



### **SECTION 1: INTRODUCTION**

- 04** Summary of Financial Indicators
- 06** Agenda of the Ordinary General Assembly
- 07** Shareholding, Capital Structure
- 07** Amendments to the Articles of Association
- 08** Kuveyt Türk in Brief
- 12** The Story of 27 Successful Years
- 16** About Kuveyt Türk
- 18** Message from the Chairman
- 20** Message from the CEO

### **SECTION 2: OPERATIONS IN 2016**

- 24** Commercial And Corporate Banking Group
- 25** Loans
- 28** Retail Banking
- 37** SME Banking
- 40** Strategy
- 48** Treasury And International Banking
- 55** Financial Affairs
- 61** Risk, Control and Compliance Group
- 64** Law and Risk Follow-up Group
- 66** Banking Service Group
- 78** Corporate Social Responsibility and Sustainability
- 81** Awards

### **SECTION 3: MANAGEMENT AND CORPORATE GOVERNANCE PRACTICES**

- 84** Board of Directors
- 87** Senior Management
- 91** Organization Chart
- 92** Summary Report of the Board of Directors Submitted to the General Assembly
- 93** Executives within Internal Systems
- 96** Senior Management Committee
- 96** Related Party Transactions
- 97** Outsourced Services

### **SECTION 4: FINANCIAL INFORMATION AND RISK MANAGEMENT PRACTICES**

- 100** Annual Report Compliance Opinion
- 101** Review of the Audit Committee on Internal Systems
- 104** Assessment on Financial Status, Profitability And Solvency
- 104** Ratings of Kuveyt Türk by International Rating Agencies
- 105** Information on Risk Management Policies
- 106** Five-Year Summary Financial Information
- 107** Independent Auditor's Report, Consolidated Financial Statements And Notes
- 167** Contact Information and Branch Directory

***For 27 years, we have delivered innovative banking services to customers while conducting crucial research to continuously enhance these services. In addition to providing the best solutions to our customer base, we continue to design innovative banking products and services with the aim of furthering the development of participation banking.***

***We are proud to be designated “Turkey’s Best Islamic Financial Institution” by Global Finance, one of the world’s leading business and finance magazines.***

***Kuveyt Türk was named “Turkey’s Best Islamic Financial Institution” in a survey conducted by Global Finance, one of the world’s major business and finance magazines, to determine the top companies in the banking sector.***



# **SECTION I:** **INTRODUCTION**

- 04** Summary of Financial Indicators
- 06** Agenda of the Ordinary General Assembly
- 07** Shareholding, Capital Structure
- 07** Amendments to the Articles of Association
- 08** Kuveyt Türk in Brief
- 12** The Story of 27 Successful Years
- 16** About Kuveyt Türk
- 18** Message from the Chairman
- 20** Message from the CEO

## Summary of Financial Indicators

### TL 48 Billion

As of year-end 2016, Kuveyt Türk increased its total assets **by 15.7% to TL 48 billion** and boosted its shareholders' equity by 14.6% to TL 4.2 billion.

### Summary of Financial Indicators

(Thousand TL)*	2014	2015	2016
Profit Sharing Income	1,897,864	2,436,016	2,971,704
Profit Sharing Expense	815,583	1,128,738	1,475,406
Net Fee and Commission Income	267,934	268,003	313,081
Other Revenues	193,929	344,247	552,200
Other Expenses	986,404	1,302,950	1,665,618
Tax Charge	99,704	116,332	131,237
Net Profit for the Period	458,036	500,246	564,724
Total Assets	33,750,746	41,860,627	48,427,976
Total Equities	3,236,703	3,700,724	4,239,859
Capital Adequacy Ratio (%)	15.21	14.23	18.19

\* IFRS Consolidated Figures

**As of year-end 2016, Kuveyt Türk posted net profit of TL 565 million** while raising its capital adequacy ratio to 18.19%.

INCREASE 22%

### Profit Sharing Income

(TL Million)

2014	1,897
2015	2,436
2016	2,972

INCREASE 15.7%

### Total Assets

(TL Million)

2014	33,751
2015	41,861
2016	48,428

INCREASE 16.7%

### Net Fee And Commission Income

(TL Million)

2014	268
2015	268
2016	313

INCREASE 14.6%

### Total Shareholders' Equity

(TL Million)

2014	3,237
2015	3,701
2016	4,240

INCREASE 12.9%

### Net Profit For The Period

(TL Million)

2014	458
2015	500.2
2016	564.7

### Capital Adequacy Ratio

(%)

2014	15.21
2015	14.23
2016	18.19

# Agenda of Ordinary General Assembly

## KUVEYT TÜRK KATILIM BANKASI A.Ş. BOARD OF DIRECTORS MEETING

Place of Meeting	:Headquarters
Date of Meeting	:25/01/2017
Meeting Number	:1676
Board Members	:Hamad Abdulmohsen AL MARZOUQ Adnan ERTEM Khaled N. AL FOUZAN Mohamad AL MIDANI Mazin S.A.S AL NAHEDH Fawaz KH E ALSALEH Ahmad S. AL KHARJI Ufuk UYAN

### AGENDA OF THE MEETING

1. Decision on the date and agenda of Annual Ordinary General Assembly.

#### It has been resolved:

#### RESOLUTION NR:1

The Board of Directors has unanimously resolved to hold the Annual Ordinary General Assembly of Kuwait Turkish Participation Bank Inc. at Company headquarters on 23 March 2017 at 15:00 o'clock to discuss the following agenda and gave authority to the General Management to fulfill the required preparation.

### AGENDA OF THE ANNUAL ORDINARY GENERAL ASSEMBLY RELATED TO 2016

1. Opening and constitution of the Presidential Board.
2. Granting authority to the Presidency to sign the minutes of the General Assembly and the list of participants.
3. Discussion and approval of the Annual Report for fiscal year 2016.
4. Discussion and approval of the Financial Statements for fiscal year 2016.
5. Discussion of independent audit report written by independent auditor for the fiscal year 2016.
6. Release of the Board of Directors related with their efforts in 2016.
7. Decision on the Board of Directors offer about the profit distribution for fiscal year 2016.
8. Discussion and approval of the amendments to the Articles of Association related to Article 7 and Article 37 as attached.
9. Discussion and approval of paying salary, attendance fee, bonus and dividend to the Chairman and other Board Members for their Board Membership and/or other committee memberships.
10. Appointment of the Independent Auditors and determination of the contact period.
11. Providing information by the Board of Directors on external audit in accordance with Banking Law no: 5411 and the related regulations.
12. Providing information on bonus payments to personnel in accordance with the Banking Regulation and Supervision Agency's decision on profit distribution.
13. Discussion and approving of reflecting participation accounts' portion of provision expenses, which set aside according to Article 14/2 of the Communiqué on "Principles and Procedures for the Determination of the Quality of Loans and Other Receivables and Reserves to be provided for these loans of BRSA, to expense accounts. The Turkish Commercial Code's related provisions reserved.
14. Granting authority to the Board members to execute the deals written in the Turkish Commercial Code Articles 395 and 396.
15. Wishes and proposals.

The content of this decision has been read and understood by the following Board members in their own language agreed upon.

Hamad Abdulmohsen  
AL MARZOUQ

Adnan ERTEM

Khaled N. AL FOUZAN

Mohamad AL MIDANI

Mazin S.A.S AL NAHEDH

Nadir ALPARSLAN

Fawaz KH E ALSALEH

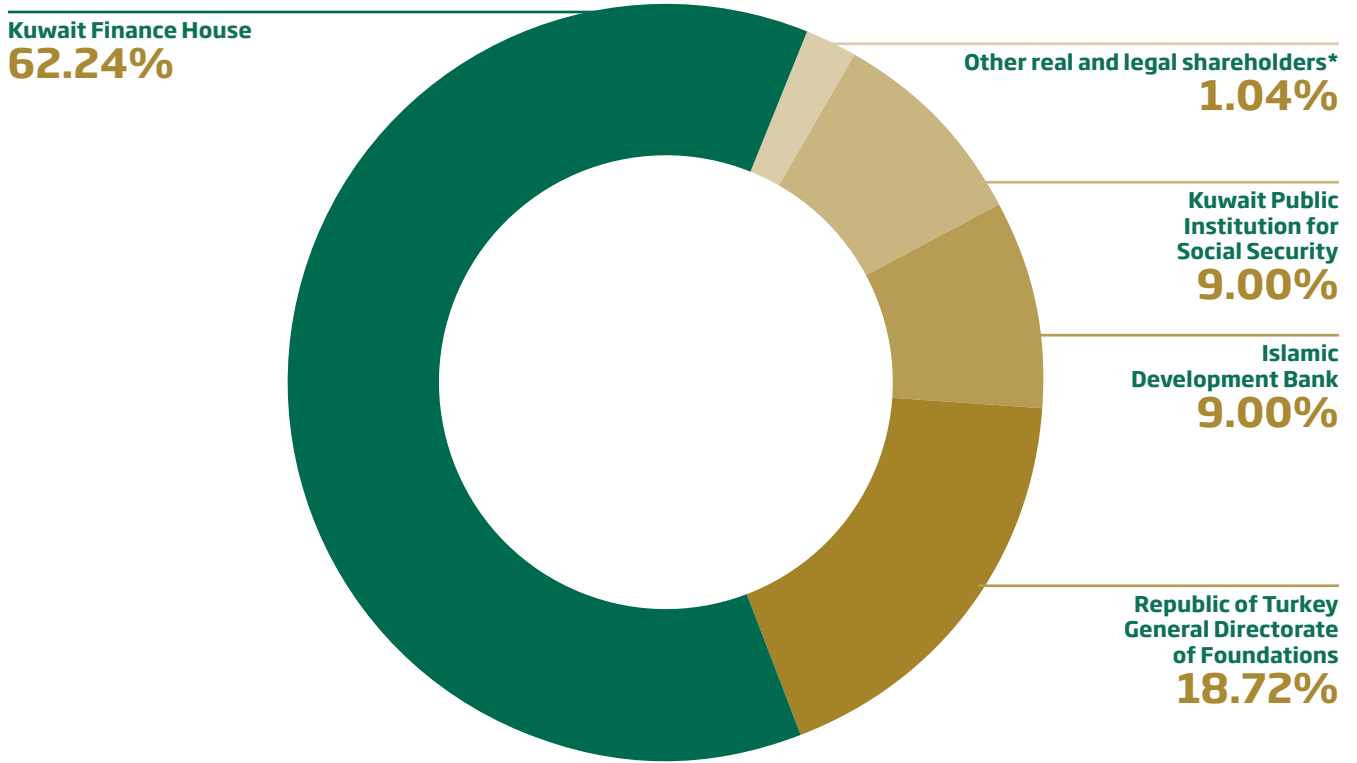
Ahmad S. AL KHARJI

Ufuk UYAN



## Shareholding and Capital Structure

With total funds reaching into billions of dollars and a vast international service network, **Kuwait Finance House (KFH)** is Kuveyt Türk's largest shareholder and the pillar supporting the Bank's consistent growth performance.



\* The Chairman and the Members of the Board of Directors, Audit Committee Members, Chief Executive Officer and the Vice Presidents hold a 0.11% share in the Bank's capital.

## Amendment to the Articles of Association

### AMENDMENTS TO THE ARTICLES OF ASSOCIATION IN 2016

In 2016, Article 7 of the Articles of Association was amended and TL 260,000,000 out of the annual profit for 2015 was added to the Bank's capital. As such, in 2016, the capital of Kuveyt Türk Katılım Bankası A.Ş. was increased from TL 2,530,000,000 to TL 2,790,000,000.

## Kuveyt Türk in Brief

In Turkey and around the world, by means of its own branch network and correspondent banks, Kuveyt Türk delivers fast, top-quality services to savers and investors, **by employing a wide range of state-of-the-art technologies.**

The foundations of Kuveyt Türk were laid when Kuwait Finance House entered the Turkish market in 1989. The Bank was established on 31 March 1989 as a private financial institution with the name Kuveyt Türk Evkaf Finans Kurumu A.Ş., upon the license issued by the Central Bank of Turkey on 28 February 1989. Along with the other private financial institutions, the Bank was made subject to the Banking Law No. 4389 in 1999, and amended its business name to Kuveyt Türk Katılım Bankası A.Ş. (Kuveyt Türk), its current name, in 2006.

Since its establishment, Kuveyt Türk has been committed to meticulous interest-free banking services, extensive research in investment areas, delivery of cutting-edge, consistent, top-quality and swift services to savers and business persons, and continuous employee training to achieve higher productivity. In Turkey and around the world, by means of its own branch network and correspondent banks, Kuveyt Türk delivers swift, top-quality services to savers and investors, by employing a wide range of state-of-the-art technologies.

Having celebrated its 27<sup>th</sup> year in Turkey in 2016, Kuveyt Türk makes important contributions to the development of participation banking in Turkey, with its dynamic corporate governance approach, innovative products offered to customers, and its many initiatives directed toward international markets.



### ROBUST CAPITAL STRUCTURE

Some 62.24% of the Bank's shares are owned by Kuwait Finance House, 18.72% by the Turkish General Directorate of Foundations, 9% by the Kuwait Public Institution for Social Security, 9.00% by Islamic Development Bank, and the remaining 1.04% by other real and legal entities. With total funds reaching into billions of dollars and a vast international service network, Kuwait Finance House (KFH) is Kuveyt Türk's largest shareholder and the pillar supporting the Bank's consistent growth performance.



### TRUST-INSPIRING FINANCIAL POWER

Standing out with its powerful capital structure and dynamic corporate governance philosophy, Kuveyt Türk has TL 2.8 billion in paid-in capital as of the end-2016. The Bank's total unconsolidated assets amounted to TL 48 billion at year's end with shareholders' equity of TL 3.9 billion.

### WELL-EDUCATED, TALENTED AND DEDICATED WORKFORCE

Via 385 branch locations across Turkey, Kuveyt Türk delivers a wide array of financial products and services to customers in an efficient manner. As of year-end 2016, the Bank employs 5,588 personnel.

The pioneer of participation banks in Turkey, Kuveyt Türk aims to implement the latest business processes, management techniques and service approach with its young and dynamic workforce, almost all of whom are university graduates.

Kuveyt Türk—committed to continuously developing its products and services in line with customer needs and expectations—is considered by its stakeholders to be **the bank of firsts and innovations.**

## TURKEY'S BEST ISLAMIC FINANCIAL INSTITUTION

Kuveyt Türk was designated **"Turkey's Best Islamic Financial Institution"** in a survey conducted by Global Finance, one of the world's major economic and finance magazines, to identify the top banking institutions in the world.

Conducting its operations in response to economic developments and customer needs and expectations, Kuveyt Türk offers a wide array of products and services to customers in the area of retail banking. As the first participation bank to commence operating in the retail banking segment, Kuveyt Türk steadily expands its customer portfolio in this area, setting the standard with its ability to develop top-notch products.

As the first participation bank to place high net worth individual (HNWI) in the private banking segment, Kuveyt Türk established its first Private Banking branch in Istanbul in 2015 and expanded the number of private banking customer representatives to 10 in 2016.



## IMPECCABLE ADVANCED TECHNOLOGY INFRASTRUCTURE

Kuveyt Türk is rightly proud of being a participation bank that offers numerous innovations and firsts to customers. Boasting a sophisticated information and advanced technology infrastructure, Kuveyt Türk provides the full range of banking services via online banking and alternative distribution channels. In addition to Visa and MasterCard credit cards, the Bank delivers continuous POS, ATM, online banking, call center, voice response system and SMS banking services.



The Bank is the leader of the Borsa İstanbul (BIST) Precious Metals and Diamond Market, and has the largest trading volume among all members and banks. In 2013, the Bank became responsible for Takasbank's gold transactions. Kuveyt Türk also ranks first among all banks in terms of silver trading volume.

## THE PIONEER OF GOLD BANKING

As the one and only Turkish bank and the only participation bank in the world to be accepted as an associate to the London Bullion Market Association (LBMA), Kuveyt Türk has also become the only bank specially cited and praised by the World Gold Council (WGC) for its gold product and service diversity in the market.



## Kuveyt Türk in Brief

In 2013, Kuveyt Türk executed its first sukuk issue in TL in Turkey. In November 2016, at the Capital Markets Congress, the Bank was deemed worthy of the **“Largest Sukuk Issuer”** award.



### THE BANK THAT INTRODUCED SUKUK TO TURKEY

The leader of the industry in terms of products and services, Kuveyt Türk, powered by the rich international know-how of its primary shareholder Kuwait Finance House, broke new ground in the banking sector by performing two sukuk issues totaling USD 450 million in 2010 and 2011.

Kuveyt Türk realized the largest ever lease certificate issue in the Turkish private sector by conducting a total of 21 sukuk issuances worth TL 1,524 million to qualified investors and in the form of public offering; as well as three overseas transactions worth a total of 800 million Malaysian ringgit.

Kuwait Finance House’s subsidiary Liquidity Management House figured among the three companies which supported the Undersecretariat of Treasury’s five-year sukuk issuance worth USD 1.5 billion. In 2013, Kuveyt Türk executed its first sukuk issue in TL in Turkey. In November 2016, at the Capital Markets Congress, the Bank was deemed worthy of the “Largest Sukuk Issuer” award. Up to that date, Kuveyt Türk performed total issues worth TL 10 billion in dollars, Malaysian ringgit and Turkish lira. Of this total, sukuk worth TL 5.5 billion is being traded on various markets.

The Bank issued subordinated sukuk worth USD 350 million in February 2016, domestic lease certificates as public offering worth USD 300 million in May, and international sukuk worth USD 500 million in November. Firmly holding onto its position as Turkey’s largest sukuk issuer, the Bank garnered the “Turkey’s Largest Sukuk Issuer Award – 2016” for its achievements in this field, at the Capital Markets Awards organized by the Turkish Capital Markets Association (TSPB).



### SUPPORT FOR THE REAL ECONOMY

Kuveyt Türk ranks among the strongest players in the Turkish finance sector in terms of capital adequacy. In line with its interest-free banking approach, the Bank supports investors, whether real or legal persons, by means of direct financing or joint investments, thereby standing by real economy players and contributing to the national economy under all economic conditions.

With its investments and subsidiaries in the textile, metal, food and real estate industries, Kuveyt Türk transforms the savings of its customers, who are its profit partners, into robust and lucrative investments. In recognition of its achievements, Kuveyt Türk was presented with awards from public agencies and vocational associations such as the Undersecretariat of Treasury and Foreign Trade, İstanbul Chamber of Commerce and the Association of İstanbul Ready-Made Garment Exporters.

Powered by the vast correspondent network and interest-free banking experience of **Kuwait Finance House**, **Kuveyt Türk constitutes a financial bridge among Turkish investors keen on opening up to the Gulf Region and the rest of the world.**

## KT PORTFOLIO MANAGEMENT COMPANY

KT Portföy A.Ş. was founded in fourth quarter 2015 with a view of offering a lucrative investment environment to investors in Turkey and across the world. KT Portföy started up operations at the beginning of 2016 and is active in every facet of wealth management.



Powered by the vast correspondent network and interest-free banking experience of Kuwait Finance House, Kuveyt Türk constitutes a financial bridge among Turkish investors keen on opening up to the Gulf Region and the rest of the world. Contributing to the development of trade between Turkey and the Gulf Region via its Bahrain branch, Kuveyt Türk entered the European market with its wholly-owned subsidiary KT Bank AG, which commenced operations in Germany in 2015.

KT Bank AG is the first participation bank established in Germany. The Bank expends relentless efforts to design international projects to create new opportunities for investors.

**FINANCIAL  
BRIDGE  
BETWEEN  
TURKEY AND  
THE WORLD**



### Total Equity TL 4.2 billion

Kuveyt Türk's total equity rose to **TL 4.2 billion** by the end of 2016.



### Paid-in Capital TL 2.8 billion

Kuveyt Türk's paid-in capital amounted **TL 2.8 billion** by the end of 2016.



### Net Profit for the Period TL 565 million

Kuveyt Türk's net profit for the period went up to **TL 565 million** by the end of 2016.

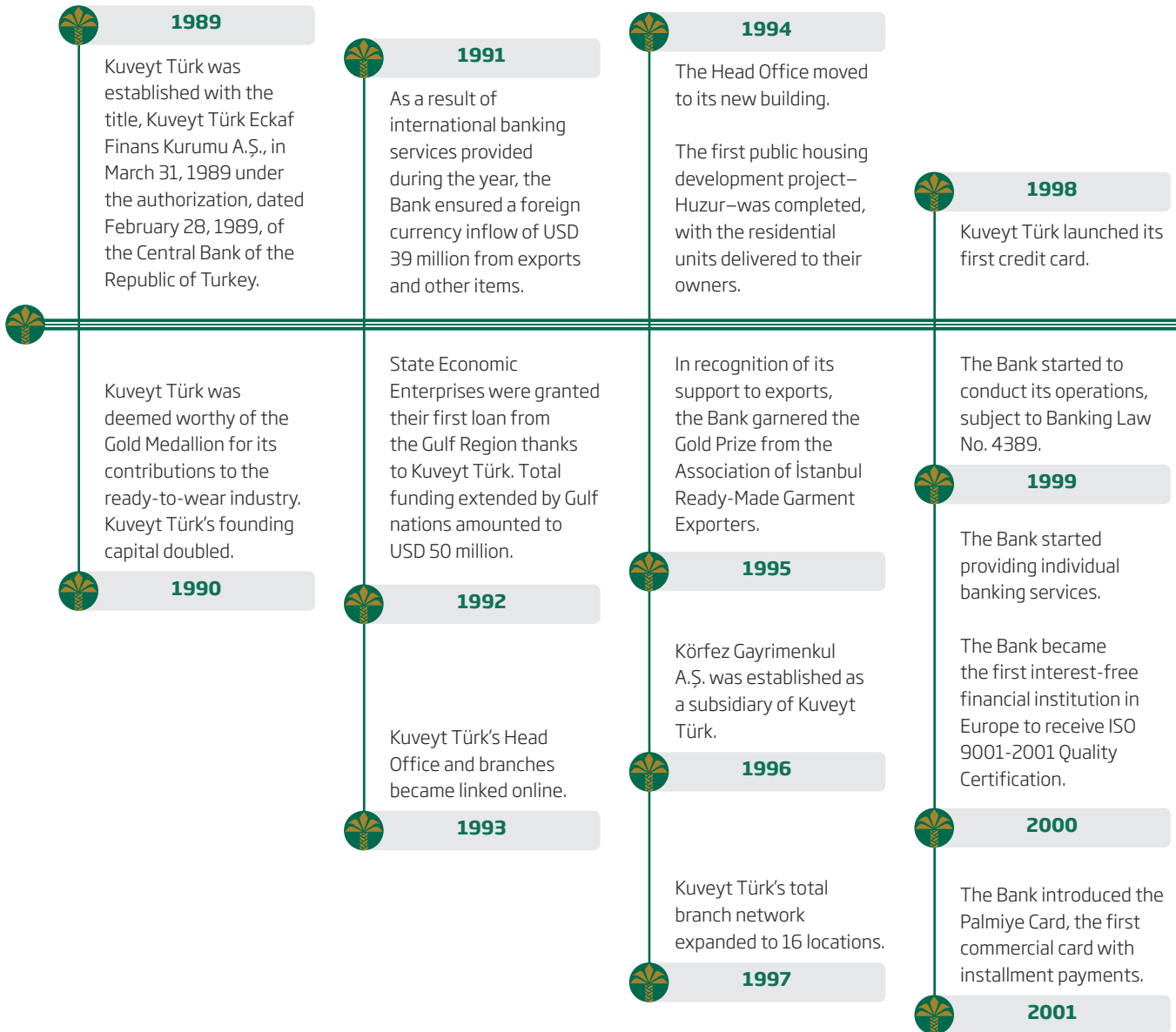


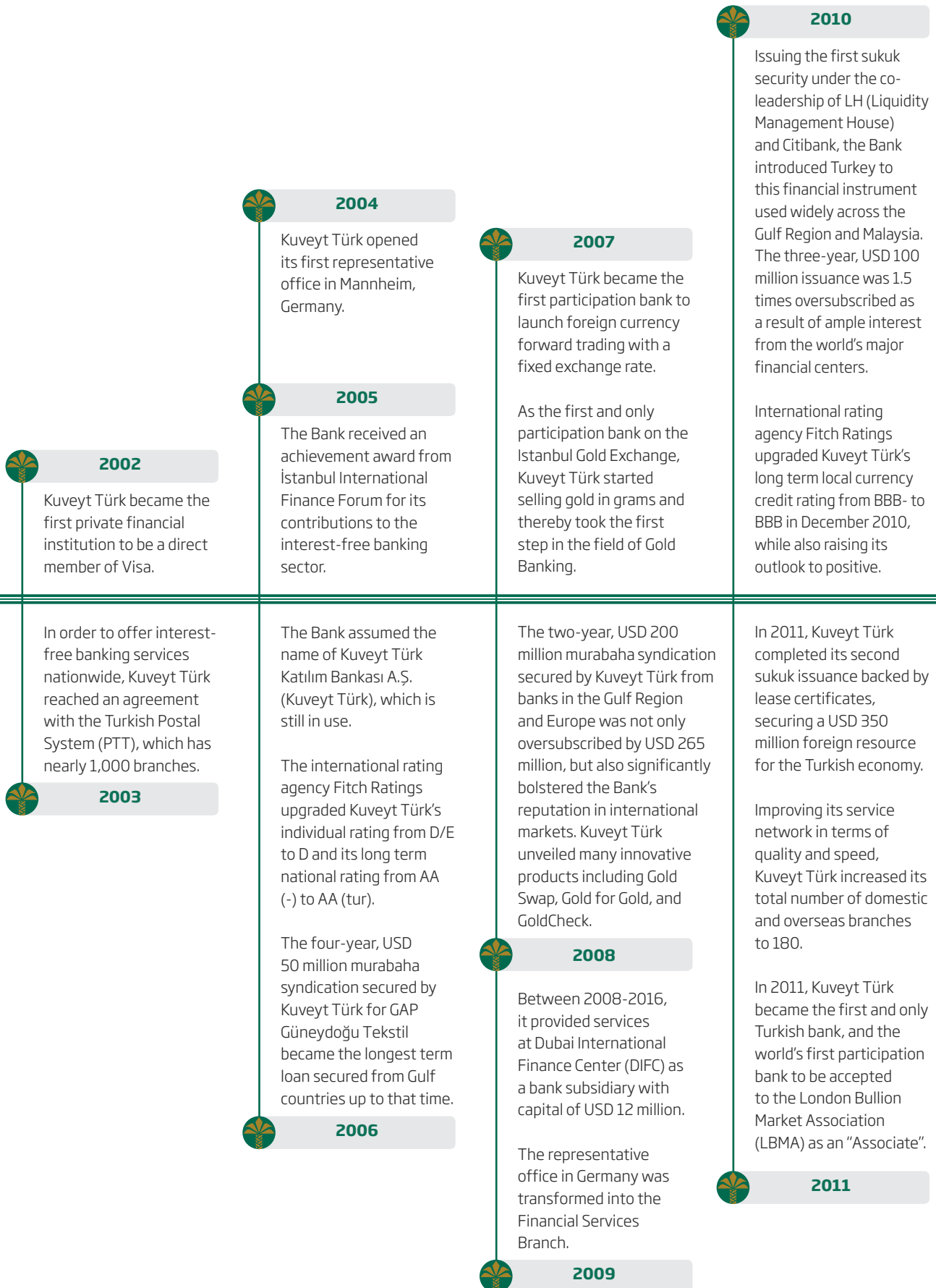
### Net Fee Commission Income TL 313 million

Kuveyt Türk's net fee commission Income increased to **TL 313 million** by the end of 2016.

## The Story of 27 Successful Years

During its 27-year history, Kuveyt Türk recorded innumerable achievements **and made critical contributions to help develop the Turkish economy thanks to its solid capital base and robust shareholding structure.**







**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 USD 1.5 billion-the first of its kind in Turkey. Kuveyt Türk participated in the referenced transaction as co-leader.

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.



**2014**

Kuveyt Türk completed the XTM project, which offers video chat and self-service transactions at the same time, the first of its kind in the world. This innovative service was offered to customers at 22 locations across Istanbul.

The latest version of Kuveyt Türk's Mobile Branch features new functionality and offerings as well as an enhanced user experience.

Kuveyt Türk became the first bank in Turkey to appoint a Board Member in charge of Ethics.

Kuveyt Türk's international sukuk issue worth USD 500 million was oversubscribed 6.5 times.



**2016**

During the 2015 tax year, Kuveyt Türk declared taxes worth TL 159,650 thousand, ranking first among participation banks, 19<sup>th</sup> among all Turkish taxpayers, and 10<sup>th</sup> among all banks.

Kuveyt Türk executed its first subordinated sukuk loan issue in February. The issuance was worth USD 350 million and has become the largest issue of its kind in Turkey.

The Turkish Capital Markets Association (TSPB) presented an award to Kuveyt Türk for its operations in the banking industry in 2016. Having issued a subordinated sukuk loan worth USD 350 million in February 2016, domestic lease certificates as public offering worth USD 300 million in May, and international sukuk worth USD 500 million in November, the Bank firmly held on to its position as Turkey's largest sukuk issuer. In addition, the Bank was designated "Turkey's Best Islamic Financial Institution" by Global Finance, and "Issuer of the Year" by Islamic Finance News.



In line 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.

With the collaboration of Kuveyt Turk Katılım Bankası A.Ş. and Albaraka Türk Katılım Bankası A.Ş., Katılım Emeklilik ve Hayat A.Ş. is established.

Kuveyt Türk obtained the required license from BaFin, the German Federal Financial Supervisory Authority, to offer banking services in Germany. KT Bank AG has commenced its operations as the first bank in Germany that is engaged in interest-free banking activities.

Kuveyt Türk commenced its "Private Banking" operations, a first in the participation banking industry in Turkey.

Kuveyt Türk established KT Portföy, the portfolio management subsidiary that is designed to offer interest-free financial solutions.

Kuveyt Türk launched the branch- and expense-free digital banking platform- Senin Bankan-which stands out with its new generation banking approach that blends participation banking with online innovations and capabilities.



**2013**



**2015**





2016

**TL 565 Million**

*Having grown steadily over the last 27 years, Kuveyt Türk posted net profit of TL 565 million in 2016. The Bank maintains leadership in participation banking with its performance that surpasses the industry average.*

## About Kuveyt Türk

Kuveyt Türk's main competitive advantages include its **superior service quality and unconditional customer satisfaction philosophy.**

### MISSION

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

### VISION

To offer tailored and new financial solutions; to rank among Turkey's top five banks in service quality, and among the country's top 10 banks in terms of total assets, in light of its know-how and experience as an international bank.

## OUR QUALITY POLICY

In line with the principles of participation banking and total quality management, we aim to become an institution that:

- Improves the degree and quality of customer satisfaction,
- Leads the banking sector,
- Creates value under the leadership of senior management,

With the ongoing efforts of employees throughout the organization.

## OUR VALUES

All employees are responsible for embracing and putting into practice the following values:

- Solid Banking
- Fairness
- Trust
- Team Spirit
- Professionalism
- Innovation

## ETHICAL PRINCIPLES

In line with the corporate values, Kuveyt Türk abides by these general principles in all operations:

- Integrity
- Impartiality
- Transparency
- Confidentiality
- Ethical Approach

## OUR SERVICE PRINCIPLES

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

- Generating prompt solutions for problems
- Bringing a business partnership approach to clients
- Being innovative
- Focusing on the customer
- Demonstrating our hospitality

## Message from the Chairman

As the sector leader, Kuveyt Türk maintained its growth in 2016 and **continued to introduce numerous innovative products and services to its customers.**

Despite the challenging economic conditions of 2016, Kuveyt Türk had a productive year thanks to its dynamic, technology-focused business model.

Esteemed Shareholders,

2016 was a tumultuous year full of volatility for the global and Turkish markets. The global economy closed the year with lower-than-expected growth. The most noteworthy economic developments that affected global markets were the Federal Reserve System (Fed)'s decision to hike interest rates, Donald Trump's election to the US presidency, the aggravated risk of global recession resulting from the UK's decision to leave the EU and the slowdown in the Chinese economy.

The price of Brent crude oil, which fell below USD 28 at the beginning of 2016, climbed to USD 55 by the end of the year after OPEC member states and other oil producers agreed to reduce production levels.

### Europe loses steam

Expectations for 2017 are that global economic uncertainties will continue, with investors fleeing from risk and employing resources in a prudent manner. The global markets will continue to focus on how the US fiscal and monetary policies will take shape. The Fed's initiation of rate hikes and gradual termination of quantitative easing will make it more difficult for emerging markets to raise funds at low cost. Europe's economies, which have been struggling to fully return their to pre-crisis levels, went through a rough patch in 2016 due to deflationary pressures and the Brexit decision.

### Turkey's economy expected to strengthen in 2017

Turkey recorded solid growth in the first half of 2016, yet failed to perform similarly in the second half of the year due to political and geopolitical events. The global economic volatility, the failed coup attempt of 15 July, the political crisis with Russia and the impact of the Syrian civil war all joined to tamp down the pace of economic expansion, with the Turkish economy contracting by 1.8% in the third quarter of the year. Despite all the negative developments, Turkey's robust financial structure and improvements in its current account deficit in recent years lessened the country's economic fragility.

Despite the unfavorable results of 2016, Turkish economic growth is expected to pick up in 2017. Investment is forecast to rise as a result of the government's economic measures, the cash repatriation scheme and loan transfers to SMEs. The rise in home sales following the decline in interest rates and record sales figures in the automotive sector bolster such expectations. Measures to boost savings ratios will also reduce Turkey's dependence on foreign funding.

### Growth in the banking industry

In 2016, the banking sector continued to grow although there was a contraction in physical expansion and branch networks. In 2016, the banking industry placed a special emphasis on boosting productivity, which will remain crucial in 2017 for the entire sector. As the efforts and projects in this area will accelerate the digitization drive, Kuveyt Türk plans to maintain its position as one of the leaders of this trend in the industry.



Hamad Abdulmohsen ALMARZOUQ  
**Chairman**

### **Participation banking expected to increase market share**

Despite economic fluctuations and challenging macroeconomic conditions, participation banking sustained its positive growth in 2016. Interest in instruments such as sukuk increased, drawing foreign investment into Turkey, while the participation banking product and service range was extended. A restructuring took place following the entry or exit of new actors to the sector in 2016. Participation banking, which makes significant contributions to the national economy by channeling funds to the real economy, reducing the informal economy, intermediating in import and export financing and boosting employment, is expected to continue its steady expansion in 2017. Participation banking is well positioned to capture a larger share of the overall Turkish banking market in the coming years.

### **Kuveyt Türk continues its leadership in the sector**

The pioneering bank of the sector, Kuveyt Türk maintained its consistent growth drive in 2016 while introducing numerous new products and services to customers. The Bank is committed to conducting its operations in line with the developments in the economy as well as the needs and expectations of customers. To these ends, Kuveyt Türk expanded its coverage area in Turkey by extending its physical network and continued to diversify the products and services delivered via digital platforms.

Kuveyt Türk provided numerous innovative product and service offerings to its customer base, introducing innovations to the sector. The Bank's myriad achievements were confirmed with multiple awards during the year.

Kuveyt Türk will place a special emphasis on boosting productivity in 2017, managing its organizational structure, processes and procedures in the most efficient manner to dedicate more time to its customers, while sustaining its corporate development and branch growth. Kuveyt Türk will also focus on project finance to contribute more and more to the sustainable expansion of the national economy.

Customer focus is also among the strategic objectives of Kuveyt Türk. To reach this goal, the Bank will transfer the operational workload of its branches to online platforms in 2017 and continue its centralization efforts, thus freeing up more time to focus on its customers.

I would like to extend my gratitude to you, our valued shareholders, for your unfaltering support and contribution to our achievements, and to our esteemed colleagues for their superior business performance.

With regards,

Hamad Abdulmohsen ALMARZOUQ  
**Chairman**



## Message from the CEO

Firmly holding onto its position as Turkey's largest sukuk issuer, the Bank **issued sukuk worth a total of USD 4.7 billion in 2016.**

**TL 565 million**

As of year-end 2016, Kuveyt Türk's net profit **rose 12.9% year-on-year to TL 565 million.**

Esteemed Shareholders,

In 2016, when Turkey experienced economic turmoil, Kuveyt Türk continued to perform strongly thanks to its robust structure. Having increased its total assets to TL 48.4 billion as of year-end of 2016, Kuveyt Türk boosted its net profit by 12.9% year-on-year to TL 565 million.

Total funds allocated increased to TL 29 billion with total funds collected increasing to TL 32 billion. In confirmation of the asset quality, the Bank's non-performing loan ratio was 2.73%, well below the sector average. Recording a significant uptick over the prior year, the Bank's return on equity was 14.22% in 2016.

Although some new banks entered the market, existing banks did not inaugurate new branch locations while some banks even closed a number of branches in 2016. Nevertheless, Kuveyt Türk continued to expand its branch network, which reached 386 locations as of year-end 2016.

These figures point to Kuveyt Türk's leading position among participation banks and prominent place in the banking industry as a whole.

Not content with these achievements, Kuveyt Türk raised the bar even higher by undertaking investments and offering new products and services in 2016.

### Turkey's largest sukuk issuer

As the bank that launched the first sukuk in Turkey, Kuveyt Türk issued subordinated sukuk worth USD 350 million in February 2016, domestic lease certificates worth USD 300 million in May, and international sukuk worth USD 500 million in November, thus firmly holding on to its position as Turkey's largest sukuk issuer.

By issuing lease certificates worth TL 300 million, the Bank realized the largest ever public offering of its kind in the private sector to date. Kuveyt Türk closed the year with total lease certificate issuances worth TL 4.7 billion (TL 1.7 billion and USD 850 million). At the Capital Markets Congress held in November, the Bank received the "Turkey's Largest Sukuk Issuer" award from President Recep Tayyip Erdoğan.

Kuveyt Türk's main banking philosophy is encouraging people to save rather than spend. To this end, the Bank launched the Dowry Account for young individuals about to get married and the Home Account for customers looking to purchase their first home. These products encourage persons to

save money for the future, thus contributing to narrowing Turkey's individual savings deficit.

The first participation bank to position its high net worth individual (HNWI) in a private banking segment, Kuveyt Türk launched its first Private Banking branch in 2015. Then, the bank expanded the branch network in this business line to 10 locations in 2016. Under its Private Banking services, Kuveyt Türk serves customers from 64 nations on six continents and manages total assets worth TL 4 billion.

### Continuing to break new ground

Making the best use of its IT and advanced technology infrastructure, Kuveyt Türk enhances the banking services it offers through online banking and alternative distribution channels. Senin Bankan, Turkey's first digital interest-free banking platform launched by Kuveyt Türk, was added to the Bank's long list of digital banking services. Kuveyt Türk also broke new ground by digitizing its Private Pension System.

A Kuveyt Türk subsidiary established in late 2015, KT Portföy started delivering interest-free financial services in 2016. As the first portfolio management company established by a participation bank, KT Portföy will introduce new products in the capital markets, attract new domestic and international investors, and facilitate domestic investors' access to international interest-free investment instruments.



Ufuk UYAN

**Member of Board of Directors and CEO**

### **Achievements crowned by awards**

According to the Internal Revenue Administration's data for 2015, Kuveyt Türk ranked 19<sup>th</sup> on the Corporate Taxpayers List. The Bank is the leader of the participation banking sector, and has left behind prominent banks in the conventional banking industry, by paying TL 159.7 million in taxes.

The innovative services offered by Kuveyt Türk to its customers for the last 27 years, providing the best solutions to its customers and supporting the development of participation banking, as well as the measures and studies undertaken to enhance these services were crowned with various awards during the year.

Kuveyt Türk was designated "Turkey's Best Islamic Finance Corporation" in a survey conducted by the prominent business and finance magazine Global Finance to determine the top names in banking.

One of the awards that recognized sustainable success at Kuveyt Türk was the "Best R&D Center" title that it received for the third time in a row. Kuveyt Türk R&D Center was deemed worthy of the "Best R&D Center" award in the "Finance" category of the Fifth Private Sector R&D Centers Summit.

At the world-renowned W3 Awards, where Fortune 500 companies and international agencies compete with global web sites that are ranked according to product presentation and design, the Bank received the "Silver Winner" prize for its Private Banking web site.

In line with its motto "Employees First," the Bank places its personnel at the heart of its business operations. Kuveyt Türk ranked second among 76 companies in the "Workplace Culture" category of the "Turkey's Best Employers" list created by the Great Place to Work. This achievement confirms that Kuveyt Türk's human resources vision has been embraced by the Bank staff.

Kuveyt Türk's over 5,500 employees, almost all of whom are university graduates and who work at its 385 branch locations across the country, play the most prominent role in the Bank's success. These highly specialized, young and dynamic employees allow Kuveyt Türk to look to the future with hope. Kuveyt Türk aims to further enhance the customer satisfaction that has been generated by customer- and achievement-oriented activities for the last 27 years.

### **A year of digital transformation**

Kuveyt Türk plans to continue playing this innovation-leading role in 2017. A radical change is taking place in the banking industry—the transition to the digital universe is gaining speed. Even as the number of conventional branch locations declines, banks make huge investments in alternative distribution channels. Services are transferred to alternative channels with significant rises in the number of transactions performed online. To this end, Kuveyt Türk plans to further its digital transformation efforts in 2017. In this period, the Bank will place a huge emphasis on the development of online and mobile banking apps.

Kuveyt Türk will continue to respond to the financing needs of the Bank's corporate customers with its capital markets product sukuk, which complies with the principles of participation banking. The Bank will also play a more active role to this end in the coming period with the Sukuk Company established in line with this target.

I would like to extend my gratitude to all our stakeholders, especially staff members, for their immense contribution in helping us attain our achievements as we look ahead to the future with hope.

Ufuk UYAN

**Member of the Board of Directors and CEO**



***Kuveyt Türk is committed to becoming its customers' business partner. In 2016, when it celebrated its 27<sup>th</sup> year in business, the Bank met its financial targets without compromising its superior service quality, leaving behind yet another year of success.***





# **SECTION II** **OPERATIONS IN 2016**

<b>24</b>	<b>Commercial and Corporate Banking Group</b>
<b>25</b>	<b>Loans</b>
<b>28</b>	<b>Retail Banking</b>
<b>37</b>	<b>SME Banking</b>
<b>40</b>	<b>Strategy</b>
<b>48</b>	<b>Treasury and International Banking</b>
<b>55</b>	<b>Financial Affairs</b>
<b>61</b>	<b>Risk, Control and Compliance Group</b>
<b>64</b>	<b>Law and Risk Follow-up Group</b>
<b>66</b>	<b>Banking Service Group</b>
<b>78</b>	<b>Corporate Social Responsibility and Sustainability</b>
<b>81</b>	<b>Awards</b>

## Commercial and Corporate Banking Group

**With a relationship banking approach,** our Bank aims to increase customer satisfaction.

**TL 2.7 billion**

The Commercial and Corporate Banking Group's **collected funds amounted** to L 2.7 billion.

Kuveyt Türk is committed to becoming its customers' business partner. In 2016, when it celebrated its 27<sup>th</sup> year in business, the Bank met its financial targets without compromising its superior service quality, leaving behind yet another year of success.

In 2016, The Commercial and Corporate Banking Group expanded its client portfolio to over 11 thousand active clients; collected funds increased to TL 2.7 billion. A total of TL 12.9 billion in funds was extended to clients during the year.

Kuveyt Türk has always been a pioneer in its sector with innovative solutions. Kuveyt Türk developed the Fixed-Term Export Financing service, enabling clients to collect their export receivables at the time of loading without waiting for the settlement date on their export letters of credit. This product, which was included in Export Finance with Guarantee Policy transactions in 2014, will continue to expand its scope of service in 2017.

With the customer value segment-centered automatic commission project launched at year-end 2016, the Bank aims to deliver faster and more productive services to customers.

With a relationship banking approach, our Bank aims to increase customer satisfaction. In 2015, Kuveyt Türk launched the Product & Segment Based Customer Efficiency Program, which calculates the net expense and income of the Bank's products and services, thus offering clients the most effective solution. In addition, Kuveyt Türk launched the Automatic Pricing Project in 2015 for automatically pricing customers' credits based on the value segment. The elaboration and development of both projects continued in 2016.

Aiming to identify the needs of customers accurately and to offer the most suitable solutions, in 2015 Kuveyt Türk integrated the Value and Behavior Segmentation Project into its entire Banking System. Through this newly executed segmentation structure, the Bank aims to maximize the speed of customer service delivery.

In 2017, the Commercial and Corporate Banking Group will continue to offer innovative products and services to meet the financing needs of customers. The Commercial and Corporate Banking Group's primary goals for 2017 are:

- To continue growing in the domain of financial leasing through making collective agreements with manufacturers that come from different sectors,
- To grow in the domain of project financing through placing an emphasis on sustainable energy and energy productivity projects.

## Loans

Assessing the projects they **evaluate firstly through focusing on repayment and collateralization**, Kuveyt Türk's loan specialists use methods that include customer visits, financial analysis and information gathering and reporting during this process.

### Effective Loan Products

Kuveyt Türk adds value to its customers' business operations via efficient loan products.

Aiming to boost the efficiency of the credit allocation process and adapt to the Bank's new customer segment, under the Loans Group, the SME Loans and Business Development Directorate and Regional SME Loans Directorates I, II, III and IV were created to get closer to the customer base. The Regional Directorates' loan allocation teams that operate in the field were connected to the relevant Regional Loan Directorates.

In order to reach more accurate loan allocation decisions, Kuveyt Türk set up its BOA Core Banking System, which is continuously being developed in response to the needs of the Loan Allocation Directorates. The Automatic Decision Support Systems employed in Retail Loans and Credit Cards made a huge contribution to the standardization of loan allocation decisions, loan risk management and operational productivity increases in 2016.

In order to adapt to the macroeconomic environment and market conditions and to keep credit risk at a minimum level credit strategies, credit policies, credit application principles and decision support rules have been reviewed periodically, and when needed necessary arrangements were executed. Furthermore, to manage the differences in credit committees and exceptions, Exception Application Principles were developed.

### Operations

Closing the year successfully in 2016, the Credits Department evaluated over 32 thousand individual loan and over 105 thousand corporate loan requests. The Corporate and Commercial Credits Departments are responsible to submit loan requests that they received from the branches, and to submit financial analyses and reports to the Bank's relevant committees. The Corporate and Commercial Credits Departments follow the latest developments in the banking industry in line with the related departments of Kuveyt Türk and update the loan appraisal processes.

Assessing the projects they evaluate firstly through focusing on repayment and collateralization, Kuveyt Türk's loan specialists use methods including customer visits, financial analysis and information gathering and reporting during this process. Loan assessments are conducted in line 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.

## Loans

In 2016, **automatically evaluated credit card applications reached 69%.**

For coming period the Bank is planning to increase these numbers further.

### Financial Analysis Reporting and Transformation of Allocation

The transformation project launched to transfer the modules employed for financial analysis reporting and loan allocation over to the BOA Core Banking System was completed in December. The financial analysis report and allocation proposal formulation process was upgraded with new monitors and the existing operational processes were optimized. In addition, the loan processes were fully integrated with the core banking module in terms of process and system. Improvements in the loan allocation processes have made significant contributions to customer satisfaction.

### Automatic Decision Support System

Thanks to a strong fund allocation assessment system, Kuveyt Türk has one of the highest international credit rating scores among all financial institutions in Turkey. In 2014, the Bank started operating a new business model, the Automatic Decision Support System in order to improve the strength of its fund allocation portfolio and to standardize and automate fund allocation processes. In this context firstly, customer scorecards and business rules were integrated in the individual loan allocation processes, allowing the system to deliver automatic approvals and rejections in a swift and accurate fashion.

