

**Lojistik Merkezi:**

İst. Deri Organize Yan San.  
Bölgesi 3 Numaralı Kapı  
YA5 Parsel No: 5 Aydınli-Orhanlı Mevkii  
Tuzla/İSTANBUL

**Tel:** +90 (0216) 591 08 88

**Fax:** +90 591 08 86

Mahmutbey Yolu Branch:

Mahmutbey Cad. No: 33

Bağcılar/İSTANBUL

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**Fax:** +90 657 37 22

**Malatya Branch:**

Ferhadiye Mah. Ferhadiye Sk. No: 3  
MALATYA

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**Fax:** +90 323 03 98

**Maltepe Branch:**

Cevizli Mah. Bağdat Cad. No: 444-446/B  
Maltepe-İSTANBUL

**Tel:** +90 (0216) 370 19 00 (PBX)

**Fax:** +90 370 24 63

**Maltepe Çarşı Branch:**

Altay Çeşme Mah. Atatürk Cad. No: 41/D  
Maltepe/İSTANBUL

**Tel:** +90 (0216) 459 72 29 (PBX)

**Fax:** +90 459 74 04

**Manisa Branch:**

Mustafa Kemal Paşa Cad. No:30/A MANİSA

**Tel:** +90 (0236) 231 54 77 (PBX)

**Fax:** +90 231 37 30

**Mardin Branch:**

13 Mart Mah. Vali Ozan Cad. No:52/C  
Bingöl İş Merkezi Yenişehir/MARDİN

**Tel:** +90 (0482) 212 10 92 (PBX)

**Fax:** +90 212 11 27

**Maslak Branch:**

Nurol Plaza No: 257/D 21 No'lu Mağaza  
Maslak-Şişli/İSTANBUL

**Tel:** +90 (0212) 286 55 35 (PBX)

**Fax:** +90 286 55 47

**Mecidiyeköy Branch:**

Büyükdere Cad. No: 77  
Mecidiyeköy/İSTANBUL

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**Fax:** +90 266 77 04

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Kocatepe Mh. Megacenter Sit. 12. Sk. C  
Blok No: 113  
Bayrampaşa/İSTANBUL  
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**Fax:** +90 640 63 00

**Mercan Branch:**

Mercan Mah. Uzunçarşı Cad. No:44  
Fatih/İSTANBUL  
**Tel:** +90 (0212) 514 33 04 (PBX)  
**Fax:** +90 514 33 01

**Merkez Arşiv:**

İst. Deri Organize Yan San. Bölgesi  
3 Numaralı Kapı  
**Tel:** +90 (0216) 591 08 98  
**Fax:** +90 591 08 92

**Merkez Şube:**

Büyükdere Cad. No: 129/1A  
Esentepe-Şişli/İSTANBUL  
**Tel:** +90 (0212) 354 28 28 (PBX)  
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**Mersin (İçel) Branch:**

Kuvay-i Milliye Cad. No: 8 MERSİN  
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**Fax:** +90 238 76 54

**Mersin Serbest Bölge Branch:**

Mersin Serbest Bölge F Ada 3 Parsel  
MERSİN  
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**Fax:** +90 238 84 05

**Merter Çarşı Branch:**

Mehmet Nesih Özmen Mah. Nar Sk.  
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**Fax:** +90 641 92 28

**Merter Branch:**

Fatih Cad. No: 22 Merter/İSTANBUL  
**Tel:** +90 (0212) 637 00 87 (PBX)  
**Fax:** +90 637 87 23

**Metrokent Branch:**

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