In 2016, 62.5% of consumer loan applications were evaluated automatically, 14.9% of it were evaluated in the branches, and 22.6% of it were evaluated by the Individual Loan Department.

In 2016, automatically evaluated credit card applications reached 69%. For the upcoming days the Bank is planning to increase these numbers.

In the Automatic Decision Support System, business rules were developed for SME and microfinance funding, while ofware development was finalized. In 2016, the pilot testing period was executed. This system will be integrated with the Branch Classification Model; through this system, the branches will be able to approve the limit for low-risk customers. In addition, this system will enable the standardization of the decision making processes and manage loan policies via system in line with changing market conditions.

### The Corporate Credits and Commercial Credits Departments

The Corporate Credits and Commercial Credits Departments plan to continue to improve operational quality in 2017. The main objectives include improving the forecasts through the sector based enhancement of the corporate rating model and to create a rating model that is based on the credit risk groups.

### SME Loan Group Department

In 2016, Kuveyt Türk established SME Loans and Business Development Department, Regional SME Loans Directorates I, II, III and IV under the SME Loans Group which was founded in order to adapt to the new customer segment the SME Loan Departments delegated a significant part of their authority to the credit allocation teams that work under the regional directorates. By this means, the Bank aims to improve the efficiency of limit allocation and risk monitoring.

### Consumer Loan Department

In 2016, 22.6% of consumer loan applications and 31% of credit card applications were evaluated by the Consumer Loan Department. The rest of the applications were evaluated automatically, and also in the branches.

In order to improve the loan assessment process, credit card limit enhancement processes were carried to BOA. New projects were developed to integrate the credit card limit enhancement applications with the Automatic Decision Support System.

### Financial Analysis and Intelligence Department

The Financial Analysis and Intelligence Department prepares loan evaluation reports for companies that demand loans. These reports form the basis for the final decision made by the loan committees.

The reports are prepared by taking into account criteria including company activities, characteristics, capacity, liquidity, financial situation and profitability as well as intelligence and other market information.

As of November, 590 financial analysis reports were completed over Cybersoft and 1,225 new financial analysis reports issued by the branches were checked. The Bank also issued 61 new special reports as part of the World Bank loan distributed to participation banks through the intermediation of TSKB in 2016.

In order to deliver more efficient financial analysis and intelligence reporting as well as company assessments, the Bank transferred these processes from the Cybersoft platform, which it had used from 2009 to November 2016. In 2015, the Bank started work on the BOA Financial Analysis Information Updating System, which was designed to issue Financial Analysis Reports exclusively through a dynamic reporting module generated by the Bank's own R&D efforts. The system was rolled out across Kuveyt Türk as of November 2016. As part of the work on the new system, the Unit organized 38 meetings with all the units under and outside the Loans, held various workshops and paid visits to other banks to observe their practices.

Kuveyt Türk regularly conducts in-house training programs for its employees that work in the Credit Department, in order to better their financial analysis skills.

Thus, in 2016, the Financial Analysis and Intelligence Department held training programs for 227 employees that work in the various departments of the Bank, on e subjects of financial analysis and reporting.

#### **Innovative and Pioneering Practices**

Other innovations introduced by the Department in 2016 include:

- Financial analysis and allocation modules were transferred to the BOA Core Banking application.
- Land registry and cadaster data was shared over the TAKPAS system.
- The Mobile Approval scheme came to include transaction assessments.
- Automatic allocation limit, risk and delay data were included in senior management reports.

#### **Goals**

For the companies of the SMEs segment:

- Decision support systems will operate.
- The workloads of the General Directorate and the Regions will be lessened.
- The loan decisions will be standardized.

Thus, credit risk will be maintained at a minimum level.

## Retail Banking

In retail banking, Kuveyt Türk raised TL 2.1 billion in new funds, **boosting its total fund volume by 15% over the prior year.**

### 1.3 tons of gold

With Kuveyt Türk's "Golden Days" campaign, **about 1.3 tons of gold was integrated into the economy.**

As the first bank to introduce participation banking products and services to the retail segment, Kuveyt Türk acquired 446 thousand new participation fund customers and expanded its total retail customer base by 18% to 2.9 million.

In retail banking, the Bank raised TL 2.1 billion in new funds, boosting its total fund volume by 15% over the prior year. The Bank's total fund volume market share among all participation banks stood at 39.2%.

Kuveyt Türk inaugurated 27 new branches in 2016, bringing its total branch network up to 386 locations. The Bank delivers services via branches and ATMs positioned in prominent commercial and industrial hubs, an online branch designed with the latest in advanced technology, and a 630-strong retail sales staff.

#### Ziynet Gold Participation Account

The Bank posted a 50% increase in its precious metal accounts over the prior year. In terms of precious metal accounts, Kuveyt Türk has a 13% market share in the overall banking industry and a 73% share among participation banks.

Boasting a wide range of products in gold banking, Kuveyt Türk added a new offering to its Gold Banking line-up in 2016 with the launch of the Ziynet Gold Participation Account. This account, which can be opened only for the gold collected on social occasions called "Golden Days," offers a profit share of 95/5 to encourage individuals to invest their gold savings.

The Gold-to-Gold Participation Account was first developed in Turkey by Kuveyt Türk. The overall volume of the gold collected through this innovative service has climbed to 17.2 tons. Another Gold Banking offering from Kuveyt Türk is the physical gold collection campaign "Golden Days," which has succeeded in integrating 1.3 tons of gold into the economy. Kuveyt Türk's gold accounts make up some 8% of its total collected funds.

With the "Quarter Gold Coin" Account, it is possible to buy and sell physical and virtual quarter gold coins, to give buy and sell orders, and to accumulate gold regularly. In addition, customers can withdraw gold from all Kuveyt Türk branches or they can buy gold on the Internet and Mobile Branch.

#### Encouraging Savings: Dowry and Home Accounts

Kuveyt Türk, the sector leader in terms of narrowing the individual savings deficit in Turkey, has added the Dowry Account and Home Account to its portfolio.

Kuveyt Türk's main banking philosophy is to encourage people to save rather than spend. To this end, the Bank launched the Dowry Account for young persons who plan to get married. When individuals save money in their Dowry Account, which is a participation account, for a period of three years, they can receive a specified contribution from the state to boost their savings.

In order to help individuals who are not homeowners to purchase their first and only home in Turkey, the Bank set up the Home Account, which is eligible to receive

Kuveyt Türk, **the sector leader in terms of narrowing the individual savings deficit in Turkey**, has added the Dowry Account and Home Account to its portfolio.

a government contribution. The Bank will support its customers willing to save money in the long term with the Kuveyt Türk Government-Contributed Home Account designed in line with interest-free banking principles. Kuveyt Türk will help customers to save even more by offering them an additional profit share on top of the government contribution.

### 321 Thousand Cards

In 2016, Kuveyt Türk achieved its target of boosting the number of cards issued and the turnover of its card portfolio. The Bank recorded a 34% rise in the number of cards issued and a 31% increase in card generated turnover over the prior year.

During the year, the Bank started up an effort to introduce alternative distribution channels—the corporate web site and the mobile branch—as a means for customers to make credit card applications. In 2016, Platinum Card holders also began to receive assistant services. Platinum Card holders can dial the assistant service whenever the need arises.

The Needs Card product, another Kuveyt Türk offering that sets an example for other banks in the industry, continued to attract great interest in 2016. The Needs Card is on offer for the first time in Turkey as an alternative to general purpose loans credit. The innovative product allows customers to divide their short-term expenditures—for marriage, home renovation, education, travel, healthcare and similar—into 46 installments while enjoying a two-month grace period.

### Leading the pack in real estate finance

Retail Banking accounts for 14% of total loans, with a loan portfolio amounting to TL 4 billion. In 2016, Kuveyt Türk extended approximately TL 1.6 billion in new funds. Some 81% of this amount is composed of real estate financing.

Kuveyt Türk also boosted its market share in total consumer loans by 12% compared to the previous year to reach the top position in the real estate financing segment.

As part of ongoing construction projects, 1,290 new residential housing units were financed and a total of TL 190 million in funds were extended to home buyers.

Retail Banking aims to expand its fund volume in cars, Needs Cards, Needs Financing and DIP-BIP loans while acquiring more new customers in 2017. In Needs Financing and Auto Financing products, a dealer application system will be developed so that customers can apply for loans at dealerships with the system automatically extending these loans. As such, customers will swiftly complete these transactions without having to go to a branch.

### Continued Expansion in Private Pensions

Since February 2011, Kuveyt Türk has offered its customers Private Pension System (PPS) insurance plans, which include interest-free options such as sukuk, equities, participation accounts, gold and

silver accounts. In 2016, the Bank sold 65,000 PPS plans, bringing the total to 155,000. At year end, the PPS fund portfolio totaled TL 350 million and commission income amounted to TL 2 million.

Neova Sigorta (Neova Insurance) abides by the principles of tekâful (interest-free insurance) in all its operations and contracts. It is the only insurance company to provide such a service in Turkey. Kuveyt Türk has cooperated with Neova Sigorta since 2010, and bolstered this relationship further in 2016.

Focusing on meeting all the finance-related needs and expectations of its customer base in accordance with interest-free banking principles, Kuveyt Türk collaborates with Neova Sigorta and Katılım Emeklilik. This collaboration allows the Bank to provide its customers with a rich collateral structure and alternative product packages to meet their insurance needs. The total insurance premium that Neova Sigorta generated in 2016 via Kuveyt Türk amounted to TL 86 million.

With its innovative approach, forward-looking technology investments and customer-focused service approach, Kuveyt Türk has expanded its range of interest-free insurance products and services in collaboration with Katılım Emeklilik. The Bank started selling Personal Accident, Life Insurance with Commercial Loan, Loan-Linked Personal Accident and Education Assurance products. The total insurance premium that Katılım Emeklilik produced via Kuveyt Türk amounted to TL 18 million during the year.

## Retail Banking

Currently, the Bank operates 36 XTM's, 23 of which have branch status. In 2016, around 13,000 new customers were acquired via these XTM's. **The value of the funds collected by XTM branches increased four fold compared to end 2015 while the amount of funds extended nearly tripled.**

In 2016, Senin Bankan **garnered two awards** at a competition organized by International Data Corporation, **in the categories of "Financial Inclusion" and "Digital Channels."**

### We're personally visiting pensioners

Keenly aware of its social responsibilities as well, Kuveyt Türk continued its project that launched in 2015 of delivering the salaries of the pensioner customers who cannot come to the branches to get their salaries due to health problems.

In 2016, the process of designing CRM screens that are compatible with the infrastructure of the Bank, and that are easy to use and integrated with other systems, continued. "Customer 360" and "Portfolio 360" screens were developed to enable marketing personnel to analyze customers and their entire portfolio thoroughly. The "Sector 360" screen, which can perform customer and staff based analysis, was initialized for use by branch managers, region managers and sector executive vice presidents.

Another innovation introduced in 2016 is the "My Campaigns" tab specially designed for customers using the Internet and Mobile Branch. Thanks to this innovation, Kuveyt Türk has reinforced its customer oriented retail marketing approach.

By carrying out analytical activities, systems that provide campaign management were developed, and effectiveness of the campaigns was increased. Value and Behavior Segmentation Models were revised and a contribution was made to marketing activities. With the Data Quality Project, infrastructure was developed for updating customer data and significant success was achieved.

### ADC Marketing

In 2015, the Bank created the ADC Marketing Department under the Retail Banking Department. The ADC Marketing Department basically aims to decrease the operational expenses of the branches and to apply new marketing trends.

The Department features teams that operate Senin Bankan, the first interest-free digital banking product in Turkey and globally; XTM, the world's first project that blends video chat with self-service transactions; in addition to various projects to gear up mobile and online marketing efforts.

The main goals of the Department, which is designed to market the projects developed in house at Kuveyt Türk, are cutting operational costs and reshaping Alternative Distribution Channels to boost their profitability.

### XTM

Launched in 2013 with the inauguration of the first XTM point, this project aims to reduce the expenses of the branches and to take participation banking services into every facet of the Bank's operations. The XTM project continued to grow in 2016, via the opening of new branch locations and the expansion of transaction sets. Currently, the Bank operates 36 XTM's, 23 of which have branch status. In 2016, around 13,000 new customers were acquired via these XTM's. The value of the funds collected by XTM branches increased four fold compared to end 2015 while the amount of funds extended nearly tripled.



The Retail Banking Department was established primarily to offer financial services to **Kuveyt Türk customers that are small business owners or who belong to professional occupational groups.**

### Senin Bankan

In early 2015, Kuveyt Türk launched Senin Bankan, Turkey's first digital interest-free banking platform. Unlike the regular banking transactions across Kuveyt Türk, Senin Bankan enables customers to access numerous banking services without having to visit a branch location. Senin Bankan has included many more products in its offering, while making crucial contributions to the digital banking segment. Senin Bankan's services and promotional campaigns received very positive feedback from customers, as it grew its customer base to 50,000.

Senin Bankan clients can open accounts as well as receive credit card, Needs Card, house financing and car financing products. In 2016, Senin Bankan came to include other product offerings such as PPS, life insurance and personal accident insurance. In 2016, Senin Bankan garnered two awards at a competition organized by International Data Corporation, in the categories of "Financial Inclusion" and "Digital Channels."

### Mobile - Internet Branch

In 2015, Kuveyt Türk launched its iOS and Android Mobile Branch apps, developed with in-house resources, and worked to boost the number of customers who use the mobile branch in 2016.

During the year, Kuveyt Türk's Mobile Branch active user base expanded by 75% while the number of digitized active customers rose by 47% compared to 2015. Currently, 40% of the Bank's active customers use the digital channels. With the increase of Mobile and Internet Branch use, Kuveyt Türk boosted

its foreign currency and precious metals revenue via these channels by 23%.

In 2016, the Bank also closely monitored developments in Fintech and conducted in-depth studies into its effects on the industry.

### Retail Banking

The Retail Banking Department started operations at the beginning of 2015. It was formed mainly to render financial services to small business owners and professional occupational groups (doctors, lawyers, and similar). Small and medium-size enterprise (SME)s constitute about 30% of the Turkish business sector; the number of small business owners and artisans that belong to this segment is more than 1.5 million. The Retail Banking Department aims to identify the needs of these customers, develop products to meet these needs, and deepen customer relationships via product diversification.

The Retail Banking Department launched the Shopkeeper Card, Product Packages, and Contracts with Contribution Shares in 2015, followed by the roll out of the Shopkeeper Insurance Package in 2016.

While the amount of funds collected from the customers in this segment increased more than two times, the banking service revenues increased more than 1.5 times.

In 2016, the Retail Banking Department offered its customers the **Shopkeeper Insurance Package.**

## Retail Banking

Kuveyt Türk's Private Banking and Wealth Management Group **serves customers from 64 countries** on six continents and manages customer assets worth more than TL 4 billion.

Private Banking and Wealth Management Group actively marketed **11 sukuk issues** to qualified investors.

### Private Banking and Wealth Management

The Private Banking and Wealth Management Group was established to meet the investment and financial needs of domestic and foreign clients in the high net worth individuals segment via privileged and prioritized services, at the best prices and with the widest product range. The Group provides products and services to private customers and NGOs with assets worth TL 1.25 million at minimum and fund allocation worth TL 750 thousand.

### 4,000 Customers on Six Continents - TL 4 Billion in Assets

As the one and only participation bank to position high net worth individuals in the Private Banking segment, Kuveyt Türk serves customers from 64 countries on six continents and manages customer assets worth more than TL 4 billion. At year-end 2015, the Bank had a total of 2,500 Private Banking clients, 20% of whom were foreign; at year-end 2016, the Bank boasted 4,000 Private Banking clients, 34% of whom are foreign.

### 11 Sukuks Issued in 2016

In 2016, the Private Banking and Wealth Management Group offered special solutions such as qualified sukuk issuance, personalized sukuk issuances, and personalized mutual funds to its customer base.

During the year, the Private Banking and Wealth Management Group actively marketed 11 sukuk issues to qualified investors. In 2016, three hedge funds featuring TL sukuk fund, USD sukuk fund and mixed equity funds were established by KT Portföy, for Private Banking customers; these products, too, were marketed in an active manner.

### Services Tailored to Meet Every Need

The Group meets the financial needs of its Private Banking clients via the İstanbul Private Banking Branch where they receive privileged services; these customers are also served by Private Banking Corners at 10 other branch locations. At these corners, clients explain their current needs and obtain investment advice in a secure manner. For customers who want to receive services overseas or who seek to invest in interest-free products, the Bank provides access points in Bahrain, Kuwait and Germany.

The Private Banking and Wealth Management Group executes agreements with top-notch construction development projects and participates in both domestic and overseas real estate fairs to become the bank of choice for high net worth individuals from the Gulf Region who want to invest in Turkey. Furthermore, work is ongoing to establish a real estate investment fund managed by KT Portföy to serve Gulf Region investors who want to capitalize on opportunities in the Turkish real estate market.

In 2016, the Bank launched the Home Account to encourage first-time home buyers to make long-term savings plans, while the **Dowry Account encourages individuals who plan to get married to save.**

During 2016, in response to demand from Gulf Region clients, Private Banking started to deliver exclusive advisory services on issues such as law, taxes, zakat, inheritance, real estate, arts and education overseas.

In addition, special economic bulletins and market reports in Turkish and English are issued for Private Banking customers to keep them up-to-date on domestic and overseas markets.

Launched at end-2015, the Private Banking credit card grew to a total of nearly 850 customers in 2016, offering cardholders special discounts in overseas spending, free lounge services at nearly 500 airports, as well as free-of-charge access to all ATMs for the Private Banking debit card.

#### Personalized Exclusive Services

Private Banking works relentlessly to deliver better quality services to customers. To this end, the Department conducted a segmentation study in early 2016, whereby Private Banking customers were divided into five segments. The study also resulted in more customized products and services being offered for customers in each segment. Meanwhile, to better understand customer behavior, the Bank carried out a behavior-focused segmentation study.

Special mobile, web and phone communication channels were set up for customers during the year. Personnel fluent in English or Arabic started to deliver privileged services to Private Banking clients speaking those languages.

The web site [www.kuveytturkoznel.com.tr](http://www.kuveytturkoznel.com.tr) was upgraded in mid-2016 and now provides services in Turkish, English and Arabic. As such, domestic customers can instantly open accounts while the Bank can acquire new customers more effectively.

At the world-renowned W3 Awards, where Fortune 500 companies and international agencies compete with global web sites that are ranked according to product presentation and design, the Bank received the "Silver Winner" prize for its Private Banking web site.

#### Focus on Customer Acquisition

The Private Banking and Wealth Management Group plans to expand its customer base, portfolio size and branch network with private banking representatives in 2017, under the brand Kuveyt Türk Private Banking. In the coming year, the Bank will also set up a new model to deliver private banking services to real persons positioned in segments that appeal to legal entities, thus ensuring that these customers can make the best use of Private Banking services.

#### Core Banking Product Development

In 2016, the Core Banking Product Development Department rolled out the following products and services:

##### Fund Collection

**Dowry Account:** This participation account is designed to encourage individuals to marry, whereby families can make savings on behalf of their children or persons younger than 24 can save money for their dowry. When customers put away savings in the Dowry Account for at least three years, they can enjoy a government contribution as well. The account allows savers to deposit sums in monthly or three-monthly periods.

**Home Account:** This participation account encourages customers seeking to buy their first home to save money regularly, while benefiting from a government contribution and high rates of profit sharing. Customers who want to become homeowners can receive the government contribution when they save money in this account for at least three years. The account allows individuals to deposit sums in monthly or three-monthly periods.

**Gold Jewelry Participation Account:** Under the integration between Istanbul Gold Refinery (IAR) and Kuveyt Türk, gold items brought in to the Bank's branches by customers are analyzed by IAR experts. After an assessment to determine the gold carat and weight, the customer is given a signed form which lists the gold's purity level, weight in grams, its pure gold content and the amount in grams to be deposited in the account. The customer can then go to the counter to deposit the stated amount of pure gold to his/her account. As such, the gold is deposited in an account with a high profit sharing rate.

## Retail Banking

The Kuveyt Türk web site provides customers with detailed information on the Bank's products and services, as well as **up-to-date financial data**, including financial reports in Turkish and English.

Kuveyt Türk delivers its customers mutual funds denominated in Turkish lira or US dollars as **a lucrative, alternative investment instrument.**

### Fund Allocation

**Leasing with Profit Share:** Pursuant to Kuveyt Türk's agreement with leasing providers, this financial leasing product allows the Bank to receive all or some of the profit from the provider, and not from the customer.

**Machinery and Equipment with Industrial Registry Certificate:** This product provides BSMV tax exemption to Kuveyt Türk clients, such as industrial enterprises that hold an Industrial Registry Certificate, in their purchases of new machinery and equipment.

### Foreign Trade and Treasury

**Mutual Funds:** Kuveyt Türk, via its subsidiary KT Portföy, delivers its customers mutual funds denominated in Turkish lira or US dollars as a lucrative, alternative investment instrument.

### Lease Certificate (Sukuk) Transactions:

In addition to issuing lease certificates (sukuk) denominated in Turkish lira or US dollars, the Bank intermediates in the secondary trading of other lease certificates approved by both KT and the Audit Committee.

**Forward for Loan Installments:** This product allows customers who took out funds in DEK or foreign currency to turn their upcoming repayments from the foreign currency into Turkish lira via forward contracts.

**Export Futures Pre-Financing:** This product helps exporter clients who lack the financial means to receive financing to manufacture a product that they will export.

### Alternative Distribution Channels (ADC) Product Development:

Established in 2015 under the Product Development Group, ADC Product Development was divided into two subgroups in 2016: Digital Banking and Payment Systems Product Development.

ADC Product Development aims to integrate the latest technological developments into banking, while offering more product and service delivery channels for customers via digital payment systems, in addition to conventional channels.

To this end, the Department designs channels best suited for the special needs of customers, to help them meet their needs via alternative channels without having to visit a physical branch.

### Digital Banking

**Kuveyt Türk Web Site:** The web site provides customers with detailed information on the Bank's products and services, as well as up-to-date financial data, including financial reports in Turkish and English. The home page directs visitors to the Senin Bankan web site to submit applications for New Accounts, Car and

In 2016, **Senin Bankan** added insurance policy applications to its product range and widened the service mix offered to the customer base, thereby **introducing tens of thousands of new customers to Kuveyt Türk products.**

Home Finance, Needs and Sale Plus cards. Attracting a monthly average of 731,000 users, the Kuveyt Türk web site is the 374<sup>th</sup> most visited web site in Turkey. In 2016, work commenced on a new corporate web site, which will soon launch complete with new features and a more user-friendly interface.

**Internet Banking:** Kuveyt Türk Internet Branch continued to offer new features to add practicality to clients' lives in 2016. Following integration with the e-Government system, customers can now log-in to their e-Government account via the Internet Branch, without having to enter another password. The SIM Block Removal feature added to Internet banking has allowed customers to remove a SIM block after passing the required security checks, without having to visit a branch. In addition, a Special Campaigns menu and a corporate admin panel for corporate accounts were put to the service of users.

**Mobile Banking:** Committed to serving its customers via all digital platforms, Kuveyt Türk continued to expand its active customer base on the Mobile Branch, which features software developed exclusively in-house. Functionality enrichment work is ongoing for the transfer of numerous transaction sets to the Mobile Branch in order to deliver a user experience equivalent to that of the Internet Branch.

Following intensive efforts in 2016, customers started to make loan payments on the Mobile Branch and execute Motor Vehicle Tax and other tax payment transactions via this emerging channel. In addition, a series of projects is underway to provide the same functional transaction set to users of HGS payments and arbitrage transactions on the iPhone and Android platforms. In another extension of the digital transformation drive, an Admin Panel specially designed for corporate clients was launched to allow for management of corporate accounts without going to the branch.

**Senin Bankan:** Senin Bankan is a digital banking platform where Kuveyt Türk customers can apply for various products without visiting a branch. The site received the People's Choice award at the Golden Spider 2015 Competition. Senin Bankan helps customers open an account over the Internet, and apply for credit card, vehicle finance, mortgage and needs financing.

In 2016, Senin Bankan added insurance policy applications to its product range and widened the service mix offered to the customer base, thereby introducing tens of thousands of new customers to Kuveyt Türk products. Embracing its identity as a Digital Bank, Senin Bankan develops all its business processes in line with branch-free banking principles. In 2016, Senin Bankan continued to move forward with redesign of the Internet Branch, new systems infrastructure work, Private Pension System and other insurance policy applications.

### Payment Systems

In order to offer an unrivaled payments systems experience to both retail and commercial customers, Kuveyt Türk completed a series of payment system related projects in 2016.

**Credit Cards and Debit Cards:** In 2016, the Bank took measures to enhance its credit and debit card processes, while also launching a series of brand new products. Kuveyt Türk's software was completely integrated with TROY, a payment systems service provider developed by the Interbank Card Center (BKM). With this upgrade, Kuveyt Türk POS devices now accept TROY-compatible cards. In addition, Kuveyt Türk started marketing cards with the TROY logo.

During the year, the SME Card was introduced to finance the procurement of goods and services by commercial clients. This card helps commercial customers perform transactions in domestic POS devices and enjoy 3-12 installment repayment options. To obtain this card, which is instantly printed and delivered at the branch, a client only needs to have an existing commercial loan limit.

Systems related developments on Kuveyt Türk's new, robust retail credit card—Sağlam Kart (Solid Card)—was completed in 2016. Sağlam Kart allows Kuveyt Türk customers to pay for their healthcare and education expenses in installments. The innovative card product encourages customers to rationalize their spending, while rewarding customers who spend regularly and make on-time payments with gold in grams.

## Retail Banking

As of year-end 2016, **36 XTM**s, **23 of which have branch status, are in active operation.**

In the coming year, the Bank plans to start testing a branch concept with double XTM devices.

In 2016, the Bank developed **new menus with added value** as part of the work on ATM infrastructure.

Following an upgrade to the Kuveyt Türk Campaign Management System, customers can perform their campaign log-in and log-out actions interactively via SMS.

**POS:** Kuveyt Türk's POS software is now integrated with new model cash register POS devices such as BEKO 300TR, Ingenico IDE280 and IWE280. As a result, Kuveyt Türk customers can opt for a Fixed Tariff POS with commission and POS block, or instead acquire a Kuveyt Türk POS device with a fixed monthly fee.

In POS commission updates, the Bank established an automatic commission determination system based on customer productivity data. This upgrade has led to a boost in operational efficiency.

Kuveyt Türk launched Merchant Safe, which allows contracted merchants to register customer credit card data according to the criteria (index number, customer number, telephone number, Turkish ID number, and the like) of their choosing. With Merchant Safe, contracted merchants create a separate index number for each card, and use this index identifier instead of the credit card to perform transactions with Virtual POS devices. Sensitive credit card data, which pose a risk for contracted merchants are stored in a certified environment. The merchant defines the payment provision according to a predetermined index number, thus relieving the merchant of potential risks such as credit card data theft, loss and abuse.

**Virtual POS:** The Bank analyzed and improved user experience based on feedback from customers that use the Virtual POS contracted merchant panel.

**XTM:** In 2016, the Bank undertook efforts to improve the workflow of XTM Digital branches, the first of which was inaugurated in 2013, with various process malfunctions eliminated. Projects were conducted on collective receipt issuance from XTM's, components that cannot be monitored, and XTM Plus. Additionally, Contract Module infrastructure was added to XTM devices in order to comply with the Law on Banking.

As of year-end 2016, 36 XTM's, 23 of which have branch status, are in active operation. In the coming year, the Bank plans to start testing a branch concept with double XTM devices.

In 2016, the Bank acquired 13,000 new customers via XTM's, thus generating new deposits worth TL 190 million. Furthermore, the XTM Branch extended funds worth TL 80 million to customers during the year.

**ATM:** In 2016, the Bank developed new menus with added value as part of the work on ATM infrastructure. ATMs have started delivering services such as money exchange, EFT/POS (with or without card), loan repayment in installments (with or without card) and Assessment Selection and Placement Center (ÖSYM) payments (with or without card), so that customers can perform these transactions quickly and easily.

## SME Banking

In 2016, Kuveyt Türk SME Banking expanded its deposits to TL 7.2 billion and **boosted its total fund volume by 11% over the prior year.** Of this total figure, TL 3.8 billion is in current accounts with TL 3.4 billion in participation accounts.

### TL 13.4 billion

SME Banking has a total loan book of TL 13.4 billion, **accounting for 35% of the Bank's total loans.**

For 27 years, Kuveyt Türk has served as a robust business partner of small and medium enterprises, delivering specialized services for SMEs in manufacturing, exports, investment finance, and banking. The Bank supports SME clients through 385 branches across the country, mobile and internet banking, and a special web site targeting this segment.

In 2016, the innovative transformation process started in SME Banking, resulting in a structure that analyzes customers more effectively, knows them better, delivers higher service quality and customer satisfaction. Thanks to this revamped structure, customers are segmented and categorized to render the Bank's internal organization more effective.

During the transformation process, which lasted about a year, the Bank segmented customers according to their productivity, size, volume and history; established portfolio management systems; diversified pricing schemes; and introduced an automatic pricing system.

As of year-end 2016, Kuveyt Türk switched to the auto-commission system. Based on existing commission list prices, the Bank offered varying discounts depending on the industry and value segment of the customer, with a special commission pricing planned for each client. As such, Kuveyt Türk's automatic commission system is expected to lay the foundations for a more equitable structure, simplify processes, accelerate transactions and boost commission revenues.

### TL 7.2 billion in deposits

In 2016, Kuveyt Türk SME Banking expanded its deposits to TL 7.2 billion and boosted its total fund volume by 11% over the prior year. Of this total figure, TL 3.8 billion is in current accounts with TL 3.4 billion in participation accounts.

Enjoying growth momentum that outperforms the sector, Kuveyt Türk SME Banking improved its share of cash loans in the banking sector as a whole: from 2.88% as of year-end 2015 to 3.10% as of year-end 2016. The Bank's share of cash loans among participation banks rose from 32.4% at end-2015 to 42.8% at end-2016.

SME Banking's total loan volume rose to TL 13.4 billion, accounting for 35% of total loans in the Bank. Of this total loan volume, TL 10.5 billion is cash loans while TL 2.9 billion is non-cash loans.

### 19% increase in customer numbers

Kuveyt Türk SME Banking's funds extended in 2016 are as follows: approximately 70% for financing businesses, 13% for real estate financing, 7% for vehicle financing, and 5% for leasing financing.

During the year, the number of customers in our SME Banking Portfolio went up by 19%: from 185 thousand at end-2015 to 220 thousand at end-2016.

## SME Banking

In order to deliver an unrivaled payments systems experience to both retail and commercial clients, **Kuveyt Türk executed a series of upgrade projects in this area in 2016.**

### Sağlam KOBİ Kart (Solid SME Card)

With the Sağlam KOBİ Kart (Solid SME Card), launched in March 2016, Kuveyt Türk allocated funds with up to 12 installments from existing credit limits, becoming the only participation bank to integrate a business finance loan with a card product.

Designed without the drawbacks of business cards and easy to obtain, Sağlam KOBİ Kart allows customers to access funds 24 hours/day, including weekends. Compared to regular business cards, Sağlam Kobi Kart's key differentiating features are that no additional credit limit is needed and branches can immediately print a card using existing credit limits.

To date, 24 thousand transactions have been performed with SME Card, yielding TL 128 million in turnover. In a 10-month period, SME Card reached a cash loan of TL 55 million. SME Banking views the card as a strategic product with high potential for the coming year.

### Online Finance System

In 2016, the Bank offered the Online Finance System via mobile and Internet branches as a product to allow customers to secure funds with less cost and more speed.

The Online Finance System was developed to make customer fund transactions easier and provide flexibility according to the needs of the customers. With Kuveyt Türk's

Online Finance System, customers can initiate the project application with only a proforma invoice, without going to a branch, and rapidly obtain funds at better fee and commission rates.

Although a new product, Online Finance was embraced quickly by customers and used in total of 166 branches. Upon the launch of the product, customers executed transactions worth TL 70 million without visiting a branch, in a more economical manner, saving both time and cost.

### Leasing with Profit Share

By launching a leasing product with profit share in fourth quarter 2016, Kuveyt Türk has become the one and only participation bank to deliver this service. In the leasing with profit share offering, all or some of the financing cost is charged from the seller; the customer who takes out the loan can enjoy installment payments via an invoice that excludes the profit share and commission fee.

### Agricultural Banking

Kuveyt Türk's Agricultural Banking products provide support to customers registered in the Farmer Registry System and who demonstrate financial need in the agriculture and livestock sector. Plant production support, milk and livestock support, tractor support, cropland financing and agricultural machinery leasing are some of the Agricultural Banking products on offer. In addition, the Bank helps farmers

applying to TKDK (Agricultural and Rural Development Support Agency)'s grant support program and TARSİM (Agriculture Insurance)'s agriculture insurance coverage. Repayment installments are scheduled according to the farmers' harvest times.

In 2016, the Bank's agricultural financing increased 90% over the prior year. Total fund allocations via the Tohum Kart (Seed Card), which gives farmers the chance to make payments at harvest time and repay their loans without hardship, amounted to TL 9.5 million in 2016.

### DBS-DTS (Direct Lending - Collection System)

DBS is a payment system where primary companies who grant franchise licenses or work with dealers and distributors can guarantee their collections while dealers enjoy various payment solutions. In 2016, the Bank made the following improvements to DBS:

- Murabaha with profit share has been enabled over the DBS system.
- Customers can now submit invoices in foreign currency.
- Firms can integrate their accounting programs with the system online.
- DBS invoice submission and reporting procedures over the corporate web site underwent upgrades.
- The system was integrated online with the Risk Monitoring Department to monitor the position of DBS firms.



In 2016, the Bank allocated USD 310 million to help exporter customers meet their financial needs, in the form of products such as **Export Guarantee Loan, Eximbank-SÖİK Loan and Long-Term Export Finance.**

Thanks to these improvements completed during the year, the total volume of the DBS system increased 115% to TL 200 million. In 2016, the number of DBS main firms rose 110% to 135, while the number of dealers increased to 800. DBS recorded 16,000 invoice submissions over the system, which helped save 22,000 hours of work.

#### **Sağlam (Solid) Dealer Credit Card**

Kuveyt Türk's Sağlam (Solid) Dealer Credit Card is a commercial credit card that gives a systematic structure to the commercial payments and collections among distributors and dealers, allowing for the purchases of goods with payment installments. The card offers a practical payment system that relieves businesses from the obligation of paying with cheque, promissory note or cash.

#### **Fixed Tariff POS**

This solution allows contracted merchants to collect on the next day, in return for a fixed monthly fee, the payments for one-off sales made with credit card up to a certain tariff limit, without paying a commission fee. The target user for this scheme is Micro and SME segment clients who prefer to pay a specified monthly tariff.

#### **Profit-sharing POS revenue distribution infrastructure**

This business systems infrastructure is designed mainly for customers in the SME segment, which have a smaller credit limit and dealer network than firms participating in the DBS system. A POS agreement is reached with the main company to help dealers divide their transactions into installment payments. The dealer executes

payment in installments while the main company collects the payment in advance instead of receiving a commission.

#### **Virtual POS upgrades**

Under the Virtual POS UX upgrade, the Bank made improvements and corrections to menu interfaces, number of installments, user data, card data, address data, end-of-day order follow-up and manual POS transactions.

#### **Foreign Trade Marketing**

Kuveyt Türk diversifies its foreign trade finance products each day, boosting its support to export-oriented SMEs and helping Turkey increase its foreign currency revenues. To this end, the Bank offered the following new products to SMEs in 2016:

**Eximbank Loan:** In 2016, an Eximbank-SÖİK (pre-shipment export credit) loan in US dollars was allocated to provide financing to export-oriented customers. In addition, under the agreements entered into with Eximbank, the Bank began to deliver Eximbank-SÖİK loans in TL and Euro.

**TSKB-World Bank Loan:** The USD 50 million in funding secured from World Bank through the intermediation of TSKB was allocated to SMEs and export-oriented firms to meet their financial needs in raw material procurement, production machinery purchases and long term investments such as energy projects.

#### **Marketing and Product Development Activities**

In 2016, the Bank allocated USD 310 million to help exporter customers meet their financial needs, in the form of products such as Export Guarantee Loan, Eximbank-SÖİK Loan and Long-Term Export Finance.

Aiming to provide more support to exporters within its efforts to develop new export financing products in line with participation banking principles, the Bank held meetings with the Central Bank of Turkey regarding rediscounts. The Bank also met with BRSA and the Association of Financial Corporations regarding cash against documents export transactions to this same end. Work in this area is ongoing.

A Foreign Trade Working Group has been established within the Association of Turkish Participation Banks under the leadership of Kuveyt Türk. The working group will meet periodically to contribute to the participation banking industry by helping banks share their experience in foreign trade, assess existing practices and work on new products.

#### **Key indicators**

Thanks to ongoing efforts in 2016:

- Exporter customer numbers expanded 9%, from 6,232 to 6,792;
- Importer customer numbers increased 3%, from 6,360 to 6,557;
- Branch locations performing foreign trade transactions rose 7%, from 330 to 356;
- Foreign trade commissions jumped 20%, from TL 27.9 million to TL 35 million.

## Strategy

Studies and surveys conducted in 2016 showed that Kuveyt Türk attained its targets in key areas such as **service quality and customer satisfaction**. The 72% participation rate in the Internal Customer Satisfaction Survey confirmed employees' trust in the survey.

The Bank is **taking the physical and technological measures** needed to render banking services accessible to disabled customers.

The Strategy Planning and Corporate Performance Management Department, Strategic Program Management Office, Branch Performance Management Department, Training and Quality Group Management, Human Resources and Corporate Communications Department operate under the Strategy Group.

The aim of the business plans of the units functioning under the Strategy Group is to disseminate the strategy by making sure that all employees focus on the right targets in order to plan the strategic priorities of the Bank, support the strategic management processes through department-based reports, and achieve the strategic goals of the corporation.

The main goals of the business plans of the departments operating under the Strategy Group, are planning the Bank's strategic priorities, identifying and managing the necessary steps to achieve these plans, through efficient human resource management shaping the Bank's organizational structure and quality management system in line with the strategic plan and priorities, and managing the relationship between internal and external factors in parallel with the Bank's strategic goals.

### Strategy Planning and Corporate Performance Management Department

The main responsibilities of the Strategy Planning and Corporate Performance

Management Department are: within the framework of the mission and the vision of the Bank, to identify the Bank's medium term, and long term strategies in line with the Board of Directors and the Senior Management's points of view, and conducting goal setting studies with the business units in a coordinated manner, and executing these goals. Updating the defined strategies in line with the changing conditions thus creating an ideal environment for the Bank to reach its maximum potential is among the priorities.

The Strategy Planning and Corporate Performance Management Department develops performance criteria related to strategy's assigned position, administers improvement of the services and gathers, analyzes and interprets the information and the data related to the performance.

Performance targets of these departments are designated by taking into consideration the strategic roadmap, projects and priorities. Key Performance Indicator (KPIs) are used as management tools to ensure that the Bank operates in line with the strategic priorities.

Also among the functions of the department are examining the external factors that can affect the services, conducting capacity research within the Bank, analyzing both the effectiveness of the services and the satisfaction level, and conducting general research. Some other tasks of the department are making sure that the Bank's annual budget, including the

As of year-end 2016, the Bank completed 28 of the 47 defined projects and developed the remaining projects according to plan, thereby **making a significant contribution toward fulfilling the organization's strategic objectives.**

budget forecast for the upcoming years are prepared by taking the strategic plans and the annual performance program into account, and monitoring and evaluating if the Bank operates in line with the strategic priorities.

The Bank also aims to research and analyze new business lines that are going to serve the Bank's strategic goals, evaluate investment opportunities, and continue with economic research activities in 2017.

### Strategic Projects Management Department

The main responsibilities of the Strategic Projects and Program Management Department include: management of strategic projects that involve the entire Bank, management of projects related to a specific sector or group in line with strategic goals and the establishment of the project management framework.

To this end, the Bank formulated and started monitoring a strategic projects roadmap via the Project Portfolio Management Tool during the year. Twenty-eight of the 47 projects in this roadmap were completed. Progress was made on the remaining projects as planned, with significant contributions made toward fulfilling the organization's strategic objectives. Some of the projects completed include:

**Banking for the Disabled:** The Bank made the physical and technological arrangements needed to render banking services accessible to disabled customers.

**Corporate Web Site Transformation:** The Bank upgraded the corporate web site with an innovative design based on customer needs.

**Supporting the Sales Team with Mobile Technology:** The Bank developed a Sales Management mobile app, running on iOS-compatible mobile phones, to help the sales team become more effective in the field.

**Integration of Mutual Funds:** Under this project, the Bank completed infrastructure and system development work to offer Kuveyt Türk investment account owners non-TEFAS funds by KT Portföy A.Ş.–a wholly-owned Kuveyt Türk subsidiary–as well as funds within TEFAS, on which the Turkish market runs.

**Banking School:** As part of the first phase of the Banking School project, Kuveyt Türk set up Sales and Credit, Basic Banking, Operations and Risk Management faculties. In the second phase, the Bank will establish faculties of Management and Leadership in addition to Personal Development.

**Centralization Program:** The Bank successfully conducted and completed 16 projects to transfer various branch operations over to Technological Applications or to the Operations Center.

**Branch Business Model:** Designed to make branches more sales oriented, the Bank tested the new branch business model in one region. It will be put into service in two pilot regions from 2017 onwards.

### Branch Performance Management Directorate

In 2016, the Bank grouped all the performance management processes belonging to branches under the Branch Performance and Management Directorate.

The Directorate carried out these activities during the year:

- Branch performance scorecards, shaped according to the new customer segmentation (portfolio-branch-region) in 2015, were made uniform for each sector.
- Performance scorecard APGs were revised in line with the needs of the sectors.
- Consolidated performance charts were created in the BOA for portfolios, branches and regions.
- Aiming to better manage performance scorecards, info-reports were issued to attain the standards of target realization simulation, customer list report integration, and scorecard card measurement application.
- In order to enable Groups and Regional Directorates to monitor the target-realization levels in the branches, scorecard detail reports were issued in the BOA.

## Strategy

In 2016, at the ETİKA Competition where EDMER ranks companies according to compliance with ethics-related criteria, **Kuveyt Türk received the Ethics Award for the second year in a row**, confirming its commitment to Ethical Banking.

- Performance measurement processes were redesigned.
- Branches were sorted according to branch type and the sector in which the sales and operational staff are active.

The Branch Performance Management Directorate's targets in 2017 include:

- Performance scorecard APGs will be revised according to the new customer segmentation criteria.
- Branch operation scorecards will start being written in the BOA.
- Modifications in the budget and performance systems will be integrated with the performance scorecards.
- Target distribution parameters will continue to be developed.
- Changes will be made to the measurement method of performance scorecard target realization levels.
- Customer experience research components will be included in future surveys to enhance customer satisfaction of relevant products and services.
- Joint work will be planned and carried out with the Process Development Directorate to restructure Customer Satisfaction Processes.

### Organization and Quality Development Directorate

The Organization and Quality Development Directorate operating under the Strategy Group is responsible for:

- Conducting customer surveys,
- Carrying out projects in order to improve the service quality,
- Resolving customer complaints,

- Conducting improvement projects in order to increase customer satisfaction,
- Correcting, preventing and ameliorating any current or future problems arising from the Bank's products and services via the DÖF (Corrective, Preventive and Remedial Actions),
- Conducting and controlling projects related to ethical banking,
- Evaluating suggestions sent by customers and employees over the Solid Idea Platform,
- Regularly reviewing the Bank's organizational structure and implementing modifications as needed,
- Formulating staff plans for the Head Office, Regions and Branches,
- Conducting business valuation studies for various positions in line with the Bank's organizational structure,
- Organizing and running the Quality Document Management System,
- Managing the Company Authorization System and upgrading it in line with changing conditions,
- Overseeing efforts to obtain ISO 10002 and EN 15838 certifications, and the ranking of sales and operations staff by sector.

Studies and surveys conducted in 2016 showed that Kuveyt Türk attained its targets in key areas such as service quality and customer satisfaction. The 72% staff participation rate in the Internal Customer Satisfaction Survey, which included questions on business, communication and general satisfaction, has confirmed employees' trust in the survey. According to the results of the Internal Customer

Satisfaction Survey, the general average was 3.50 out of a possible 5 in 2016. The average of the three-monthly visits by the Secret Customer Survey came in at 96.93 points.

During the year, the Organization and Quality Development Directorate conducted the following activities:

- In 2016, at the ETİKA Competition where EDMER ranks companies according to compliance with ethics-related criteria, Kuveyt Türk received the Ethics Award for the second year in a row, confirming its commitment to Ethical Banking principles.
- Preparations were made to ensure that newly recruited personnel can receive a one-day in-class training on Ethical Banking.
- In future studies, research elements related to customer experience will be employed to boost customer satisfaction of products and services.
- Ethics Ambassadors selected from each unit and branch, who contribute to upholding and popularizing ethical principles and values, received extensive information on this topic and participated in a workshop.
- The Ethics Committee continued to hold meetings in 2016 and made important decisions in the area of Ethical Banking.
- The Ethical Reporting System was transferred to BOA screens in the second half of 2016.
- Employees were informed about their entries to the Ethical Reporting System; subsequently, actions were taken to establish permanent solutions.
- Ideas were collected during the KFİH Innovation Competition and included in the award process.

Continuing to expand steadily despite the current economic cycle in Turkey, Kuveyt Türk recruited 200 new employees during the year. Eager to excel in participation banking, these new hires will staff both existing units and new branch locations set to open in 2017. This recruitment drive was known as the **“200 Team Members” initiative.**

- In 2016, 2,080 Solid Ideas were submitted to the Solid Idea Platform.
- The Solid Idea Platform was integrated with the BOA system in June 2016, such that personnel can now easily track the progress on their suggestions over the system and receive information via email when their suggestion is put into practice.
- In rival bank analyses concerning customer satisfaction, Kuveyt Türk ranked first in terms of complaint management and response.
- In transaction-based surveys among external customers, 57,085 customers participated in surveys for 28 different transactions. The survey yielded a remarkable average of 4.33 points and was a huge success in terms of the high participation rate.
- In transaction-based surveys among internal customers, 3,855 customers from 21 directorates participated in 32 workflows over the BOA. The resulting achievement score was 3.76.
- Internal customer focus surveys drew a participation of 9,468 individuals from 37 directorates, and yielded an achievement score of 4.42 points.
- In 2016, a total of 330 DÖF (Corrective, Preventive and Remedial) Actions were initiated. Some 107 of these were concluded in a positive manner, while the rest constitute work in progress.
- As part of Consumer Relations Coordinator Officer activities, suggestions were made to develop the analyzed individual products, processes and services, and to prevent complaints. The findings of these analyses are communicated to the relevant units over the DÖF system.
- A 62% drop occurred in requests to the Consumer Referral Committees in 2016.
- Customer satisfaction continued to be measured via NPS surveys to ensure the continuous development of the Bank's service quality.
- The Customer Services Committee convened six times in 2016. The committee continued to make decisions to boost customer satisfaction and service quality.
- In 2016, customer complaints were analyzed to assess the “Customer Focus” and “Quality Focus” employees in their individual competence.
- As part of the Core Banking System transformation, new screens were developed over the Quality Document Management System in response to needs. The system was integrated with the BOA system in December 2015 and placed on a robust infrastructure following systemic improvements in the second half of 2016.
- Work within the scope of the interim audit for ISO 10002 Customer Complaints Management Certification was completed with success; the Bank passed the audit successfully and maintained its certification. BOA banking application screens were developed and established for the DÖF (Corrective, Preventive and Remedial Actions) System.
- The recertification audit for EN 15838 Customer Communication Centers Management System was passed with success.
- In response to the changes effected after the new segmentation structure was established, a new calculation method was developed to keep the human resources at an optimal level. As a result, the staff plans for Branch Sales Teams and relevant Head Office Teams were created and harmonized with the evolving organizational structure of the Bank.
- Organizational development activities continued in response to sector-specific needs. In light of developments in the area of digital banking, the mobile and web units within the organization were merged under the name Digital Banking.
- The location information of the Head Office, Regional Directorates, Branches and ATMs in our organizational system were integrated with the mobile branch and internet site; these were featured in an accurate and complete manner in the maps on the web.
- Work assessment and staff plan studies were conducted to underpin the Bank's healthy growth process.
- In order to manage the developing organizational structure and the ever-growing information systems in line with the division of tasks approach, the Bank decided to review its current authorization process. Audit teams and expert business units initiated the Workflow Authorization Strategic Project under the coordination of the Strategic Program Management Office to revise the current authorization process and the core banking flows. Progress in the project reached 47% complete in December 2016. The project is scheduled for completion in third quarter 2017.

## Strategy

Performance Stars are awards presented to staff members in recognition of their successful performance, fostering excellence in the workplace.

**In 2016, 200 employees received Performance Stars and certificates.**

### Customer Satisfaction

In 2016, 79,324 requests have been resolved, 23,727 of which were customer complaints. The average time it took to solve a request in 2016 was 2.14 days. For customer complaints this span was only 3.16 business days.

### Corporate Communications Department

Operating under the Strategy Group, the Corporate Communications Department works to develop a unified perception among internal and external customers in regard to the Bank's strategic goals and priorities, promote new products and services, and increase brand awareness, which constitutes the main strategic objective.

The Corporate Communications Department was established to work both inside and outside the Bank toward the targets set by senior management and to devise, deploy and manage communication and promotional tools for this purpose. One of the primary goals of the Department is to provide information to social stakeholders by using the most convenient channels and messages, in line with the Bank's vision, mission and values.

The Corporate Communications Department serves the brand and public under four main topics:

Corporate social responsibility—one of our top priorities—is of strategic importance for the brand's corporate communications

efforts. In 2016, the Bank continued executing social responsibility projects that add value to the society. Several valuable projects were implemented in the areas of people, environment, education, culture and arts, and restoration. Social responsibility was designated as the most critically important corporate communications theme for Kuveyt Türk, a brand built on the culture of foundations. Development and sustainability in this area will continue at a rapid pace.

Advertising campaigns were another focus area for the Corporate Communications Department in 2016. Kuveyt Türk frequently stands out in the banking sector with its communication campaigns. Throughout the year, the Bank showcased the Real Banking Advertisement Platform in order to communicate banking services to consumers in a different and entertaining manner. The campaign placed a huge emphasis on Ethical Banking principles, highlighting these as the most important component that differentiates the Bank from its peers. Furthermore, the Golden Advertising Campaign conducted in the third quarter was key to raising savings awareness in the country. The campaign received positive feedback from the public and constituted a perfect example of encouraging citizens to invest their under-the-mattress savings into the national economy.

Social and digital media comprise the third crucial area of activity for the Corporate Communications Department. Ethical Banking principles form the basis for

the digital brand strategy as well; as a result, Kuveyt Türk uses transparent communication language in social media. The Bank's external customers demonstrate very positive loyalty and communication toward the brand over social media, which attracts the attention of various financial services companies as well those in other sectors. The Kuveyt Türk brand will continue its social and digital media activities in line with its principled and Ethical Banking approach.

Press, media relations and sponsorships together form the fourth activity area for the Corporate Communications Department. Major efforts were undertaken in this area toward both internal and external customers. The strategic priority here is preservation of the corporate image in the eyes of the brand's stakeholders and the general public. Various internal and external events, domestic and overseas organizations, and sponsorships activities were held to successfully enhance brand recognition and brand loyalty in this key area of communications.

### Human Resources Policies

Seeing its human resources as its most valuable asset, Kuveyt Türk continued to invest in the HR area uninterruptedly in 2016. Our Human Resources Department pays special attention to shape its processes in line with the standards of current HR practices, and aims to make sure that new employees that become a part of the Kuveyt Türk Family embrace the solid banking principles and have a good work ethic that is in line with our values.

In 2016, **Kuveyt Türk's Human Resources team** continued to invest heavily in its workforce- **the Bank's most valuable asset.**

### Recruitment Process

Kuveyt Türk's Recruitment Team, which stands out with its experience and competence, uses the most reliable HR techniques and manages the recruiting processes effectively.

The recruitment process starts with online interviews, which was introduced in 2014 and continues with English proficiency tests. The candidates who compete this process are evaluated by the Assessment Center. There, the recruitment process is conducted with inventories, competence-based interviews, general ability tests, group interviews, case studies, personality tests. In addition the evaluation about Kuveyt Türk's core competence is carried out.

The Assessment Center evaluates candidates' presentation skills and uses group work, role playing, case studies, personality inventory and other techniques to observe their level of compliance with the core competencies demanded by Kuveyt Türk.

In 2016, the most important action used by the Career and Recruitment Team to enhance the measurements in the recruitment process was the Talent Q Personality Inventory. This tool, introduced in 2015, has had a highly positive impact on boosting the quality of the recruitment process. The most striking aspect of this inventory is that it has been customized in line with the competencies of the Bank.

Kuveyt Türk continued to recruit highly qualified young candidates. During the year, the Bank launched the Adaptation Project so that candidates get to know the Bank and complete the orientation process with maximum efficiency. One key component of the effort is matching and encouraging collaboration between newly recruited employees and well-experienced staff who can provide guidance to the new hires.

Continuing to expand steadily despite the current economic cycle in Turkey, Kuveyt Türk recruited 200 new employees during the year. Eager to excel in participation banking, these new hires will staff both existing units and new branch locations set to open in 2017. This recruitment drive was known as the "200 Team Members" initiative.

### Social Activities

2016 served as a year when the teams and clubs (Sports Club, Travel Club, Photography Club, Social Club, Hobby Club, et al.) within Kuveyt Türk were very active. Club activities which were open to all our employees included lectures, exhibits, trips, and the like. In 2016, about 500 employees actively participated within the clubs.

As part of club activities, the Bank organized a series of meetings, exhibitions, concerts, excursions and other events open to participation by all employees. As of year-end 2016, 250 personnel are active members of these clubs.

The competition "Paintings by Small Hands," first held in 2016, will be organized regularly on an annual basis. Highlighting the achievements of Kuveyt Türk employees' children, this event has once again underscored the importance given by the Bank to family values.

### Performance Development

Kuveyt Türk supports its managers and employees in their continuous development process through performance evaluations conducted transparently based on competencies 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 line 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 at quarterly intervals.

Performance Stars Awards are handed out to employees for their achievements with the objective of obtaining a sustainable performance. In 2016, 200 employees were awarded Performance Stars.

## Strategy

Kuveyt Türk places great importance on the personal and professional development of its employees to ensure the sustainable development of its human resources and boost productivity. As of year-end, the Bank **conducted 1,481 in-class training programs with employees receiving eight days of training on average.**

Developed as a 360-degree performance measurement tool that will guide human resources practices, the "Biz Bize" survey system allows the Bank to evaluate employees' competencies in a multidimensional manner. The methodology includes an assessment of subordinate, superior and peer relations and constitutes a new channel through which personnel can communicate their ideas. These surveys are sent to the Bank's employees on a regular basis with the slogan "One Minute for Development." Data analysis is conducted based on the responses received with action plans developed accordingly.

### Compensation

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 the "Total Compensation Package" consisting of salary, performance bonus, foreign language allowance, transportation assistance, and other supplementary payments. In order to remain competitive in the market for talent, Kuveyt Türk also offers various benefits to employees. These include private health insurance, which also covers the employee's spouse and children, a private pension system with company contribution, clothing assistance and family support package.

**Employees First:** When designing all of its business processes, the Bank places its employees at the center, in line with the slogan "Employees First." Similarly, Kuveyt

Türk continued to implement pioneering practices for the sector in 2016.

Launched in 2015, the "Working from Home" model helps female staff strengthen relationships with their children and boosts women's employment by offering flexible work hours. Viewing motherhood as sacred, the Bank gives an off-day to mothers on the day their children start the first year of primary school.

To ensure the comfort of employees, Kuveyt Türk introduced the summer clothing scheme in the branches in 2014. The Bank continues to implement this practice, which is seen as an innovation in the banking sector.

Kuveyt Türk believes that it must provide a pleasant, peaceful working environment for personnel to enhance service quality. Accordingly, disabled and pregnant employees are granted a leave of absence during times of inclement weather.

In order to share the feeling of national unity and enjoy pleasant memories, the Bank started holding Soldier Farewell Ceremonies in 2016, where employees are given to embark on their military service are about a warm send-off by all their colleagues.

**Agenda for 2017:** Kuveyt Türk Human Resources completed fiscal year 2016 with activities based on the slogan "Employees First." In 2017, the Department plans to focus on the "My Basket" fringe benefits scheme, a first in the banking sector. 2017

will be the first year of the "My Basket" initiative. The Department will also develop projects to become a center of attraction in the sector. Internally, the Bank will continue to invest in its most important asset, namely the workforce, guided by its "Employees First" slogan. Externally, the Bank plans to continue building a "More Beautiful Kuveyt Türk" viewed by candidates as the "School of Solid Banking" where everyone would be pleased to work. Kuveyt Türk is committed to remaining a center of attraction within the banking sector with its "Swift Career" opportunities and "Competitive Salary Package."

### Training and Development

Our Training and Development programs are being carried out under our main principles of Quality of Service, Quality of Human Resources and Technology Utilization. Kuveyt Türk pays particular importance to the personal and professional development of its staff in order to sustain the productivity of its human resources. By the end of 2016, a total of 1,481 courses were held and the average education duration per employee has exceeded eight days.

Some 622 newly recruited staff attended Core Banking Training, which includes programs on core banking, banking legislation, interest-free banking principles, customer focus, Ethical Banking, products and services, sales and relationship management, performance development system, as well as the Bank's culture and structure.



## Committed to using the Bank's in-house resources, **Kuveyt Türk invites highly specialized, competent and well-experienced candidates to trainer accreditation programs** to instruct its in-house trainers.

Kuveyt Türk Banking School was established to implement training and development roadmaps, enriched with numerous learning tools specially geared to the respective staff position in line with the Bank's strategies to underpin learning and development efforts.

In 2016, Kuveyt Türk organized Management Training programs to attract high-potential candidates to the Bank. Ninety days of in-class training and 60 days of on-the-job training were held during the six-month training process.

Some 506 further employees were given courses in Credit Training for sales staff to improve their technical knowledge of banking, finance through financial analysis, fiscal analysis procedures and balance sheet-based credit packages.

Operational development training packages for support staff that have been reassigned were provided to advance their professional knowledge and skills. Further studies were made to improve the sales skills of our Bank tellers by educating them with in-house produced short films.

New certificate programs in line with our renewed career certificate policies were also introduced. Some 208 employees were given PPS education out of which 206 were awarded with certificates. Some 202 employees were given SPL courses with 180 earning their SPL Certificates. Another 455 employees took SEGEM Certificate classes with 455 successful applicants getting their certificates in this field. The Bank's subsidiary KT Portföy delivered Capital

Markets & Mutual Funds training to 700 staff members divided into 34 groups. As for Foreign Language training, 144 employees joined the TOEFL education program while conversation clubs were organized to take the speaking level of 95 participants to the next level.

The Bank published the Branch Director's Handbook to guide branch directors by setting the standards in branch management and cultivating a shared management perspective and organizational culture.

At the Head Office, the Bank established an Assessment Center to evaluate managers, branch director candidates, and operational staff seeking to become sales personnel. As a result, the Bank created development plans and supported employees toward their goals with in-class training and mentorship.

In order to create a pool of Branch Director candidates, Kuveyt Türk administered an inventory to 100 persons, and implemented an assessment and development center among 80 persons based on previous inventory work. The results from these efforts identified 60 persons to include in training classes. Sixty individuals in the Branch Career Pool attended a 14-day in-class training, consisting of two modules of a four-module program to support employee competencies and professional development. Their development plans were monitored online by their mentors.

Two-hundred persons from the operation staff were invited to the Sales Assessment

and Development Center, and 95 of them were transferred to the sales team. Employees who joined the Assessment Center and their managers were given feedback; a development plan was created; the plan was subsequently implemented through specially designed online training programs and monitored.

The Bank initiated a mentorship project to help employees share their experiences in the workplace. Newly recruited staff who completed their 180-day adaptation process were assigned mentors and interviewed complete with various on-the-job training topics. Personnel in the Branch Director Candidate Pool were assigned branch directors as mentors and given on-the-job learning experience.

Kuveyt Türk believes in effective utilization of our human resources; in line with this principle, it assigns its expert staff to instructional accreditation. In 2016, the internal/external educational programs ratio was 71%. Our instructors' evaluations are carefully considered and given feedback.

A total of 725 new employees have benefitted from our Online Educational Platform which provides new learning techniques with our technology utilization strategies. Developmental activities using various materials have been used to further improve competences in areas that the Bank feels is lacking. An average of seven online courses per employee has been given in 2016.

A total of 150 screen usage, product demos and case experience and five training videos have been produced internally. Some 683 employees have taken online exams in Specialty Courses in February and August.

## Treasury and International Banking

In 2016, the Bank accounted for **one-fourth of Turkey's gold export and import volume.**

The Treasury Department, charged with managing the Bank's liquidity and market risks, **maintained its risk management and profit centered approach in 2016.**

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, by offering customers a wider array of high quality products and services. The Group is progressing toward regional structuring in line with Kuveyt Türk's strategic targets. In 2016, 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 2016. Despite high volatility in global markets and increasing competition in the domestic arena, Kuveyt Türk increased its foreign currency trading profitability in 2016. Thanks to the Treasury Department's efficient marketing and competitive pricing strategies, the Bank's trading profits rose 32% over the prior year.

In 2016, Kuveyt Türk successfully continued its role as the Cash and Barter Clearing Bank on the BIST Precious Metals and Stones Market, which it had undertook in February 2013. In 2016, Kuveyt Türk, had a 13% share in gold trading volume and 21% share in silver trading in the BIST Precious Metals and Stones Market (KMTP).

Kuveyt Türk not only achieved success in gold transactions, but also ranked first in silver trading volume and second in gold trading volume among BIST KMTP-member banks.

Kuveyt Türk remains the leader of foreign trade in standard gold and silver bullion. In 2016, the Bank accounted for one-fourth of Turkey's gold export and import volume. Kuveyt Türk is also responsible for nearly half of Turkey's total silver import.

The sale of Kuveyt Türk-designed bullion gold at international standards, which started in 2015 as a first for a Turkish bank, continued in both domestic and overseas markets in 2016. The Bank started corporate issuances in 2010 with USD-denominated sukuk issues and continues to execute these transactions today with USD and TL-denominated sukuk.

In 2016, the Bank's diversity of funding resources increased further. Sukuk issuances to retail and corporate customers continued in 2016 with a larger transaction volume. In the coming period, the Bank will expand its customer base with products and services that respond to customer needs.

The Treasury Marketing Department **closely monitors the performances of Kuveyt Türk Treasury and Capital Market products**, and conducts special competitive pricing schemes and campaigns in different segments in coordination with the sector-specific marketing units.

#### **Assets and Liabilities Management**

**Department:** This Department primarily aims to manage risks arising from mismatch between liquidity and maturity in the balance sheet of the Bank due to various banking activities. Access to markets among domestic and overseas banks helps the Bank manage its liquidity effectively. Thanks to its robust capital structure and high liquidity, Kuveyt Türk, continued to increase the number of banks from which it obtains funds or to which it extends funds over the interbank market.

Kuveyt Türk started up banking activities in Germany to expand its overseas operations and create cost advantages. The ongoing relationship of Kuveyt Türk with the banks in Europe has become even stronger following the establishment of its German subsidiary. In the coming period, this relationship will be enhanced so that the Bank will raise more funds from the region and gain cost advantages by investing in the financial institutions in Europe.

In 2016, Kuveyt Türk increased the share of the securities portfolio in its total assets from 6.6% to 7.5%. As one of the most active banks in both the primary and secondary sukuk markets, the Bank stepped up its communications with domestic and international market players during the year. Due to its price-maker position in the domestic and foreign currency sukuk markets, Kuveyt Türk has become the bank of choice for Turkish and overseas investors in sukuk transactions. In 2016, domestic and foreign currency sukuk secondary trading services started to be offered to customers

at the branches. As such, the Bank allows customers to invest in these products and boosts its own profitability.

#### **Foreign Currency and Precious Metals**

**Department:** The Department is in charge of managing the Bank's foreign currency risk and marketing treasury products. It also provides foreign currency and precious metals pricing services to clients and branches.

The main strategy of the Foreign Exchange and Precious Metals Department is to increase transaction volume and profitability in financial market products. Transaction limits, transaction volumes and profitability of the products are regularly monitored by the Department. The Foreign Exchange and Precious Metals Department visits potential customers, and carries out activities in order to expand the customer base and increase customer transaction volumes. In addition, the Department contributes to Kuveyt Türk to become one of the leading banks in the sector.

**Treasury Marketing Department:** The Treasury Marketing Department closely monitors the performance of Kuveyt Türk Treasury and Capital Market products and organizes special pricing and campaigns for customers in different segments in coordination with the sectoral marketing departments.

The Treasury Marketing Department closely monitors the performance of Kuveyt Türk Treasury and Capital markets products, and offers advantageous prices to its customers

in different segments in coordination with sectoral marketing departments. Moreover, it organizes campaigns in order to increase the awareness towards treasury products and their sales volume.

The Department designs digital treasury training programs in response to the needs of the regions and branches, provides them to stakeholders as needed and performs product management functions by receiving feedback from the field and sales sectors. The Department executes more than 25 IT projects for a more effective and risk-free use of Treasury products over the BOA Core Banking System. In order to enrich the customer experience, forward transactions were transferred to the Internet Branch for the use of corporate clients.

The Treasury Customer Value and Behavior Segmentation infrastructure was revised in response to feedback from the field and moved to the BOA Core Banking System to ensure the effective marketing of Treasury products. The infrastructure was made accessible to all units and displayed on the customer inquiry screens. As such, relevant stakeholders can access customer value and behavior segmentation data at any time, thus performing their sales and portfolio follow-up activities in a more productive and effective fashion. In response to treasury segmentation data, the Department also started the Treasury Customer Automatic Pricing System project based on sector parameters. The preliminary study is now complete.

## Treasury and International Banking

In 2016, Kuveyt Türk increased its **profitability per transaction by 32%** by managing foreign currency trading volume and profitability more efficiently than in the past years.

Investment accounts started being opened via Kuveyt Türk; the Bank also **started to trade in lease certificates and mutual funds.**

Kuveyt Türk led the Turkish event of the Sharia Standards on Gold Project, carried out by the World Gold Council (WGC) in cooperation with AAOIFI, which proposes the worldwide standardization of interest-free gold banking. The Bank organized the Turkey meeting dated November 31, 2016. The Department proposed a three-step Gold Assessment Test to the Borsa Istanbul Precious Metals and Stones market to prevent fraud in bullion gold traded in the Turkish gold market. The test was subsequently approved.

After Kuveyt Türk received the necessary authorization licenses and completed the institutional integration, customers started to open investment accounts and trade in lease certificates and mutual funds at the Bank. As such, Kuveyt Türk became the first Turkish participation bank to trade in both TEFAS-based mutual funds as well as independent mutual funds that can be sold only to qualified investors. In addition, customers started to use investment accounts opened via Kuveyt Türk in lease certificate issuance.

In 2017, the Treasury Marketing Department plans to help expand the Bank's customer base and market share in an increasingly competitive environment. This will be accomplished with new products focusing on the needs of customers, service quality enhanced via alternative distribution channels and competitive pricing policies.

### International Banking

In 2016, the International Banking Department was restructured and divided into two sub-divisions: the Financial Institutions Service and the Country and Bank Limits Management Service. The reorganization followed an increase in the Department's responsibilities and headcount.

**Financial Institutions Service:** Its primary aim is to establish, monitor, manage and improve the product and business relations of Kuveyt Türk with domestic and foreign banks as well as international financial institutions.

In order to boost the efficiency of the Bank's existing correspondent network, the Financial Institutions Service focuses on diversification of products and services, reciprocity, and continuity in relationships. Conducting and managing these issues with the correspondent banks is crucial for the Bank to gain a truly international profile. In addition to ensuring the efficiency of the correspondent network, the expansion of this network of relationships is another of the main tasks of the service. Efforts to this end are based on macro level foreign trade policies, regions and countries targeted in the short and medium term in foreign trade, and the Bank's strategies and policies.

Kuveyt Türk has acted as an intermediary and consultant for many different transactions financed from the Gulf Region to date, and **has become the bank of choice for the most respected and prominent financial institutions of the region.**

The Financial Institutions Service uses its deeply-rooted and close relationships to engage in direct sales and marketing to correspondent banks, thereby contributing to the profitability of the branches and the Treasury Department. In order to maintain relationships between the Bank and financial institutions at the highest level, the International Banking Department made regular visits to correspondent banks in 2016, especially across Europe, the Middle East and Turkic Republics. The Department also formulated plans to add new correspondent banks in new regions to its network, thus contributing to both Turkey's foreign trade and the Bank's growth and profitability targets. These visits not only increased the Bank's brand recognition and reputation but also boosted interest in foreign trade, treasury products and borrowing instruments, which had a positive effect on volumes and profits.

At this year's SIBOS Banking Event held in Switzerland, overseas correspondent banks were welcomed at the Kuveyt Türk booth by the Financial Institutions Service. Kuveyt Türk has regularly participated in this international event the last seven years and met with over 90 banks and financial institutions in 2016. The Bank held business development talks with both existing and potential correspondent banks. Kuveyt Türk had the chance to expand its network of relationships and receive first hand, up-to-date information on the latest global trends in banking.

The Financial Institutions Service is also charged with first phase responsibilities in managing the Bank's Nostro/Vostro accounts and fulfilling the international compliance controls. The accurate and efficient management of Nostro/Vostro accounts positively contributes to both profitability and customer satisfaction. In addition, the Financial Institutions Service plays a primary role in the Bank's efforts to fight against money laundering and terrorism financing. Kuveyt Türk is extremely conscientious in complying with international compliance processes and procedures, whose importance has grown significantly in recent years.

The Financial Institutions Service manages the processes related to contracts signed by the Treasury Department units and domestic/international financial institutions. It focuses on the efficient and productive management of these processes, analyzing these agreements in terms of both participation banking principles and international legal responsibilities. The aim is to ensure that all the necessary controls are fully in place.

#### **Country and Bank Limits Management**

**Service:** Its primary aim is to manage country and bank limits as a special sub-division operating under the International Banking Department after the restructuring in 2016.

The management of country and bank limits has become a more systematic and comprehensive process due to the importance recently placed on this issue by both Basel III and BRSA. BRSA issued three best practice guidelines on Counter-party Credit Risk, Country Risk Management and Concentration Risk Management in 2016, suggesting that banks should harmonize their internal processes with these guidelines. Kuveyt Türk's portfolio of over 85 countries and over 400 financial counterparties further adds to the importance of this process. The Bank constantly exchanges data with the international information organizations of which it is a member, with the aim of pursuing the ever-changing agenda and portfolio.

The Country and Bank Limits Management Service monitors developments in the international markets on a daily basis, issues regular country reports and reviews bank limits annually. Together with the parent company Kuwait Finance House, the Bank has established general policies for the management and procedures of country limits while creating integration among subsidiaries.

Having completed its organizational structuring, the service has started acting in conjunction with the Risk Management Department and Corporate Loans on common issues. Requests from the Treasury Department and branches pass through a preliminary evaluation by the service and are then sent to Corporate Loans for allocation. The allocation, monitoring and review processes for the country limits are coordinated with the Risk Management Department.

## Treasury and International Banking

Kuveyt Türk has acted as an intermediary and consultant for many different transactions financed from the Gulf Region to date.

The Investment Banking Department has continued to pursue its steady business trajectory thanks to **its long-standing cooperation with international financial markets, rich experience in different sectors, business lines, transactions and products, as well as its solid technical knowledge.**

As part of risk monitoring activities, the Country and Bank Limits Management Service issues country reports for each country in the Bank's portfolio and presents them to the senior management. These reports include information that will form the basis of the Financial Institutions Service's relationship management process, marketing and pricing strategies. The Country and Bank Limits Management Service prepares the "Weekly News Bulletin" on developments in the international banking sector, to be shared with the domestic and overseas managers in the sector.

The Country and Bank Limits Management Service has completed IT infrastructure development project feasibility studies in the core banking and reporting areas. Projects related to country and bank limit screens and reports will continue in 2017, quickly and intensively. The service established an internal bank valuation system to develop a counterparty credit analysis and valuation infrastructure. In addition, work has started on a Stress Test application that will be used for consolidation with subsidiaries and analysis of the existing portfolio. The compliance process with the relevant BRSA communiqués is ongoing with new practices introduced by Basel integrated in both the process and IT phases.

### Investment Banking

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. The Investment Banking Department maintained consistent operations thanks to longstanding and fruitful relationships in international financial markets; deep experience in various sectors, business lines, transactions and products; and solid technical knowhow.

In 2016, 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. Having become the first financial institution to issue a sukuk in Turkey and Europe in August 2010, Kuveyt Türk has since continued to operate in interest-free capital markets without interruption. In 2016, the Bank reinforced its market leading position by performing transactions that rippled across Turkey and abroad.

In 2016, Kuveyt Türk started actualizing its Malaysian Ringgit-denominated sukuk issuance following yearlong preparatory works.

## Kuveyt Türk issued a total of TL 1.7 billion in domestic lease certificates in 2016, closing the year with a domestic lease certificate issuance balance of TL 580 million.

Kuveyt Türk has completed preparations for the issuance of sukuk (Tier II Sukuk) in order to provide additional capital as demanded by the Regulation on Shareholders' Equities of Banks in 2015. The Bank issued a 10-year sukuk worth USD 350 million, the subscription for which took place on February 8, 2016. The transaction was the largest subordinated sukuk issuance realized by a participation bank.

On November 1, 2016, Kuveyt Türk realized a 5-year international sukuk issuance

with a nominal value of USD 500 million. The transaction was Turkey's most successful issuance in international capital markets in 2016. Although priced with a competitive rate of return, the issuance was oversubscribed four times due to robust demand from 150 investors from the Gulf Region, Europe and Asia.

On October 31, 2016, Kuveyt Türk successfully completed the repayment of the capital and final profit share for the

5-year international sukuk with a nominal value of USD 350 million issued on October 29, 2011.

Maintaining its lease certificate export operations in domestic markets, as well as in international capital markets, Kuveyt Türk carried out a total of over TL 1.7 billion below mentioned domestic lease certificate exports and closed the year with a balance of TL 580 million of domestic export lease certificate.

Issuer	Domestic/ Foreign	Currency	Total	Annual Return (%)	Export Date	Maturity Date
KT Kira Sertifikaları Varlık Kiralama A.Ş.	Domestic	TRY	88,500,000	11	06/01/2016	16/03/2016
KT Kira Sertifikaları Varlık Kiralama A.Ş.	Domestic	TRY	140,000,000	10,95	19/02/2016	10/05/2016
KT Kira Sertifikaları Varlık Kiralama A.Ş.	Domestic	TRY	10,000,000	11,19	21/04/2016	20/04/2018
KT Kira Sertifikaları Varlık Kiralama A.Ş.	Domestic	TRY	240,113,800	10,60	25/03/2016	23/06/2016
KT Kira Sertifikaları Varlık Kiralama A.Ş.	Domestic	TRY	35,000,000	9,79	05/05/2016	31/10/2016
KT Kira Sertifikaları Varlık Kiralama A.Ş.	Domestic	TRY	300,000,000	10,23	13/05/2016	08/11/2016
KT Kira Sertifikaları Varlık Kiralama A.Ş.	Domestic	TRY	170,000,000	10,30	23/06/2016	11/10/2016
KT Kira Sertifikaları Varlık Kiralama A.Ş.	Domestic	TRY	40,000,000	10,50	01/07/2016	11/10/2016
KT Kira Sertifikaları Varlık Kiralama A.Ş.	Domestic	TRY	100,000,000	10,10	24/08/2016	30/11/2016
KT Kira Sertifikaları Varlık Kiralama A.Ş.	Domestic	TRY	30,000,000	10,35	01/09/2016	30/11/2016
KT Kira Sertifikaları Varlık Kiralama A.Ş.	Domestic	TRY	180,000,000	10,10	11/10/2016	11/01/2017
KT Kira Sertifikaları Varlık Kiralama A.Ş.	Domestic	TRY	200,000,000	10,20	08/11/2016	14/02/2017
KT Kira Sertifikaları Varlık Kiralama A.Ş.	Domestic	TRY	160,000,000	10,40	30/11/2016	07/03/2017
KT Kira Sertifikaları Varlık Kiralama A.Ş.	Domestic	TRY	30,000,000	10,45	13/12/2016	07/03/2017
<b>Total</b>		<b>TRY</b>	<b>1,723,613,800</b>			

## Treasury and International Banking

As the Kuveyt Türk unit responsible for project financing, Investment Banking provided financing support to a wide range of investment projects **in 2016, particularly in the renewable energy sector, alternative energy sources, infrastructure, company acquisitions and mergers, factories and production facilities.**

On April 21, 2016, Kuveyt Türk issued Turkey's first CPI indexed sukuk. Having been issued for major investors, the maturity of the TL 10 million worth of CPI indexed sukuk was 729 days.

The TL 300 million of lease certificates with 179 days maturity exported by Kuveyt Türk via public offering in May 13, 2015 has been the lease certificate with the highest amount in TL, which was completed by private sector in Turkey, thus far.

2016 was a period when Kuveyt Türk continued its operations in domestic syndication markets as well. On April 27, 2016, the Bank contributed EUR 22 million in a murabaha syndication worth USD 155 million with a maturity of 367 days to a participation bank. On December 15, 2016, the Bank made a contribution of EUR 25 million to a syndication loan worth EUR 50 million with a 3-year maturity to a large-scale corporation.

The Bank had signed a murabaha syndication contract on December 17, 2014, and had raised funds worth USD 300 million with a two-year maturity and EUR 30 million with a two-year maturity. On December 29, 2016, the repayment of the principal and final profit share of this syndication was completed successfully.

Having succeeded in expanding the national and international financial product range and volume in the field of investment banking with its pioneering and innovative approach, Kuveyt Türk remained the leader of its sector in 2016 despite the intensifying competitive conditions.

As Kuveyt Türk's unit in charge of project finance, Investment Banking in 2016 reviewed its clients' wide-ranging demands in financing investment needs, including alternative energy resources, infrastructure, company acquisitions and mergers, factory and production facility, and particularly the renewable energy sector, and provided resources to the investment projects. Achieving appropriate returns in relation to its costs by having long-term resources used in long-term investment credits, Kuveyt Türk aims for high quality assets by financing

projects with limited influence on the cash flow of the business cycle and market risks. As being a leader in project financing in the segment of Investment Banking, Kuveyt Türk had a transaction volume of TL 800 million for the projects it financed in 2016; meanwhile, at the end of the year its debt risk balance reached TL 1,677 billion. The project finance transactions of 2016 were predominantly in the segments of hydroelectric, solar and wind power plants, as well as commercial real estate development and public private partnership investments. Through sukuk issuance, Kuveyt Türk facilitates long-term resourcing opportunities. It plans on increasingly maintaining its support for its clients' investment projects with appropriately structured interest-free finance solutions.

Kuveyt Türk offers investors in Turkey long-term, cost-effective funds provided from abroad. The Bank has continued to support its customers by providing about USD 800 million in investment loans for projects such as solar power plants, wind power plants, hydroelectric power plants, electricity distribution, commercial real estate, public-private partnerships and the like.



## Financial Affairs

Throughout 2016, the General Accounting Department developed new and appropriate solutions and **improved its quality of service with the perspective of becoming a solution center, in light of its rich experience** and know-how. To this end, manual processes have been automated through systematic work on the infrastructure.

All analytical management and information work necessary for the follow up and control of profitability and risk/resource efficiency on the basis of client, product and service and profit centers, as well as their budget-based planning and processing are among the primary duties of the Financial Affairs Group.

Operating just like a command and control center, the Financial Affairs Group's functions are:

- Establishing and developing the infrastructure of the Bank's accounting record system, and making sure it is operating well,
- Performing all of Bank's financial and tax-related obligations,
- Reporting within Banking Law, tax laws, TFRS standards, local and international financial legislation and applications,
- Prompt reporting of the detected problems for instant intervention and correction,
- Establishing an effective budgeting and reporting system with the correct data for credible management, and
- Producing timely reports of correct data, that will be made public and submitted to government agencies.

The Financial Affairs Group includes the Accounting, Financial Control, Budget and Management Reporting, and External Reporting Departments, and it fundamentally aims at performing these functions with an outstanding service quality, along with its solid technological infrastructure and expert staff.

### General Accounting Directorate

The General Accounting Directorate consists of the Bills and Payments, Treasury Transactions and Bank Reconciliations, Accounting Support and THP Compliance, Tax and Consultancy, Provisions, Subsidiaries and Accounting Standards services.

The General Accounting Directorate has seven important functions in the reporting, financial statement preparation, and audit processes of the Bank. These are organizing, registering, classifying, summarizing, analyzing, interpreting and reporting. The General Accounting Directorate ensures that these seven functions are carried out in an effective and efficient manner, in accordance with the Bank's strategic goals, and current day requirements and dynamics.

The Directorate performs the following activities:

- Registering, classifying, summarizing, reporting, analyzing and interpreting the Bank's monetary transactions,
- Tax and consultancy,
- Registering the Bank's all cost and fixed asset bills and documents, and performing the necessary payments
- Cost and budget distribution,
- Accounting support and TDHP compliance,
- Accounting, auditing and reporting for treasury transactions, domestic and international correspondent bank reconciliation, subsidiaries and overseas branches, and asset leasing companies ,
- Pioneering in the implementation of new products and services through a

swift and solution-centered perspective,

- Systematically automated upgrades for the Bank's daily income statements,
- Functioning of the Bank's accounting system,
- Issuing financial statements and statutory reports in an accurate manner, and in compliance with the Banking Law, Turkish accounting standards, BRSA regulations, tax laws and other legislation,
- Accurately registering transactions
- Fulfillment and payment of the Bank's taxes and similar obligations,
- Recording expenses and fixed assets of the corporation,
- Analysis of the budget and changes in actual expenditure changes,
- Accurate distribution of expenses in the scope of cost management,
- Follow-up of limited expenses,
- Payment and control of the Bank's expenses and costs.

The Accounting Directorate has provided support to export finance, Eximbank loans, lease certificates, CBRT open market operations, second hand market transactions, precious metals, Turkish Republic gold coins, gold grams and other new gold products and services, credit cards, murabaha and metal transactions, issuance of lease certificates and teh like by the Bank's Retail and Corporate Banking, Treasury and Product Development Units. Thus, it helped to speed up transactions and contributed to the profitability of Kuveyt Türk.

## Financial Affairs

In 2016, Kuveyt Türk fully and rapidly responded to the reporting needs of institutions, organizations and individuals with which it cooperates in Turkey and abroad. **Report requests from the regulatory bodies, including the BRSA and CBRT, were met in a timely and accurate manner.**

The Accounting Directorate produces information for the decisions to be made by the business administration.

Any (financial) transaction and event that can be expressed monetarily is considered within the realm of accounting, and the users of financial information get data from the produced information. Some of the crucial functions of the Accounting Directorate within the organization of the Bank are:

- Following the Banking Law, TAS, BRSA regulations, tax laws and other related legislation regarding accounting applications and accounts charts, and making necessary adjustments,
- Transferring the basic financial transactions into the accounting system within the financial year, making systemic improvements, performing financial statement work,
- Examining the budget, one of the most important tools of financial management, and generated revenue and expense changes, and making financial deviation analyses,
- Ensuring correct distribution of costs to the units and branches within the scope of budget cost management, administering the monitoring and control of the limited spending item,
- Making systemic changes following accounts chart amendments, ensuring accounts chart compatibility, following accounting policies and policy changes, as well as ensuring compatibility with them,
- Registering, assessing and reporting lease certificate (sukuk) transactions,
- Conducting asset leasing companies' transactions, preparing financial statements, following legal and tax-related transactions,
- Providing support during public offering, bank foundation, branch opening and subsidiary transactions, monitoring foundation costs,
- Actualizing systemic and tax-related parameter compatibility of financial and legal changes,
- Implementing electronic financial reporting systems including e-invoice, e-book, registered electronic post, e-archive, and providing their continuance,
- Providing support to product development units in areas of technique, tax, accounting and finance for newly released products and services,
- Making SDIF premium calculations, rediscounts and reporting, paying SDIF premiums,
- Consulting in tax, financial legislation, accounting applications that come from the units and branches, producing rapid and permanent solutions, making refinements,
- Supporting the Customer Satisfaction Unit in systemic developments in order for it to effectively and quickly meet the demands coming from foreign clients,
- Monitoring the R&D department's spending and costs as a separate department, conducting reporting work for the tax office and the Ministry of Industry in order to utilize the R&D tax incentives,
- Monitoring the CBRT's API transactions, lease certificates, second hand market operations, B Type Gold and Silver Fund, transactions of Bank's stocks and shares, performing their assessment and reporting procedures,
- Preparing options/derivative transactions for foreign reporting,
- Conducting the requested work in stocks and shares, marketable assets, fixed assets, assets to be sold, subsidiaries and affiliates and the like within the scope of external reporting,
- Making significant contributions to efficiency increase, cost and expense reducing transactions through monitoring and improving accounting,
- Preparing the Bank's transfer pricing report and submitting it to the financial administration,
- Recording, assessing, selling real estate registered to the Bank's name and gotten in exchange for claims, conducting legal and tax-related proceedings, preparing sales reports,
- Monitoring treasury forward, swap, precious metal futures, spot transactions, making truthful assessments according to the TAS and tax laws,
- Assessing the Bank's foreign currency and precious metal status calculation, making status transfers and controls,
- Making improvements that will facilitate things for the branches and units, ensuring centralization in the affairs,
- Conducting the Bank's monthly, quarterly, and annual profit-loss work, the three-month independent auditing work performed for the BRSA and the main partner KFH,
- Ensuring the conduct and finalization of the interim period and year-end inventory work in line with the Banking

- Law, TAS, and tax laws,
- Conducting the confirmation, writing and closing confirmation transactions of the Bank's books that should be kept according to the TCC and tax laws,
- Submitting reports that are relevant to its area of activity to the administration of finance, the CBT, the SDIF, courts, experts, CPAs, performing the required works for investigations and audits,
- Participating in the General Assembly preparatory work, conducting necessary operations about the Bank's partners, units, and government agencies,
- Enabling information and data flow to the management for more effective decision making,
- Managing and reporting the Bank's fixed assets and real assets,
- Making up domestic and foreign loro, nostro, vostro accounts, and the CBT free provisions and required reserves accounts,
- Conducting general provision work, controlling, reporting them, and making their transformation analyses,
- Making up check clearing and check note accounts,
- Controlling and reporting donations and charities accounts as per the Banking Law limitations and the tax laws,
- Conducting all of Bank's tax, levy, charge and declaration obligations and payment transactions, writing and submitting reports,
- Performing rediscounting and assessment work of exchanged usury, wakala and syndication credits,
- IRR and flat rediscounting calculations and reporting,
- Preparing financial balance sheet and statement of income,
- Conducting and reporting deferred tax work within the scope of corporate income tax and TAS,
- Performing work for internal and external supervision, systemic supervision, tax and financial supervision, communicating with the tax office,
- Conducting the Bank's domestic and foreign subsidiaries and affiliates, free zone and foreign branch transactions, and performing the necessary controls, and
- Training the units and branches about the Bank, financial accounting, and taxes.

Throughout 2016, the service quality was improved with a sense of dedication by developing appropriate and new solutions in light of knowledge and experience. In this regard, most of the manual transactions were automatized within 2016 through systemic infrastructure work. Centralization was achieved in the lease payments and some of the tax transactions made at the branches. As for the Bank's expenses, systemic developments were made for the control of limit and ex-post; reports were prepared by making progress in the prevention of spending that exceeds the limit.

Budget items and accrued items were compared; software development studies were conducted to allow for analysis and reporting.

The tax incentives of the transactions, products and services of the Bank are studied, and maximum utilization is achieved in tax advantages, while significant and rapid progress was made in financial statement preparation.

In this day and age of tremendous competition, the Accounting Directorate has the awareness and responsibility that whether the Bank is making profit and whether it is fulfilling its financial liabilities is mastered through accounting data. It will continue to produce accurate and fast information for the Bank within the framework of information system features, and basic concepts of accounting, and politics and its rules, to improve efficiency by ideally following the technological developments, domestic and international legislation; elevate domestic and foreign customer satisfaction to higher levels, support innovative product development processes; and work devotedly while steadily pursuing development and productivity.

#### Financial Control Directorate

The Financial Control Directorate executes its functions through Financial Control and Risk Analysis, Participation Fund Management and Data Analysis, Treasury Control and Expense Management.

Each unit significantly contributes to the corporate development of Kuveyt Türk by regularly improving their own processes and control points with their expert and dynamic staff.

The functions of the Financial Control Directorate are as follows:

#### Functions of Financial Control and Risk Analysis Unit

- Establishing and developing solid accounting infrastructure, and performing effective financial and accounting controls for the punctual preparation of the Bank's internal and external reportings with accurate and credible data,
- Ensuring the instant detection and correction of mistakes through daily, weekly and monthly periodic controls in order for the accurate registration of all transactions to audit trails within the framework of uniform accounts chart, relevant legislations and notices,
- To actively participate in the development, monitoring and control processes of PD, EAD, LGD models within the scope of IFRS 9, to ensure that the Bank's internal models are in compliance with framework requested by the BRSA,
- Supporting the Bank's management in decision-making by conducting analyses about the Bank and the sector,
- Controlling and analyzing the Bank's income and expenses on a daily basis.

#### Participation Funds Management and Data Analysis Unit

- Supporting the Senior Management in the decision-making process by conducting various analyses and simulations for the management of the Bank's profit distribution policy,
- Controlling and analyzing the participation funds, their revenues and expenses, and all the factors that affect profit distribution on a daily basis; ensuring that dividends are calculated and recorded accurately in customer accounts,
- Managing the participation funds, shareholders' equity and similar funds that the Bank collects; ensuring the balanced and fair use of these funds,
- Implementing the unit value and profit sharing structure according to the regulations and rules published by BRSA, and performing systematic upgrades,
- Providing accounting and system infrastructure support for the Bank's system change, product development, and new product creation,
- Conducting research and analysis on interest-free banking, participation accounts management, and profit distribution system.

## Financial Affairs

In terms of the monitoring and **decision-making functions** of Senior Management, budget and executive reporting **has been vital for Kuveyt Türk.**

### Treasury Control (Middle Office) Unit

- Ensuring the effective monitoring of the Bank's foreign exchange and precious metals position, and the accurate recording of exchange, derivative and precious metals profits,
- Providing operational control and approval of swap, murabaha, foreign exchange, precious metals and sukuk transactions, conducting profitability analyses,
- Controlling whether the Dealer's transactions are within the set limits,
- Controlling the CBRT Open Market Operations and making profitability analyses,
- Checking whether the Treasury conducts the counter transactions for the referenced foreign exchange and precious metals transactions,
- Monitoring and controlling CBRT exchange rates, Swap points and depot rates,
- Issuing daily liquidity reports and submitting these to the senior management,
- Performing controls and reconciliation for the expenses that arise as a result of Treasury operations,
- Following and controlling cash flows of correspondent banks,
- Checking the accuracy of margin calls in counter banks,
- Checking the exchange rates of all foreign exchange and precious metals transactions performed at the Bank,
- Preparing reports and analyses for the Treasury Directorate,
- Preparing the reports sent to our parent company, Kuwait Finance House.

### Functions of the Expense Management Unit

- Conducting controls and analyses for the accurate and appropriate budgeting of expenses necessary for the Bank's activities, for their provision with convenient costs that do not exceed the budget, and for their efficient use,
- Sharing the risky situations or those that require improvement detected during cost optimization works with the management and the relevant process owners, making requests for taking measures and actions,
- Regarding the expenses within the scope of expense management, ensuring the expense analyses through daily, weekly and monthly controls for the detection of extraordinary ones, notifying the Management and the relevant process owners of these information, making sure the necessary measures are taken,
- Effectively taking charge in setting up the budget regarding expenses as part of expense management, and approving budget draft,
- Providing the development and coordination of the Contract Management System,
- Approving or rejecting expenses, goods and services, purchases, lease payments and related contract requests that are above a certain amount or that will cause budget overruns, depending on their compatibility.

Additionally, the Financial Control Directorate offers support to the branches and units in the resolution of problems

and advising users regarding accounting applications. Aside from this, it performs the functions of conducting necessary work for the monthly financial reports, conducting interim period and year-end transactions, informing the auditors during internal and external auditing works, and preparing the requested information and documentation.

The Financial Control Directorate aims to contribute more to Kuveyt Türk's attainment of its competitive targets in 2017. In this context, the Bank intends to raise savings awareness and ensure the efficient use of resources, increase the efficiency of controls by making use of information technologies, and issuing the Bank's profit and loss statements on a daily basis.

### Budget and Management Reporting Directorate

In terms of the monitoring and decision-making functions of senior management, budget and executive reporting has been vital for Kuveyt Türk, which increases by the number of branches every day, improves by the organization, expands by the financial network built abroad, and most importantly supports its growth with profitability according to strategic goals. These operations are conducted by two subunits:

#### Budget Planning and Monitoring Unit:

Preparing the budget in line with the strategic goals, monitoring the compliance of branch, sector, product and department performances with the budget are among the basic functions of the Budget Planning and Monitoring Unit.

In addition to these basic functions, controlling Kuveyt Türk's transactions within the framework of basic policies and strategies, and making the Bank's financial and executive integrity sustainable are among the responsibilities of the Directorate. The annual objectives that comply with the strategic targets identified by the Bank's senior management, and the management plans that comply with these targets are clearly explained to the relevant branch and units. Also, the financial development of the units is supervised through daily reports; in the event that there is a deviation from the targets, the causes are detected, and corrective suggestions are developed. Following performance measurements and assessments in terms of realization rates of targets, reports required by the Bank's senior management are prepared.

Likewise, the changes and causes of expense items within expense management on the basis of department and account are analyzed, current accounts of the branches are controlled in terms of the fund and profitability management, while deviations are reported. Upon the completion of the new budget infrastructure studies, Budget Planning and Budget Monitoring functions will be performed over the BOA system.

**Management Reporting Unit:** In order to have the senior management monitor the Bank's performance safer, faster and in a technology-based manner, a Management Reporting Unit was formed during the restructuring of the Budget and Management Reporting Directorate.

The Unit reports to the senior management, and to the relevant units, branches and departments of the Bank periodically or when needed, and provides analyses and interpretations regarding the reports. The Unit administers a reporting database. A team with the necessary technical equipment and know-how for reporting prepares periodic reports for the External Reporting Directorate via the ACL system, and offers services towards the reporting needs of relevant departments.

The Unit presents the executive reports required by the senior management to the interested parties through the Management Information System (MIS). Pages for branch managers and regional users were designed

and added to the platform in the MIS within the year. Arrangements were made to allow the use of MIS from outside the Bank, and executive reports became accessible from outside the Bank through mobile platforms.

The Unit has started working on a new reporting set in the MIS Reporting. Uniformity was established in the existing reports; a glossary was prepared for use in the Bank. The technological infrastructure was improved and new reports required by the management were drafted.

#### **External Reporting Directorate**

The External Reporting Directorate is in charge of the reports that are made public or submitted to government agencies as per legal obligations, as well as preparing the reports submitted for the review of Kuwait Finance House, the main partner of the Bank. The Directorate annually drafts hundreds of various financial reports, and sends them to government agencies in daily, weekly, biweekly, monthly, semi annual and annual periods.

In 2016, the External Reporting Directorate of Kuveyt Türk has completely and rapidly met the report needs of corporations, institutions, and individuals that it cooperates with at home and abroad. Additionally, the report requests of official institutions, including the BRSA and the CBT, were impeccably met in a timely fashion. The reports requested by the Bank's main partner abroad, Kuwait Finance House, with regards to the consolidation work, were quickly prepared in detail. In addition, the CBRT inspectors, BRSA auditors and independent auditors who conducted audits in the Bank were provided with all kinds of information and documents that they needed. The reports for IFRS and BRSA have been prepared duly and submitted to the related institutions and the general public in an accurate and timely manner.

The Kuveyt Türk External Reporting Directorate aims at systematically and rapidly meeting the new report needs, as well as the existing reports, in the upcoming period.

The External Reporting Directorate consists of three units that fulfill the functions of Internal Reporting, External Reporting, and Investor Relations.

**Local Reporting Unit:** The Unit conducts its activities in the two main categories of Financial Reporting and Independent Audit.

Within the framework of financial reporting activities, periodic or on-demand reports are prepared and presented to regulatory bodies. In addition, the necessary legislative and regulatory requirements are monitored and tables on the required ratios and limits are prepared. The branch inaugurations and address changes are duly communicated to the regulatory bodies; meanwhile, the Unit keeps track of the transfer of outdated participation funds, deposits and receivables to the Savings Deposit Insurance Fund (SDIF) and the calculation of the savings deposit insurance premium rate.

Within the framework of independent audit activities, the Bank prepares and submits to independent auditors the consolidated and non-consolidated independent audit reports including financial statements and various commentaries and endnotes, which must be published every three months. The reports are presented to the regulatory institutions and the general public after the auditor provides an opinion.

The Unit ensures that the financial reports, financial statements within the scope of independent audit, as well as relevant explanations and endnotes are in compliance with Turkish accounting standards and applicable legislation. The unit performs the controls and analyses necessary to present the Company's financial information and related explanations and footnotes in a transparent, reliable, truthful, exact and accurate manner in full, understandable and comparable fashion in accordance with the needs and the nature of the business. The Unit also aims to increase the quality level of the reports every year by following the latest technological developments.

**External Reporting Unit:** The Unit's activities can be summarized in three main categories.

Interim and annual financial statements and audit reports are prepared in accordance with International Financial Reporting Standards (IFRS), presented to independent auditors, and published. In addition, the IFRS financial statements are presented to the concerned directorates every month.

## Financial Affairs

**The Investor Relations page** on Kuveyt Türk's website **is updated** in line with the Corporate Governance Principles, and **keeps the shareholders informed.**

The Investor Relations Unit ensures that shareholder rights are exercised and **provides the communication between the Bank's senior management and shareholders.**

The monthly consolidated financial package (COGNOS) demanded by the Bank's parent company Kuwait Finance House (KFH), the monthly analysis of the financial statements, as well as monthly, interim and annual projection studies are issued complete with explanatory and complementary endnotes and reports.

In addition, the quarterly Banking System Application Program (BSAP) and Remuneration Provided to Top Management and Partners (RPT) studies are issued as required. Furthermore, the Bank sends to KFH, its main shareholder, the Liquidity Coverage Ratio (LCR), which represents the liquidity adequacy ratio of the Bank, and the Net Stable Funding Ratio (NSFR) on monthly and daily bases, within the scope of risk management activities demanded by the Central Bank of Kuwait (CBK).

The Basel III report submitted to KFH features monthly capital adequacy ratios calculated on the basis of the Basel III rules on credit, market and operational risks as well as the Bank's own shareholders' equity. The stress test data are calculated and risk package studies are performed within the scope of KFH risk management. The required data and reports are prepared and sent to KFH for the assessments of various rating agencies. In the maximum limit report required by the KFH for the daily monitoring of provisions and loans taken, CBK regulations are observed and the amounts of loans and provisions are presented on a daily basis. Miscellaneous information is collected and submitted to KFH on a weekly

and monthly basis, through the provision reports prepared according to CBK rules.

**Investor Relations Unit:** The Investor Relations Unit carries on operations about the use of share ownership rights, and establishes the communication between the senior management of the Bank and the shareholders. The Investor Relations Unit plays a significant role primarily in the right to demand information and right to investigate, as well as facilitation of the protection and the use of share ownership rights.

The Unit ensures the shareholder records are kept whole, safe and up-to-date. It operates within the information policy of the Bank, and supervises and monitors any matters regarding transparency. It responds to the written Bank information requests of the local and foreign shareholders, excluding the nondisclosed information that is a confidential and/or trade confidential. Additionally, it updates the Investor Relations page on the Bank's website in line with the Corporate Governance Principles, and keeps the shareholders informed.

Ensuring that the General Assembly meetings comply with the current legislation, Articles of Association, and other inter-Bank regulations; the voting results are recorded; and the final reports are sent to the shareholders are among the duties of the Investor.

## Risk, Control and Compliance Group

The Internal Audit and Inspection Department, whose compliance with international internal audit standards has been confirmed by independent bodies, **reports to the Audit Committee and submits periodic reports to the Board of Directors via the Audit Committee.**

### The Internal Audit and Inspection Department

The Internal Audit and Inspection Department was founded to establish a disciplined and systematic auditing structure oriented towards assessing and developing the effectiveness and productivity of the processes related to Kuveyt Türk's risk management, internal control and governance activities.

The vision of the Department is:

- To act as an Internal Auditing Function that constantly improves itself in compliance with the international internal auditing standards and the best practices,
- To demonstrate a proactive approach with a process, business and risk oriented point of view, rather than an individual, transaction, and mistake oriented one, in order to terminate losses and mistakes that may pose an obstacle to the Bank's objectives,
- To add value to the Bank and help it in realizing its goals by offering preventive and directive suggestions, and
- To be active, objective, attentive, principled, hardworking and disciplined, setting an example within the Bank and its sector.

The Internal Audit and Inspection Department, whose compliance with international internal audit standards has been confirmed by independent bodies, reports to the Audit Committee and submits periodic reports to the Board of Directors via the Audit Committee. The Department operates without any restrictions, within the

scope of its annual business plan prepared on the basis of a risk-focused audit planning that includes all the Bank's business processes, units, branches and subsidiaries as well as information systems.

The Department has performed its 2016 operations pursuant to the necessities of the business plan and the shareholders' expectations; conducted special examinations and legal or administrative investigations in required situations and fields. Additionally, as part of the management declaration audits, it performed a comprehensive assessment on the effectiveness, adequacy and compliance of information systems general controls and business processes controls in our Bank. The said assessments form a concrete basis for the management declaration that should be presented to the Independent Auditing Institution by the Board of Directors.

The Department has monitored report actions throughout the year via follow-up programs and reported follow-up results to the proper authorities when required. Similarly, operational activity reports were successfully submitted at least every three months to the Audit Committee, Internal Systems Committee, and the Board of Directors. These reports have also been submitted to the BRSA.

### Internal Control Department

The Internal Control Department performs the internal control function of the Bank. The Department was found to design, implement, manage, analyze, and monitor the internal control system and its activities, and independently report their results to the

Management in order to ensure the execution of Bank activities within the framework of domestic and foreign legislation.

The Internal Control Department activities are structured in three different segments in line with the Bank's strategic targets and policies, and according to both the domestic and foreign legislation, and international standards:

- Branches and Regions Internal Control Unit,
- Head Office and Subsidiaries Internal Control Unit, and
- Information Office Systems and Independent Auditing Coordination Service

This structuring aims at business-based specialization, and improvement of effectiveness, adequacy, and efficiency of control systems and its operations through constant controls.

Within the framework of the 2016 control plan and program, the various business segments, units, branches, subsidiaries, processes, products and services of the Bank were monitored and examined by demonstrating a proactive and dynamic attitude with materiality criterion and a risk-oriented approach. The results of this work were reported.

### Branches and Regions Internal Control Unit:

The control programs of branches in 2016 are executed in two periods and by selecting a different and risky area for each period. Work in this context was conducted via the Internal Control personnel (Internal Auditors) who are linked to the Department, and whose locations are regions.

## Risk, Control and Compliance Group

Determining, measuring, and managing the sustained risks in compliance with the legal legislation and regulations **constitute the basic duties of the Risk Management Department.**

In order to raise awareness for risk and control, and to keep the losses due to operational risks at a minimum during the branch internal control, the branch personnel were consistently informed on the internal control system and operational risks.

**Head Office and Subsidiaries Internal Control Unit:** As part of Head Office audits, controls were carried out in different units by teams specialized in different banking functions, in line with a risk-focused control plan.

The Internal Control Department has actively participated in the Process Modelling and Analysis projects. These efforts included reviewing the processes with work units, identifying risks in these processes, designing risk controls, and installation; meanwhile, they contributed to the establishment and development of an atmosphere of internal control and internal control systems within the Bank in general.

Additionally, transactions and activities that are generally considered important and risky by the Bank were remotely and periodically monitored and examined through computer-aided auditing programs and techniques (such as ACL). These activities aimed at constantly keeping transactions made throughout the Bank under control. Every work in this regard was performed by six different control services set up within the Department.

**Information Systems and Independent Auditing Coordination Service:** The Internal Control Department has substantially contributed to the effective, efficient and legislation-compatible maintenance of the

internal control system, and our Banking operations. Transactions and operations in the segment of information systems that are set up within the Department and compatible with the goals of other control services were examined and assessed in terms of various business processes and products, new product and services, internal and external audit findings, internal control system and activities. These activities aspired to set up, develop an internal control system and standards throughout the Bank, as well as to spread a culture of risk and control.

On the other hand, the systems that are used by the Internal Control Department were prepared by this service, while the internal control personnel had all kinds of instant technical support.

Furthermore, the 2016 independent external auditing operations were coordinated, the findings and related actions found in the relevant auditing reports were tracked, and assistance was provided in order to resolve the matters specified in the findings. Reports on this were submitted to the BRSA and the Board of Directors.

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

Determining, measuring, and managing the sustained risks in compliance with the legal legislation and regulations constitute the basic duties of the Risk Management Department. In this context, the Risk Management Directorate has maintained its efforts in 2016 on the risks that are faced by the Bank.

### **Credit Risk Management and Modelling:**

The credit risk management activities, credit policy preparation, as well as the monitoring of its application in the Bank for an effective risk management are worked up in coordination with the relevant units of the Bank. The credit risk policy is implemented with the Board of Directors' decision; in that context, a strong risk management systems infrastructure is installed for the risk management activities.

The internal credit risk limits determined with the Board of Directors' decision are measured, and presented to the Audit Committee through periodic reports. If necessary, the actualization of country, concentration, maturity, sector, default rate, legal status, security, geography, currency type risks within the scope of internal risk limits are analyzed, and results are submitted to the senior management.

Initiated in 2012, the BASEL II internal rating preparations for increasing the efficiency of capital adequacy calculations, loan allocation and monitoring processes have progressed stage by stage.

Internal rating models for Corporate / Commercial and SME customers were developed, an internal rating model developed for the credit cards portfolio was launched, and the calculated scores started to be used as an input in the limit allocation processes. In the strategic project initiated to develop new Basel-compatible models in line with the changing segment structure, the development of appropriate rating models for segment-based portfolios continues.



The studies on calibration and modeling processes required for using the outputs of the internal rating models developed under the Basel II internal rating method in the provision of returns and profit-loss calculations under the scope of IFRS-9 also started in the last quarter of 2016.

The systemic improvements initiated in 2015 for the automatic reporting of the internal rating models' outputs to the Risk Center are mostly complete, and the relevant reports are expected to be automatically produced by first quarter 2016.

An IFRS-9 impact study was conducted in the last quarter of 2015. Works towards Financial Control, Accounting, Risk Monitoring Units, as well as the IFRS-9 oriented works are conducted in coordination with each other.

#### **Data Management and Reporting:**

Under the Basel III rules, the amount subject to credit risk according to the standard method is calculated on a monthly basis and reported to the BRSA in solo and consolidated format. The Risk Management Department is also in charge of calculating of the Bank's monthly capital adequacy ratio and reporting it to BRSA. In order to comply with the RCAP regulations that entered into force in March 2016, the necessary arrangements were made in the reports where the amount subject to credit risk is calculated.

The risk report set that contains detailed information for the calculation of the amount subject to credit risk, which is required by BRSA as of June 2016, is being prepared on a quarterly basis. Also, quarterly tables are prepared for the calculation of the amount subject to credit risk and of the capital adequacy ratio as part of the Independent Audit Report.

The Integrated Risk Management Project is on going. Upon the completion of the project, the Bank will issue the BRSA Risk Management reports automatically.

#### **Market Risk:**

The market risk is handled periodically at the Audit Committee and the Internal Systems Committee of Kuveyt Türk, and monthly reports are sent to the BRSA. The sum calculations that forms a basis to market risk are monitored in compliance with the Basel III standard method.

On a consolidated and unconsolidated basis, the Internal Capital Adequacy Evaluation Report was prepared for assessing the capital adequacy of the Bank in normal and stressful periods, and as per the Regulation on Internal Systems of the Banks and Internal Capital Adequacy Evaluation Process and submitted to the BRSA in March 2016. Periodic stress testing and scenario analysis are conducted and presented at the Audit Committee and Internal Systems Committee meetings. Also, the stress tests on market, counterparty credit risks and the Bank's total liquidity risk are monthly and concurrently conducted.

The sukuk and other investment portfolios are regularly monitored, and reported to the Audit Committee, and every month to our main partner Kuwait Finance House. On the other hand, analyses are made on capital assessment, asset assessment, market risk, power and sustainability of incomes, obligation and liquidity, business strategy, efficiency of internal control systems, organizational structure and strength, and management within the framework of the CAMELBCOM approach developed in compliance with the risk appetite of the Bank, Turkish and world economy, early warning system study for fiscal, monetary and financial system, and the Central Bank of Kuwait's needs, and quarterly reported to our main partner Kuwait Finance House.

#### **Operational Risk:**

As part of operational risk studies, work has been carried out in coordination with the Internal Control Department in order to determine and eliminate risks related to operational processes by taking part in the ongoing process update and improvement efforts across the Bank in 2016.

The Bank's operational risk loss data is stored systematically and in compliance with Basel III standards. Operational risk concentrations have been actively monitored and reported to the Audit Committee, through a terminology appropriate to Basel III. In addition, studies have been conducted for compliance with the operational risk best practice guidelines issued by the BRSA. On the other hand, an active role was played in the efforts required by the Support Units Regulation, and the Risk Management Program related to Support Units was revised and presented to the Board of Directors.

#### **IT Risk:**

Conducting the assessment work of the risks for Information Technology activities, the Risk Management Department undertakes important roles in risk monitoring and risk activity follow-up.

Keeping the business continuity plans up-to-date is among the responsibilities of the Risk Management Department. Efforts regarding the identification of critical processes and critical IT systems, and assurance of redundancy of these systems were conducted within 2016.

#### **Compliance Department**

The Compliance Department is a unit in the internal systems that identifies, assesses, monitors, reports and offers consultancy in the legislation risk in Kuveyt Türk and its subsidiaries. Operating in affiliation with the Internal Systems Committee, and reporting on its operations to the Committee, the Compliance Department has two main functions.

#### **Compliance Control Function**

- Checking the compliance of all existing and planned activities, new products, services and transactions of the Bank to the regulations, internal policies and rules, and banking trends,
- Executing compliance control function within the scope of the compliance program and annual compliance control plan,
- Monitoring and controlling compliance of the subsidiaries and foreign branches to the relevant regulations, and their periodic reporting to the Department.

#### **AML/CFT Function**

- Ensuring that the Bank's activities comply with the anti-money laundering and combating with the proceeds of crime regulations,
- Keeping the high level quality of the Bank's customer portfolio by implementing effective risk management, monitoring and control activities,
- Detecting suspicious transactions and notifying the public authorities,
- Consulting Head Office departments and branches on subjects related to AML/CFT regulations,
- Reviewing and consulting on designing products to be offered to customers to ensure compliance with AML/CFT regulations,
- Increasing consciousness and awareness of the staff on AML/CFT regulations.

## Law and Risk Follow-up Group

**The amount of the write-off loans recovered** in 2016 went up by 300% over the prior year to **reach TL 13.5 million.**

The non-performing loan rate of Kuveyt Türk was below the sector average in 2016, as it was in previous years.

As of November 30, 2016, the non-performing loan ratio of Deposit and Participation Banking were respectively 3.36% and 4.00%, Kuveyt Türk's overall non-performing loan ratio was 2.73%, a figure below the sector average.

This success was achieved thanks to:

- Monitoring of clients through early warning signals on an active basis,
- Taking proactive approaches towards customers in administrative monitoring,
- Displaying proactive approaches by correctly interpreting the macroeconomic indicators,
- Making the branches and personnel more aware about risk monitoring through trainings and visits.

Other key factors in this process were making accurate and swift assessments of the regulations and provisions amendments under the State of Emergency, establishing close and proactive communication with the relevant public institutions, and thus employing policies and practices in an efficient manner.

According to plans, in the first quarter of 2017, work will be completed to produce the Credit Risk Monitoring Directorate's monthly reports on customer behavior not manually but through the system, and on a daily basis.

The infrastructure changes for the combined reports were completed, and the newly created user-friendly system started being used for both risk follow-up and marketing purposes.

In order to make more use of the customer intelligence screen while accepting their cheques as collateral, the screen's parametric features were enhanced, the system's productivity was increased and it became possible to take swift action through the system.

The Credit Risk Monitoring and Risk Follow-up Directorates are also involved in the Internal Rating Project conducted by the Risk Management Directorate, and make serious contributions to the project in areas such as data supply, data dictionary creation, testing, decision making and strategy formulation.

In order to make the Bank's administrative monitoring processes more efficient and productive, and to take the right action to the right customer at the right time in the collection of overdue receivables, the Collection Decision Support System project was initiated in 2016. Consultancy services were received from an Italian company for the project, and the content of the first phase of the project was designed. The software phase and the integration into the banking system have been completed to a large extent, and the project has reached testing stage. The second phase of the project is to create the Collection

Decision Support System and integrate it into the banking system. To this end, the Bank is working on the selection of the right consultancy firm. The project is expected to be completed in the second quarter of 2017. The objective here is to launch new follow-up and collection strategies quickly, reduce manual activities to save time and resources, and to minimize overdue receivables. With this project, the Bank will create a score for each customer under close monitoring, and segment customers based on their payment habits and payment capability. Thanks to this system, the administrative monitoring will be performed in the most effective manner.

Continuing to grow in a steady fashion, Kuveyt Turk sustained its growth drive this year. In parallel to this growth, a team was created to focus on SME customers whose loan repayments are overdue between 31 to 60 days, with a view to managing non-performing loans in a more efficient manner. In this way, the team can rapidly contact the customers and branches before the delay becomes too long, and due action is taken in a more efficient manner.

A stronger Write-off Loan Recovery Unit has been established under the Retail and Business Loan Risk Follow-up Directorate and the effects of this newly established service on collection performance were immediately visible in 2016. The write-off loans recovered in 2016 exceeded TL 13.5 million, in an increase of approximately 300% over the previous year.

The Law and Risk Follow-up Group posted TL 13 million in profits from the sales of fixed assets held for sale, despite the adverse economic and political conditions. Decisive action has been taken to turn fixed assets into current assets (cash) as quickly as possible. The ratio of sales price to expertise value came in at 97%. While the profit / turnover ratio hovers around 20-25% at other participating banks, it is close to 40% at Kuveyt Türk.

In 2016, a Legal Follow-up System software was designed and integrated with the Bank system. The system can be employed effectively by contracted lawyers and has already started being used by pilot law firms. As such, the Bank will be able to assign work to lawyers through the system, deliver orders, receive their demands for expenses and advances, follow up the status of customers under legal monitoring via the system, and measure the performance of law firms. Visits to contracted active law firms continued in 2016, and talks were held during these visits to increase the collection rate through legal follow-up efforts.

Under the Centralization Project, the process for preparing the mortgage release letter has been centralized, and all mortgage release letters have started to be written by the Collateral Monitoring Directorate. Through a close monitoring of the legislation and current practices, Kuveyt Türk has cut costs by scanning the Bank's authorization documents and uploading these to the Land Registry System, and then by using these authorization documents and signature lists in the mortgage release transactions. In 2017, the Bank will create integration with the Land Registry System and start writing and sending mortgage release documents online, so as to increase the effective and efficient use of the Bank resources.

In a groundbreaking innovation for the global banking sector, the Customer Rights and Regulatory Compliance Directorate became operational under the Bank's Law and Risk Follow-up Group on January 1, 2016 in order to monitor and protect customers' rights even before customers file a complaint. This Directorate will take all kinds of action to protect Bank customers' rights in line with Article 76 of the Banking Law no. 5411 and relevant legislation as well as the Consumer Protection Law no. 6502 and relevant legislation, and to ensure that the Bank's practices comply with these laws.

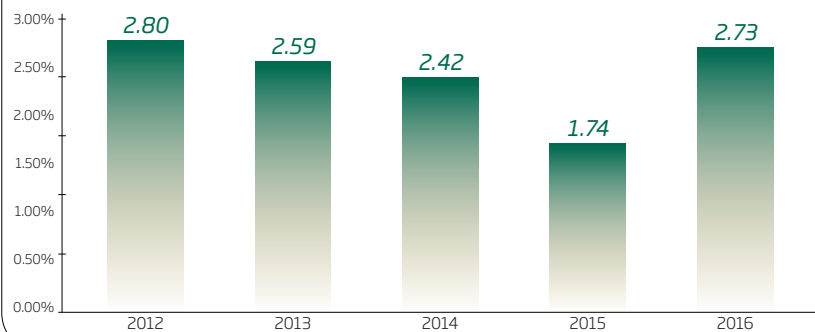
Under the said legislation, the Directorate keeps a close watch on the legislative developments that concern banks and communicates these to the relevant units and individuals within the Bank. It identifies the necessary actions to prevent any non-

compliant transactions within the Bank, and works in coordination with the other units in order to put these actions into practice.

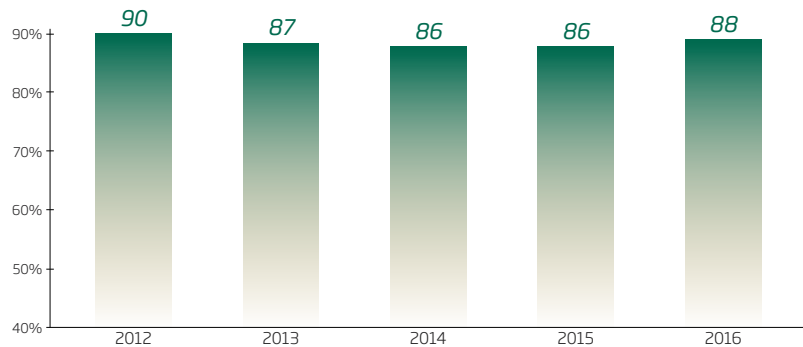
All the contracts and forms signed between the Bank and its customers were gathered under a single umbrella, and made easily accessible to the branches. Through the addition of QR codes to the contracts and forms, the contract signing process has been shortened, saving time and increasing customer satisfaction.

The Customer Rights and Regulatory Compliance Directorate, which has assumed the sponsorship of the project carried out in the scope of the Law on the Protection of Personal Data, intends thereby to make the Bank's processes and practices compatible with the said law.

### Non-performing Loan Ratio (%)



### Provision Ratio (%)



## Banking Service Group

**In order to efficiently manage the operational business processes of the Bank, which grows continuously** in terms of branch number and transaction volume, the Operations Center undertakes investments to enhance corporate capacity and workforce competence.

Kuveyt Türk Operations Center has been restructured to carry out the operational transactions of the central, corporate, retail and international banking groups in a coordinated fashion.

Expending efforts for bringing operations to the highest quality standards and minimizing operational costs, the Center includes the Credit Operations, Banking Operations, Foreign Trade and Treasury Operations, Insurance, Payment Systems and Call Center directorates.

The management of business processes for enhancing work efficiency at Kuveyt Türk, and the execution of the necessary technological update activities are also among the responsibilities of the Center.

In order to efficiently manage the operational business processes of the Bank, which grows continuously in terms of branch number and transaction volume, the Operations Center undertakes investments to enhance its corporate capacity and workforce competence.

### Payment Systems Directorate

ADC Operations, Card Operations, Expense Disputes and Security operate under the Directorate.

**ADC Operations:** It conducts POS, ATM/XTM, utility bill, and tax collection operations.

In 2015, the increase in the number of POS was 31%, while this number was 11.92% in transaction amount, and 15.69% in transaction volume. The net collection system was transferred to BOA in 2015.

**POS Operations:** In 2016, there was a 17.40% increase in the number of POS and a 22.86% increase in the number of transactions. Customer satisfaction was achieved through service level (SLAs) of 96.75% in POS installation and of 95.50% in troubleshooting.

- On the Acquirer side, Bin certifications for TROY Card and Master no. 2 were completed.
- In 2016, full automation began in the application, approval and installation of the POS devices owned by the Bank in order to increase productivity in terms of man hours per day.
- In 2016, an agreement was reached with Ingenico, the cash register POS manufacturer.
- Screens were placed in screens for retrieval and malfunction notifications over the BOA, and for accounting reconciliation.
- Virtual POS user screens were upgraded.
- Avea POS line pool was cancelled, 2,500 of the 4,500 POS lines in the field were changed, and the pool was terminated.

**ATM/XTM Operations:** It manages a total of 572 ATMs -of which, 503 branch ATMs and 69 out-of-branch ATMs- as well as 37 XTM devices. In 2016, there was an increase

of 19% in the number of ATMs, 54.21% in the number of financial transactions, and a 85.90% rise in transaction volume.

- In 2016, Recycle ATM started to render services in 40% of the entire field. The ATM service delivery rate is 99%.
- A system monitoring team was established under the Payment Systems so as to keep track of ATMs after the business day ends.
- Under the branch ATM project, 103 ATMs were installed and some of the counter workload was shifted to the ATM channel.
- ATM preview (malfunction monitoring application) was enhanced with the addition of the Incident Manager (malfunction process automation). The first phase work and the accounting and reconciliation automation of off-site ATMs were completed.

**Bill and Tax Collections:** The Directorate manages 12 product operations including Utility Bill Collection, Tax Collection, SGK, HGS, Donation, Ministry of Religion Payments, SSPC Payments, Customs Collections, TL Top-up, PTT Banking, Health Payments, and Retirement Pension. In 2016, a total number of 13,289,288 was achieved in all products. In 2016, the conversion of all products, including Tax Collections, to BOA was completed. Our ADC rate in utility bill collections rose up by 94%.

- Bill debt and collection files were transferred automatically to increase work efficiency.
- Tax collections were shifted to BOA and e-reports, statements started

being sent online, and workloads were reduced in the central branches.

- Under SGK premium payment centralization efforts, it became possible to place automatic SGK and BAĞ-KUR payment orders.
- Customs collections made manually by the branches for customs offices were centralized.

**Card Operations:** The Card Operations Unit manages operational transactions for debit and credit cards, as well as parameter definitions in the management of card systems, communications and certifications with the BKM-VISA and Mastercard. In 2016, the credit card numbers rose by 32% and turnover by 39%.

- By printing debit and credit cards at the branches, the Bank saved TL 3,901,796 in printing and distribution expenses.
- As of the end of November 2016, the percentage of bank statements sent out via e-mail reached 76%, a figure above the sector average.
- As of the end of 2016, the Unit has made available the TROY debit card product.
- In 2016, switch performance came in at 99.91%, way above the sector average.

**Expense Disputes and Security:** Actions are taken to prevent fraud in the card, merchant member, ATM and digital banking channels. The rate of forgery in 2016 was 3.23 in the sector, versus only 1.73 at Kuveyt Türk.

- On the Digital Banking Security Monitoring side, a project was completed to call customers for transaction confirmation via Interactive Voice Response System (IVR).
- In parallel to the Transfer of Debit Card Provision System to the BOA System, the BOA Debit Fraud Project was completed and a pilot test was initiated.

### Credit Operations Directorate

The Credit Operations Directorate conducts individual, SME and corporate finance projects, financial leasing operations, and incentive follow-up and deduction transactions in line with Kuveyt Türk's work principles and legal legislation. In 2016:

- All import fund allocation transactions were centralized.
- Joint efforts were made with IT to meet the systemic needs that arose under the Fund Allocation Centralization Project.

- The Directorate started to allocate cash funds via Online Finance.
- An active role was played in the Participation Banking Legislation Work.
- As part of the SÖİK reached with Eximbank, a protocol was signed to operate in euro and TL and the work on infrastructure began.
- An active role was played in the Bank's strategy of expanding leasing operations.
- 100% progress was made in the Leasing System Development Project.
- Process and system studies have been made for export financing.
- A large number of branch and customer visits were made, and information was provided on the Bank's principles and practices.

The following results were reached as regards loan operations targets in 2016:

- The Directorate contributed to strengthening the image of participation banking in the market, by means of actions taken for centralization.
- Following changes in the organization structure, closer relations have been established with the internal and external customers in the Commercial, Corporate and SME (businesses, SMEs, MLEs, shopkeepers) segments.
- As a result of the successful implementation of Eximbank SÖİK transactions and the harmonious cooperation with Eximbank, agreements were reached as regards repayments denominated in TL and euro.
- Thanks to successful initiatives regarding the Ministry of Economy's profit share-based transactions and urban transformation schemes, many customers became eligible for government support, and thus customer satisfaction and loyalty were enhanced.
- The Bank actively participated in the Participation Banking Legislation Study, which was submitted to the Association of Participation Banks.
- Support was provided to marketing units and branches, resulting in a 100% increase in financial leasing transactions.

### Insurance Directorate

Domestic Warranty Letters and Insurance Transactions Units operate under the Insurance Directorate.

**Insurance Transactions Unit:** Focused on customer satisfaction, the Unit continues to offer our customers current and new products through all channels with its expert staff in bancassurance.

It provides the following services in insurance policies associated with loans extended by Kuveyt Türk, or insurance policies outside the scope of Bank loans:

- Policy Issuance,
- Renewal,
- Addendum Operations (Change-Cancellation),
- Pursuance of Claims,
- External insurance policy entry and approval.

In 2016, the Unit performed 84,237 warranty and external insurance policy entries and approvals, 197,558 insurance policy renewals, 64,776 change, cancellation, claim transactions and warranty inquiry/control transactions.

**Warranty Letters Unit:** Thanks to its practical and swift system, Kuveyt Türk is customers' bank of choice in warranty letter products, and continues its progress in this field with new projects.

Warranty Letters Unit conducts the following transactions:

- Checking warranty letters drafted by the Bank for compliance with the legislation, corporate principles, and fund allocation resolutions,
- Providing warranty letter approvals as well as Head Office confirmations for warranty letters and reference letters,
- Entering of the warranty letters and reference letters sent by the branches.

In its insurance operations and contracts, the Bank cooperates with Turkish life and non-life insurance companies that carefully comply with interest-free insurance principles known as "tekâfül". The Bank's collaboration with Neova Insurance, dating back to 2010, was further enhanced in 2016. Likewise, Katılım Emeklilik, set up in 2014 as an insurance company where the Bank has a 50% stake, continued to expand its premium production volume.

Kuveyt Türk focuses on meeting all the needs and expectations of its customers in the field of finance in accordance with interest-free banking principles. In collaboration with Neova Insurance and Katılım Emeklilik, Kuveyt Türk provides customers a rich warranty structure and alternative product packages for their insurance needs.

## Banking Service Group

In 2016, insurance premiums generated by the Bank reached approximately **TL 87 million in the non-life branch, and about TL 18.3 million in the life branch.**

In 2016, insurance premiums generated by the Bank reached approximately TL 87 million in the non-life branch, and about TL 18.3 million in the life branch. As such, there was a 47% increase in premiums in the non-life branch and a 23% increase in the life branch.

The number of transactions checked by the Warranty Letters Unit was 98,000 in 2016. As part of the centralization project, in 2016, 50,047 warranty letters and reference letters were entered by the Warranty Letters Unit and sent to approval.

In 2016, letters of warranty amounting to TL 7.3 billion were issued in a 4% growth over the previous year. The quality of the service delivered by the Warranty Letters Unit has been confirmed with measurements made by internal and external customers.

- In all branches, the letters of warranty have started being managed in centralized fashion. The centralization rate of warranty letter transactions came in at 73%. Centralization efforts have also started in insurance policy transactions and the centralization rate has reached 100%.
- Still within the scope of centralization efforts, the Automatic Insurance Proposal Project was launched.
- Operational support was given to bonus point campaign organized by Neova Insurance among the Bank personnel, and the overseas travel campaign for branch managers.
- Information meetings were held among the branch marketing personnel as

regards the insurance products which have a large premium generation potential.

- As a result of the licensing studies conducted to increase the technical competence of the branch personnel, the number of Bank personnel with SEGEM certification was brought up to 1,800.
- There is ongoing work to popularize the web site [www.neoteklif.com](http://www.neoteklif.com), which will help the Bank rapidly receive propositions over the internet with Neova Sigorta A.Ş. support, and the web site [www.sigortaajandasi.com](http://www.sigortaajandasi.com) for monitoring insurance policy renewal transactions.
- The Bank started marketing two new products issued by Neova Insurance, namely the "My Shopkeeper Package Policy and Long Term Leasing Policy."
- The Bank started marketing two new products issued by Katılım Emeklilik, that is, Education Insurance, and the Personal Accident Insurance with Loan for retail customers.
- The Call Center started marketing new insurance products to loan customers.
- The Directorate started marketing Personal Accident and Life Insurance products via Senin Bankan, and to this end, established coordination and communication among the relevant units of Katılım Emeklilik and Kuveyt Türk.

The 2017 targets of the Directorate are as follows:

- The Directorate reached the final phase in the project to allow customers to submit their letters of warranty via the corporate web site. In 2017, these screens will be put to the use of corporate customers.
- Unemployment Insurance with Loan and Personal Accident Insurance with Loan (for commercial customers) will start being marketed in the first quarter of 2017. The sales of Life Insurance for Needs Card and credit card products will start in the third quarter of 2017.
- The screens for the Personal Accident and Optional Life Insurance products will be upgraded to become more practical and user-friendly.
- Kuveyt Türk will place a greater emphasis on product promotion efforts for agricultural policies (TARSIM), and aim at including the agriculture and livestock sectors to its insurance customer portfolio.
- Under the CRM Portfolio 360 Project, the systemic upgrade efforts for target/performance cross sales pools will be expanded further in 2017.
- Upgrades will continue to integrate products and services to digital channels, and to ensure that customers can access insurance products and services at anytime.
- The technical competence of all branch personnel will be enhanced, so that they can obtain SEGEM certificates.
- The Directorate will join forces with marketing units to deliver sales training on insurance products for MLEs, SMEs and the commercial segment.

### Banking Operations Directorate

The Directorate comprises Cash Operations, Branch Coordination, Bartering, Data Entry, Official Correspondence, Mandated Operations, Senin Bankan, Overseas Account Openings, and Data Quality Units.

**Data Entry Unit:** The Data Entry Unit checks the warrants, cheques and promissory notes sent online for compliance with form requirements, and enters their information into the system.

Warranty entries increased by 25% in 2016 to 113,000, cheque entries rose by 1.5% to 794,843, and promissory note entries increased by 15% to 235,141.

Also, 53,947 customer documents from XTM branches were checked and delivered to the archive, an increase of 186%.

**Bartering Unit:** The number of cheques that passed the Bank's approval mechanisms and limit/risk controls to be delivered to customers has reached 992,040; other banks' cheques sent for collection via bartering has numbered 628,950 with a total value of TL 13 billion; Kuveyt Türk cheques collected through bartering has numbered 525,906 with a total value of TL 13.6 billion; other banks' checks drafted over foreign currencies and collected through bartering have numbered 12,265 with a total value of USD 360.5 million; the Bank's checks drafted over foreign currencies and collected through bartering have numbered 14,670 with a total value of USD 549 million.

Promissory notes collected over the branches and corresponding banks has numbered 126,000 with a total value of TL 883 million.

In 2016, the Bank launched a system, which conducts signature checks over the images of barter cheques prior to payment. Two machines were imported from abroad for printing cheque books, and the QR-code cheque book printing system was upgraded.

**Cash Operations Unit:** The Cash Operations Unit meets the Group needs of Kuveyt Türk branches. It serves 141 branches in Istanbul and 216 branches outside Istanbul. In addition to meeting the cash transfer and receival requests of the branches, it also makes transfers of KT gold grams, Turkish Republic gold coins, gold and silver bullion.

- As a result of the Treasury Department's foreign exchange transactions with foreign banks and companies in 2016, a group was prepared for the export of USD 1.79 billion, EUR 1.92 billion, SAR 1.54 billion, and JPY 583 million in banknotes.
- In 2016, the group transaction volume between the Anatolian and Istanbul branches, and the main vault amounted to TL 11.18 billion, USD 7.76 billion and EUR 2.68 billion.
- In 2016, the Anatolian branches' TL group claims started being met from CBRT counters.
- TL 2.98 billion was invested by the Anatolian and Istanbul branches to CBRT and put to the use of the Treasury Department on the same day.
- The main vault located in Istanbul executed the counting of 66 million banknotes in group transactions for Istanbul branches.
- In 2016, a 10% improvement was achieved in the branch cash balances with the Istanbul branches' Cash Optimization Project.
- In 2016, the gold sent to and received from the branches in the group amounted to 19,145 kg.

**Senin Bankan Unit:** It keeps track of and finalizes the applications received via the Senin Bankan web site.

Kuveyt Türk customers who are either new customers or have passive accounts can apply over the digital platform [www.seninbankan.com.tr](http://www.seninbankan.com.tr) for account opening, credit card, needs card, or car and house financing. Senin Bankan's Call Center at 0850 2510123 responds to all the needs of customers.

Senin Bankan started to receive applications for account openings in February 2015, for credit cards in August 2015, for car and house financing and needs cards in December 2015. In 2016, systematic studies were carried out on Senin Bankan Customer Representative model. Pilot studies in this area will begin in 2017.

**Official Correspondence Unit:** The Official Correspondence Unit is responsible for answering and electronically archiving all incoming official documents to the Head Office and branches, checking the packages from the Revenue Administration, Social

Security Institution and SDIF e-lien system, and communicating the replies to these.

In 2016, the number of answered correspondence increased by 16.79% in comparison with the previous year and reached 285,729. There is ongoing work for answering Ministry of Justice and Ministry of Customs notifications received over Registered Electronic Mail (KEP) through the system.

**Branch Coordination Unit:** In charge of increasing the operational productivity and performance of the branches, the Branch Coordination Unit plays an active role in expressing opinions on the determination of branch staff numbers according to the operation management and workload of branches, participating in projects for increasing operational efficiency, and providing temporary support staff to branches.

In order to reduce the workload in the branches, lobby ATMs were installed in 103 branches in 2016. As a result of lobby ATM installations, the counters' workload has been reduced from 39% to 20%, and thus 48% of the counter workload has been successfully transferred to ATMs. To this end, the monthly and daily reconciliations at the branches have been systematized.

Meanwhile, in line with the ATM orientation targets assigned to branch operations staff, ATMs were utilized more efficiently in the year 2016. As a result, the percentage of ATM transactions among total counter and ATM transactions has risen from 73% to 75%.

In line with the Bank's vision, within the scope of the New Branch Business Model Project, İstanbul Anatolian Side 2. Region was included in the pilot test in 2016. In 2017, İstanbul Anatolian Side 1. Region will also be included in the pilot test.

The transition process of the branch operation personnel to the Sales Department was organized; accordingly, 81 operation employees successful in the assessment during 2016 were transferred to the sales staff.

In 2016, 89,365 bill payment orders, 92,198 internet passwords, 124,353 debit cards, 12,971 credit cards, and 20,646 HGS were sold as a result of the goals assigned to

## Banking Service Group

**Some 20% of calls** that reached branch switchboards **were resolved successfully by the Call Center.**

the operations staff. In ADC sales, a 12% increase was achieved over the prior year and a total sales number of 339,433 was reached.

In cases when the branches needed temporary staff, more than 5,600 branch staff demands were met by a support team of 55 people, and services to clients continued without interruption.

As of year end 2016, the Unit delivers services with one operation manager and one teller in 151 branches. As a result of these efforts, possible costs from idle capacity were prevented in new branches that have not yet reached the sufficient transaction capacity.

### Foreign Account Openings Unit:

As of December 28, 2015, upon a resolution of the senior management, the Bank had started to open accounts for high risk customers (Syrian and Iraqi customers). In 2016, work was completed to perform these account openings from the Center, along with all the accounts opened for other foreigners whether legal or real persons, and a systemic infrastructure was established.

**Data Quality Unit:** The Data Quality Unit was formed to ensure that customer information is up-to-date, correct and complete at all times in line with strategic goals.

A study was conducted on active real person customers (persons with any transaction in their accounts within the last year) on the basis of eight criteria (home, car, number

of children, GSM, email, educational level, profession) and the data completeness ratio rose from 69% to 73%. The number of customers increased from 1,292,254 to 1,500,000. The data completeness weight ratio was determined via e-mail. Data completeness reports were sent to the branches twice every month.

For corporate customers, a Divit-based authentication system was created for signed documents. On this system, studies were conducted as regards the archiving, document classification and validity period for 19 types of customer documents.

### Call Center Directorate

Two main units operate in the Head Office: Call Center Operations and XTM Center.

**Call Center Operations Service:** Kocaeli Kuveyt Türk Call Center operates in four different locations Kocaeli Banking & Life Base, Ankara Balgat DRC and Call Academy, Konya Call Academy and Izmir Call Academy - and also serves customers in Arabic and English, besides Turkish.

Among the operations carried out in Head Office 24/7 are telephone banking, support services, credit card and insurance sales services, Senin Bankan, private banking and answering branch calls and XTM video calls are included.

**Incoming Calls:** Some 39.1% of the incoming calls to the Call Center were answered by customer representatives and 2,325,123 customers were served in 2016. Some 60.9% of the incoming calls were resolved

in the self-service channels and 3,636,472 customers were served on the IVR channel. The number of banking transactions performed over the Call Center increased 13.1% over the prior year to reach 86,631. The annual value of banking transactions came in at TL 319 million. As part of sales activities, TL 5,146,913 in revenue was obtained from Neova Insurance policy renewal and sales. Customers who failed to reach the Kuveyt Türk Call Center were automatically called back by the Call Center.

### Interactive Voice Response System (IVR):

Put to the service of customers for the first time in 2015, the IVR self-service channel continued to expand in 2016. As a result of the IVR self-service channel, there was a 222% increase in workforce management and call response performance, as well as a productivity increase of an average of 113 man/days. Some 60.9% of all calls to the Call Center were answered via IVR.

**Calls to Branches:** Some 20% of calls that reached branch switchboards were resolved successfully by the Call Center. In 2016, a total of 837,526 calls were received from the branches.

**Outgoing Calls:** Aside from incoming calls, the Call Center carried out various outgoing call campaigns during the year. There was a 31% increase in outgoing calls, which reached 295,473.

**Service Quality:** Some 73.2% of the calls received from the Call Center were answered within the first 20 seconds; and this duration was 29 seconds for all



calls in general. According to the results of research conducted by Nielsen Research Services among the call centers of the four leading banks in Turkey, Kuveyt Türk Call Center was designated the Best Service Provider Call Center as in the previous years, in terms of service quality. In addition, the Call Center participates in the Call Centers Quality League Platform, held every year by Telephone Doctor TM, in order to measure and evaluate the quality of service. Kuveyt Türk Call Center holds the EN 15838-2009 Customer Communication Center Management System Certificate, which is a management system in compliance with the Customer Communication Centers Management Standard.

#### **XTM Central Operations Unit:**

Via 36 XTM digital branches placed in different locations, the XTM Center provides video chat services in Turkish, Arabic and English to customers as regards all banking transactions.

In 2016, the number of incoming video calls to the XTM Center increased by 27.9% to reach 116,637. Some 62.18% of incoming calls were answered within the first 10 seconds.

The XTM Center's number of annual transactions increased by 87.5% in 2016 and reached 272,293; transaction volume increased by 41.75%. New customer accounts were opened through the XTM Center in 2016, increased by 77% over the prior year.

In terms of volume, XTM Self-Service accounted for 28.9% and XTM Center (Customer Representative) accounted for 71.1% of the transactions performed over XTM devices in 2016. In terms of units, on the other hand, XTM Self-Service accounted for 32.4% and XTM Center (Customer Representative) accounted for 67.5% of the transactions performed over XTM devices.

In 2016, XTM Center's non-operational transaction, sales activities and credit card sales increased by 91%.

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

Among the responsibilities of the Unit are banking transactions related to import, export and external guarantee transactions, controls and supervision of incoming and outgoing foreign currency transfers of Bank customers, EFT and SWIFT systems and performing operations related to Treasury.

#### **Foreign Trade Operation Services:**

Among the responsibilities of the Foreign Trade Operation Units, import, export and international letter of guarantee transactions, realizing operations related to incoming and outgoing foreign currency transfers of Bank customers are included. Also, control and supervision of SWIFT System are among the responsibilities of these units.

The number of operations of the Foreign Trade Operations Unit consisting of Transfers, Collections, Letters of Credit and External Guarantee Units increased by 20% in 2016 in comparison with the previous year.

With the completion of the BOA transformation, centralization studies have been carried out, such that screens for letters of credit and foreign letters of warranty letters have been fully centralized. As such, branches can now forward their transactions to the Operations Center by simply entering the customer number.

**Treasury Operations Unit:** The Unit has three sub-divisions, namely, Foreign Exchange and Money Market Transaction Operations, TL and Securities Transaction Operations, and Precious Metal Transaction Operations. At the same time, the Unit includes the EFT / RPS Center and thus conducts control, reconciliation and development activities for the EFT, RPS (PÖS: Retail Payment Service) and EST (EMKT: Electronic Securities Transfer) systems.

In 2016, FX operations have been automated and employees have thus had the chance to focus on more complex operations. The Unit also started to run new business operations such as precious metal import / export transactions, mutual funds whose trading started at the branches during the year, as well as second hand sukuk trading operations.

During the year, systematic developments were completed, the automation of CBRT required reserve and margin call transactions was completed, operational systems and reconciliation systems related to capital market transactions were also developed.

In 2017, system upgrades will be conducted for EFT/RPS, mobile approval, OTASS registration, clearing and debt repayment, KM correspondent required reserve payments and KM import/ export transactions.

#### **Process Improvement Directorate**

The Process Improvement Directorate operates with Process Improvement and Product Support Services.

**Process Improvement Unit:** The Bank is carrying out work for development and keeping up to date of its processes in a customer focused, efficient, making the most of the technology, participative, measurable manner, in line with law and banking principles, subject to the principles of having defined standards and having the necessary analyses and investigations made.

In order to ensure this, four different process works are being carried out. These are:

- Designing process for new products and services,
- Making re-designs related to existing processes (Reengineering),
- Working to improve and develop the existing processes,
- Modeling the existing processes of bank applications.

In 2016, the Process Development Unit handled internal market processes end-to-end and thereby designed the analytical processes that will eliminate the inefficiencies in the current process in due consideration of the latest legislation on participation banking. The Unit then transferred these designs to the Project Office as a strategic project.

The Process Development Unit participated in the Branch Business Model project, contributing to efforts to determine branch work distribution, follow pilot branches, and monitor centralization & automation upgrades.

The Financial Analysis and Allocation Project was conducted with the participation of relevant units and branches. Once the Financial Analysis and Allocation software is transferred to the BOA, it will be possible to respond to allocation infrastructure demands concerning new products and services in a faster manner.

## Banking Service Group

Under the Authorization Project, the authorization processes of the Bank have been re-examined and the Information Technology Help Desk has been removed from the processes. In order to increase the efficiency of the organizational team, they were provided structures to help them review screen authorizations prior to deployment.

As a result of the studies on the real estate process flow, proposals were made about components that prolong the process, make it harder to obtain documents, and lead to customer dissatisfaction. Some 75% of the proposals were put into practice. Other efforts carried out in 2016 are as follows:

- Process design studies were completed for the Housing Support and Dowry Account, export financing processes, Mobile Branch car and house loan allocation, as well as Internet Branch car and house loan allocation processes.
- The leasing processes were analyzed and changes were made to components such as leasee change and sub-lease.
- Improvements to Senin Bankan processes continued in the areas of barcodes and customer Divit.
- In the XTM processes, the Unit worked on adding UX to the contracts, installing TCR devices, and improving counter operations.
- End-to-end measurement of individual real estate processes under the SLA Project was completed as of the end of 2016. Thanks to this project, it will be possible to use the SLAs as a performance gauge for the Bank's units, and to identify the duration of services provided to customers.

- Upgrades have been made to the BOA infrastructure in order to facilitate the follow-up of operations transferred to the Center.
- Branch month-end reconciliations and ATM reconciliations have been systematized.
- Customs collection reconciliations and risk follow-up revision and restructuring operations have been centralized.
- Some 78 process improvement projects, especially as regards letters of warranty and credit cards, have been completed, and 238 processes have been updated within the scope of the Management Declaration.

**Product Support Unit:** With its competent and well-experienced team, the Unit provides information and support to branch employees about the BOA screens, financial analysis and allocation screens and to users about the products and services.

In addition, the Unit also informs the relevant Head Office units about any process- and screen-related problems, and assists them in finding solutions. As such, the Unit makes efforts so that users can find permanent solutions and thus avoid running into the same problems.

In 2016, the Product Support Unit made 17,575 phone calls to help users, and responded to 10,239 requests.

### Administrative Services

The Administrative Services Group comprises the Administrative Services and Procurement

Directorate (Procurement, Administrative Affairs and Communication Units), Construction and Project Directorate and the Security Directorate.

### Administrative Services and Procurement Directorate

Composed of the Procurement-Lease-Logistics, Administrative Affairs and Communication-Archive units, the Directorate formulates and implements the Bank's procurement and service processes.

As part of Procurement-Lease-Logistics activities, the Directorate ensures the lease or purchase of the new branches, service points, ATM and XTM locations based on the Bank's strategy. As for procurement, the supply of goods and services needed by the Bank are obtained in a timely, low-cost manner and at the highest quality. The purchased goods are stored and then distributed to the requested locations via the demand management system with the help of the Logistics Center.

In 2016, the Unit focused on reducing branch opening costs, and obtained cost advantages through long term contracts reached with manufacturers or wholesalers as regards the procurement of furnitures, furnishing and construction materials.

Procurement, Lease and Logistics Management was moved to the new banking ERP structure.

Agreements of all departments were obtained and registered in the Bank ERP infrastructure so as to track the Bank's agreements, and a comprehensive database was formed.

In order to optimize operational costs, supply processes were expanded through central agreements, and suppliers of maintenance and repair services were integrated so as to bring down operating costs.

In 2016, locations for 22 new branches, four individual XTM branches and 14 ATMs were rented, the tenders were completed, and these were put into service. In addition, the locations of 15 branches were changed, and comprehensive renovations were carried out at four branches. The contracts for 37 branches and five ATMs in the existing portfolio were extended.

Supply planning, inventory and shipment management for about 600 different products are managed with the efficiency principle in the Logistics and Archive Center on an area of 2,500 m<sup>2</sup> and having an area of 4,500 m<sup>2</sup> in Tuzla. Practices supporting energy and environmental efficiency were mostly used during purchase activities.

The Directorate serves to provide the Bank's telephone central-VOIP support service, mailing-cargo-carrier documents reception-registry-distribution processes, all commission-committee secretariat, official correspondence and notification support service, private secretary services, fixed and mobile line operator services within the scope of Communication and Archive Service activities.

Some 22,000 individual subscriptions for our Bank's fixed and mobile phones, electricity, water and data lines are managed for uninterrupted service.

Management of 7,000 documents daily is ensured centrally by transportation means including cargo, carrier and mailing without affecting the customer satisfaction in shipping costs, and cost efficiency is provided.

Approximately 20,000 box documents of 195 branches were archived in 2016. It was ensured that the documents requested from the Archive Center arrived at related units as soon as possible.

The Bank's operational processes including commission and committee decree and report consolidations/deliveries, circulars of signatory, branch opening and trade registry applications, translation and notary processes, international deliveries are performed by our Communication and Archive Unit.

The Directorate provides the transportation, catering, hospitality, accommodation support service functions required for the Bank to sustain its services under the Administrative Affairs Unit's activities.

Services like restaurants, cafes, supermarket, sports center, hairdresser, dry cleaning and tailoring are provided to meet employees' demands on site in the Banking & Life Base. More than 40 different activities were organized for the orientation and motivation of employees.

Leasing and fleet management of approximately 600 service and official cars allotted in line with Bank policies is provided. Nearly 500 employees that were hired with the outsourcing method for catering, logistics, archiving, technical and office services are monitored as integrated with HR applications.

All plane tickets, accommodation and similar travel and tourism services of the entire staff are centralized to provide cost efficiency and around 9,000 trips were organized.

At the same time, a guest house with 30 rooms and 59 beds, and a conference hall for 600 people with 10 training rooms were introduced in the Banking & Life Base in order to save costs in training site and accommodation expenses. In our Banking & Life Base Guest House, accommodation service was provided for our employees arriving for training for 12,000 nights within the year. Also, 4,500 nights of stay was provided for our employees who travel for training, business and meetings in Turkey.

### Security Directorate

Security services are provided with private security officials having the required technical and tactical knowledge and high business discipline and keeping up with developing technology in order to protect the related property in duty zones and Bank locations within the legal coverage by considering customer satisfaction.

### Department of Construction Projects

The Department of Construction Projects played an important role in the physical growth and expansion of Kuveyt Türk's service network in parallel with the Bank's financial size in 2016. During the year, the Bank opened a total of 20 new branches, and seven new individual XTM branches.

During 2016, the Bank renewed or relocated the following branches: the Altıntepe, Bahçeşehir, Güneşli Çarşısı, Mega Center, Anadolu Kurumsal, Cennet Mahallesi, Topkapı branch locations in Istanbul; Başkent Kurumsal and Demirtepe in Ankara; İzmit in Kocaeli; Kara Göz in Gaziantep; Uşak in Uşak; Zafer Sanayi in Konya; Güllük in Antalya; Yeni Sanayi in Kayseri; and Denizli in Denizli.

Kuveyt Türk renewed the Off-Site ATM cabin design and used this design at 14 new Off-Site ATM locations in 2016 with all architectural, electrical and mechanical infrastructure completed.

The Bank opened an individual service location in the Gebze Organized Industry Zone for Kuveyt Türk's R&D Department.

Under the R&D Department's University Industry Cooperation program, the Bank renewed and completely revamped a 40-person computer laboratory at Gebze Technical University and presented it to the Computer Engineering Faculty for use.

In addition to executing new branch opening and renewal projects in 2016, the Department of Construction Projects continued efforts to enable the sales marketing and business model development policies of Kuveyt Türk to be applicable in the field.

In line with the Private Banking Department's strategy to expand the service network, Private Banking Corners have been opened in the Balgat, Konya and Nilüfer branches.

With renovations carried out in a total of 20 branch locations, the Bank installed second ATM devices at branch fronts. At 40 branches, the Bank replaced existing ATMs with new versions.

As part of the Kuveyt Türk branch business model efforts, the Bank revised the configuration of placing operations employees in 32 branches to be in compliance with MIY position.

Pursuant to the accessible infrastructure program regulations covering of all public and private companies and agencies as issued by the Ministry of Family and Social Security, the Bank completed the infrastructure work to make 45 existing branches offer better quality and suitable services to handicapped customers. All branches that were newly opened or renewed in 2016 feature this handicapped-accessible infrastructure.

## Banking Service Group

Kuveyt Türk's R&D Center, adding significant value to Turkey with its university cooperations and 19 R&D projects, **was named the best R&D Center** in the banking and finance sector **for the third year in a row** by the Ministry of Science, Industry and Technology.

### Information Technologies (IT)

Kuveyt Türk Information Technologies operates in close alignment with the Bank's strategies and goals. The Department's mission is to provide efficient, usable, high quality and performance focused IT solutions; conduct research and development activities; and develop innovative, unique products with an advanced technology infrastructure.

2016 was a very busy and productive year at Kuveyt Türk in terms of IT. The Department carried out many major projects during the year; these included implementing BOA, selling the Core Banking Software to Vakıf Katılım and relocating the Data Center located in Esentepe to the Şekerpinar Banking Hub.

In addition to the data center relocation initiative, which was executed meticulously and without disruption, the Information Technologies Department completed many other systems infrastructure projects. These Department switched to an active-active back-up structure on the main storage devices where all the Bank's data is kept to provide system continuity against possible disc risks. It also installed fiber optic communication infrastructure at 357 of the 403 locations to ensure uninterrupted, good quality and high speed access at 90% of locations.

The number of transactions and period of completion in popular banking channels (branch, mobile, internet, ATM, Call Center, et al.) were placed under live graphic surveillance; necessary action was taken when transaction periods became longer and the number of transactions fell below the average.

### The Best R&D Center Award

Another source of pride for Kuveyt Türk is receiving the best R&D Center Award for the third time in a row, given by the Ministry of Science, Industry and Technology to companies in the banking and finance sector. Continuing to create significant added value for the Bank and Turkey via cooperation with universities and its 19 various R&D projects, Kuveyt Türk actively implements policies and procedures that increase the number of its scientific publications as well as research quality.

The Bank completed 309 business related projects and 944 different requests in 2016. During the year, Kuveyt Türk undertook a wide range of efforts such as Financial Analysis Allocation and Budget Transformation Projects, Centralization, Commission Management and Pricing Projects in line with the Bank's strategic priorities.

As part of alternative distribution channels efforts, another critical area, the Bank continued work on Mobil CRM, IVR transformation, ATM/XTM development, Mobile and Internet Branch development. The new web based version of the BOA software developed by Kuveyt Türk, the BOA One Project, was launched in 2016.

The Bank achieved a 65% reduction in time to conclude in incoming calls from the beginning of 2016 to the present with the service desk concluding 91.66% of incoming calls within four hours. In 2016, call resolution satisfaction rose to 96%; 92% of calls were resolved by the service desk without having to forward them to another department.

During the year, work was carried out to boost the quality and effectiveness of the Bank's cyber security and information systems. In addition, a more proactive approach was implemented to resolve audit findings for systems. The result was that 18% of audit findings were resolved before the audit was completed and 35% of findings were resolved before the deadline.

The leading projects of 2016:

#### BOA Vakıf Katılım Implementation Project

The installation of the BOA Core Banking and Technology Platform, developed by Kuveyt Türk Information Technologies, at Vakıf Katılım Bankası was completed in two phases. In the first phase, the core banking functions were installed and the bank opening was achieved in three months. All other banking functions were installed in the second phase.

#### Vakıf Yatırım Share Stocks Integration

After the Bank management decided to conduct all share customer stock purchase and sale transactions via Vakıf Yatırım, Kuveyt Türk launched a project to integrate the Bank's systems with Vakıf Yatırım that enables new customers to buy and sell shares through Vakıf Yatırım. Work on this effort is continuing on schedule.

#### Relocating the Data Center

Kuveyt Türk's goal to enter 2016 with a new, state-of-the-art data center was realized with the commissioning of a 297 m<sup>2</sup> section of the 508 m<sup>2</sup> new data center at the Banking Hub built in Şekerpinar. With the 7-month project, the Bank has gained a data center that is five times larger than the former facility in Esentepe. The backup time, which used to be 20 hours at the former center, has been reduced to six hours with the new data center systems infrastructure. The overall performance of the Branch, Internet

and Mobile Branch channels has increased twofold, boosting productivity and systems performance while also reducing energy and license costs.

### Rewriting of the Budget and Performance System

Kuveyt Türk launched this effort to make its budget creation and monitoring process compatible with the Bank's growth vision. During the year, the Bank completed the integration of actual data with the new budget system, production of definition based financial reports in accordance with different accounting standards and performance and other cost distribution modules, which are the first phase of the project. The strategic planning and loans planning modules that form the basis for budgeting activities were made available before the 2017 planning activities with the contributions of work departments. In addition, budget data was collected and integrated with budget work, with the data collecting screen for all budget items. In 2017, the other planning modules are scheduled for completion to conclude the project.

### Automatic Commission Pricing

Kuveyt Türk executed a project to determine a fair price per transaction for customers under the umbrella of a single rule for commission items related to very different products and screens. The aim was to eliminate determining and approving prices under the present method and to manage exceptions objectively, not subjectively. Some general revisions were made to the commission system in first half of the year. In the second half of the year, the Bank established a commission price structure that can give sector and segment based pricing and applied it to all banking service revenue commissions.

### MOD Contract Fee Information Project

Legally, when a commission fee hike occurs within one calendar year and is higher than the 1.2\* TÜFE (Consumer Price Index - CPI), the customer's written consent must be obtained. The new fee is cannot be applied to the customer until this consent is obtained. If there is an increase less than the 1.2\* TÜFE rate, this must be notified to the customer by SMS/email. The new fee can be applied to the customer 30 days after this notification. The Bank added two steps to the process:

checking as to whether this notification was made to the customer and if a signature was obtained when needed. The Bank also made the fee updating processes more organized and controlled.

### Financial Analysis Allocation BOA Transformation

The Bank completed the transformation of the financial analysis and allocation application to the BOA Core Banking Platform. The financial allocation module (as of June 1) and the financial analysis module (as of November 28) started to be provided over BOA at all branches. With the completion of the project, the Bank eliminated the slowness issues in the financial analysis and allocation transactions. The upgrade made the system more parametric while combining the new financial analysis and allocation process reduced the time required to complete the process (about five times as fast). Now, group proposals can be created on a single screen collectively and the SME Decision Support System can be used in integration on the new system.

### Collections Modeling Project

With the new model to be established, the Bank will be able to manage processes over the system to achieve more and much improved risk monitoring, SMS transmission, letter transmission and IVR searching with much less human resources. The effort aims to facilitate performance monitoring, process improvement and monitoring and customer segmentation.

### Structuring the BOA Product Tree

The Bank reorganized important projects—such as budget, cross sales, productivity and analytic initiatives—conducted at the department level to the most optimal level in the product tree structure, other than the leaf level, at all the top levels (breakdowns). Since many services will be impacted in terms of IT, the Bank carried out a very sensitive impact analysis which determined the fields that would be impacted after the function of each service; subsequently, analysis and software development activities were conducted. The work test system and PREP system, which carried many risks of impact and disruption on the system, were tested over a wide range. The project went live in October and operated smoothly.

### BANA (Document Explanation and Analysis) R&D Project

The project aims to use image processing, machine learning and natural language techniques to obtain the page structures of documents, label the page components, analyze documents semantically, separate documents into categories and obtain parametric information from documents. The Bank plans to use BANA technology systems infrastructure and know-how in the Kuveyt Türk operational processes to reduce workforce costs and processing time. Important work has been completed on official letters and fund usage-invoices.

### Smart Gold Recognition Project

In Turkey, 1,509 project applications have been made to TÜBİTAK and presented to judges. A progress meeting was held with the Swedish company Magnes in Turkey; the Kuveyt Türk technical team and work departments were also met with. Magnes developed magnetic recognition technology and an optical reading system that reads magnetic signatures written on magnetic labels that can be adhered to any surface with magneto-optic technology. Kuveyt Türk started work to analyze the integration of the system to the banking systems. A development environment was set up on the Raspberry Pi based device obtained from the Magnes company to start writing code.

### Customer Documents: Divit Project

The project includes the addition of some basic documents required by Kuveyt Türk's internal standards and banking regulations for customer transactions to the relevant screens and flows. It was completed in August and opened for use by the branches in September. The document management software Divit, developed by Kuveyt Türk, was given additional features. As a result, the issue of having to find/request customer documents for each transaction was eliminated in order to boost productivity at the branches and deliver higher customer satisfaction with faster service.

### Dashboard Reporting Infrastructure

The Bank added the more visual and faster developing new report system to the BOA infrastructure. As a result, assigning reports became possible without developing a special code over graphics that can be accessed with web browsers. As a pilot application, a "dashboard" report that collects all of the basic APGs of Information Technologies together was designed and activated.

## Banking Service Group

2016 was a very busy and productive year at Kuveyt Türk. Many major projects- implementing BOA, selling the Core Banking Software to Vakıf Katılım and **relocating the Data Center in Esentepe to the Şekerpinar Banking Hub were completed during the year.**

### BOA One

The R&D work on Kuveyt Türk's new generation interface technology BOA One produced results. The first prototype was produced under the leadership of Microsoft. The first example created with state-of-the-art technology serves as a model to the sector with various device integrations, multi language support, the ability to operate on different processing systems, devices and platforms. It was developed with the consultation and approval of Microsoft at every decision stage and added to the Kuveyt Türk structure.

### BOA Debit Card Provision System

Kuveyt Türk developed the debit card system, for which support is being provided by the BT-Payment Systems and developments are monitored by a third party company, using internal resources and software. The existing system forwards debit card provision and cash withdrawal requests that come to third party company systems to the BOA debit system; password, money withdrawal, purchase from physical POS and purchase from virtual stores requests started to be responded to accordingly. Transactions like fraud screening and campaign processing are executed simultaneously during these processes. The BOA debit system includes application, card printing, code processes, provision issuing processes, BKM exchange file processing, BKM 3D secure processes, responding to provision requests, processing gold points, creating and sending statements and all campaign assignment processes. The project has made it possible to issue cards customized to the Bank with the existing developed infrastructure.

### Debit Card Fraud Transformation

Under the debit card BOA transformation initiative, the project to conduct fraud processes over the BOA banking application was activated during the year. Both visual and structural improvements will be made on the existing BOA fraud application with this effort; fraud processes will be defined and monitored effectively. The rule engine application in the BOA application will be developed to enable users to conduct faster and more effective transactions.

### Fraud IVR Integration

The Bank integrated the fraud processes application with the IVR search system within the banking application in order for necessary action to be taken in a timely and effective manner. This project will enable fraud processes to be discussed with the customer and confirmed quickly on the IVR during business hours that are particularly busy or when personnel resources are low. By adding administrative functionality, the score and time based IVR forwarding will be done automatically and forwarding transactions will be enabled manually on request.

### Customer GIB Record Information Inquiry Project

Customer record information, which had been transmitted with the FTP system before by the Ministry of Finance, Directorate of Revenue Administration, has now switched to a web service structure via KKB. The new structure makes it possible to obtain customer information at the Ministry of Finance instantly, keeping the customer information current and processing the data in more detail and accuracy on the banking system. This

information, which especially includes data on legal entity customers, will prevent keeping inaccurate data in customer creation and other applications.

### Mobile CRM - Providing Support to Sales Teams with Technology

Advances in technology have necessitated reinforcing sales teams with mobile platforms by directing them to mobile applications rather than the branches. Customer 360 provides easy access to information and the ability to view basic information about customers before visiting them without having to return to the physical branch. By being able to collect intelligence on customers before visits, the analysis period for customers has been reduced. The ability to instantly inquire if individuals/companies are potential customers allows sales teams to decide more efficiently whether to make the visit before setting out. A map and location notification function was added to make customer visits easier for sales teams in the field and to record customer visit locations. The ability of the sales team to set up customer appointments and meetings in mobile settings without needing a computer, submit notes from the meeting directly after the meeting and plan the next meeting from the mobile platform easily will boost activity entries and provide the Bank with more customer visit data.

### BOA IVR (Interactive Voice Response System)

Customers can call the Kuveyt Türk Call Center to access the BOA IVR (Interactive Voice Response System) and carry out many transactions, like the Mobile branch or Internet branch, easily by pushing the telephone keypad. New menus were added to enhance the BOA IVR, the voice response system

developed with the Bank's internal resources and commissioned at the beginning of this year. For example, a customer who wishes to increase their credit card limit no longer has to go to a branch and speak with a customer representative; they can make this request easily over the Interactive Voice Response System.

#### **Establishing an IVR - Interactive Voice Response System at the Currency Exchange and Precious Metals Department**

Incoming calls to the the Currency Exchange and Precious Metals Department (DKM) were sorted according to external and internal customers to create different IVRs and the calls were responded to by different task groups. Grouping the calls under certain persons, having the management of the work groups under DKM and being able to transfer calls to the concerned individual has significantly reduced the work load and increased balanced and accurate distribution. Number recording, a feature of the IVR System, has made it possible to recognize the customer from their telephone number which boosts customer satisfaction.

#### **Interim Period Personnel Performance Evaluation**

Upgrades have been made to the existing system so that positive and constructive feedback on the performance demonstrated by Bank staff throughout the year could be provided during the year, not just at year's end. The upgrades made it possible for the portfolio note score assignments of branch personnel to be obtained automatically. By pre-assigning the grades that could be given in an evaluation on a scale basis, possible grade increasing was prevented to achieve equal distribution. Additionally, management of the flow system was made possible, which had been problematic in past years, over the listing screen to gain speed and add flexibility to the process.

#### **Additional Improvements on the Procurement Expense Contract Management System**

The scope of the project conducted under the BRSA Support Service Regulation covers the demands on the work flow and developments in the budget section. A Training Department Approval node was added to the flow for training type contracts to achieve balanced distribution of the validators in the branches conducted in parallel to the flow to provide speed and efficiency. The budget recognition system also was reorganized on the contract screen to improve the other responsible unit in the budget tables for 2017.

#### **Social Media Analysis**

In order to use the social media tools that are now prominent globally to generate various customer analyses, reports, business intelligence and business analysis solutions, the names of people, companies and publications associated with the key words determined by Kuveyt Türk are periodically transferred to the Bank's systems to enable analysis.

#### **New System Monitoring Room**

A brand new interface screen was designed and provided for use in which the monitoring team can see all alerts and make better interpretations. With the relocation of systems to the Banking Hub, the Bank commissioned a new monitoring room and planned a work schedule.

#### **Automatic Monitoring Activities**

The Bank plans to place all the systems infrastructure components in the Kuveyt Türk infrastructure under automatic surveillance. The goal is to overcome all monitoring problems caused by user errors and automate periodic operation work. As a result of the automation scenarios being commissioned, some 1,000 hours/month (6 man/month) ROI (Return On Investment) will be gained by end-2016.

#### **New Infrastructure Work on the Email System**

With the infrastructure-related changes made in the e-mail system, the Bank handled most of the security breaches, eliminated some situations of uncertainty that occur in the system and doubled the user e-mail sending and receiving limits. By increasing the capacity of backup units, Kuveyt Türk provided the necessary environment for backing up the Bank's expanding data volume. Switching the e-mail archiving system used in the Bank to a backed up structure aims to prevent users from being affected by hardware based problems.

#### **Business Continuity Work**

In the event of a possible disaster scenario, the infrastructure and applications in the Kuveyt Türk State of Emergency Center (ODM) must be able to serve customers in specific work processes. The Bank's infrastructure and application development teams have worked in coordination to keep the ODM environment current. The 2016 ODM department tests were completed successfully by the Information Technologies and business departments.

#### **Clearing Out of Unused Applications**

The transformations in the DMZ environment, the service environment and the old intranet servers are now complete. The process to remove applications no longer needed in these environments has also been concluded.

#### **Asset - Asset Storage Infrastructure Project**

The Core Banking and virtual infrastructure systems were moved to the asset - asset storage unit to back-up the data and system.

#### **Initiative to Reduce Calls**

The Bank launched a project to determine the root cause of calls rather than just responding to calls. All corrective software packages that the Service Desk has used were examined and the chronic calls were identified. Problem records were created related to chronic problems and they were tracked under this effort. Compass requests were opened for problems that solutions need to be developed for; they were transmitted to the responsible departments and solutions were provided. Calls were reduced by 65% as a result of this initiative.

#### **Call Automation Project**

As a first in the IT Magnification System, the Bank started an automation process project. As soon as a request is submitted on the categories that have been determined with the project, the Bank carries out necessary processes without assigning it to any group with the goal of concluding the request. The Bank completed and provided the automation structure for NT password creation and NT lock removal requests for use.

#### **Securities Reconciliation Screen**

This project enables the reconciliation and monitoring of sukuk maintained at holding institutions like MKK, EuroClear, TakasBank and BMD and customer sukuk.

#### **EFT PÖS Value Entry Monitoring Screen**

The Bank created EFT PÖS Value Entry Monitoring Screens to make the management and monitoring of high value fund entries/exits at the Assets-Liabilities Department branches. This will enable branches to enter data over BOA by requesting approval from Assets-Liabilities Management rather than sending e-mails for high amounts.

## Corporate Social Responsibility and Sustainability

Kuveyt Türk's social responsibility projects aim to keep our history and cultural heritage alive, thereby leaving behind an environment with living **values** for future generations.

### In all its corporate social responsibility efforts, Kuveyt Türk

aims to provide benefit to the community with the support of its employees.

Kuveyt Türk supports major social responsibility projects in order to take ownership of and keep alive existing values for the betterment of the community and the world.

Kuveyt Türk's social responsibility projects aim to keep our history and cultural heritage alive, thereby leaving behind an environment with living values for future generations. These efforts are supported with a sense of ownership by each of the Bank's employees.

Some of the Bank's social responsibility projects realized in 2016 include:

#### **"We are Keeping Our Cultural Heritage Alive"**

While the Kuveyt Türk Katılım Bankası contributes to the development of the banking sector, it also takes ownership of cultural assets based the values of its communities to execute important social responsibility projects.

Kuveyt Türk believes in conducting its operations with an awareness of the Bank's social responsibilities. As part of this responsibility, the Bank must pass on core values from generation to generation accurately. To this end, Kuveyt Türk aims to provide benefit for the community with the support of its employees in all its social responsibility projects. The goal is to keep our cultural heritage alive and pass it down to future generations with projects that are embraced with devotion by the Bank's employees.

Kuveyt Türk has undertaken many restoration projects to date to preserve the history and cultural heritage of Turkey. In these efforts, the Bank has succeeded in leaving behind many permanent works such as books and documentaries. Among the Bank's restoration efforts, which are conducted with the responsibility of "preserving the city's symbolic structures and maintaining the traces of history," are the Ortaköy Büyük Mecidiye mosque, a historical building that is part of Istanbul's unique silhouette, the Azapkapı Saliha Sultan Fountain also located in Istanbul and the Bursa Kozahan Fountain.

#### **Ortaköy Büyük Mecidiye Mosque Restoration**

The Ortaköy Büyük Mecidiye Mosque, a major contributor to the identity of Istanbul built toward the end of the Ottoman Period or in other words around the middle of the 19<sup>th</sup> century, was restored with the support of Kuveyt Türk over a three-year period and opened for worship in 2014. The restoration work was executed meticulously and carefully in keeping with the historical fabric of the mosque. During the restoration work not only was the existing building renewed but the traces of the history and culture of the communities at the time the Ortaköy Büyük Mecidiye Mosque was built were uncovered.

#### **Restoration of the Saliha Sultan Water Dispenser and Fountain**

Another historical work that Kuveyt Türk undertook restoration efforts for, to give historical assets that were in danger of disappearing back to the community, was the Istanbul Azapkapı Saliha Sultan Water Dispenser and Fountain. The Saliha Sultan Fountain, one of the best examples of an





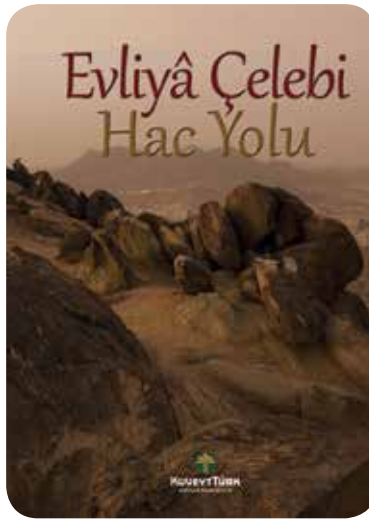
18<sup>th</sup> century combination water dispenser and fountain, was built in 1732–33 by Hassa Mimarbaşı Kayserili Mustafa Ağa during the Tulip Era. The fountain was restored in 2006 through a cooperation between Kuveyt Türk Katılım Bankası and the Directorate General of Foundations to the condition where water now flows again in the fountain.

#### **Bursa Kozahan Fountain Restoration**

The Bursa Kozahan Fountain was restored in 2008 under the control of the Directorate General of Foundations by Kuveyt Türk Katılım Bankası. The mosque and fountain were restored according to the original structure. The Koza Han, located in the wide space between the Ulucami and the Orhan Mosque, was designed by the architect Abdül-ula bin Pulad Şah and built on the orders of Bayezid the Second in 1492.

#### **“We are Leaving Reference Books for the Future”**

Kuveyt Türk also supports its efforts to keep cultural heritage alive by publishing books. Two large sized prestige books called “Kaybolan Meslekler (Disappearing Professions)” and “Kaybolan Çeşmeler (Disappearing Fountains)” are among the first publications. The book “Evliya Çelebi Hac Yolu (The Evliya Çelebi Road to Haj)” was created simultaneously with a documentary film and photograph exhibit bearing the same name to provide an enriched source of reference in this field. In order to maintain a record of all the traces that were uncovered in the extensive restoration, a book called “Büyük Mecidiye Mosque and Ortaköy” was prepared. Most recently Kuveyt Türk Culture Publications released a children’s book in 2016 called “Kuşların Şarkısı (The Song of Birds).”



#### **Disappearing Professions**

The book “Disappearing Professions,” prepared under the editorship of Serkan Özburun and printed in 2006, contains information accompanied by etchings and color pictures on many professions that are in danger of disappearing or have already disappeared, from the Ottoman times to the present. The crafts and masters of crafts struggling to exist against the boundless needs of mankind are described with the style of the period in which they existed.

#### **Disappearing Fountains**

The “Disappearing Fountains” book, written by Gülşen Kılınçer, introduces to readers some of Istanbul’s fountains that are prominent, extinct, in a state of disrepair or present just like their first day of existence along with their stories as part of the city’s architectural culture.

#### **The Evliya Çelebi Road to Haj**

“The Evliya Çelebi Road to Haj” book was brought to life and printed in 2012 as a documentary project of the holy haj voyage in the ninth volume of the “Seyahatname (Travel Log),” widely recognized as the Great Turkish Voyager Evliya Çelebi’s most important work.

#### **The Büyük Mecidiye Mosque and Ortaköy**

“The Büyük Mecidiye Mosque and Ortaköy” book prepared under the editorship of Mehmet Baha Tanman was printed in 2014 after the mosque restoration was completed. The tome conveys information about the Bosphorus and the structures along it to reveal the historical and cultural



structure of civilization. A significant source about the architectural works in the Ottoman period, the book focuses on the architectural details of the Büyük Mecidiye Mosque. It has contributed the artifacts and documents uncovered in the restoration work to the community’s archives.

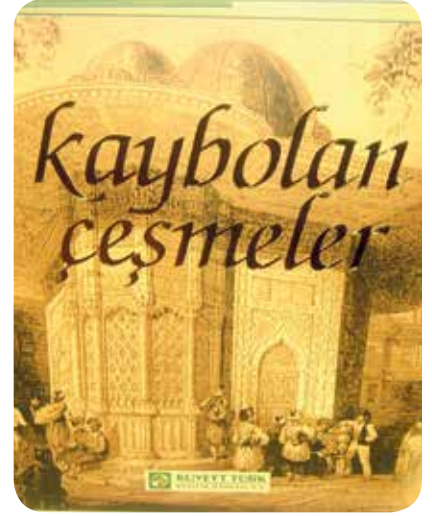
#### **The Conference of Birds (Mantiku’t Tayr)**

“The Conference of Birds” children’s book, adapted from the Mantiku’t Tayr work of Feridüddin Attar, a great mystic and an acclaimed author and poet, is the most recent of the Kuveyt Türk Culture Publications. Kuveyt Türk aims to enable youth to appreciate the art of miniatures with this story book that has been decorated with miniatures. This book will not only expand the horizons of children with the cultural elements placed between the verses but also honors miniatures artists.

#### **“We are Conveying Social Values through Art”**

Kuveyt Türk strives to preserve and convey social values by supporting artistic works. The works of important Turkish-Islamic artists are being compiled and preserved for this purpose. Around 250 works of art—including carving, miniature, ornamentation, marbling, kufic and script art—are exhibited in the general headquarters building.

## Corporate Social Responsibility and Sustainability



### “Our Greatest Responsibility is People”

Kuveyt Türk supports the projects of nongovernmental organizations and humanitarian aid both as a company and with the contributions of its staff. As a supporter of international, national and local humanitarian aid campaigns, Kuveyt Türk has lent a helping hand to victims in Africa, Somalia and Pakistan and to the disaster victims in Van and Soma locally.

### Africa is Not Alone Project

Kuveyt Türk supports the “Africa is Not Alone” project, a campaign to help Somalia and Africa in general combat drought and famine by collecting donations of employees and customers to meet the needs of victims.

### Pakistan Flood Disaster Donation Campaign

The Bank organized a donation campaign for the flood disaster that took place in Pakistan in 2010. With donations and the “Kuveyt Türk Brotherhood Village” set up with the cooperation of the Turkish Red Crescent, nearly 100 victim families were housed and their needs tended to throughout the year with donated food, clothing, school supplies, consumer goods, and the like furnished by Kuveyt Türk.

### Van Earthquake Donation Campaign

Kuveyt Türk provided support through donations to victims in the Van Earthquake that occurred on October 23, 2011 leaving behind 604 dead and 4,152 casualties as well as extensive property damage. As part of the support the Bank provided, all commissions on vehicle and home financing were removed for customers registered in the Van area between certain dates in 2013.

### Soma Mining Accident Donation Campaign

Kuveyt Türk supported the families of victims with donations during the Soma Mining Accident in 2014, which caused many citizens to lose their lives. Some TL 1 million in donations from Kuveyt Türk were given to the victims in need through AFAD. Kuveyt Türk, which also started an aid campaign among its staff, sent the collected donations to Soma.

### July 15 Solidarity Week

As a supporter of compassion, unity and solidarity, Kuveyt Türk donated TL 1 million to the July 15 Solidarity Campaign started by the Prime Ministry.

### International Islam Economy and Finance Application and Research Center

Kuveyt Türk supported the construction of the Istanbul Sabahattin Zaim University (IZU) International Islam Economy and Finance Application and Research Center building with a donation of TL 6 million to contribute to the expansion of work done in the field of interest-free banking.

### The Hope for Child Cancer Patients Foundation (KAÇUV)’s “Support the Hope” Project

Kuveyt Türk has provided support since 2003 to the “Support the Hope” project carried out by KAÇUV to raise awareness for cancer, the most devastating and widespread disease of our era, and to provide hope for children receiving cancer treatment. Under the project, which continues throughout April 23<sup>rd</sup> National Sovereignty and Children’s Day, Kuveyt Türk makes donations equivalent to the number of transactions made by all bank cards between the specified dates. The donations go to support the “Family Home” built for child cancer patients. The annual expenses of the Family Home, which provides accommodation and social living resources for child cancer patients and their families in need during treatment, are covered with the donations collected under the Support the Hope project every year. In 2016, TL 496 thousand was collected with a total of TL 1,216 thousand in donations collected over four years with this campaign.

## Awards

Kuveyt Türk–designated the 2016 **“Largest Issuer of Sukuk”** at the Capital Markets Awards organized by the Association of Turkish Capital Markets (TSPB)–was presented the award by our President Recep Tayyip Erdoğan.



Kuveyt Türk has provided innovative services to customers for 27 years. Over the years, the Bank has received numerous awards in recognition of its efforts to consistently deliver the best solutions, work to develop participation banking, steps to improve these services and commitment to conducting world class research.

### Turkey's Largest Issuer of Sukuk

One of the awards that is a strong indicator of Kuveyt Türk's presence in Turkey for over a quarter of a century, its leadership in the sector and the trust of its customers is the "Turkey's Largest Issuer of Sukuk" designation. The 2016 "Largest Issuer of Sukuk" title at the Capital Markets Awards, organized by the Association of Turkish Capital Markets (TSPB), was presented to Kuveyt Türk by our President Recep Tayyip Erdoğan.

### Turkey's Best Islamic Finance Institution

In the study conducted by Global Finance–one of the world's most important economic and finance journals–to determine the best companies in the banking sector, Kuveyt Türk was named "Turkey's Best Islamic Finance Institution." Kuveyt Türk General Manager Ufuk Uyan, Kuwait Finance House (KFH) Group CEO and Kuveyt Türk Board of Directors Member Mazin Saad Al-Nahedh,

who attended the ceremony held in Washington, accepted the award together.

### Best R&D Center

One of the awards that makes Kuveyt Türk most proud is being named "The Best R&D Center" for the third year in a row. The Kuveyt Türk R&D Center garnered the "The Best R&D Center" award at the Fifth Private Sector R&D Centers Summit under the category of "Banking and Finance Sector," winning the coveted title for the third consecutive year.

Other awards won by Kuveyt Türk during the year include:

- The Ethical Values Center - Ethical Responsibility Award
- IDC/Finance Technology Awards - 1<sup>st</sup> place in the "Financial Inclusion" category
- IDC/Finance Technology Awards - 3<sup>rd</sup> place in the "Digital Channels" category
- Islamic Finance News - Turkey's Issuer of the Year award
- W3 Awards - The Silver Award in the "Banking" category
- Turcomoney Journal - Turkey's Value Adders Award

***Kuveyt Türk is one of the strongest  
players in the Turkish finance sector  
in terms of equity adequacy.***



# **SECTION III** **MANAGEMENT** **AND CORPORATE** **GOVERNANCE** **PRACTICES**

- 84** Board of Directors
- 87** Senior Management
- 91** Organization Chart
- 92** Summary Report of the Board of Directors Submitted to the  
General Assembly
- 93** Executives within Internal Systems
- 94** Senior Management Committee
- 94** Related Party Transactions
- 95** Outsourced Services

## Board of Directors



**Hamad Abdulmohsen Almarzouq**  
**Chairman of the Board of Directors**

Born in 1962, Kuwait, Mr. Al Marzouq holds a Master's Degree from Claremont University and a Bachelor's Degree from the University of Southern California in the U.S. awarded in 1985. He has taken senior positions at Kuwait Investment Corporation till 1990, Central Bank of Kuwait between 1990-1998 and Ahli United Bank Bahrain between 1998-2014. Mr. Al Marzouq has been appointed as the Chairman of the Board of Directors of Kuevt Türk in 2014. Mr. Al Marzouq is also a Member of the Corporate Governance Committee, Executive Committee and Credit Committee.



**Dr. Adnan Ertem**  
**Vice Chairman of the Board of Directors**

Born in Erzincan in 1965, Mr. Ertem graduated from Istanbul University, Faculty of Political Sciences in 1987. He received a Post-Graduate degree in Political Sciences at the Social Sciences Institution of the same university in 1990 and PhD degree with his thesis on Social Structure and Social Change in 1998. Mr. Ertem began his professional career as the Deputy Inspector at General Directorate of Foundations in 1988 and he was assigned to Istanbul Regional Directorate of Foundations in 2002 after having served at different positions in this institution. Mr. Ertem worked as the Deputy Secretary at the Prime Ministry between 2007 and 2010, and he was assigned to General Directorate of Foundations in 2010. Mr. Ertem was assigned as Member of Board of Directors of Kuevt Türk in 2002. Besides this duty, he also serves as a Member of Bank's Internal Systems Committee, Audit Committee and Corporate Governance Committee.



**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 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 of Kuevt Türk since August 2006 and is a Member of the Internal Systems Committee.



**Mazin Saad Al-Nahedh**  
**Member of the Board of Directors**

Born in 1968, Kuwait, Mr. Al-Nahedh received his Bachelor's degree in Finance from California State University. He started his professional career in 1993 at the Corporate Banking Department of the Central Bank of Kuwait as Bank Relations Director. In 2001, he was appointed as the Managing Director of the Bank's Treasury Unit. During his professional career, he assumed numerous leadership roles at the National Bank of Kuwait (NBK) including his role as a member of the Management Executive Committee from November 2010 to 2014. He also held the positions of Group General Manager, Retail Banking Group from 2011 to 2014 and Group General Manager, Corporate Banking Group from 2008 to 2011. He was a member of the Board of Directors of the Central Bank of Kuwait from November 2010 to 2014. He possesses vast banking experience, spanning more than 20 years and since October 2014, he has been Managing Director of Kuwait Finance House. Mr. Al-Nahedh is also on Kuveyt Türk's Executive Committee, Loan Committee, Remuneration and Nomination Committee and the Corporate Social Responsibility 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 Board of Directors of Kuveyt Türk 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 the Board of Directors Vice Chairman and General Manager of Turkapital Holding B.S.C.C. He is a member of the Bank's Internal Systems Committee, Remuneration and Nomination Committee and the Corporate Social Responsibility Committee.



**Ahmad S. Al-Kharji**  
**Member of the Board of Directors**

Born in 1972, Kuwait, Mr. Al-Kharji graduated from Finance and Banking Department of Kuwait University in 1994 and acquired an MBA degree at University of San Diego in 1998. Worked as Vice President, Responsible for Structural Finance. Between 2003-2006, Mr. Al-Kharji served as the Senior Investment Division Manager and as Senior Vice President in LMH between 2008-2013. He has served as a Member of the Board of Directors of Kuveyt Türk since March 2014. Mr. Al-Kharji, who has been a member of the Kuveyt Türk Board of Directors since March 2014, is also a member of the Audit Committee and the Remuneration and Nomination Committee.

## Board of Directors



### **Mohamad Midani**

#### **Member of the Board of Directors**

Born in Beirut in 1965, Mr. Midani graduated in 1988 from the Lebanese American University in Business Administration. In 1994, he obtained a postgraduate degree in Accountancy from Concordia University Accounting in Montreal. His career includes various posts in the field of auditing. This included employment with the Canada Economic Development Agency in Montreal and Ernst & Young in Jeddah. He also worked as Finance Director in a private sector company in Saudi Arabia. He then worked for the Islamic Development Bank (IDB) since 2001. In IDB, he held the post of Lead Internal Auditor and since year 2010 he was the Head of Equity Investment Division. Having more than 20 years of experience in audit, accounting, financial analysis and management consulting, Mr. Midani is a Member of the Board of Directors of Kuveyt Türk since 31 March 2015. Mr. Midani is also on the Audit Committee and the Internal Systems and Corporate Governance Committee.



### **Nadir Alpaslan**

#### **Member of the Board of Directors**

Born in Kırşehir in 1966, Mr. Alpaslan graduated from Istanbul University, Faculty of Political Sciences, Public Administration Department in 1987. He began his professional career at Prime Ministry, Family Research Institution in 1999 and worked as the Ministry Consultant and Administrative Financial Affairs President at the Ministry of Tourism for four years. Mr. Alpaslan continued his professional life as the Deputy Secretary and Ministry Consultant at the Ministry of Culture and Tourism between 2003 and 2007, and became the Deputy Secretary General at the Presidency in 2007. Mr. Alpaslan has been a Member of the Board of Directors of Kuveyt Türk since 15.04.2011 and he is the Member of Board of Directors responsible for Ethical Banking.



### **Ufuk Uyan**

#### **Member of the Board of Directors and Chief Executive Officer**

Born in Eskişehir in 1958, Mr. Uyan graduated from the Economics Department of Boğaziçi University in 1981. He received a Postgraduate Degree from the Business Management Department of the same university in 1983. He began his professional career as the Research Assistant in the Economics Department of Boğaziçi University in 1979 and worked as the Researcher Economist at the Specific Research Directorate at Türkiye Sınai Kalkınma Bank in 1982. Mr. Uyan became the Vice Project Manager at Albaraka Türk in 1985 and continued his career as the Project and Investments Manager at Kuveyt Türk in 1989. Mr. Uyan was promoted as the Executive Vice President in 1993 and then assigned as the Chief Executive Officer Head Assistant. Mr. Uyan was assigned as the Chief Executive Officer in 1999 and he continues his duty as Member of the Board of Directors and Chief Executive Officer at Kuveyt Türk. Mr. Uyan is also on the Executive Committee, Loan Committee, Remuneration and Nomination Committee and the Corporate Social Responsibility Committee.



## Senior Management



**Ufuk Uyan**  
**Member of the Board of Directors and Chief Executive Officer**  
 His resume is presented in the Board of Directors section.



**Ahmet Karaca**  
**Executive Vice President - Financial Affairs**  
 Born in Konya in 1970, Mr. Karaca graduated from Ankara University, Faculty of Political Sciences, Public Administration Department in 1990. He started his duty as the Sworn Deputy Auditor of Banks at Undersecretariat of Treasury in 1992 and he was assigned as the Sworn Auditor of Banks in 1995. He continued his duty with the same title at the Banking Regulation and Supervision Agency from 2000, and he was assigned as the Vice President of Sworn Auditors Committee of Banks between 2002 and 2003 at the Banking Regulation and Supervision Agency. After approximately one year of service, he was assigned as the Sworn Head Auditor of Banks in 2004. Between 2004 and 2006, he received a Post Graduate Degree in Economics from USA, State University of New York at Albany and he has completed a post graduate thesis work on International Banking and Capital Markets. Mr. Karaca joined Kuveyt Türk as the Executive Vice President of Financial Affairs in July 2006 and he still serves under this title.



**A. Süleyman Karakaya**  
**Executive Vice President - Corporate and Commercial Banking**  
 Born in Istanbul in 1953, Mr. Karakaya graduated from the Business Administration and Finance Department at the Istanbul University, Faculty of Economics in 1979. Mr. Karakaya began his banking career as an Inspector at Garanti Bank and he served on the Audit Committee, in the Risk Management Department, Loans Department and Regional Directorates of the same bank between 1981 and 2003. Mr. Karakaya has been working as the Executive Vice President of Corporate and Commercial Banking at Kuveyt Türk since 2003.

## Senior Management



### **Bilal Sayın**

#### **Executive Vice President - Loans**

Born in Sakarya/Hendek in 1966, Mr. Sayın graduated from Middle East Technical University Public Administration Department in 1990 and began his professional career in the banking industry the same year. He joined the Kuveyt Türk family in 1995 and worked in the Project and Investment Directorate. Mr. Sayın was assigned as the Financial Analysis and Information Manager in 1999 and he has been serving as the Executive Vice President of Loans at Kuveyt Türk since 2003.



### **Hüseyin Cevdet Yılmaz**

#### **Executive Vice President - Chief Risk Officer**

Born in Istanbul in 1966, Mr. Yılmaz graduated from the Business Administration Department of Boğaziçi University in 1989. He began his banking career as the Assistant Internal Auditor in Esbank Internal Audit and Inspection Department. After having served as Internal Auditor and Branch Manager in the same institution, he began his duty as the Head of Internal Audit and Inspection Department at Kuveyt Türk in September 2000. He was assigned as the Audit and Risk Group President in 2003. Mr. Yılmaz has been serving as the Chief Risk Officer since 2012.



### **İrfan Yılmaz**

#### **Executive Vice President - Banking Services**

Born in Istanbul in 1970, Mr. Yılmaz graduated from the Management Engineering Department of Istanbul Technical University in 1989. He began his banking career in the Financial Affairs Department at Kuveyt Türk in 1990 and he was assigned to Internal Audit and Inspection Department in 1996. He served as the Head of Internal Audit and Inspection Department between 1998 and 2000. Mr. Yılmaz was assigned as the Individual Banking Manager in 2000. After having worked in the Individual Banking Department for five years, he was assigned as the Executive Vice President of Individual Banking and Enterprise Banking in 2005. He has been serving as the Executive Vice President of Banking Services since October 2012.



**Dr. Ruşen Ahmet Albayrak**  
**Executive Vice President - Treasury and International Banking**

Born in Istanbul in 1966, Mr. Albayrak graduated from the Industrial Engineering Department of Istanbul Technical University in 1988. He received a Post Graduate degree in Organizational Leadership and Management at North Carolina State University (USA) in 1993 and PhD degree in Technology Management at Istanbul Technical University in 2007. Having joined the participation banking sector 29 years ago, Mr. Albayrak has been serving as the Executive Vice President at Kuveyt Türk since 2005. He managed the Banking Service Group till October 2012 and he was assigned as the Executive Vice President of Treasury and International Banking as of the same date.



**Nurettin Kolaç**  
**Executive Vice President - Law and Risk Follow-up**

Born in Elazığ in 1966, Mr. Kolaç graduated from Faculty of Law at Marmara University. He served as an attorney and legal counselor in the banking, leasing and insurance industries. He worked as the Vice Head of Department and Head of Department (Legal) in the Banking Regulation and Supervision Agency from 2004 till April 2010. Mr. Kolaç has 28 years experience in law and banking and he has been serving as the Executive Vice President of Law and Risk Follow-up at Kuveyt Türk since 2010.



**Aslan Demir**  
**Executive Vice President - Strategy**

Born in Amasya in 1971, Mr. Demir graduated from Marmara University, International Affairs Department. He completed a master's degree at Sheffield University with thesis on the Critical Elements of Strategy Implementation in the Banking Sector. He began his banking career in the Kuveyt Türk Treasury Directorate in 1995, served in the Treasury Directorate for six years and continued his career in the Project Management and Quality Directorate between 2001 and 2004. He was assigned as the Project Management and Quality Manager in 2005 and he continued his career as the Information Technologies Group Manager upon the new set-up in 2007. He has been serving as the Executive Vice President of Strategy since October 2012.

## Senior Management



### **Mehmet Oral**

#### **Executive Vice President - Retail Banking**

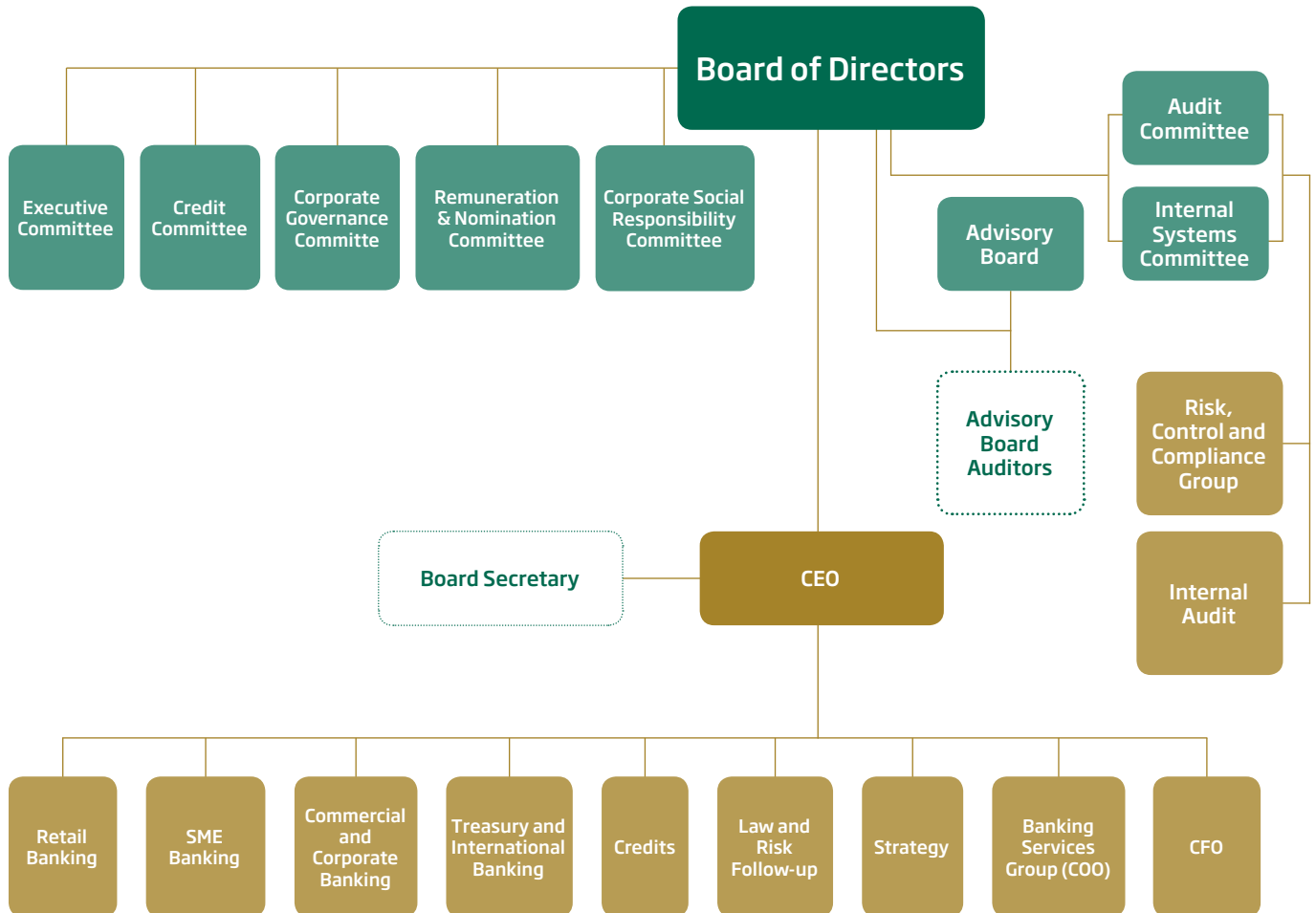
Born in Istanbul in 1967, Mr. Oral graduated from the Business Administration Department of Uludağ University. He began his career in the Kuveyt Türk family at the Head Office Branch in 1992. He worked as the manager in the İMES, Bursa and Merter branches between 2000 and 2005. He was assigned as the Regional Manager in the Istanbul European Side Regional Directorate in 2005 after the transition to the Regional Directorate structure. After having served as the Regional Manager for four years, he continued his career as the HR, Training and Quality Group Manager in 2009. He has been serving as the Executive Vice President of Retail Banking since October 2012.



### **Abdurrahman Delipoyraz**

#### **Executive Vice President - SME Banking**

Born in Istanbul in 1968, Mr. Delipoyraz graduated from the Industrial Engineering Department of Istanbul Technical University. He began his career in the Kuveyt Türk family at the Project and Investment Directorate; he worked in the Corporate and Commercial Banking Sales Directorate and Financial Analysis and Information Directorate till 2000. Mr. Delipoyraz worked as the Branch Manager at the Beşyüzevler and Bakırköy Branches between 2000 and 2004. He was assigned as the Regional Manager in December 2004 and he worked in the Istanbul Europe 1 and Istanbul Anatolia Regional Directorates. He has been serving as the Executive Vice President of SME Banking since January 2015.



## Summary Report of the Board of Directors Submitted to the General Assembly

2016 was a tumultuous year full of volatility for the global and Turkish markets. The global economy closed the year with lower-than-expected growth. The most noteworthy economic developments that affected global markets were the Federal Reserve System (Fed)'s decision to hike interest rates, Donald Trump's election to the US presidency, the aggravated risk of global recession resulting from the UK's decision to leave the EU and the slowdown in the Chinese economy.

The price of Brent crude oil, which fell below USD 28 at the beginning of 2016, climbed to USD 55 by the end of the year after OPEC member states and other oil producers agreed to reduce production levels.

Turkey recorded solid growth in the first half of 2016, yet failed to perform similarly in the second half of the year due to political and geopolitical events. The global economic volatility, the failed coup attempt of 15 July, the political crisis with Russia and the impact of the Syrian civil war all joined to tamp down the pace of economic expansion, with the Turkish economy contracting by 1.8% in the third quarter of the year. Despite all the negative developments, Turkey's robust financial structure and improvements in its current account deficit in recent years lessened the country's economic fragility.

Expectations for 2017 are that global economic uncertainties will continue, with investors fleeing from risk and employing resources in a prudent manner. It is expected to be a slow growing year for the European economies.

Despite the unfavorable results of 2016, Turkish economic growth is expected to pick up in 2017. Investment is forecast to rise as a result of the government's economic measures, the cash repatriation scheme and loan transfer to SMEs. The rise in home sales following the decline in interest rates and record sales figures in the automotive sector bolster such expectations. Measures to boost savings ratios will also reduce Turkey's dependence on foreign funding.

In 2016, when Turkey experienced economic turmoil, Kuveyt Türk continued to perform strongly thanks to its robust structure. Having increased its total assets to TL 48.4 billion as of year-end, Kuveyt Türk boosted its net profit by 12.9% year-on-year to TL 565 million.

Total funds allocated increased to TL 28 billion with total funds collected increasing to TL 32 billion. In confirmation of the asset quality, the Bank's non-performing loan ratio was 2.73%, well above the sector average. Recording a significant uptick over the prior year, the Bank's return on equity was 13,71% in 2016.

Although some new banks entered the market, existing banks did not inaugurate new branch locations while some banks even closed a number of branches in 2016. Nevertheless, Kuveyt Türk continued to expand its branch network, which reached 386 locations as of year-end 2016.

These figures point to Kuveyt Türk's leading position among participation banks and prominent place in the banking industry as a whole.

The Bank's myriad achievements were confirmed with multiple awards during the year:

As the first sukuk issuing bank in Turkey, Kuveyt Türk by issuing lease certificates worth TL 300 million, realized the largest ever public offering of its kind in the private sector to date. Kuveyt Türk closed the year with total lease certificate issuances worth TL 4.7 billion (TL 1.7 billion and USD 850 million). At the Capital Markets Congress held in November, the Bank received the "Turkey's Largest Sukuk Issuer" award from President Recep Tayyip Erdoğan.

According to the Internal Revenue Administration's data for 2015, Kuveyt Türk ranked 19th on the Corporate Taxpayers List.

Kuveyt Türk was designated "Turkey's Best Islamic Finance Corporation" in a survey conducted by the prominent business and finance magazine Global Finance to determine the top names in banking.

Kuveyt Türk R&D Center was deemed worthy of the "Best R&D Center" award in the "Finance" category of the Fifth Private Sector R&D Centers Summit.

At the world-renowned W3 Awards, where Fortune 500 companies and international agencies compete with global web sites that are ranked according to product presentation and design, the Bank received the "Silver Winner" prize for its Private Banking web site.

Kuveyt Türk ranked second among 76 companies in the "Workplace Culture" category of the "Turkey's Best Employers" list created by the Great Place to Work.

Kuveyt Türk's over 5,500 employees, almost all of whom are university graduates and who work at its 385 branch locations across the country, play the most prominent role in the Bank's success. These highly specialized, young and dynamic employees allow Kuveyt Türk to look to the future with hope.

The pioneering bank of the sector, Kuveyt Türk maintained its consistent growth drive in 2016 while introducing numerous new products and services to customers. The Bank is committed to conducting its operations in line with the developments in the economy as well as the needs and expectations of customers. To these ends, Kuveyt Türk expanded its coverage area in Turkey by extending its physical network and continued to diversify the products and services delivered via digital platforms.

Customer focus is also among the strategic objectives of Kuveyt Türk. To reach this goal, the Bank will transfer the operational workload of its branches to online platforms in 2017 and continue its centralization efforts, thus freeing up more time to focus on its customers.

Kuveyt Türk will place a special emphasis on boosting productivity in 2017, managing its organizational structure, processes and procedures in the most efficient manner to dedicate more time to its customers, while sustaining its corporate development and branch growth. Kuveyt Türk will also focus on project finance to contribute more and more to the sustainable expansion of the national economy.

A Kuveyt Türk subsidiary established in late 2015, KT Portföy started delivering interest-free financial services in 2016. As the first portfolio management company established by a participation bank, KT Portföy will introduce new products in the capital markets, attract new domestic and international investors, and facilitate domestic investors' access to international interest-free investment instruments.

We would like to extend our gratitude to you, our dear shareholders, for your unfaltering support and contribution to our achievements, and to our esteemed colleagues for their superior business performance.

With regards,

Board of Directors

## Executives Within Internal Systems

Name Surname	Duty	Educational Status
H. Cevdet YILMAZ	Chief Risk Officer	Bachelor's
Bahattin AKÇA	Head of Internal Audit and Inspection	Bachelor's
Fadil ULUŞIK	Head of Internal Control	Post Graduate
Vefa Okan ARIK	Head of Risk Management	Bachelor's
Hayrettin ÇAPOĞLU	Head of Compliance	Post Graduate

### HÜSEYİN CEVDET YILMAZ

#### Chief Risk Officer

Born in Istanbul in 1966, Mr. Yılmaz graduated from the Business Administration Department of Boğaziçi University in 1989. He began his banking career as the Assistant Internal Auditor in Esbank Internal Audit and Inspection Department. After having served as Internal Auditor and Branch Manager in the same institution, he began his duty as the Head of Internal Audit and Inspection Department in Kuveyt Türk in September 2000. He was assigned as the Audit and Risk Group President in 2003. Mr. Yılmaz has been serving as the Chief Risk Officer since 2012.

### BAHATTİN AKÇA

#### Head of Internal Audit and Inspection

Mr. Akça, born in 1971, graduated from (English) Business Administration Department at Istanbul University. He began his career at Kuveyt Türk in 1996. Since September 2007, he has been the Head of Internal Audit and Inspection.

### FADIL ULUŞIK

#### Head of Internal Control

Mr. Uluşık, born in 1973, graduated from Istanbul University, Faculty of Political Sciences in 1996. He received his post graduate degree from the Money-Banking Department at the Social Sciences Institution of Istanbul University in 1999. Mr. Uluşık began his career at Kuveyt Türk in 1996 and he has been serving as the Head of Internal Control since December 2007.

### VEFA OKAN ARIK

#### Head of Risk Management

Mr. Arık, born in 1974, graduated from Gazi University, Faculty of Economic and Administrative Sciences. Mr. Arık began his career in 1997 and joined Kuveyt Türk in 2002. Since February 2013, he has been the Head of Risk Management.

### HAYRETTİN ÇAPOĞLU

#### Head of Compliance

Mr. Çapoğlu, born in 1975, graduated from Boğaziçi University, Faculty of Economics and Administrative Sciences, Department of Political Science and International Relations in 1997. He received his post graduate degree in International Relations at the Social Sciences Institution of Marmara University in 2002. Mr. Çapoğlu began his career in 1997 and joined Kuveyt Türk in 2002. Since February 2013, he has been the Head of Compliance.

### AUDIT COMMITTEE

Name and Surname	Duty	Duty Assigned
Dr. Adnan ERTEM	Chairman, Vice Chairman of Board of Directors	19.10.2010
Ahmad S. AL KHARJI	Member, Member of Board of Directors	24.09.2014
Mohamad AL MIDANI	Member, Member of Board of Directors	15.05.2015

## Executives Within Internal Systems

### Duties and Responsibilities

- Receiving regular reports from the units formed within internal control, internal audit and risk management systems, and independent audit organizations regarding the fulfilment of duties,
- Should there be any matters that would affect the continuity and safe execution of the Bank's operations negatively or discrepancies against the regulations or internal regulations, reporting these to the Board of Directors and report opinions on the measures to be taken by the Bank along with the outcomes of the activities, and on other matters that is significant in terms of sustaining the Bank activities securely within periods not longer than 6-months-long.

### INTERNAL SYSTEMS COMMITTEE

Name and Surname	Duty	Duty Assigned
Dr. Adnan ERTEM	Chairman, Vice Chairman of Board of Directors	29.03.2007
Khaled Nasser Abdulaziz AL FOUZAN	Member, Member of Board of Directors	29.03.2007
Fawaz AL SALEH	Member, Member of Board of Directors	26.03.2014
Mohamad AL MIDANI	Member, Member of Board of Directors	15.05.2015

### Duties and Responsibilities

- Defining the strategies, policies and implementation methods for the operations of internal system units in a written form, and ensuring that these are effectively implemented and executed,
- Ensuring the coordination between the units within internal systems,
- Regarding the applications for internal systems, informing the Board of Directors in order to take necessary measures for errors or incompetencies determined by Banking Regulation and Supervision Agency (BRSA) or independent auditors and
- Evaluating determined errors or incompetencies and ensuring that control and internal audit activities for segments, where same or similar errors or incompetencies may occur, are guided properly.

### CORPORATE GOVERNANCE COMMITTEE

Name Surname	Duty
Dr. Adnan ERTEM	Chairman, Vice Chairman of Board of Directors
Hamad Abdulmohsen AL MARZOUQ	Member, Chairman of the Board
Mohamad AL MIDANI	Member, Member of Board of Directors

### Duties and Responsibilities

Ensuring compliance with corporate governance principles and monitoring the actions carried out, making improvements in these matters and presenting advices to the Board of Directors.

### CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

Name Surname	Duty
Dr. Adnan ERTEM	Member, Vice Chairman of Board of Directors
Fawaz AL SALEH	Member, Member of Board of Directors
Mazin S.A.S. AL NAHEDH	Member, Member of Board of Directors
Ufuk UYAN	Member, Member of Board of Directors, Chief Executive Officer

### Duties and Responsibilities

Defining the social responsibility projects to be implemented and managed by the Bank and making donations within the limits defined by the regulations.



## OTHER SUPPLEMENTARY COMMITTEES

### EXECUTIVE COMMITTEE

Name and Surname	Duty
Hamad Abdulmohsen AL MARZOUQ	Chairman, Chairman of the Board of Directors
Mazin S.A.S. AL NAHEDH	Member, Member of Board of Directors
Ufuk UYAN	Member, Member of Board of Directors, Chief Executive Officer

#### Duties and Responsibilities

Fulfilling all duties assigned by the Board of Directors, purchasing real estates, affiliates, all kinds of fixed assets that equal to 10% of Bank equities, taking decisions to participate in the projects, fulfilling the requirements of authority in partnerships and investments.

### REMUNERATION AND NOMINATION COMMITTEE

Name and Surname	Duty
Mazin S.A.S. AL NAHEDH	Chairman, Member of Board of Directors
Fawaz AL SALEH	Member, Member of Board of Directors
Ahmed S AL-KHARJI	Member, Member of Board of Directors
Ufuk UYAN	Member, Member of Board of Directors, Chief Executive Officer

#### Duties and Responsibilities

Pricing and Nomination Committee, working under the Board of Directors, was established in line with the "Regulation on Corporate Governance Principles of Banks" disseminated by Banking Regulation and Supervision Agency, and it is responsible from tracking and auditing Bank's pricing practices on behalf of the Board of Directors, and giving advices to the Board of Directors on member assignments to the Board of Directors, Chief Executive Officer and Executive Vice Presidents.

### CREDIT COMMITTEE

Name and Surname	Duty
Hamad Abdulmohsen AL MARZOUQ	Chairman, Chairman of the Board of Directors
Mazin S.A.S. AL NAHEDH	Member, Member of Board of Directors
Ufuk UYAN	Member, Member of Board of Directors, Chief Executive Officer
Dr. Adnan ERTEM	Alternate Member, Vice Chairman of Board of Directors
Ahmad S AL-KHARJI	Alternate Member, Member of Board of Directors

#### Duties and Responsibilities

Giving the decisions on loan allocation between 1% and %10 of equities.

## Senior Management Committee

### ASSETS AND LIABILITIES COMMITTEE

Name and Surname	Duty
Ufuk UYAN	President, Member of Board of Directors, Chief Executive Officer
H. Cevdet YILMAZ	Member, Chief Risk Officer
A. Süleyman KARAKAYA	Member, Executive Vice President, Corporate and Commercial Banking
R. Ahmet ALBAYRAK	Member, Executive Vice President, Treasury and International Banking
Ahmet KARACA	Member, Executive Vice President, Chief Financial Officer
Bilal SAYIN	Member, Executive Vice President, Loans
Mehmet ORAL	Member, Executive Vice President, Retail Banking
İrfan YILMAZ	Member, Executive Vice President, Banking Services
Nurettin KOLAÇ	Member, Executive Vice President, Law and Risk Follow-up
Aslan DEMİR	Member, Executive Vice President, Strategy
Ahmet Tarık TÜZÜN	Member, Group Manager, Treasury

#### Duties and Responsibilities

This is the senior management committee responsible for the Bank's assets-liabilities and financial management. Convenes weekly on a regular basis.

#### Participation in Committee Meetings

The Board of Directors meets when necessary in line with the Articles of Association and takes decisions based on demands. The Board of Directors convened seven times in 2016.

The Audit Committee has been tracking the Bank's audit and risk operations within legal regulations, especially the Banking Law, and takes actions on these. The Audit Committee met seven times in 2016.

The Internal Systems Committee meetings, which are held in order to manage the risks more efficiently and where managers of units within internal systems also attend, were held seven times in 2016.

The Loan Committee has undertaken the duty of examining and approving the loans up to 10% of equities and convened seven times in 2016.

The Assets and Liabilities Committee, responsible for the financial management of the bank and supervising the assets-liabilities balance of the Bank, met 51 times in 2016.

Unless they had excuses, committee members were present during the meetings.

## Related Party Transactions

Information about the risk group transactions where the Bank is involved are given on pages 219 and 329 of the annual report.

## Outsourced Services

Brink's Güvenlik Hizmetleri A.Ş.	Providing transportation and storage services for local and international precious metals and bank notes worth of maximum USD 100 million
Kuryenet Motorlu Kuryecilik ve Dağıtım Hizmetleri A.Ş.	Providing debit card and credit card deliveries
Bileşim Alternatif Dağıtım Kanalları ve Ekstre Ödeme Sistemleri A.Ş.	Printing and enveloping services with card customization and enveloping works
Chronos İstihdam Hiz. Yön. ve Yazılım Dan. Tic. Ltd. Şti.	Providing payroll services
Banksoft Bilişim Bilgisayar Hiz. Ltd. Şti.	Providing ATM and credit card software infrastructure support services
Banksoft Bilişim Bilgisayar Hiz. Ltd. Şti.	Providing credit card and business software infrastructure support services
Asseco SEE Teknoloji A.Ş.	Providing virtual POS software and services
İstanbul Altın Rafinerisi A.Ş.	Preparation of certified gram gold and ATM gold
Collection Platform Yaz. Dan. A.Ş.	Providing call service for Bank's debtors by Bank employees
Komtaş Bilgi Yön. ve Dan. Tic. A.Ş.	Supply and maintenance service for financial control reporting (ACL) software
32 Bit Bilgisayar Hizm. Ltd. Şti.	Providing software connection service with Reuters dealing system
Cybersoft Enformasyon Teknolojileri Ltd. Şti.	Banking applications development service supply
Cybersoft Enformasyon Teknolojileri Ltd. Şti.	Loan Package (Financial Analysis, Allotment, Limit and Guarantee) software maintenance service
Fineksus Bilişim Çözümleri Tic. A.Ş.	Supply and maintenance support for supplementary software product for improvements related to Swift
Fineksus Bilişim Çözümleri Tic. A.Ş.	Supply and maintenance service for Swift software for the Disaster Recovery Center
Fineksus Bilişim Çözümleri Tic. A.Ş.	Supply and maintenance of swift supplementary software
Fineksus Bilişim Çözümleri Tic. A.Ş.	Providing Swift Alliance software maintenance and support services
Fineksus Bilişim Çözümleri Tic. A.Ş.	Supply, maintenance and update services for AML software
Bicentrix Yazılım Dan. Ltd. Şti.	Providing budget application support service
Karash Yazılım Geliştirme ve Danışmanlık İthalat İhracat Ltd. Şti.	Outsourced IT staff hiring
Loomis Güvenlik Hizmetleri A.Ş.	Provision of cash/precious metal transportation services (including ATM and XTM) with a maximum value of USD 100 million
Bilişim Sanayi ve Ticaret Ltd. Şti.	Providing execution and operation services for payroll system
Saytem Sağlık Hizmetleri Otomasyon Gıda Tem. Nak. San. Tic. Ltd. Şti.	Outsourcing administrative services staff
Desmer Güvenlik Hizmetleri Tic. A.Ş.	Providing cash transportation service and money transportation service for ATMs and XTMs
Call Center Resources Danışmanlık Ltd. Şti.	Providing Interactive Intelligence Customer Interaction Center software license, maintenance and support services
Desmer Güvenlik Hizmetleri Tic. A.Ş.	Cash transportation service and money transportation service for ATMs and XTMs
G4S Güvenlik Hizmetleri A.Ş.	Cash transportation service and money transportation service for ATMs and XTMs
Aktif İleti Kurye Hizmetleri A.Ş.	Distribution of debit card and credit cards to customers, having agreements signed by customers and delivery of related documents to the Bank
Kartega Yazılım ve Danışmanlık Ticaret Ltd. Şti.	Providing outsourcing IT staff
Bilge Adam Bilgisayar ve Eğitim Hizmetleri Sanayi ve Ticaret A.Ş.	Providing outsourcing IT staff
Nadir Metal Rafineri San. ve Tic. A.Ş.	Providing Bullion Gold Conversion Service (conversion of large bullion gold to kilos bullion gold)
Architect Bilişim Sist. ve Paz. A.Ş.	Software development, source rental and providing advisory services

***Kuveyt Türk has always stood with  
real sector actors by supporting  
investors in line with its interest-free  
banking principle.***



# **SECTION IV:** **FINANCIAL** **INFORMATION AND** **RISK MANAGEMENT** **PRACTICES**

- 100** Annual Report Compliance Opinion
- 101** Review of the Audit Committee on Internal Systems
- 104** Assessment on Financial Status, Profitability and Solvency
- 104** Ratings of Kuveyt Türk by International Rating Agencies
- 105** Information on Risk Management Policies
- 106** Five-Year Summary Financial Information
- 107** Independent Auditor's Report, Consolidated Financial Statements and Notes

# Deloitte.

DRT Bağımsız Denetim ve  
Serbest Muhasebeci  
Mali Müşavirlik A.Ş.  
Maslak no1 Plaza  
Eski Büyükdere Caddesi  
Maslak Mahallesi No:1  
Maslak, Sarıyer 34398  
İstanbul, Türkiye

Tel : +90 (212) 366 6000  
Fax : +90 (212) 366 6010  
www.deloitte.com.tr

Mersis No: 0291001097600016  
Ticari Sicil No : 304099

## Annual Report Compliance Opinion

**(CONVENIENCE TRANSLATION OF INDEPENDENT AUDITOR'S REPORT ON THE MANAGEMENT'S  
ANNUAL REPORT ORIGINALLY ISSUED IN TURKISH)**

### INDEPENDENT AUDITOR'S REPORT ON THE MANAGEMENT'S ANNUAL REPORT

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

#### Report on the Audit of Management's Annual Report in accordance with Independent Auditing Standards

We have audited the annual report of Kuveyt Türk Katılım Bankası A.Ş. ("the Bank") for the period ended 31 December 2016.

#### Management's Responsibility for the Annual Report

The Bank Management is responsible for the preparation and fair presentation of the annual report which is consistent with the financial statements prepared in accordance with "the Banking Regulation and Supervision Agency ("BRSA") Accounting and Reporting Regulations" including the regulation on "The Procedures and Principles Regarding Banks' Accounting Practices and Maintaining Documents" published in the Official Gazette dated 1 November 2006 with No. 26333, and other regulations on accounting records of banks published by the Banking Regulation and Supervision Board and circulars and pronouncements published by the BRSA and Turkish Accounting Standards for the matters not legislated by the aforementioned regulations ("the financial statements") in accordance with the Article 514 of the Turkish Commercial Code No. 6102 ("TCC") and the regulation on "Preparing and Publishing the Annual Report by Banks" published in the Official Gazette dated 1 November 2006 and No. 26333, and for such internal control as management determines relevant to the preparation and fair presentation of such annual report.

#### Auditor's Responsibility

Our responsibility is to express an opinion on the Bank's annual report based on our audit conducted in accordance with the provisions of the Article 397 of the TCC and the regulation on "Independent Auditing of Banks" published in the Official Gazette dated 2 April 2015 with No. 29314. Our audit involves whether the financial information provided in the annual report are fairly presented and consistent with the financial statements, based on our standalone audit report dated 13 February 2017 and based on our consolidated audit report dated 28 February 2017.

We conducted our audit in accordance with Independent Auditing Standards, which is a part of Turkish Auditing Standards issued by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial information provided in the annual report are fairly presented and consistent with the financial statements and are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the historical financial information. The procedures selected depend on the auditor's judgment.

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

#### Opinion

In our opinion, the financial information provided in the Management's annual report, in all material respects, are fairly presented and consistent with the audited financial statements.

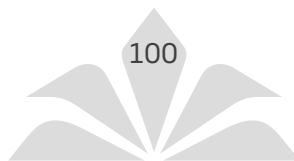
#### Other Legal and Regulatory Requirements

In accordance with paragraph three of the Article 402 of the TCC, nothing significant has come to our attention that may cause us to believe that the Bank may not continue its activities for the foreseeable future in accordance with Independent Auditing Standard 570 "Going Concern".

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

Müjde Şehsuvaroğlu,  
Partner

İstanbul, 6 March 2017



# Review of the Audit Committee on Internal Systems

## KUWAIT TURKISH PARTICIPATION BANK INC. AUDIT COMMITTEE MEETING RESOLUTION

Place of Meeting : Headquarters  
Date of Meeting : 24/01/2017  
Meeting Number : 238  
Committee Members : Adnan ERTEM  
Ahmad S. AL KHARJI  
Mohamad AL MIDANI

### AGENDA OF MEETING

1. About the evaluation on internal systems.

#### RESOLUTION NR: 1

Due to the requirements on Regulation on the Principles and Procedures Concerning the Preparation of the Annual Report by Banks, Audit Committee's evaluation about 2016 activities of the units within the scope of Internal Systems is prepared and it has been resolved to be published in the 2016 Annual Report.

The contents of this decision has been read and understood by the following Committee members in their own language and agreed on.



**Adnan ERTEM**  
Audit Committee Chairman



**Ahmad S. AL-KHARJI**  
Audit Committee Member



**Mohamad AL MIDANI**  
Audit Committee Member

## Review of Audit Committee on Internal Systems

Internal Audit, Internal Control, Risk Management and Compliance units constitute the internal systems of the Bank. In the Bank's organizational structure, these units are established to report to the Board. The Board delegated its duties and responsibilities regarding internal systems to the Internal Systems Committee which consists of 4 members of the Board, as responsible for internal systems. The concerned units carry out their activities under the supervision and coordination of the Internal Systems Committee.

The Internal Audit Department, which is certified by independent institutions for the conformance to International Internal Auditing Standards, has carried out its activities in 2016 in line with the requirements of its business plan and expectations of stakeholders. These activities have involved special examinations, legal/administrative investigations and consultancy in the required circumstances and fields. In the scope of Management Declaration Audit, a comprehensive assessment of general information system controls and business controls with regard to their efficiency, adequacy and compliance has been conducted. These assessments have provided a sound basis for the Management Declaration, which should be submitted to Independent Auditing Institution by Board of Directors in line with the legal regulations.

Actions related to the internal audit reports prepared throughout the year have been followed up in line with the Internal Audit Department's follow up policies and the results have been presented to the related internal audit customers in required circumstances. Moreover, a brief summary of internal audit reports, general evaluations and other information about the activities of Internal Audit Department have been quarterly submitted to the Audit Committee, Internal Systems Committee and Board of Directors. These reports have also been sent to BRSA.

The Internal Control Department is in charge of the internal control function within the Bank. Internal Control System has been established adequately and effectively to cover all of the activities and all domestic and foreign branches, headquarters units and subsidiaries compatible within the scope of bank's activities and organizational structure and according to changing conditions in order to reduce, manage, monitor and provide controlling the risks faced by the bank. Bank's internal control system and internal control activities are designed and carried out adequately and effectively by the Internal Control Department and the relevant Senior Managers.

In line with the Bank's strategic targets and policies and in accordance with the internal/external regulations and international standards, Internal Control Department organized its activities into three different groups: "Branches and Regions Internal Control Unit", "Head Office And Subsidiaries Internal Control Service", "Information Systems and Independent Audit Coordination Service". Designed to support specialization on the basis of business lines, this realignment increased the efficiency, proficiency and compliance of operations and control systems through continuous controls. Within the scope of 2016 Control Program, the Bank's various business lines, units, branches, processes, new products, services and analyses documents were continuously analyzed, monitored and the results were reported to the senior management with a proactive and dynamic approach as well as adapting the materiality criteria and risk-focused approach. Besides, the Internal Control Department actively participated to Process Modeling and Analysis Projects. As part of these efforts, the Internal Control Department analyzed processes together with the relevant business units, identified any potential risks to the processes, designed and established controls to counter these risks, contributed to the reducing risks and the creation, development of the internal control environment and systems across the Bank.

Risk Management Department effectively undertook the tasks of identifying, measuring, monitoring and managing the risks faced by the Bank in 2016.

Credit Risk Management and Modelling Directorate continues its activities in realm of establishing and improving a strong infrastructure for risk management systems in order to execute risk management activities within the context of Credit Policy and Credit Risk Policy effectively. The internal credit risk limits determined with the Board of Directors' decision are measured, and presented to the Audit Committee through periodical reports. Endeavour continues to develop internal rating models in order to use our bank's own estimated risk parameters for the purpose of calculating regulatory capital. PD scores of our internal models will be taken into consideration in risk management, marketing activities, credit allocation decision, credit risk monitoring, credit risk follow-up, capital management and corporate governance. They will play an essential role in all of these activities.

IFRS-9 Financial Standards will come into effect as of 1 January 2018. The IFRS-9 oriented works throughout the Bank in order to meet the requirements of the Standard are managed by Credit Risk Management and Modelling Directorate in coordination with the our main shareholder KFH. Bank needs PD, LGD and EaD models to calculate expected loss according to the IFRS-9 and endeavour continues to develop regarding models.



Market risk is periodically reviewed by the Bank's Audit Committee and Internal Systems Committee and reported to BRSA monthly. Market risk weighted assets are calculated in accordance with the Basel III standard method.

Bank's Internal Capital Adequacy Assessment Report for 2015 was prepared on consolidated and unconsolidated basis in order to assess the capital adequacy of the Bank in normal and stress periods and was submitted to BRSA. Periodic stress tests and scenario analysis were performed and presented in the Audit Committee and Internal Systems Committee meetings. In addition, market risk, counterparty credit risk and liquidity risk stress tests were implemented simultaneously and on monthly basis. Sukuk and other investment portfolio have been monitored regularly, reported to the Audit Committee and our main shareholder KFH. In addition, the works of the risk appetite of the Bank, early warning system consisting of economic indicators related to the fiscal, monetary and financial system in Turkey and the world overall, moreover the economic and financial analysis developed in accordance with Kuwait Central Bank requirements and conducted within the framework of CAMELBCOM approach were reported to our main shareholder KFH on quarterly basis.

Within the framework of operational risk activities, the Bank's operational risk loss data is stored in a systematic way and in accordance with Basel III standards. Operational risk concentrations were monitored actively by adopting a terminology appropriate to Basel III and reported to Audit Committee. Additionally, studies were conducted to comply with the operational risk best practice guidelines published by the BRSA and the internal regulations of operational risk were revised and republished accordingly. Moreover, Risk Management Department actively involved in the activities required by the Regulation on Support Services, Risk Management Program for Support Services was revised and submitted to the Board of Directors.

In the framework of Basel III regulations, credit risk weighted assets are calculated according to the standard method and reported to the BRSA monthly on unconsolidated and consolidated basis. Capital adequacy ratio is also calculated and reported to the BRSA by the Risk Management Department. Within this context, in order to comply with the RCAP regulations which became effective in March 2016, required revisions are made in Credit Risk Weighted Assets calculation.

The Risk Report Set, which must be reported to BRSA as of June 2016 and which contains detailed information on all the transactions subject to Credit Risk Weighted Assets calculation, is prepared quarterly.

There is also an ongoing Integrated Risk Management project, at the completion of which the BRSA reports associated with Risk Management are expected to be prepared automatically.

Disaster Recovery Center Test was completed successfully in November within the scope of Business Continuity.

External fraud assessment with respect to the Bank's activities was completed. As a result of the analysis, the areas that can be controlled, their risks, possible effects, measures taken so far and can be taken against those risks and residual risks have been determined.

Compliance Department conducts activities in order to ensure that compliance risk is effectively managed and kept under control, the risks are prevented before realization and Bank's operations are continuously carried out accordingly and in compliance with the relevant legislations and regulations.

Changes in regulations concerning Bank's activities are continuously analyzed and updating Bank operations in accordance with these changes is monitored and reported. Compliance works of the foreign branches and consolidated subsidiaries are monitored.

All activities, products and transactions that are currently provided or in development are monitored for compliance with Banking Law and other relevant regulations, Bank policies, rules and Banking practices.

Efforts to ensure compliance of Bank's activities with the anti-money laundering and combating the finance of terrorism regulations are carried out, Bank policies and procedures are established, risk management, monitoring and control activities are performed with a risk-based approach and identification, follow-up and reporting of suspicious activities to the official authority are performed. Training programs for increasing awareness and knowledge of the employees regarding relevant regulations are organized.



**Adnan ERTEM**  
Audit Committee Chairman



**Ahmad S. AL-KHARJI**  
Audit Committee Member



**Mohamad AL MIDANI**  
Audit Committee Member

## Assessment on Financial Status, Profitability and Solvency

Kuveyt Türk Participation Bank's total assets were increased by 15.7% and reached TL 48.4 billion and equities were increased by 15% and reached TL 4.2 billion. Concordantly, Bank's capital adequacy ratio reached above the legal obligation level as 18.19%. The Bank continues to increase its profit by using its resources efficiently and productively. Information on financial situation, profitability and solvency can be seen in the financial sheets and independent audit report.

## Ratings of Kuveyt Türk by International Rating Agencies

Rating notes and contents given by the rating agencies authorized in line with the Regulation on Principles for the Authorization and Transactions of Rating Agencies are given below.

### Fitch Ratings

Foreign Currency		Local	
Long Term	BBB-	Long Term	AAA (tur)
Short Term	F3	General Outlook	Stable
General Outlook	Stable	Individual	bb-
		Support	2
Local Currency		Country Risk	
Long Term	BBB-	Foreign Currency Long Term	BB+
Short Term	F3	Local Currency Long Term	BBB-
General Outlook	Stable	General Outlook	Stable
		Country Limit	BBB-

# Information on Risk Management Policies

## LOAN RISK MANAGEMENT POLICY AND PROCEDURES

It is essential that Bank's Senior Management should manage and monitor loan risk policies by considering legal regulations. Within the scope of loan risk policy;

- Strategy,
- Loan risk management process,
- Limit allotment principles,
- Internal risk limits,
- Concentration risk management,
- Country and transfer risk management,
- Loan risk reports,
- New products and services and
- Risk monitoring, control and improvement

transactions are executed. Within this scope, periodic reports are prepared for the research of new techniques and practices for measuring, monitoring and control of undertaken loan risks in loan transactions and risks defined within the legal and Bank's internal risk limits, tracking non-performing receivables, analyzing the reasons for delay and taking necessary measures.

Board of Directors determined the risk appetite of the Bank via risk type based internal risk limits based on the Bank's risk taking capacity. Various analysis and reports are generated for the Bank's portfolio within internal risk limits. Risk management transactions regarding the monitoring and management of loan risk based on country, concentration, maturity, industry, default rate, legal status, assurances, geography, currency type are performed and Audit Committee is informed with the regular reports prepared for the Bank portfolio within the internal risk limits.

## Market Risk Management Policies and Procedures

Kuveyt Türk executes its risk management transactions under the responsibility of the Board of Directors in compliance with the legal regulations. For this reason, market risk management transactions are regulated within legal regulations.

Implementing the Risk Management Strategy, Policy and Practice Methods approved by the Board of Directors, providing timely and safe reporting on important risks faced by the Bank and evaluating the risk reports, taking predicted and necessary measures and participating the process of defining risk limits are the responsibilities of the Senior Management.

Risk policies and implementation methods defined for the market risk that the Bank is exposed to are approved by the Board of Directors and reviewed regularly. Market risk is managed by defining, measuring, limiting, reporting of possible risks to be faced by the Bank due to existing market conditions in line with international standards and reserving capital accordingly as well as decreasing risks with protective processes.

In line with the Risk Strategy document it is made sure the Bank has sufficient capital and liquidity to continue its operations under all circumstances and that these are maintained at a reasonable level.

Defining written limits for the digitized risks resulting from the Bank's transactions that are subject to market risk, monitoring risks undertaken by the Bank and risk limits, tracking limit excesses are performed with Treasury Liquidity and Market Risk Policy. It is substantial that the processes are executed within defined limits and Bank's risk tolerance is considered while defining the limits.

Acceptable risk level of treasury transactions is defined as the customer limits, dealing limits, allowed transactions, counter party limits and country risk limits. Establishment of necessary tracking and control procedures in order to ensure regulatory compliance and prevent unacceptable situations are determined with the principles of this policy.

It is essential that the limits are defined as risk based. Besides nominal amounts based on monetary magnitude, these limits can be also the proportional limits based risk measurement results such as the percentage of the amount subject to average risk, percentage of risk weighted assets or concentration based limits including sectoral or debtor based limitations.

Risk limits are established within the limits put on related matters approved by the Bank in all risk categories within the regulations and principle of significance. Also, implementation principles on actions to be taken if early warning limits are defined and these limits are exceeded are defined by the Board of Directors.

## Information on Risk Management Policies

Kuveyt Türk's market risk management and guiding limits and informative reports system used for this purpose are based on the principles below;

- Ensuring that risk management transactions work efficiently and securely,
- Ensuring that the Bank undertakes risks in line with its risk taking capability and capacity and
- Risk taking limits are managed in line with the risky markets and risk taking capacities of the Bank's related departments.

### OPERATIONAL RISK MANAGEMENT POLICY AND PROCEDURES

Processes of defining, evaluating, monitoring, controlling and decreasing the operational risks faced by the Bank are executed under the supervision of the Board of Directors and Internal Systems Committee.

Policies and implementation methods defined within operational risk management, is provided for employees on the job training and effective internal control mechanisms ensure that business units have the risk management point of view and the integration of the operational risk management culture in all units and transactions. Within this scope, each unit and employee should understand their transactions and position within the operational risk management and be aware of their authorities and responsibilities.

Risk, Control Self-Evaluation Policy was established in order to make I) self-assessment of the of the bank regarding operational risks II) evaluation of the potential threats arising from operational processes and activities, and assessment of the weaknesses of the Bank against these threats III) analysis of the potential negative impacts of such threats and weaknesses on the Bank.

Works are performed on all kinds of operational risk types that the Bank is subject to and quality of corrective actions for such risks and risk decreasing transactions are evaluated in order to allow the determination of problems before the occurrence of substantial losses for the Bank. In this regard, operational risk events above the defined threshold value and detailed information of such events are recorded, at the same time Risk Control Matrix works are performed to define the potential operational risks.

## Five-Year Summary Financial Information

(TL Thousand)*	2012	2013	2014	2015	2016
Profit Sharing Income	1,182,236	1,332,063	1,897,864	2,436,016	2,971,704
Profit Sharing Expenses	610,562	548,888	815,583	1,128,738	1,475,406
Net Fee and Commission Income	220,518	240,477	267,934	268,003	313,081
Other Revenues	136,723	234,655	193,929	344,247	552,200
Other Expenses	606,690	824,902	986,404	1,302,950	1,665,618
Tax Charge	59,997	72,230	99,704	116,332	131,237
Net Profit for the Period	262,228	361,175	458,036	500,246	564,724
Total Assets	18,596,049	25,602,525	33,750,746	41,860,627	48,427,976
Total Equities	1,728,337	2,418,506	3,236,703	3,700,724	4,239,859
Capital Adequacy Ratio (%)	14.16	14.43	15.21	14.23	18.19

\* IFRS Consolidated Figures

**KUVEYT TÜR K KATILIM  
BANKASI ANONİM ŐİRKETİ  
AND ITS SUBSIDIARIES**

**CONSOLIDATED FINANCIAL  
STATEMENTS FOR THE YEAR  
ENDED 31 DECEMBER 2016  
AND INDEPENDENT AUDITOR'S REPORT**

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Kuveyt Türk Katılım Bankası Anonim Şirketi A.Ş.

### Report on the Audit of the Consolidated Financial Statements

#### Opinion

We have audited the consolidated financial statements of Kuveyt Türk Katılım Bankası Anonim Şirketi (the "Bank") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2016, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2016, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

#### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the "IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

#### Key Audit Matter

##### **Allowance for probable losses on due from corporate and commercial financial activities**

At 31 December 2016, due from financing activities were TL 23,537,401 thousands against which allowance for impairment on due from financing activities of TL 665,472 thousands were recorded ending with a net carrying amount of TL 22,871,929 thousands. The details are disclosed in Note 7 of the consolidated financial statements.

For impairment allowances, a management decision and judgement is required to determine when an impairment event has occurred and a necessary classification should be done. So there is a risk of misstatement in the calculation of the allowance related to the classification of performing / funds in arrears due from financial activities in accordance with IAS 39.

Furthermore, the specific allowances are made against the carrying amount of due from financing activities that are identified as being impaired based on regular reviews of outstanding balances to reduce these due from financing activities to their recoverable amounts. In assessing the recoverable amounts of the due from financing activities, the estimated future cash flows are discounted to their present value using the loans' original yield which requires management's significant judgement to exercise.

Portfolio basis (collective) allowances are maintained to reduce the carrying amount of portfolios of similar due from financing activities to their estimated recoverable amounts at the date of financial position. The expected cash flows for portfolios of similar assets are estimated based on previous experience and considering the credit rating of the underlying customers and late payments of interest or penalties.

Because of the significance of these judgements and the size of due from financing activities, the audit of allowance for probable losses on due from corporate and commercial financing activities is a key area of focus. Furthermore there is a risk of misstatement in the calculation of allowance related to errors in the main parameters of allowance for probable losses on due from corporate and commercial financing activities (specific and collective) in accordance with IAS 39 in the IFRS financial statements.

### **IT Audit**

The Group is dependent on the IT-infrastructure for the continuity of their operations, and business innovation is linked, and the demand for technology-enabled business services is rapidly growing in the Bank and its subsidiaries. Controls over reliability and continuity of the electronic data processing are within the scope of the information systems internal controls audit. The reliance on information systems within the Group means that the controls over access rights, continuity of systems, privacy and integrity of the electronic data are critical and found to be a key area of focus.

#### **How the matter was addressed in the audit**

-We reviewed the provisioning methodology implemented by the Group. We understood and tested the key controls over the classification and provisioning methodology such as; system based and manual controls over the timely recognition of impaired due from financing activities, controls over the impairment calculation models including data inputs, controls over cash flow estimates and finally governance controls which includes the management meetings for the approval process of allowance for probable losses on due from financing activities.

In addition to testing the key controls, we selected samples of due from financing activities outstanding at the reporting date and assessed critically the criteria for determining whether an impairment event had occurred and therefore whether there was a requirement to calculate an impairment provision. For the samples selected, we also verified whether all impairment events as identified by us had also been identified by the Bank's management. Our selected samples also included non-performing due from financing activities, where we assessed management's forecast of recoverable cash flows, valuation of collaterals, estimates of recovery on default and other sources of repayment. For the performing due from financing activities, we assessed that the borrowers did not exhibit any possible default risk that may affect the repayment abilities. We also tested the appropriateness and accuracy of the inputs to those models, such as probability of default and loss given default rates, and where available, compared data and assumptions made to external benchmarks. Finally, we understood and tested the controls over related disclosures.

We understood and tested the Group's controls over information systems as part of our audit procedures. Our audit procedures include all layers that the data is transmitted, which are databases, operating systems, applications, and network. Tested information systems controls are categorized in the following areas:

- Manage security
- Manage changes
- Manage operations

We selected high-risk areas as, database logging and change management control activities, to prevent and detect whether accesses to financial data had been identified in a timely manner. We tested the access and logging controls underlying all application which have direct or indirect impacts on financial data generation. Automated controls and integration controls are tested to underly and detect changes and access in the process of financial data generation. We also tested the appropriateness and accuracy of the information produced by the entity and information used in controls reports as inputs to our controls and outputs generated by the IT components. Finally, we understood and tested the controls over database, network, application and operating system layers of applications.

### **Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

# Deloitte.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Müjde Şehsuvaroğlu.

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



Müjde Şehsuvaroğlu  
Partner

Istanbul, 21 March 2017





<b>Table of contents</b>	<b>Page</b>
Independent auditors' report	108
Consolidated statement of financial position	112
Consolidated statement of comprehensive income	113
Consolidated statement of changes in equity	114
Consolidated statement of cash flows	115
Notes to consolidated financial statements	116-166



# Kuveyt Türk Katılım Bankası Anonim Şirketi and its Subsidiaries

## Consolidated Statement of Financial Position

### as at December 31, 2016

(Currency - In thousands of Turkish Lira - TL)

	Notes	December 31, 2016	December 31, 2015
<b>Assets</b>			
Cash and balances with the Central Bank	4	1,875,863	1,970,359
Balances with other banks and financial institutions	4	5,979,425	4,753,336
Reserve deposits at the Central Bank	5	5,678,251	5,141,295
Financial assets - held for trading	6	166,762	89,820
<i>Derivative financial instruments</i>	20	110,049	44,606
<i>Share Certificates</i>	6	390	390
<i>Precious Metal Fund</i>		-	207
<i>Sukuk held for trading</i>	6	56,323	44,617
Financial assets - available-for-sale	6	3,751,680	2,354,196
Due from financing activities, net	7	27,087,876	24,669,042
Minimum finance lease payments receivable, net	8	1,545,637	1,183,424
Precious Metals		802,280	471,703
Construction projects, net	10	77,939	52,904
Joint venture		15,236	8,378
Investment properties, net	11	26,129	33,807
Property and equipment, net	13	426,867	430,428
Intangible assets, net	14	140,467	119,452
Deferred tax assets	17	110,410	98,469
Other assets	9	700,487	456,682
		48,385,309	41,833,295
Assets and a disposal group held for sale	12	42,667	27,332
<b>Total assets</b>		<b>48,427,976</b>	<b>41,860,627</b>
<b>Liabilities and equity</b>			
Due to other financial institutions and banks	15	3,273,326	4,261,643
Sukuk securities issued	15	4,763,981	3,636,119
Subordinated loans	15	1,981,646	589,734
Money market balances		1,219,873	711,542
Current and profit / loss sharing investors' accounts	16	32,016,053	28,145,291
Derivative financial instruments	20	257,556	170,173
Employee benefit obligations	18	122,508	106,905
Income taxes payable	17	27,851	36,472
Other liabilities and provisions	19	525,323	502,024
<b>Total liabilities</b>		<b>44,188,117</b>	<b>38,159,903</b>
Share capital	21	2,787,322	2,527,322
Share premium		22,933	22,933
Available for sale investments reserve, net of tax		(35,279)	5,394
Employee termination benefits reserve, net of tax		(13,753)	(14,916)
Legal reserves and retained earnings	22	1,443,117	1,142,532
Currency translation differences		126,484	70,961
Hedging fund		(70,863)	(32,660)
Other reserve	22	(22,162)	(22,162)
Non-controlling interest		2,060	1,320
<b>Total equity attributable to equity holders of the parent</b>		<b>4,239,859</b>	<b>3,700,724</b>
<b>Total liabilities and equity</b>		<b>48,427,976</b>	<b>41,860,627</b>

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

# Kuveyt Türk Katılım Bankası Anonim Şirketi and its Subsidiaries

## Consolidated Statement of Comprehensive income for the Year Ended December 31, 2016

(Currency - In thousands of Turkish Lira - TL)

	Notes	2016	2015
<b>Income from financing activities:</b>			
Profit on originated loans from profit / loss sharing accounts		1,272,621	1,006,260
Profit on originated loans from current accounts and equity		1,550,706	1,332,032
Profit on deposits with other banks and financial institutions		42,866	22,542
Profit on finance leases		105,511	75,182
<b>Total income from financing activities</b>		<b>2,971,704</b>	<b>2,436,016</b>
Profit shares distributed to participation accounts		(943,006)	(732,444)
Profit shares distributed to other banks and financial institutions		(532,400)	(396,294)
<b>Net financing income</b>		<b>1,496,298</b>	<b>1,307,278</b>
Provision for impairment of amounts due from financing activities and lease receivables	7, 8	(574,792)	(360,725)
<b>Net financing income after provision for impairment in due from financing activities and lease receivables</b>		<b>921,506</b>	<b>946,553</b>
Foreign exchange gain, net		196,215	153,992
Net financing income after net foreign exchange gain / (loss)		1,117,721	1,100,545
Fees and commission income	25	477,345	413,140
Net trading income		162,970	49,049
Other income		191,077	141,206
Share of a joint venture income		1,938	-
<b>Total other operating income</b>		<b>833,330</b>	<b>603,395</b>
Fees and commission expense	25	(164,264)	(145,137)
Staff costs	26	(625,109)	(529,000)
Depreciation and amortization expense		(82,160)	(103,739)
Withholdings and other taxes		(47,337)	(36,030)
Rent expense		(101,352)	(87,921)
Other expenses	27	(234,868)	(183,308)
Share of (loss) of a joint venture		-	(2,227)
<b>Total other operating expense</b>		<b>(1,255,090)</b>	<b>(1,087,362)</b>
<b>Income before taxation</b>		<b>695,961</b>	<b>616,578</b>
Current tax charge	17	(124,960)	(159,394)
Deferred tax (charge)/credit	17	(6,277)	43,062
<b>Net income for the year</b>		<b>564,724</b>	<b>500,246</b>
<b>Attributable to:</b>			
- Owners of the equity		563,984	500,143
- Non-controlling interests		740	103
<b>Other comprehensive income</b>			
<b>Items that are or may be reclassified subsequently to profit or loss:</b>			
Exchange differences on translation of the foreign subsidiary		17,320	15,891
Available-for-sale investments reserve		(40,673)	(15,675)
-Net change in fair value		(50,841)	(19,594)
-Deferred tax relating to component of other comprehensive income		10,168	3,919
<b>Items that will not be reclassified to profit or loss</b>			
Employee termination benefits reserve		1,163	2,521
-Net change in fair value		1,454	3,151
-Deferred tax relating to component of other comprehensive income		(291)	(630)
<b>Other comprehensive income for the year</b>		<b>(22,190)</b>	<b>2,737</b>
<b>Total comprehensive income for the year</b>		<b>542,534</b>	<b>502,983</b>
<b>Attributable to:</b>			
- Owners of the equity		541,794	502,880
-Non-controlling interests		740	103
<b>Basic and diluted earnings per share for net income attributable to the ordinary equity holders of the Group during the year (in full TL per share)</b>	23	<b>0.208</b>	<b>0.203</b>

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

# Kuveyt Türk Katılım Bankası Anonim Şirketi and its Subsidiaries

## Consolidated Statement of Changes in Equity for the Year Ended December 31, 2016

(Currency - In thousands of Turkish Lira - TL)

	Share Capital	Share Premium	Legal Reserves	Retained Earnings	Other Reserves	Available-for-sale investments reserve	Employee termination benefits reserve	Currency Translation Differences	Hedging Funds	Non-Controlling Interest	Total
Balances at January 1, 2015	2,287,005	23,250	77,869	843,443	(22,123)	21,069	(17,437)	22,410	-	1,217	3,236,703
Share capital increase	240,000	-	-	(240,000)	-	-	-	-	-	-	-
from retained earnings	240,000	-	-	(240,000)	-	-	-	-	-	-	-
cash injection	-	-	-	-	-	-	-	-	-	-	-
Transfer from retained earnings to legal reserves	-	-	22,418	(22,418)	-	-	-	-	-	-	-
Dividends paid	-	-	-	(38,923)	-	-	-	-	-	-	(38,923)
Total comprehensive income for the year	-	-	-	500,143	-	(15,675)	2,521	54,192	(32,660)	103	502,983
Other	317	(317)	-	-	(39)	-	-	-	-	-	(39)
Non-controlling interest	-	-	-	-	-	-	-	-	-	-	-
<b>Balances at December 31, 2015</b>	<b>2,527,322</b>	<b>22,933</b>	<b>100,287</b>	<b>1,042,245</b>	<b>(22,162)</b>	<b>5,394</b>	<b>(14,916)</b>	<b>70,961</b>	<b>(32,660)</b>	<b>1,320</b>	<b>3,700,724</b>
Share capital increase	260,000	-	-	(260,000)	-	-	-	-	-	-	-
from retained earnings	260,000	-	-	(260,000)	-	-	-	-	-	-	-
cash injection	-	-	-	-	-	-	-	-	-	-	-
Transfer from retained earnings to legal reserves	-	-	22,574	(22,574)	-	-	-	-	-	-	-
Hedging funds	-	-	-	-	-	-	-	-	(38,203)	-	(38,203)
Dividends paid	-	-	-	(3,399)	-	-	-	-	-	-	(3,399)
Total comprehensive income for the year	-	-	-	563,984	-	(40,673)	1,163	55,523	-	740	580,737
Other	-	-	-	-	-	-	-	-	-	-	-
Non-controlling interest	-	-	-	-	-	-	-	-	-	-	-
<b>Balances at December 31, 2016</b>	<b>2,787,322</b>	<b>22,933</b>	<b>122,861</b>	<b>1,320,256</b>	<b>(22,162)</b>	<b>(35,279)</b>	<b>(13,753)</b>	<b>126,484</b>	<b>(70,863)</b>	<b>2,060</b>	<b>4,239,859</b>

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

# Kuveyt Türk Katılım Bankası Anonim Şirketi and its Subsidiaries

## Consolidated Statement of Cash Flows for the Year Ended December 31, 2016

(Currency - In thousands of Turkish Lira - TL)

	Notes	2016	2015
<b>Cash flows from operating activities:</b>			
Income from continuing operations before taxation		<b>695,961</b>	616,578
Share of (profit) / loss of a joint venture		<b>(1,938)</b>	2,227
Depreciation and amortization	11, 13, 14	<b>82,160</b>	103,739
Provision for employee termination and other benefits	18	<b>16,417</b>	13,440
Provision for personnel bonus accrual	18	<b>55,290</b>	49,677
Provision for impairment in due from financing activities and lease receivables	7, 8	<b>574,792</b>	360,725
Income accrual of funds invested		<b>(62,727)</b>	(72,859)
Reversal of impairment in investment property	10	<b>51</b>	133
Deferred income		<b>(37,806)</b>	(35,553)
Impact of exchange difference on cash at banks and loans		<b>(177,535)</b>	121,283
Expense accrual of participation accounts		<b>4,883</b>	18,994
Expense and foreign exchange accrual of funds borrowed		<b>39,184</b>	515,951
Net change in derivative financial instruments		<b>21,940</b>	142,797
Gain on sale of property and equipment, intangible assets, investment properties and asset held for sale		<b>(12,469)</b>	(22,832)
Operating income before changes in operating assets and liabilities		<b>1,198,203</b>	1,814,300
Net changes in :			
Reserve deposits at the Central Bank of Turkey		<b>(536,956)</b>	(985,686)
Due from financing activities		<b>(2,904,393)</b>	(4,963,619)
Minimum finance lease payments receivables		<b>(371,399)</b>	(467,350)
Other assets and construction projects		<b>(202,899)</b>	(130,002)
Current accounts and profit/loss sharing investors' accounts		<b>3,809,798</b>	5,900,202
Other liabilities		<b>(8,170)</b>	189,495
Payment for employee termination benefits	18	<b>(7,881)</b>	(3,620)
Payment for personnel bonuses	18	<b>(49,677)</b>	(48,600)
Precious metals		<b>(330,577)</b>	829,763
Income taxes paid		<b>(140,600)</b>	(155,237)
Net cash used in operating activities		<b>455,449</b>	1,978,252
Cash flows from investing activities:			
Purchase of available-for-sale, held-to-maturity and held-for-trading securities	6	<b>(2,622,563)</b>	(1,314,465)
Proceeds from sale of available-for-sale, held-to-maturity and held-for-trading securities	6	<b>1,200,228</b>	1,123,574
Purchase of property and equipment, intangible assets and investment properties	11, 13, 14	<b>(114,246)</b>	(240,667)
Proceeds from sale of property and equipment, intangible assets and investment properties		<b>34,728</b>	82,006
Capital increase in investment in associates		-	-
Proceeds from sale of asset and liabilities held for sale		<b>(15,335)</b>	246
Net cash used in investing activities		<b>(1,517,188)</b>	(349,306)
Cash flows from financing activities:			
Dividends paid	21	<b>(3,399)</b>	(38,923)
Increase / (decrease) in due to financial institutions and banks		<b>344,772</b>	(13,631)
Sukuk securities issued		<b>2,329,600</b>	2,066,531
Sukuk securities redeemed		<b>(673,768)</b>	(1,156,091)
Increase in share capital		-	-
Transactions with non-controlling interest		-	-
Net cash provided by financing activities		<b>1,997,205</b>	857,886
Net increase in cash and cash equivalents		<b>935,466</b>	2,488,226
Net foreign exchange difference on cash and cash equivalents		<b>140,046</b>	(121,283)
Cash and cash equivalents at the beginning of the year	4	<b>6,565,043</b>	4,198,100
<b>Cash and cash equivalents at the end of the year</b>	4	<b>7,640,555</b>	6,565,043

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

# Kuveyt Türk Katılım Bankası Anonim Şirketi and its Subsidiaries Notes to Consolidated Financial Statements for the Year Ended December 31, 2016

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

## 1. Corporate information

### General

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

The consolidated financial statements were authorized for issue by the General Manager and Chief Financial Officer on behalf of the Board of Directors of the Bank on March 21, 2017. The General Assembly and certain regulatory bodies have the power to amend the statutory financial statements after issue.

### Nature of activities of the Bank and its subsidiaries

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

The Bank's subsidiary, Körfez Gayrimenkul Yatırım Ortaklığı A.Ş., formerly known as Körfez Gayrimenkul İnşaat Taahhüt Turizm San. ve Tic. A.Ş. ("Körfez"), in which the Bank has 75% shareholding was incorporated in June 1996 in Turkey. Körfez's registered address is Büyükdere Caddesi, No: 129/1, 34394 Esentepe Şişli/İstanbul. Körfez is engaged in development and marketing of real estate projects in Turkey. Körfez's main sources of revenue are from the sales of these projects.

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

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

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

The Bank's other subsidiary, KT Kira Sertifikaları Varlık Kiralama A.Ş. has been established on September 3, 2013 in Turkey in order to issue Sukuk Securities amounting to TL 150,000,000.

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

The bank established a pension company jointly with Albaraka Türk Katılım Bankası A.Ş, holding 50% of the shares. It is registered with the trade name "Katılım Emeklilik ve Hayat Anonim Şirketi", 895027 registry numbered dated 17 December 2013 by İstanbul Register of Commerce.

KT Portföy Yönetim Anonim Şirketi ("Company"), which is 100% owned by the bank was established in 26 May 2015 is operating in Turkey.

The main aim of the bank is to serve its customers in every aspect of the fund management business with a participation based portfolio management company.

The Bank established an IT company with holding 100% of the shares. It is registered with the trade name "Architect Bilişim Sistemleri ve Pazarlama Anonim Şirketi Anonim Şirketi", dated 1 December 2015 by İstanbul Register of Commerce.

# Kuveyt Türk Katılım Bankası Anonim Şirketi and its Subsidiaries

## Notes to Consolidated Financial Statements for the Year Ended December 31, 2016

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

### 2. Summary of significant accounting policies

#### Basis of preparation

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

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

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

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

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Use of available information and application of judgment are inherent in the formation of estimates in the following areas: valuation of over-the-counter ("OTC") derivatives, unlisted securities, retirement benefits obligation, impairment of loans and receivables, provisions for taxes. Actual results in the future may differ from those reported. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 2.

#### New and Revised International Financial Reporting Standards

##### a) Amendments to IFRSs affecting amounts reported and/or disclosures in the financial statements

None.

##### b) New and revised IFRSs applied with no material effect on the financial statements

IFRS 14	<i>Regulatory Deferral Accounts</i> <sup>1</sup>
Amendments to IFRS 11	<i>Accounting for Acquisition of Interests in Joint Operations</i> <sup>1</sup>
Amendments to IAS 16 and IAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i> <sup>1</sup>
Amendments to IAS 16 and IAS 41	<i>Agriculture: Bearer Plants</i> <sup>1</sup>
Amendments to IAS 27	<i>Equity Method in Separate Financial Statements</i> <sup>1</sup>
Annual Improvements to 2012-2014 Cycle	<i>IFRS 5, IFRS 7, IAS 19, IAS 34</i> <sup>1</sup>
Amendments to IAS 1	<i>Disclosure Initiative</i> <sup>1</sup>
Amendments to IFRS 10, IFRS 12 and IAS 28	<i>Investment Entities: Applying the Consolidation Exception</i> <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2016.

#### IFRS 14 *Regulatory Deferral Accounts*

IFRS 14 *Regulatory Deferral Accounts* permits an entity, which is a first-time adopter of International Financial Reporting Standards to continue to account, with some limited changes, for 'regulatory deferral account balances' in accordance with its previous GAAP, both on initial adoption of IFRS and in subsequent financial statements.

IFRS 14 was issued by the IASB on 30 January 2014 and is applied to an entity's first annual IFRS financial statements for a period beginning on or after 1 January 2016.

# Kuveyt Türk Katılım Bankası Anonim Şirketi and its Subsidiaries

## Notes to Consolidated Financial Statements for the Year Ended December 31, 2016

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

### Amendments to IFRS 11 *Accounting for Acquisition of Interests in Joint Operations*

This amendment requires an acquirer of an interest in a joint operation in which the activity constitutes a business to:

- apply all of the business combinations accounting principles in IFRS 3 and other IFRSs, except for those principles that conflict with the guidance in IFRS 11,
- disclose the information required by IFRS 3 and other IFRSs for business combinations.

### Amendments to IAS 16 and IAS 38 *Clarification of Acceptable Methods of Depreciation and Amortisation*

This amendment clarifies that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment, and introduces a rebuttable presumption that an amortisation method that is based on the revenue generated by an activity that includes the use of an intangible asset is inappropriate, which can only be overcome in limited circumstances where the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated. The amendment also adds guidance that expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset.

### Amendments to IAS 16 and IAS 41 *Agriculture: Bearer Plants*

This amendment include 'bearer plants' within the scope of IAS 16 rather than IAS 41, allowing such assets to be accounted for a property, plant and equipment and measured after initial recognition on a cost or revaluation basis in accordance with IAS 16. The amendment also introduces a definition of 'bearer plants' as a living plant that is used in the production or supply of agricultural produce, is expected to bear produce for more than one period and has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales, and clarifies that produce growing on bearer plants remains within the scope of IAS 41.

### Amendments to IAS 27 *Equity Method in Separate Financial Statements*

This amendment permits investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements.

### Annual Improvements 2012-2014 Cycle

**IFRS 5:** Adds specific guidance in IFRS 5 for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases in which held-for-distribution accounting is discontinued.

**IFRS 7:** Additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset, and clarification on offsetting disclosures in condensed interim financial statements.

**IAS 19:** Clarify that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid.

**IAS 34:** Clarify the meaning of 'elsewhere in the interim report' and require a cross-reference.

### Amendments to IAS 1 *Disclosure Initiative*

This amendment addresses perceived impediments to preparers exercising their judgment in presenting their financial reports.



# Kuveyt Türk Katılım Bankası Anonim Şirketi and its Subsidiaries

## Notes to Consolidated Financial Statements for the Year Ended December 31, 2016

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

### Amendments to IFRS 10, IFRS 12 and IAS 28 *Investment Entities: Applying the Consolidation Exception*

This amendment addresses issues that have arisen in the context of applying the consolidation exception for investment entities by clarifying the following points:

- The exemption from preparing consolidated financial statements for an intermediate parent entity is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all of its subsidiaries at fair value.
- A subsidiary that provides services related to the parent's investment activities should not be consolidated if the subsidiary itself is an investment entity.
- When applying the equity method to an associate or a joint venture, a non-investment entity investor in an investment entity may retain the fair value measurement applied by the associate or joint venture to its interests in subsidiaries.
- An investment entity measuring all of its subsidiaries at fair value provides the disclosures relating to investment entities required by IFRS 12.

### c) New and revised IFRSs in issue but not yet effective

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

Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>
Amendments to IAS 12	<i>Recognition of Deferred Tax Assets for Unrealized Losses<sup>1</sup></i>
Amendments to IAS 7	<i>Disclosure Initiative<sup>1</sup></i>
IFRS 9	<i>Financial Instruments<sup>2</sup></i>
IFRS 15	<i>Revenue from Contracts with Customers<sup>2</sup></i>
Amendments to IFRS 15	<i>Revenue from Contracts with Customers<sup>2</sup></i>
Amendments to IFRS 2	<i>Classification and Measurement of Share-Based Payment Transactions<sup>2</sup></i>
IFRS 16	<i>Leases<sup>3</sup></i>
Amendments to IFRS 4	<i>Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts'</i>
IFRIC 22	<i>Foreign Currency Transactions and Advance Consideration<sup>2</sup></i>
Amendments to IAS 40	<i>Transfers of Investment Property<sup>2</sup></i>
Annual Improvements to IFRS Standards 2014-2016 Cycle	<i>IFRS 1<sup>2</sup>, IFRS 12<sup>1</sup>, IAS 28<sup>2</sup></i>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2017.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2018.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2019.

### Amendments to IFRS 10 and IAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

This amendment clarifies the treatment of the sale or contribution of assets from an investor to its associate or joint venture.

### Amendments to IAS 12 *Recognition of Deferred Tax Assets for Unrealized Losses*

This amendment clarifies the following aspects:

- Unrealized losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use.
- The carrying amount of an asset does not limit the estimation of probable future taxable profits.
- Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences.
- An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilization of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type.

# Kuveyt Türk Katılım Bankası Anonim Şirketi and its Subsidiaries Notes to Consolidated Financial Statements for the Year Ended December 31, 2016

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

## *Amendments to IAS 7 Disclosure Initiative*

This amendment clarifies that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.

## *IFRS 9 Financial Instruments*

IFRS 9, issued in November 2009, introduces new requirements for the classification and measurement of financial assets. IFRS 9 is amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 is issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a "fair value through other comprehensive income ("FVTOCI") measurement category for certain simple debt instruments.

## *IFRS 15 Revenue from Contracts with Customers*

IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers.

The five steps in the model are as follows:

- Identify the contract with the customer,
- Identify the performance obligations in the contract,
- Determine the transaction price,
- Allocate the transaction price to the performance obligations in the contracts,
- Recognise revenue when the entity satisfies a performance obligation.

## *Amendments to IFRS 15 Revenue from Contracts with Customers*

This amendment clarifies three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and provides some transition relief for modified contracts and completed contracts.

## *Amendments to IFRS 2 Classification and Measurement of Share-Based Payment Transactions*

This amendment clarifies the standard in relation to the accounting for cash-settled share-based payment transactions that include a performance condition, the classification of share-based payment transactions with net settlement features, and the accounting for modifications of share-based payment transactions from cash-settled to equity settled.

## *IFRS 16 Leases*

This new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 supersedes IAS 17 "Leases" and related interpretations and is effective for periods beginning on or after 1 January 2019, with earlier adoption permitted if IFRS 15 'Revenue from Contracts with Customers' has also been applied.

## *Amendments to IFRS 4 Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts'*

This amendment provides optional approaches for entities that issue insurance contracts within the scope of IFRS 4, and the entities are permitted to stop applying them before the new insurance standard is applied.

# Kuveyt Türk Katılım Bankası Anonim Şirketi and its Subsidiaries

## Notes to Consolidated Financial Statements for the Year Ended December 31, 2016

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

### *IFRIC 22 Foreign Currency Transactions and Advance Consideration*

The interpretation addresses foreign currency transactions or parts of transactions where:

- there is consideration that is denominated or priced in a foreign currency;
- the entity recognizes a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and
- the prepayment asset or deferred income liability is non-monetary.

The Interpretations Committee came to the following conclusion:

- The date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability.
- If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt.

### *Amendments to IAS 40 Transfers of Investment Property*

The amendments to IAS 40 Investment Property:

- Amends paragraph 57 to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use.
- The list of examples of evidence in paragraph 57(a) - (d) is now presented as a non-exhaustive list of examples instead of the previous exhaustive list.

### *Annual Improvements to IFRS Standards 2014-2016 Cycle*

- **IFRS 1:** Deletes the short-term exemptions in paragraphs E3-E7 of IFRS 1, because they have now served their intended purpose.
- **IFRS 12:** Clarifies the scope of the standard by specifying that the disclosure requirements in the standard, except for those in paragraphs B10-B16, apply to an entity's interests listed in paragraph 5 that are classified as held for sale, as held for distribution or as discontinued operations in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.
- **IAS 28:** Clarifies that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organisation, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

The Group evaluates the effects of these standards, amendments and improvements on the consolidated financial statements.

### **Significant accounting judgments and estimates**

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

**Fair value of financial instruments:** Where the fair values of financial assets recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgment is required to establish fair values. The judgments include considerations of liquidity and model inputs such as volatility for longer dated derivatives.

# Kuveyt Türk Katılım Bankası Anonim Şirketi and its Subsidiaries

## Notes to Consolidated Financial Statements for the Year Ended December 31, 2016

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

### Functional and presentation currency

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

Until December 31, 2005, the consolidated financial statements were restated for the changes in the general purchasing power of TL based on IAS 29 ("Financial Reporting in Hyperinflationary Economies"). Since the objective conditions for the restatement in hyperinflationary economies was no longer applicable at that time, Turkey came off hyperinflationary status effective from January 1, 2006. The financial statements were restated until December 31, 2005 in accordance with IAS 29. Therefore, the non-monetary assets and liabilities and components of shareholders' equity including share capital reported in the balance sheet as of December 31, 2016 and 2015 are derived by indexing the additions that occurred until December 31, 2005 and carrying the additions after this date with their nominal amounts.

### Consolidation of subsidiaries

The consolidated financial statements comprise the consolidated balance sheet of the Bank and its subsidiaries, as at December 31, 2016 and 2015 and the consolidated statements of comprehensive income, changes in equity and cash flows of the Bank and its subsidiaries for the years ended December 31, 2016 and 2015, respectively.

When the Bank has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Bank considers all relevant facts and circumstances in assessing whether or not the Bank's voting rights in an investee are sufficient to give it power, including:

- the size of the Bank's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Bank, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Bank has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Bank obtains control over the subsidiary and ceases when the Bank loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Bank gains control until the date when the Bank ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Bank and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Bank and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.



# Kuveyt Türk Katılım Bankası Anonim Şirketi and its Subsidiaries

## Notes to Consolidated Financial Statements for the Year Ended December 31, 2016

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

Details of the subsidiaries subject to consolidation are stated below:

Name of subsidiary	Country of incorporation	Effective shareholding by the Bank (%)	
		December 31, 2016	December 31, 2015
"Körfez Gayrimenkul İnş. Taah. Tur. San. Tic. A.Ş."	Turkey	97.61%	97.61%
"Körfez Tatil Beldesi San. ve Tic. A.Ş."	Turkey	99.99%	99.99%
"KTPB Dubai Limited"	U.A.E.	100%	100%
"KT Sukuk Varlık Kiralama A.Ş."	Turkey	100%	100%
"KT Kira Sertifikaları Varlık Kiralama A.Ş."	Turkey	100%	100%
"KT Portföy Yönetimi A.Ş."	Turkey	100%	100%
"KT Bank AG."	Germany	100%	100%
"Architect Bilişim Sistemleri ve Pazarlama Tic. A.Ş."	Turkey	100%	100%

### Foreign currency transactions

Transactions in foreign currencies are initially recorded at the functional currency rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the income statement as foreign exchange gain/loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The financial statements of the Company and its Turkish subsidiaries for the periods before 1 January 2006 were adjusted to compensate for the effect of changes in the general purchasing power of the Turkish Lira based on IAS 29 Financial Reporting in Hyperinflationary Economies. Turkish Economy is accepted to come off its highly inflationary status as of 1 January 2006. Based on this consideration, IAS 29 has not been applied in the preparation of the consolidated financial statements since 1 January 2006. Amounts expressed in the measuring unit current at 31 December 2005 were treated as the basis for the carrying amounts after 1 January 2006.

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

Dates	USD / TL	EUR / TL
December 31, 2015	2.91	3.18
December 31, 2016	3.52	3.71

### Foreign Subsidiary

As at the reporting date, the assets and liabilities of the Bank's foreign subsidiary are translated into the Bank's presentation currency at the rate of exchange at the balance sheet date, and its income statement is translated at the USD/TL 3.018 average exchange rate for the year. Exchange differences arising on translation are taken directly to a separate component of comprehensive income.

### Property and equipment

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

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

# Kuveyt Türk Katılım Bankası Anonim Şirketi and its Subsidiaries

## Notes to Consolidated Financial Statements for the Year Ended December 31, 2016

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

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

Buildings	50 years
Furniture and office equipment	3-7 years
Motor vehicles	4-5 years
Leasehold improvements	Shorter of the lease or useful life

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

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

### Construction projects

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

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

### Investment property

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

Investment property comprises land and buildings. Investment properties are stated at cost less accumulated depreciation and any impairment in value. Depreciation for the building is calculated on a straight-line basis over the estimated useful lives of 50 years. Land is not depreciated.

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

### Intangible assets

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

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

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

# Kuveyt Türk Katılım Bankası Anonim Şirketi and its Subsidiaries

## Notes to Consolidated Financial Statements for the Year Ended December 31, 2016

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

### Impairment of non-financial assets

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

### Financial assets

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

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

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

#### *Available-for-sale financial assets*

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

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

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

#### *Financial assets at fair value through profit or loss*

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

#### *Held to maturity investments*

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

# Kuveyt Türk Katılım Bankası Anonim Şirketi and its Subsidiaries

## Notes to Consolidated Financial Statements for the Year Ended December 31, 2016

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

### *Due from financing activities, net*

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

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

### **Precious metal accounts**

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

### **Derivative financial instruments**

The Bank enters into transactions with derivative instruments including swaps in the foreign exchange and capital markets. All of these derivative transactions are considered as effective economic hedges under the Group’s risk management policies; however since they do not qualify for hedge accounting under the specific provisions of IAS 39 “Financial Instruments: Recognition and Measurement”, they are treated as derivatives held for trading. Derivative financial instruments are initially recognized in the balance sheet at fair value on the date which a derivative contract is entered into and subsequently are remeasured at their fair value. Gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are taken directly to the income statement, which are recognized in net trading income. The fair value of these derivatives is determined using principally a discounted cash flow analysis. Fair value of forward and swap contracts are determined based on the comparison of the original forward rate calculated by market interest rates of the related currency for the remaining maturity. Each derivative transaction is carried as asset when the fair value is positive and as liability when the fair value is negative.

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

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

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

### **Embedded derivatives**

Embedded derivatives are separated from the host contract if the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative and the hybrid instrument is not measured at fair value with changes in fair value recognized in profit or loss.



# Kuveyt Türk Katılım Bankası Anonim Şirketi and its Subsidiaries

## Notes to Consolidated Financial Statements for the Year Ended December 31, 2016

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

### Offsetting financial instruments

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

### Derecognition of financial instruments

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

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

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

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

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

### Business combinations and goodwill

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

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

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

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

### Cash and cash equivalents

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

# Kuveyt Türk Katılım Bankası Anonim Şirketi and its Subsidiaries

## Notes to Consolidated Financial Statements for the Year Ended December 31, 2016

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

### Impairment of financial assets

#### *a) Assets carried at amortized cost*

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

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

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

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

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

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

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

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

# Kuveyt Türk Katılım Bankası Anonim Şirketi and its Subsidiaries

## Notes to Consolidated Financial Statements for the Year Ended December 31, 2016

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

### *b) Available for sale financial assets carried at cost*

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

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

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

### *d) Renegotiated financing and leasing receivables*

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

### **Current accounts and profit / loss sharing investors' accounts**

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

### **Due to other financial institutions and banks**

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

### *Net Investment Hedge*

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

### **Employee benefits**

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

#### **(a) Defined benefit plans:**

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

# Kuveyt Türk Katılım Bankası Anonim Şirketi and its Subsidiaries

## Notes to Consolidated Financial Statements for the Year Ended December 31, 2016

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

### (b) Defined contribution plans:

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

### Provisions

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

### Leases

#### The group as lessee

##### Operating leases

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

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

##### Finance lease

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

#### The group as lessor

##### Finance lease

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

### Income and expense recognition

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

Income from funds invested from current accounts and equity is recognized on an accrual basis. Income from funds invested from profit/loss sharing accounts is accrued using the effective yield method and the net income is attributed to profit/loss sharing accounts. Accrued income from funds invested from profit/loss sharing accounts is recognized in full and generally 66% - 99% of this income is recorded as expense being the profit share distribution (as this is the legal and contractual range for the profit share quotas).

# Kuveyt Türk Katılım Bankası Anonim Şirketi and its Subsidiaries

## Notes to Consolidated Financial Statements for the Year Ended December 31, 2016

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

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

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

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

### Income tax

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

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

#### Current tax

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

#### Deferred tax

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

- where the deferred tax liability arises from the initial recognition of goodwill of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investment in subsidiary and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of goodwill of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investment in subsidiary and associates, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable and taxable profit will be available against which the temporary differences can be utilized.

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

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

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

# Kuveyt Türk Katılım Bankası Anonim Şirketi and its Subsidiaries

## Notes to Consolidated Financial Statements for the Year Ended December 31, 2016

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

### Fiduciary assets

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

### Related parties

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

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

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

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

### Dividends

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

### Subsequent events

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

### Reclassifications

None.

# Kuveyt Türk Katılım Bankası Anonim Şirketi and its Subsidiaries

## Notes to Consolidated Financial Statements for the Year Ended December 31, 2016

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

### 3. Segment reporting

For management purposes, the Group is organized into six business segments:

**Retail Banking** - Principally handling individual customers' current, saving and investment accounts and providing loans, consumer loans, credit cards facilities and funds transfer facilities. Segment portfolio comprised of all Turkish individuals that have deposits under TL 1.25 million and loans that are less than TL 750,000 (full amount) and all foreign nationals' loans that are less than TL 500,000 (full amount).

**Private Banking** - Principally handling individual customers' current, saving and investment accounts and providing loans, consumer loans, credit cards facilities and funds transfer facilities. Segment portfolio comprised of all Turkish individuals that have deposits more than TL 1.25 million and loans that are more than TL 750,000 (full amount) and all foreign nationals' loans that are more than TL 500,000 (full amount).

**Small Business Banking** - Principally handling loans and other credit facilities and current, saving and investment accounts for institutional customers. Segment portfolio comprised of all businesses that have annual sales turnover between TL 3 million - TL 30 million and their individual owners.

**Micro Banking** - Principally handling loans and other credit facilities and current, saving and investment accounts for small and medium sized enterprises. Segment portfolio comprised of all businesses that have annual sales turnover up to TL 3 million full amount and their owners.

**Commercial Banking** - Principally handling loans and other credit facilities and current, saving and investment accounts for institutional customers. Segment portfolio comprised of all businesses that have annual sales turnover more than TL 30 million and their individual owners except customer of corporate branches.

**Corporate Banking** - Principally handling loans and other credit facilities and current, saving and investment accounts for all corporate customers. Segment portfolio comprised of all businesses in corporate branches.



# Kuveyt Türk Katılım Bankası Anonim Şirketi and its Subsidiaries

## Notes to Consolidated Financial Statements for the Year Ended December 31, 2016

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

The following table presents income and profit and certain asset and liability information regarding the Group's business segments as of and for the years ended December 31, 2016 and 2015, respectively.

For the period ended December 31st, 2016	Retail Banking		SME Banking		Commercial Banking		Corporate Banking		Treasury, International & Investment Banking		Segments Total		Notes	Grand Total
	Banking	Banking	Banking	Banking	Banking	Banking	Banking	Banking	Banking	Banking	Banking	Banking		
Income from financing activities & sukuk	477,002	1,093,675	608,130	421,711	371,186	2,971,704	-	-	-	-	-	-	-	2,971,704
Intersegment income	845,028	(409,363)	(363,542)	(281,137)	209,014	-	-	-	-	-	-	-	-	-
<b>Total financing income</b>	<b>1,322,030</b>	<b>684,312</b>	<b>244,588</b>	<b>140,574</b>	<b>580,200</b>	<b>2,971,704</b>	-	-	-	-	-	-	-	<b>2,971,704</b>
Profit shares distributed	(696,410)	(159,483)	(32,186)	(24,038)	(566,574)	(1,478,691)	3,285	(a, b)	(1,475,406)					
Credit loss expense	(20,010)	(200,616)	(284,810)	(75,138)	-	(580,574)	5,782	(574,792)						
<b>Net financing income</b>	<b>605,610</b>	<b>324,213</b>	<b>(72,408)</b>	<b>41,398</b>	<b>13,626</b>	<b>912,439</b>	<b>9,067</b>	<b>921,506</b>						
Foreign exchange gain/loss, net	37,833	51,896	23,541	15,206	992	129,468	66,747	(b)	196,215					
Net trading income	-	-	-	-	162,970	162,970	-	-	162,970					
Net fees & commission and other income	145,843	199,517	79,641	125,544	1,636	552,181	(46,085)	(b)	506,096					
Other expenses / Income (net)	(382,514)	(351,822)	(206,998)	(75,585)	(40,637)	(1,057,556)	(33,270)	(a, b)	(1,090,826)					
<b>Segment profit / (loss)</b>	<b>406,772</b>	<b>223,804</b>	<b>(176,224)</b>	<b>106,563</b>	<b>138,587</b>	<b>699,502</b>	<b>(3,541)</b>	<b>695,961</b>						
Tax expenses	-	-	-	-	-	-	(131,237)	(c)	(131,237)					
<b>Net profit / (loss) for the year</b>	<b>406,772</b>	<b>223,804</b>	<b>(176,224)</b>	<b>106,563</b>	<b>138,587</b>	<b>699,502</b>	<b>(134,778)</b>	<b>564,724</b>						
<b>Segment Assets</b>	<b>6,452,954</b>	<b>12,097,769</b>	<b>8,201,624</b>	<b>5,445,802</b>	<b>16,229,827</b>	<b>48,427,976</b>	-	<b>48,427,976</b>						
<b>Segment Liabilities &amp; Equity</b>	<b>20,927,595</b>	<b>8,170,790</b>	<b>2,097,615</b>	<b>2,212,034</b>	<b>10,779,571</b>	<b>44,187,604</b>	<b>4,240,372</b>	<b>48,427,976</b>						

a) The difference resulted from the insurance fund premium expenses which included in this line in the performance reports but in the financials it is included in other expenses and classification to foreign exchange gain/(loss) in the performance reports.

b) In the performance reports some of the income and expense items related to precious metal, fx trading, fees and other incomes and other expenses treated in different ways than they are reported in the financials. So there are crossings in these income and expense items.

c) Since the tax is calculated on bank's total profit/loss the tax amount is not included in the performance of segments.

d) Total equity is not allocated to the segments.



# Kuveyt Türk Katılım Bankası Anonim Şirketi and its Subsidiaries

## Notes to Consolidated Financial Statements for the Year Ended December 31, 2016

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

For the period ended December 31st, 2015	Retail				SME		Commercial Banking		Corporate Banking		International & Investment Banking		Segments		Notes	Grand Total
	Banking	Banking	Banking	Banking	Banking	Banking	Banking	Banking	Banking	Banking	Total	Reconciliation				
Income from financing activities & sukuk	449,182	935,539	477,448	359,495	214,353	2,436,016	-	-	-	-	-	-	-	-	-	2,436,016
Intersegment income	590,944	(338,822)	(286,082)	(186,929)	220,888	-	-	-	-	-	-	-	-	-	-	-
<b>Total financing income</b>	<b>1,040,126</b>	<b>596,717</b>	<b>191,366</b>	<b>172,566</b>	<b>435,241</b>	<b>2,436,016</b>	-	-	-	-	-	-	-	-	-	<b>2,436,016</b>
Profit shares distributed	(518,957)	(119,211)	(23,323)	(44,505)	(424,917)	(1,130,913)	2,175	(a, b)	(1,128,738)							
Credit loss expense	(11,468)	(110,055)	(143,654)	(25,024)	-	(290,202)	(70,523)		(360,725)							
<b>Net financing income</b>	<b>509,702</b>	<b>367,451</b>	<b>24,388</b>	<b>103,036</b>	<b>10,325</b>	<b>1,014,901</b>	<b>(68,348)</b>		<b>946,553</b>							
Foreign exchange gain/loss, net	32,046	53,282	23,580	14,472	811	124,192	29,800	(b)	153,992							
Net trading income	-	-	-	-	49,049	49,049	-	-	49,049							
Net fees & commission and other income	89,569	203,358	83,819	57,821	8,405	442,972	(33,763)	(b)	409,209							
Other expenses / income (net)	(317,751)	(329,487)	(186,507)	(66,076)	(22,275)	(922,095)	(20,130)	(a, b)	(942,225)							
<b>Segment profit / (loss)</b>	<b>313,566</b>	<b>294,605</b>	<b>(54,719)</b>	<b>109,253</b>	<b>46,316</b>	<b>709,020</b>	<b>(92,442)</b>		<b>616,578</b>							
Tax expenses	-	-	-	-	-	-	(116,332)	(c)	(116,332)							
<b>Net profit / (loss) for the year</b>	<b>313,566</b>	<b>294,605</b>	<b>(54,719)</b>	<b>109,253</b>	<b>46,316</b>	<b>709,020</b>	<b>(208,774)</b>		<b>500,246</b>							
<b>Segment Assets</b>	<b>4,990,489</b>	<b>10,241,907</b>	<b>7,288,020</b>	<b>5,083,323</b>	<b>14,256,887</b>	<b>41,860,627</b>	-		<b>41,860,627</b>							
<b>Segment Liabilities &amp; Equity</b>	<b>18,216,751</b>	<b>6,585,526</b>	<b>1,425,005</b>	<b>2,341,094</b>	<b>9,591,528</b>	<b>38,159,903</b>	<b>3,700,724</b>	(d)	<b>41,860,627</b>							

a) The difference resulted from the insurance fund premium expenses which included in this line in the performance reports but in the financials it is included in other expenses and classification to foreign exchange gain/(loss) in the performance reports.

b) In the performance reports some of the income and expense items related to precious metal, fx trading, fees and other incomes and other expenses treated in different ways than they are reported in the financials. So there are crossings in these income and expense items.

c) Since the tax is calculated on bank's total profit/loss the tax amount is not included in the performance of segments.

d) Total equity is not allocated to the segments.

# Kuveyt Türk Katılım Bankası Anonim Şirketi and its Subsidiaries

## Notes to Consolidated Financial Statements for the Year Ended December 31, 2016

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

### 4. Cash and balances with banks

	December 31, 2016	December 31, 2015
Cash on hand	1,615,907	1,754,547
Balances with the Central Bank of Turkey	259,956	215,812
<b>Cash and balances with the Central Bank of Turkey</b>	<b>1,875,863</b>	1,970,359
Balances with banks and other financial institutions	5,979,425	4,753,336
<b>Sub Total</b>	<b>7,855,288</b>	6,723,695
Deposit with maturity more than three months	(119,142)	(31,963)
Less: Interbank gold deposits	(95,591)	(126,689)
<b>Total</b>	<b>7,640,555</b>	6,565,043

As of December 31, 2016 and 2015, "balances with other banks and financial institutions" are made up of demand and time deposits. The time deposits, all of which have original maturities less than three months, can be analyzed as follows:

	2016				2015			
	Amount		Effective profit rate		Amount		Effective profit rate	
	TL	Foreign currency	TL	Foreign currency	TL	Foreign currency	TL	Foreign currency
Deposits with other banks and financial institutions	- 1,383,293		-	0.71%	-	1,154,714	-	0.64%
<b>Total</b>	<b>1,383,293</b>				<b>1,154,714</b>			

### 5. Reserve deposits at the Central Bank of Turkey

	2016		2015	
	Foreign currency (full)	TL	Foreign currency (full)	TL
USD	1,115,882,587	3,927,014	1,307,297,427	3,801,098
EUR	100,000,000	370,990	100,000,000	317,760
XAU (Standard Gold)	10,499,864	1,380,247	10,237,278	1,022,437
		<b>5,678,251</b>		5,141,295

In accordance with the "Communiqué Regarding the Reserve Requirements no. 2013/15, the Bank is required to maintain reserves in CBRT for TL and foreign currency liabilities. The reserve requirements can be maintained as TL, USD, EUR and standard gold. CBRT started paying interest on reserve balances held in USD starting from May 2015 and held in TL starting from November 2014. The reserve rates for TL liabilities vary between 4% and 10.5% for TL deposits and other liabilities according to their maturities as of 31 December 2016 (31 December 2015: 5% and 11.5% for all TL liabilities). The reserve rates for foreign currency liabilities vary between 4% and 24% for deposit and other foreign currency liabilities according to their maturities as of 31 December 2016 (31 December 2015: 5% and 25% for all foreign currency liabilities).

### 6. Financial assets

#### Available-for-sale

	2016	2015
Financial Sukuk	3,741,031	2,289,057
Unlisted Shares (*)	10,649	65,139
<b>Total available-for-sale financial assets</b>	<b>3,751,680</b>	2,354,196

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

## Kuveyt Türk Katılım Bankası Anonim Şirketi and its Subsidiaries Notes to Consolidated Financial Statements for the Year Ended December 31, 2016

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

	Nature of business	2016		2015	
		Ownership %	Amount	Ownership %	Amount
KFH Global Sukuk Fund	Financial institution	-	-	19	55,244
Kredi Garanti Fonu A.Ş. (KGF)	Financial institution	1.75	4,719	1.75	4,210
Neova Sigorta A.Ş.	Insurance company	6.99	5,201	6.99	4,956
Islamic International Rating Agency (IIRA)	Financial institution	8.36	714	8.36	714
Borsa İstanbul A.Ş.	Exchange entity	0.0035	15	0.0035	15
			<b>10,649</b>		<b>65,139</b>

The fair value of the above listed available-for-sale investments can not be reliably estimated. There is no market price for these investments.

### 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 2016.

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

REFERENCE	CURRENCY	COUPON FREQUENCY	ISSUER	PURCHASE DATE	MATURITY DATE	COST VALUE	RATE
XS0831353361	USD	6	T.C. HAZİNE	26/9/2012	26/3/2018	305,154	2.80
XS1141043296	USD	6	T.C. HAZİNE	25/11/2014	25/11/2024	295,705	4.48
XS0975124180	USD	6	T.C. HAZİNE	26/4/2016	10/10/2018	5,504	4.56
XS1303467077	USD	6	T.C. HAZİNE	8/6/2016	8/6/2021	466,673	4.26
TRD140721T18	TRY	6	T.C. HAZİNE	20/7/2016	14/7/2021	45,183	9.40
TRD150217T18	TRY	6	T.C. HAZİNE	18/2/2015	15/2/2017	453,989	7.80
TRD160817T11	TRY	6	T.C. HAZİNE	19/8/2015	16/8/2017	317,004	9.96
TRD140218T18	TRY	6	T.C. HAZİNE	17/2/2016	14/2/2018	443,857	10.64
TRD220921T16	TRY	6	T.C. HAZİNE	28/9/2016	22/9/2021	172,454	2.24
TRD260918T17	TRY	6	T.C. HAZİNE	28/9/2016	26/9/2018	99,696	8.80
TRD211118T18	TRY	6	T.C. HAZİNE	23/11/2016	21/11/2018	195,000	10.16

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

REFERENCE	CURRENCY	COUPON FREQUENCY	ISSUER	PURCHASE DATE	MATURITY DATE	COST VALUE	RATE
XS1082151868	USD	6	ALBARAKA TURK	30/06/2014	30/06/2019	82,691	6.26
XS0922143382	USD	6	TÜRKİYE FİNANS	02/05/2013	02/05/2018	74,275	3.96
XS1057852912	USD	6	TÜRKİYE FİNANS	24/04/2014	24/04/2019	23,748	3.96
			DUBAI INTERNATIONAL				
XS1120403313	USD	6	FINANCIAL CENTRE (DIFC)	27/04/2016	12/11/2024	25,687	4.32
XS1241110300	USD	3	DUBAI ISLAMIC BANK PJSC	03/06/2015	03/06/2020	10,570	1.16
XS1505905239	USD	3	IILMH	18/10/2016	18/01/2017	175,960	0.99
XS1523141320	USD	3	IILMH	22/11/2016	22/02/2017	175,960	1.02
XS1532723522	USD	3	IILMH	14/12/2016	14/03/2017	105,576	1.02
TRDTFVK11721	TRY	6	TÜRKİYE FİNANS	15/07/2016	10/01/2017	437	10.16

# Kuveyt Türk Katılım Bankası Anonim Şirketi and its Subsidiaries

## Notes to Consolidated Financial Statements for the Year Ended December 31, 2016

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

### Held for trading

Financial assets held for trading includes Sukuk, share certificates and B Type Gold Fund listed in the Istanbul Stock Exchange (ISE). Balance of Financial assets held for trading is as below:

	2016	2015
Sukuk	56,323	44,617
Share Certificates	390	390
B Type Gold Fund	-	207
	<b>56,713</b>	45,214

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

Financial investments	2016		2015	
	Available for sale	Held for trading	Available for sale	Held for trading
At the beginning of the year	2,354,196	45,214	2,203,127	4,980
Additions	2,565,115	57,448	1,314,465	67,036
Disposals (sale and redemption)	(1,155,714)	(44,514)	(1,123,574)	(27,180)
Change in fair value	(11,917)	(1,435)	(39,822)	378
<b>Balance at the end of the year</b>	<b>3,751,680</b>	<b>56,713</b>	2,354,196	45,214

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

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

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

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

Fair value hierarchy of the financial assets and liabilities of the Bank carried at fair value according to the foregoing principles as of December 31, 2016 are given in the table below:

Current Period	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
Financial assets held for trading	56,323	110,049	-	166,372
Forward transactions	-	22,304	-	22,304
Swap transactions	-	87,745	-	87,745
Sukuk held for trading	56,323	-	-	56,323
Available-for-sale financial assets	3,741,031	-	-	3,741,031
Equity securities	-	-	-	-
Government debt securities	3,363,821	-	-	3,363,821
Other marketable securities	377,210	-	-	377,210
<b>Financial liabilities</b>				
Financial liabilities held for trading	-	257,556	-	257,556
Forward transactions	-	16,753	-	16,753
Swap transactions	-	240,803	-	240,803

# Kuveyt Türk Katılım Bankası Anonim Şirketi and its Subsidiaries

## Notes to Consolidated Financial Statements for the Year Ended December 31, 2016

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

Prior Period	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
Financial assets held for trading	<b>44,824</b>	<b>44,606</b>	-	<b>89,430</b>
Forward transactions	-	15,836	-	15,836
Swap transactions	-	28,770	-	28,770
Other	207	-	-	207
Sukuk held for trading	44,617	-	-	44,617
Available-for-sale financial assets	<b>2,289,057</b>	-	-	<b>2,289,057</b>
Equity securities	-	-	-	-
Government debt securities	1,906,949	-	-	1,906,949
Other marketable securities	382,108	-	-	382,108
<b>Financial liabilities</b>				
Financial liabilities held for trading	-	<b>170,173</b>	-	<b>170,173</b>
Forward transactions	-	13,739	-	13,739
Swap transactions	-	156,434	-	156,434

### 7. Due from financing activities, net

December 31, 2016	Corporate and				Total
	Commercial	Consumer	Credit Cards	Mortgage	
Neither past due nor impaired	21,405,083	572,106	319,624	4,705,722	27,002,535
Past due not impaired	1,373,487	12,331	8,198	144,022	1,538,038
Impaired	758,831	11,440	13,144	16,292	799,707
<b>Total gross loans</b>	<b>23,537,401</b>	<b>595,877</b>	<b>340,966</b>	<b>4,866,036</b>	<b>29,340,280</b>
Less: Allowance for impairment on loans	(665,472)	(11,463)	(14,613)	(15,219)	(706,767)
<b>Net loans (*)</b>	<b>22,871,929</b>	<b>584,414</b>	<b>326,353</b>	<b>4,850,817</b>	<b>28,633,513</b>

December 31, 2015	Corporate and				Total
	Commercial	Consumer	Credit Cards	Mortgage	
Neither past due nor impaired	19,658,501	386,307	236,678	4,273,884	24,555,370
Past due not impaired	1,094,673	8,230	5,821	125,276	1,234,000
Impaired	426,154	8,798	5,299	16,064	456,315
<b>Total gross loans</b>	<b>21,179,328</b>	<b>403,335</b>	<b>247,798</b>	<b>4,415,224</b>	<b>26,245,685</b>
Less: Allowance for impairment on loans	(376,590)	(5,057)	(2,812)	(8,760)	(393,219)
<b>Net loans (*)</b>	<b>20,802,738</b>	<b>398,278</b>	<b>244,986</b>	<b>4,406,464</b>	<b>25,852,466</b>

(\*) Also includes minimum finance lease payment receivables.

	2016	2015
<b>Performing</b>		
Funds invested from profit/loss sharing accounts	<b>12,599,038</b>	11,284,505
Funds invested from current accounts and equity	<b>12,903,729</b>	12,375,111
Income accruals on due from financing activities (*)	<b>1,493,263</b>	946,895
	<b>26,996,030</b>	24,606,511
<b>Funds in arrears</b>		
Funds invested from profit / loss sharing accounts	<b>386,043</b>	220,568
Funds invested from current accounts and equity	<b>400,444</b>	232,242
	<b>786,487</b>	452,810
<b>Total</b>	<b>27,782,517</b>	25,059,321
<b>Impairment allowance</b>		
Funds invested from profit / loss sharing accounts	<b>268,886</b>	158,078
Funds invested from current accounts and equity	<b>425,755</b>	232,201
	<b>694,641</b>	390,279
<b>Total due from financing activities</b>	<b>27,087,876</b>	24,669,042

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

# Kuveyt Türk Katılım Bankası Anonim Şirketi

## Notes and Disclosures to the Unconsolidated Financial Statements for the Period Ended 31 December 2016

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

Movement in impairment allowance for funds disbursed is as follows:

	December 31, 2016	December 31, 2015
Balance at January 1,	390,279	432,191
Charge for the period	683,792	451,225
Charges for the bank	529,210	339,790
Charge for the participation accounts	154,582	111,435
Recoveries of amounts previously provided for	(230,037)	(169,322)
Reserves written off in current year	(149,393)	(323,815)
<b>Balance at the end of the year</b>	<b>694,641</b>	<b>390,279</b>

The impairment allowance of TL 694,641 (December 31, 2015 - TL 390,279) is made up of a specific and collective allowance. The movements in the collective and specific allowances are analyzed below.

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

	2016	2015
Balance at beginning of year	111,456	83,138
Provisions - bank	32,839	17,990
Provisions - participation accounts	18,629	10,328
<b>Allowance at the end of the year</b>	<b>162,924</b>	<b>111,456</b>

The movement in specific allowance is as follows:

	2016	2015
Balance at the beginning of the year	278,823	349,053
Provisions - bank	496,371	321,802
Provisions - participation accounts	135,953	101,105
Recoveries of amounts previously provided for	(230,037)	(169,322)
Reserves written off in current year	(149,393)	(323,815)
<b>Balance at the end of the year</b>	<b>531,717</b>	<b>278,823</b>

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

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

	2016	2015
Gross investment in finance leases	1,745,190	1,362,999
Unearned finance income	(200,647)	(180,140)
Total impaired receivables	13,220	3,505
Impairment allowance	(12,126)	(2,940)
<b>Minimum lease payments receivable, net</b>	<b>1,545,637</b>	<b>1,183,424</b>

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

	2016	2015
Balance at January 1	2,940	8,162
Charge for the period	11,951	5,115
Charges for the bank	11,400	4,922
Charge for the participation accounts	551	193
Recoveries of amounts previously provided for	(1,296)	(968)
Impairment allowance written off in current period	(1,469)	(9,369)
<b>Balance at the end of the period</b>	<b>12,126</b>	<b>2,940</b>

## Kuveyt Türk Katılım Bankası Anonim Şirketi and its Subsidiaries Notes to Consolidated Financial Statements for the Year Ended December 31, 2016

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

Gross investment in finance leases as to their maturity:

	2016	2015
Not later than 1 year	<b>1,119,851</b>	1,008,186
Later than 1 year and not later than 5 years	<b>493,529</b>	305,026
Later than 5 years	<b>131,810</b>	49,787
Non-performing receivables	<b>13,220</b>	3,505
<b>Minimum lease payments receivable, gross</b>	<b>1,758,410</b>	1,366,504
<b>Less : Unearned finance income</b>	<b>(200,647)</b>	(180,140)
Net investment in finance leases	<b>1,557,763</b>	1,186,364
Less : Allowance for impairment	<b>(12,126)</b>	(2,940)
<b>Minimum lease payments receivable, net</b>	<b>1,545,637</b>	1,183,424

As of December 31, 2016 TL 1,188,060 (December 31, 2015 - TL 838,140) gross lease receivables are denominated in foreign currency (USD and EUR).

Net investment in finance leases as to their maturity:

	2016	2015
Less than 1 year (*)	<b>958,746</b>	850,194
1 -5 year	<b>475,036</b>	288,658
More than 5 years	<b>123,981</b>	47,512
Net investment in finance leases	<b>1,557,763</b>	1,186,364

(\*) Includes total impaired receivables amounting to TL 13,220 (December 31, 2015 - TL 3,505).

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

### 9. Other assets

Other assets comprise the following:

	2016	2015
Clearing accounts	<b>192,677</b>	260,179
Prepaid expenses	<b>42,055</b>	36,484
Blockage for letter of guarantee	<b>420,596</b>	92,259
Receivables from banking operations	<b>7,623</b>	9,555
Value added tax (VAT) receivable	<b>725</b>	1,189
Other	<b>36,811</b>	57,016
	<b>700,487</b>	456,682

# Kuveyt Türk Katılım Bankası Anonim Şirketi and its Subsidiaries

## Notes to Consolidated Financial Statements for the Year Ended December 31, 2016

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

### 10. Construction projects, net

Construction projects mainly include the Dumankaya Project (time sharing houses) which belong to the subsidiary of the Bank, Körfez GYO.

	2016	2015
Uncompleted construction projects	21,499	39,802
Kartal Project		
Cost of land	19,886	34,916
Cost of project	-	3,389
Kilyos Land		
Cost of land	1,613	1,497
Güre Tesisi	-	11,157
Completed construction projects (inventories)	56,440	10,982
	77,939	61,941
(Less) Impairment provision for net realizable value	-	(9,037)
<b>Total construction projects, net</b>	<b>77,939</b>	<b>52,904</b>

### 11. Investment properties, net

	2016	2015
Balance at the beginning of the year	33,807	26,136
Additions	858	1,596
Disposal	(7,471)	(5,116)
Depreciation charge	(1,014)	(1,062)
Transfer from assets held for resale (Note 12)	-	12,386
Reversal / (charge) of provisions for investment property	(51)	(133)
<b>Balance at the end of the year</b>	<b>26,129</b>	<b>33,807</b>
Cost	29,464	37,121
Accumulated depreciation	(2,809)	(2,457)
Accumulated impairment	(526)	(857)
<b>Net carrying amount</b>	<b>26,129</b>	<b>33,807</b>

Fair value of the investment properties is TL 46,093 (December 31, 2015 - TL 57,619) which is determined based on the valuations performed by independent qualified values on December 2016.

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

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

At December 31, 2016, the Bank classified non-current assets; mainly land and buildings; being collateral repossessed in this period amounting to TL 15,335 (December 31, 2015 - TL 13,956), which are expected to be sold in a time period less than 1 year as non-current assets held for sale. The assets and the determined sales prices have been announced to the public via website of the Bank. Movement of non-current assets held for sale is as follows:

	2016	2015
Balance at the beginning of the year	27,332	26,008
Additions	15,335	13,956
Transfer to investment property (Note 11)	-	(12,386)
Disposals	-	(246)
Balance at the end of the year	42,667	27,332

Gain on sale of assets held for sale amounting to TL 5,380 is included in other income in the comprehensive income statement (December 31, 2015 - TL 14,523).



# Kuveyt Türk Katılım Bankası Anonim Şirketi and its Subsidiaries

## Notes to Consolidated Financial Statements for the Year Ended December 31, 2016

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

### 13. Property and equipment, net

	Land and buildings	Furniture and office equipment (*)	Leasehold improvements	Motor vehicles	Total
At January 1, 2015	236,208	98,827	42,477	241	377,753
Cost					-
Additions(*)	13,657	104,712	33,586	75	152,030
Disposals	(180)	(6,723)	(19,542)	-	(26,445)
Depreciation charge for the year	(14,045)	(48,902)	(9,906)	(57)	(72,910)
<b>At December 31, 2015, net of accumulated depreciation and impairment</b>	<b>235,640</b>	<b>147,914</b>	<b>46,615</b>	<b>259</b>	<b>430,428</b>
Additions(*)	571	43,226	13,279	50	57,126
Disposals	(325)	(4,729)	(1,200)	(120)	(6,374)
Depreciation charge for the year	(6,590)	(36,730)	(10,962)	(31)	(54,313)
<b>At December 31, 2016, net of accumulated depreciation and impairment</b>	<b>229,296</b>	<b>149,681</b>	<b>47,732</b>	<b>158</b>	<b>426,867</b>

(\*) TL 5,652 and TL 3,164 of furniture and office equipment consist of assets obtained through financial leasing as of December 31, 2016 and 2015, respectively. There is no property and equipment that are pledged for borrowings.

	Land and Buildings	Furniture and office equipment	Leasehold improvements	Motor vehicles	Total
At December 31, 2015					
Cost	253,801	248,090	76,983	904	579,778
Accumulated depreciation	(18,161)	(100,176)	(30,368)	(645)	(149,350)
<b>Net carrying amount</b>	<b>235,640</b>	<b>147,914</b>	<b>46,615</b>	<b>259</b>	<b>430,428</b>
<b>At December 31, 2016</b>					
Cost	254,048	274,768	88,189	795	617,800
Accumulated depreciation	(24,752)	(125,087)	(40,457)	(637)	(190,933)
<b>Net carrying amount</b>	<b>229,296</b>	<b>149,681</b>	<b>47,732</b>	<b>158</b>	<b>426,867</b>

### 14. Intangible assets, net

	Internally Generated Software	Other Software	Total
At January 1, 2015	32,053	38,278	70,331
Additions	78,971	8,070	87,041
Disposals	(8,153)	-	(8,153)
Amortization charge for the year	(20,757)	(9,010)	(29,767)
At December 31, 2015, net of accumulated amortization	82,114	37,338	119,452
Additions	47,704	8,558	56,262
Disposals	(8,414)	-	(8,414)
Amortization charge for the year	(16,795)	(10,038)	(26,833)
<b>At December 31, 2016, net of accumulated amortization</b>	<b>104,609</b>	<b>35,858</b>	<b>140,467</b>
At December 31, 2015			
Cost (gross carrying amount)	51,637	63,156	114,793
Accumulated amortization	(19,584)	(24,878)	(44,462)
Net carrying amount	82,114	37,338	119,452
At December 31, 2016			
Cost (gross carrying amount)	127,084	72,337	199,421
Accumulated amortization	(22,476)	(36,478)	(58,954)
<b>Net carrying amount</b>	<b>104,609</b>	<b>35,858</b>	<b>140,467</b>

# Kuveyt Türk Katılım Bankası Anonim Şirketi and its Subsidiaries

## Notes to Consolidated Financial Statements for the Year Ended December 31, 2016

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

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

Due to other financial institutions and banks as of December 31, 2016 and 2015 is as follows;

Original currency	Amount in TL	
	2016	2015
<b>USD</b>	<b>3,118,503</b>	4,000,516
<b>Euro</b>	<b>95,477</b>	165,498
<b>TL</b>	<b>59,346</b>	56,454
<b>Other</b>	-	39,175
<b>Total</b>	<b>3,273,326</b>	4,261,643

As of December 31, 2016 borrowings remaining maturities of which is less than 12 months amount to TL 3,116,471 (As of December 31, 2015 - TL 3,157,342).

The Bank provided syndicated loans, with maturity of 2 years for each loan respectively, amounting to USD 300 million and EUR 30 million in the prior period. Syndicated loans have profit share of Libor/Euribor + 1.08 % for annual maturity and profit share of Libor/Euribor + 1.25 %.

Sukuk securities as of December 31, 2016 and 2015 is as follows;

	Amount in TL	
	2016	2015
<b>Sukuk certificates issued USD</b>	<b>3,536,069</b>	2,481,958
<b>Sukuk certificates issued TL</b>	<b>588,915</b>	602,441
<b>Sukuk certificates issued MYR</b>	<b>638,997</b>	551,720
<b>Total</b>	<b>4,763,981</b>	3,636,119

On June 26, 2014 the Bank issued 5-year rent certificate (sukuk) amounting USD 500 million with a profit share rate of 5.077 %.

Subordinated loans as of December 31, 2016 and 2015 is as follows;

	Amount in TL	
	2016	2015
Subordinated loan provided by Kuwait Finance House <sup>(1)</sup>	<b>713,881</b>	589,734
Subordinated loan provided by other foreign banks <sup>(2)</sup>	<b>1,267,765</b>	-
<b>Total</b>	<b>1,981,646</b>	589,734

<sup>(1)</sup> The Bank obtained a subordinated loan with 10-years maturity, amounting to USD 200 million, from Kuwait Finance House on 29 September 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 September 2011. In order to comply with the amendments made in the Regulation on Equities of the Banks published by BRSA became effective on 31 March 2016, the related loan agreement was amended as of 29 March 2016 and it was deemed appropriate for the loan to be considered as tier-II capital in accordance with BRSA notification dated 25 April 2016.

<sup>(2)</sup> Kuwait Turkish Participation Bank, on February 17, 2016 Cayman Islands' as resident Special Purpose Vehicle (SPV) KT Sukuk Company Limited with over 350 million US dollars worth of sukuk issued by the BRSA by the issue in the Regulation on the Capital Adequacy requirements having a contribution, it has provided capital loans. BRSA dated 2 September 2015 and 20008792101.01[93]E.12819 Letter of Conformity No included in the loan be included in the calculation of capital contribution to the Bank / sukuk annual rate of return is 7.90%, 5 year maturity and repayment option at the end of the Bank 10 it is determined as years. Sukuk returns under the said payment, the implementation of the transfer price of the assets, expressed as a yearly rate of return will be calculated by and principal will be made in two equal installments on July 17 and February 17 each year.

# Kuveyt Türk Katılım Bankası Anonim Şirketi and its Subsidiaries

## Notes to Consolidated Financial Statements for the Year Ended December 31, 2016

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

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

	2016	2015
<b>Current accounts:</b>		
Turkish lira	5,946,657	4,591,567
Foreign currency	6,047,823	4,726,395
	<b>11,994,480</b>	9,317,962
<b>Profit/loss sharing investors' accounts:</b>		
Turkish lira	11,948,950	9,925,400
Foreign currency	7,969,594	8,822,986
	<b>19,918,544</b>	18,748,386
<b>Blocked accounts:</b>		
Turkish lira	28,152	13,977
Foreign currency	5,383	5,123
	<b>33,535</b>	19,100
<b>Total current accounts and profit/loss investors' accounts</b>	<b>31,946,559</b>	28,085,448
<b>Expense accrual on current accounts and profit/loss sharing investors' accounts</b>	<b>69,494</b>	59,843
<b>Total current accounts and profit/loss sharing investors' accounts</b>	<b>32,016,053</b>	28,145,291

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

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

	2016 (TL)			2015 (TL)		
	TL	Foreign currency	Total	TL	Foreign currency	Total
Up to 1 month	9,735,304	8,111,472	17,846,776	7,583,090	6,666,059	14,249,149
From 1 month to 3 months	6,979,753	4,376,237	11,355,990	5,693,101	5,213,287	10,906,388
From 3 months to 1 year	872,522	1,333,651	2,206,173	903,788	1,214,403	2,118,191
Over one year	336,180	201,440	537,620	350,965	460,755	811,720
	<b>17,923,759</b>	<b>14,022,800</b>	<b>31,946,559</b>	14,530,944	13,554,504	28,085,448

At December 31, 2016 and 2015, foreign currency and precious metals linked current and profit/loss sharing investors' accounts, excluding expense accruals, are as follows:

	2016		2015	
	Foreign currency (full)	TL equivalent	Foreign currency (full)	TL equivalent
<b>Current and blocked accounts:</b>				
USD	1,003,796,742	3,532,561	1,101,182,762	3,201,799
Euro	296,023,858	1,098,219	258,105,803	820,157
Precious metals		1,299,314		585,998
Other		123,112		123,564
		<b>6,053,206</b>		4,731,518
<b>Profit/loss sharing investors' accounts:</b>				
USD	1,407,280,348	4,952,502	2,130,308,846	6,194,086
Euro	532,867,490	1,976,884	588,346,866	1,869,531
Precious metals		1,040,208		759,369
		<b>7,969,594</b>		8,822,986
		<b>14,022,800</b>		13,554,504

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

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

# Kuveyt Türk Katılım Bankası Anonim Şirketi and its Subsidiaries

## Notes to Consolidated Financial Statements for the Year Ended December 31, 2016

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

### 17. Income taxes

#### Corporate Tax

The Group is subject to Turkish corporate taxes. Provision is made in the accompanying financial statements for the estimated charge based on the Group's results for the years and periods. Turkish tax legislation does not permit a parent company and its subsidiary to file a consolidated tax return. Therefore, provisions for taxes, as reflected in the accompanying condensed consolidated interim financial statements, have been calculated on a separate-entity basis. Corporate tax is applied on taxable corporate income, which is calculated from the statutory accounting profit by adding back non-deductible expenses, and by deducting dividends received from resident companies, other exempt income and investment incentives utilized.

In Turkey, corporate income tax is levied at the rate of 20% on the statutory corporate income tax base for the year ended December 31, 2016. This rate was 20% for the year ended December 31, 2015 as well. Capital gains arising from the disposal of property and equipment and investments owned for at least two years are exempt at a rate of 75% from corporate tax provided that such gains are reflected in equity with the intention to be utilized in a share capital increase within five years from the date of the disposal. The remaining 25% of such capital gains are subject to corporate tax.

In Turkey, advance tax returns are filed on a quarterly basis. The advance corporate income tax rate applied in 2016 is 20%. (2015: 20%). Losses can be carried forward for offset against future taxable income for up to 5 years. However, losses cannot be carried back for offset against profits from previous periods.

Furthermore, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns between 1-25 April following the close of the accounting year to which they relate. Tax authorities may, however, examine such returns and the underlying accounting records and may revise assessments within five years.

#### Income Withholding Tax

In addition to corporate taxes, companies should also calculate income withholding taxes and funds surcharge on any dividends distributed, except for companies receiving dividends who are Turkish residents and Turkish branches of foreign companies. From 23 July 2006, withholding income tax rate is 15% upon the Council of Ministers' Resolution No: 2006/10731. Undistributed dividends incorporated in share capital are not subject to income withholding tax.

In addition, it is decided to stay of execution until the publication of the decision in the Official Gazette, to avoid the circumstances and losses that are difficult or impossible to compensate subsequently and for that the annulment decision does not remain inconclusive, due to the fact that aforementioned sentence is repealed by the decision no: E. 2010/93 K. 2012/20 as of February 9, 2012 at the same meeting.

The details of income tax expense are as follows;

	2016	2015
Current tax expense	124,838	159,529
Prepaid tax (-)	(96,987)	(123,057)
<b>Income taxes payable</b>	<b>27,851</b>	<b>36,472</b>

	2016	2015
Current tax expense	124,960	159,394
Deferred tax credit/(charge)	6,277	(43,062)
<b>Total income tax (charge)/credit</b>	<b>131,237</b>	<b>116,332</b>

A reconciliation of income tax expense applicable to profit from operating activities before income tax at the statutory income tax rate to income tax expense at the Bank's effective income tax rate for the years December 31, 2016 and 2015 is as follows:

	2016	2015
Profit before income tax from continuing operations	695,961	616,578
At Turkish statutory income tax rate of 20%	139,192	123,316
Effect of income not subject to tax	(13,717)	(7,864)
Effect of expenditure not allowable for income tax purposes	5,762	880
Income tax charge	131,237	116,332

# Kuveyt Türk Katılım Bankası Anonim Şirketi and its Subsidiaries

## Notes to Consolidated Financial Statements for the Year Ended December 31, 2016

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

Deferred tax as of December 31, 2016 and 2015 is attributable to the following items:

	Deferred tax assets/(liabilities)	
	2016	2015
Deferred income	29,683	27,131
Derivative accrual	27,731	21,827
Provision for impairment in due from financing activities	8,728	6,976
Impairment provision for subsidiaries, fixed assets and assets held for sale	36,641	26,394
Bonus accrual of personnel	14,755	11,646
Deferred tax accounted under shareholders' equity	12,841	7,578
Reserve for employee termination benefits	7,858	5,913
Effect of precious metals valuation	-	14,440
<b>Deferred tax assets</b>	<b>138,237</b>	<b>123,601</b>
Provision for non cash loans and check commitments	(15,874)	(15,103)
Restatement and pro-rate depreciation of property and equipment, intangible assets and other non-monetary items	(7,754)	(6,852)
Deferred tax accounted under shareholders' equity	(220)	-
Effect of precious metals valuation	(3,131)	-
Effect of other temporary differences	(848)	(1,481)
<b>Deferred tax liabilities</b>	<b>(27,827)</b>	<b>(25,131)</b>
<b>Deferred tax asset - net</b>	<b>110,410</b>	<b>98,469</b>

Movement of net deferred tax asset is as follows:

	2016	2015
Balance at the beginning of the year	98,469	43,953
Deferred tax (charge)/credit recognized in income statement	(6,277)	43,062
Deferred tax (charge)/credit recognized in equity	18,218	11,454
<b>Balance at the end of the year</b>	<b>110,410</b>	<b>98,469</b>

### 18. Employee benefit obligations

	2016	2015
Personnel bonus accrual	55,290	49,677
Employee termination benefits	67,218	57,228
<b>Total employee benefit obligations</b>	<b>122,508</b>	<b>106,905</b>

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

	2016	2015
Balance at January 1	49,677	48,600
Utilized/paid	(49,677)	(48,600)
Charge for the year	55,290	49,677
<b>Balance at the end of the year</b>	<b>55,290</b>	<b>49,677</b>

The movement in reserve for employee termination benefits and other provisions related with employee are as follows:

	2016	2015
Balance at January 1	57,228	44,257
Utilized/paid	(7,881)	(3,620)
Service cost	10,659	9,736
Interest cost	5,758	3,704
Actuarial loss (*)	1,454	3,151
<b>Balance at the end of the year</b>	<b>67,218</b>	<b>57,228</b>

(\*) Retirement pay liability arising from current period and amounting TL 1,454 (2015: TL 3,151) is an actuarial loss amount and deferred tax amounting to TL 291 (2015: TL 630) related with the retirement pay liability is accounted under statement of other comprehensive income.

# Kuveyt Türk Katılım Bankası Anonim Şirketi and its Subsidiaries

## Notes to Consolidated Financial Statements for the Year Ended December 31, 2016

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

### Reserve for employee termination benefits

In accordance with existing social legislation, the Group is required to make lump-sum payments to employees whose employment is terminated due to retirement or for reasons other than resignation or misconduct. In Turkey, such payments are calculated on the basis 30 days' pay (limited to a maximum of TL 3.1 and TL 3.1 at December 31, 2016 and 2015, respectively) per year of employment at the rate of pay applicable at the date of retirement or termination. In the financial statements as of December 31, 2016 and 2015, the Group reflected a liability calculated using the actuarial valuation by independent actuary and based on upon factors derived using their experience of personnel terminating their services and being eligible to receive retirement pay and discounted by using the current market yield at the balance sheet date on government bonds.

The amount payable consists of one month's salary limited to a maximum of TL 4,297.21 (2015: TL 3,828.37) for each period of service at 31 December 2016.

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

The provisions for employment termination benefits of the Group, since the employment termination benefit ceiling is rearranged every six months, is calculated over TL 4,426.16 that is effective commencing on January 1, 2017 (January 1, 2016: TL 4,092.53)

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

	2016	2015
Discount rate (%)	3.41	3.19
Expected salary / ceiling increase rate (%)	8.8	8.4
Anticipated turnover rate (%)	89	89

### 19. Other liabilities and provisions

	2016	2015
Clearing accounts	228,575	239,021
Withholding tax and other tax payables	57,384	46,929
Payables to exporters and suppliers	24,436	28,453
Security premium for participation funds	18,287	15,759
Deferred revenue for non cash loans	11,099	10,508
Deductions on resource utilization fund	1,753	1,593
Other provisions and liabilities	183,789	159,761
<b>Total other liabilities</b>	<b>525,323</b>	<b>502,024</b>

### 20. Derivative financial instruments

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

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

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

# Kuveyt Türk Katılım Bankası Anonim Şirketi and its Subsidiaries

## Notes to Consolidated Financial Statements for the Year Ended December 31, 2016

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

December 31, 2016								
	Fair value assets	Fair value liabilities	Notional amount in Turkish Lira equivalent	Up to 1 months	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year
<b>Derivatives held for trading</b>								
<b>Inflows</b>	110,049	-	<b>9,957,846</b>	7,203,788	671,043	684,691	765,162	633,162
<b>Outflows</b>	-	257,556	<b>10,090,191</b>	7,217,927	698,916	650,932	754,515	767,901

December 31, 2015								
	Fair value assets	Fair value liabilities	Notional amount in Turkish Lira equivalent	Up to 1 months	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year
<b>Derivatives held for trading</b>								
<b>Inflows</b>	44,606	-	<b>6,800,047</b>	2,117,972	2,701,399	414,515	851,234	714,927
<b>Outflows</b>	-	170,173	<b>6,919,324</b>	2,113,931	2,715,461	413,731	852,293	823,908

### 21. Share capital

	2016	2015
Number of ordinary shares, 1 TL, par value. Authorized, issued and outstanding.	<b>2,787 million</b>	2,527 million

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

	2016		2015	
	Number	TL	Number	TL
At January 1	<b>2,527,322,000</b>	<b>2,527,322</b>	2,287,005,000	2,287,005
Shares issued in				
- bonus shares from retained earnings	<b>260,000,000</b>	<b>260,000</b>	240,000,000	240,000
- other	-	-	317,000	317
At year end	<b>2,787,322,000</b>	<b>2,787,322</b>	2,527,322,000	2,527,322

The Bank has increased its share capital on April 5, 2016. The share capital increase was funded from the retained earnings amounting to TL 260,000 (2015 - TL 240,000).

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

As of December 31, 2016 and 2015, the composition of shareholders and their respective % of ownership can be summarized as follows:

	2016		2015	
	Amount	%	Amount	%
Kuwait Finance House	<b>1,737,136</b>	<b>62.3</b>	1,575,097	62.3
Directorate of Vakıf Foundations, Turkey	<b>522,449</b>	<b>18.7</b>	473,716	18.7
The Public Institution for Social Security, Kuwait	<b>251,187</b>	<b>9</b>	227,757	9
Islamic Development Bank	<b>251,187</b>	<b>9</b>	227,757	9
Other	<b>25,363</b>	<b>1</b>	22,995	1
Total share capital	<b>2,787,322</b>	<b>100</b>	2,527,322	100

# Kuveyt Türk Katılım Bankası Anonim Şirketi and its Subsidiaries

## Notes to Consolidated Financial Statements for the Year Ended December 31, 2016

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

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

#### Legal reserves

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

#### Dividends paid and proposed

During the current year, the Bank has paid a dividend of TL 3,399 (2015 - TL 38,923) from the profit of the year 2015.

	2016	2015
<b>Ordinary shares</b>		
Amount	<b>3,399</b>	38,923
TL (full) per share	<b>0.001</b>	0.009

#### Other reserves

The Bank bought 25% share of the joint venture called Körfez İnşaat İş Ortaklığı on September 23, 2011, which was established by Körfez and a third party company who had 75% and 25% stakes, respectively. The Bank bought the 25% stake of the third party company in Körfez İnşaat İş Ortaklığı for a total consideration of TL 22,589 in exchange of releasing the debt of the third party company to the Bank amounting to TL 15,888 and taking over the debt of the third party company to Körfez İnşaat İş Ortaklığı amounting to TL 6,701. The purchase price has been determined based on the expected discounted future cash flows of Körfez İnşaat İş Ortaklığı. Since the amount of the non-controlling interest in Körfez İnşaat İş Ortaklığı is negligible, the total consideration amounting to TL 22,589 recognized as a separate component of equity as being the difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid.

### 23. Earnings per share

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

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

There is no dilution of shares as of December 31, 2016 and 2015.

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

	2016	2015
Net profit attributable to continuing operations of the Bank for basic earnings per share	<b>564,724</b>	500,246
Net profit/(loss) attributable to discontinued operations for basic earnings per share	-	-
Net profit attributable to ordinary equity holders of the Bank for basic earnings per share	<b>564,724</b>	500,246
Weighted average number of ordinary shares for basic earnings per share (thousands)	<b>2,719,125</b>	2,463,224
Basic earnings per share (expressed in full TL per share)	<b>0.208</b>	0.203





# Kuveyt Türk Katılım Bankası Anonim Şirketi and its Subsidiaries

## Notes to Consolidated Financial Statements for the Year Ended December 31, 2016

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

### 24. Related party disclosures

The Group is controlled by Kuwait Finance House, which owns 62.24% (December 31, 2015 - 62.2%) of ordinary shares. Directorate of Vakıf Foundations, The Public Institution for Social Security and Islamic Development Bank are major shareholders owning 18.7% (December 31, 2015 - 18.7%), 9.0% (December 31, 2015 - 9.0%) and 9.0% (December 31, 2015 - 9.0%) of ordinary shares, respectively. For the purpose of these financial statements, shareholders of the Bank and parties under common control of the majority Shareholder are referred to as related parties. The related parties also include individuals who are principal owners, key management and members of the Group's Board of Directors and their families.

The following significant balances exist as at December 31, 2016 and 2015 and transactions have been entered into with related parties during the years ended:

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

		2016		2015	
		Foreign currency (full)	TL equivalent	Foreign currency (full)	TL equivalent
Kuwait Finance House <sup>(1)</sup>	Kuwaiti Dinar	82,190	941	145,312	1,384
	XAU (gr.)	112,369	14,771	175,679	17,546
KFH - Bahrain	BHD	21,339	199	37,854	293
	USD	103,219	363	43,393	126
Auto Land A.S.	TL	-	72,473	-	75,138
Kuwait finance Malaysia	USD	5,063	18	5,063	15
	XAU(gr)	-	-	4,001	400
Other related parties	-	-	63,903	-	52,486
			152,668		147,388

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

		2016		2015	
		Foreign currency (full)	TL equivalent	Foreign currency (full)	TL equivalent
Public Institute for Social Securities KW <sup>(1)</sup>	USD	221,784,496	780,504	159,674,833	464,270
Kuwait Finance House <sup>(1)</sup>	USD	414,976,131	1,460,384	527,070,267	1,532,508
Islamic Development Bank	USD	-	-	7,090,334	20,618
ALAFCO	USD	-	-	57,346,692	166,742
			2,240,888		2,184,138

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

		2016		2015	
		Foreign currency (full)	TL equivalent	Foreign currency (full)	TL equivalent
Kuwait Finance House <sup>(1)</sup>	USD	2,197,081	7,732	3,286,513	9,556
Kuwait Finance House <sup>(1)</sup>	TL	-	1,000	-	3,615
Islamic Development Bank <sup>(1)</sup>	TL	-	18	-	1,046
Kuwait Finance Malaysia	XAU (gr.)	724,547	95,245	988,647	98,740
Kuwait Finance House, Bahrain	USD	1,243	4	1,229	4
Directorate of Vakıf Foundations, Turkey <sup>(1)</sup>	TL	-	31,793	-	27,503
Neova Sigorta AS <sup>(1)</sup>	TL	-	5,781	-	13,703
	USD	285,111	1,003	1,977	6
	EUR	-	-	32,553	103
Public Institute for Social Securities KW <sup>(1)</sup>	USD	164,644	579	162,563	473
			143,155		154,749

<sup>(1)</sup> Determined as related party as the Company is under the common control of the ultimate parent.

<sup>(2)</sup> Shareholders.

## Kuveyt Türk Katılım Bankası Anonim Şirketi and its Subsidiaries Notes to Consolidated Financial Statements for the Year Ended December 31, 2016

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

### iv) Profit shares distributed:

		2016		2015	
		Foreign currency (full)	TL equivalent	Foreign currency (full)	TL equivalent
Kuwait Finance House <sup>(1)</sup>	USD	8,307,994	29,237	13,747,471	37,378
Islamic Development Bank <sup>(1)</sup>	USD	-	-	129,832	353
Directorate of Vakıf Foundations, Turkey <sup>(1)</sup>	TL	-	2,670	-	2,174
Neova Sigorta AS <sup>(*)</sup>	TL	-	2,607	-	6,599
Public Institute for Social Securities KW <sup>(1)</sup>	USD	3,127,430	11,006	3,153,182	8,573
			45,520		55,077

<sup>(\*)</sup> Determined as related party as the Company is under the common control of the ultimate parent.

<sup>(1)</sup> Shareholders.

### v) Non cash credits issued:

		2016		2015	
		Foreign currency (full)	TL equivalent	Foreign currency (full)	TL equivalent
Kuwait Finance House <sup>(1)</sup>	USD	10,378,355	36,524	4,657,800	13,543
Kuwait Finance Malaysia	USD	40,000	140	40,000	116
Other related parties	TL		575		615
			37,239		14,274

<sup>(1)</sup> Shareholders.

As of December 31, 2016 no provisions have been recognized in respect of loans given to related parties (December 31, 2015 - none).

### Directors' remuneration

The executive members of the Board of Directors and key management received remuneration totaling TL 27,255 during the year ended December 31, 2016 (December 31, 2015 - TL 18,085)

The key management personnel of the Bank are as follows ;

Hamad Abdulmohsen AL MARZOUQ	B.O.D. Chairman
Adnan ERTEM	B.O.D. Vice Chairman and Audit Committee Chairman
Nadir ALPASLAN	B.O.D. Member
Khaled Nasser Abdulaziz AL FOUZAN	B.O.D. Member
Fawaz KH E AL SALEH	B.O.D. Member
Mazin S.A.S AL NAHEDH	B.O.D. Member
Ahmed S. AL KHARJI	B.O.D. Member and Audit Committee
Mohamad Al-MIDANI	B.O.D. Member and Audit Committee
Ufuk UYAN	B.O.D. Member - Chief Executive Officer

Key management includes 19 other officers together with the above B.O.D. members.

# Kuveyt Türk Katılım Bankası Anonim Şirketi and its Subsidiaries

## Notes to Consolidated Financial Statements for the Year Ended December 31, 2016

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

### 25. Fees and commission income and expense

	2016	2015
Fees and commission income		
Commissions on loans	167,003	153,966
Commission income from commitments	96,005	88,364
Communication expense charges	252	429
POS commission income	46,027	36,962
Income from insurance & agency activities	26,193	19,769
Credit card fees and commissions	45,656	31,284
Money transfer commissions	27,385	25,011
Import letter of credit commissions	8,333	6,443
Commissions from checks and notes	15,334	12,371
Other	45,157	38,541
<b>Total</b>	<b>477,345</b>	<b>413,140</b>

	2016	2015
<b>Fees and commission expense</b>		
Credit card machine and fees paid for credit cards	60,150	47,861
Brokerage fees on borrowings	29,632	23,511
Correspondent bank fees	17,366	11,974
Fees for funds borrowed from banks and OFI	23,669	23,912
Money transfer commissions	8,361	7,249
Other	25,086	30,630
<b>Total</b>	<b>164,264</b>	<b>145,137</b>

### 26. Salaries and employee benefits

	2016	2015
<b>Staff costs</b>		
Wages and salaries	383,198	321,121
Bonus	63,252	55,702
Social security premiums	79,524	67,116
Other fringe benefits	53,331	41,720
Health expenses	13,711	13,553
Provision for employee termination benefits	16,546	13,102
Other	15,547	16,686
<b>Total</b>	<b>625,109</b>	<b>529,000</b>

### 27. Other expenses

	2016	2015
Impairment on investment property (Note 11)	(51)	(133)
Impairment charges/(reversal)	(51)	(133)
Insurance fund premium expense	33,441	28,852
Professional fees	26,691	27,400
Advertising expenses	27,883	13,800
Communication	26,906	23,656
Cleaning expense	24,854	21,650
Repair and maintenance expenses	24,295	18,150
Energy expenses	12,390	11,558
Grants and donations	1,279	7,247
Subscription and membership expenses	7,031	5,826
Travel and representation expenses	4,943	4,438
Non taxable income	4,698	4,690
Stationery and publishing expenses	4,236	4,216
Insurance expenses	2,249	2,004
Loss from sale of assets	366	782
Other	33,606	9,039
<b>Other expenses</b>	<b>234,868</b>	<b>183,308</b>
<b>Total</b>	<b>234,817</b>	<b>183,175</b>

# Kuveyt Türk Katılım Bankası Anonim Şirketi and its Subsidiaries

## Notes to Consolidated Financial Statements for the Year Ended December 31, 2016

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

### 28. Commitments and contingencies

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

The following is a brief summary of significant contingencies and commitments as of December 31, 2016 and 2015

	2016	2015
Letters of guarantee issued by the Bank	<b>8,116,025</b>	7,340,216
Letters of credit	<b>1,019,786</b>	1,029,264
Commitments	<b>3,281,611</b>	2,792,914
Acceptance credits	<b>52,044</b>	84,108
Other guarantees	<b>701,362</b>	503,290
<b>Total</b>	<b>13,170,828</b>	11,749,792

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

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

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

The allocation of operational lease obligations due to rent agreements of branches within lease periods as of December 31, 2016 and 2015 is as follows:

	2016	2015
Within one year	<b>14</b>	14
After one year but not more than five years	<b>247,117</b>	229,199
More than five years	<b>474,424</b>	438,559
	<b>721,555</b>	667,772

### Fiduciary activities

Other than checks and notes received for collections in favor of the customers, and which are not included in the accompanying financial statements, the Group holds fiduciary assets of TL 7,016,264 and TL 6,141,002 as of December 31, 2016 and 2015 respectively. As of December 31, 2016, the amount of the checks and bonds in collection are TL 5,831,286 (December 31, 2015 - TL 5,180,693 ) and TL 1,175,022 (December 31, 2015 - TL 951,857) respectively.

### 29. Financial risk management

#### Introduction

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

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

# Kuveyt Türk Katılım Bankası Anonim Şirketi and its Subsidiaries

## Notes to Consolidated Financial Statements for the Year Ended December 31, 2016

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

### Organization of the risk management function

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

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

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

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

### Internal systems and risk management policies

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

### Board of directors

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

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

### Audit committee

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

# Kuveyt Türk Katılım Bankası Anonim Şirketi and its Subsidiaries

## Notes to Consolidated Financial Statements for the Year Ended December 31, 2016

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

### Risk management and treasury middle office department

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

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

### Board of inspectors and internal audit

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

### Credit risk

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

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

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

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

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

<b>Gross maximum exposure</b>	<b>2016</b>	<b>2015</b>
Cash and balances with Central Bank (including reserve deposits, excluding cash on hand)	<b>5,938,207</b>	5,357,107
Balances with banks and other financial institutions	<b>5,979,425</b>	4,753,336
Due from financing activities	<b>27,087,876</b>	24,669,042
Minimum financial lease payments receivable, net	<b>1,545,637</b>	1,183,424
Financial assets-available for sale	<b>3,751,680</b>	2,354,196
Financial assets-held for trading	<b>56,713</b>	45,214
Other assets	<b>700,487</b>	456,682
Derivative financial instruments	<b>110,049</b>	44,606
<b>Total</b>	<b>45,170,074</b>	38,863,607
Contingent liabilities	<b>9,135,811</b>	8,369,480
Other guarantees	<b>753,406</b>	587,398
Commitments	<b>3,281,611</b>	2,792,914
6	<b>13,170,828</b>	11,749,792
<b>Total credit risk exposure</b>	<b>58,340,902</b>	50,613,399

# Kuveyt Türk Katılım Bankası Anonim Şirketi and its Subsidiaries

## Notes to Consolidated Financial Statements for the Year Ended December 31, 2016

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

### Risk concentrations of the maximum exposure to credit risk

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

The maximum cash credit exposure to any counterparty other than the Central Bank as of December 31, 2016 was TL 404,708 (December 31, 2015 - TL 287,069) and non-cash credit exposure as of December 31, 2016 was TL 189,162 (December 31, 2015 - TL 196,518) before taking account of collateral or other credit enhancements.

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

	2016	2015
	Gross exposure	Gross exposure
Financial services	20,306,738	15,575,944
Construction and materials	12,780,479	11,599,349
General retailers	7,368,450	7,294,418
Manufacturing	5,386,723	4,782,495
Electricity	1,973,831	1,774,953
Health care and social services	1,713,034	1,380,532
Food and beverages	1,128,846	1,159,869
Mining operations	467,388	413,582
Forestry	185,034	203,021
Telecommunications	209,301	214,553
Real estate	375,134	374,796
Other	6,445,944	5,839,887
<b>Total</b>	<b>58,340,902</b>	<b>50,613,399</b>

### Collateral and other credit enhancements

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

The main types of collateral obtained are as follows:

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

For retail lending, mortgages over residential properties.

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

### Credit quality per class of financial assets

Rating and scoring models for Corporate/Commercial/SME portfolios are developed based on statistical methods by Risk Management Department. Classes of financial assets graded by ratings and scoring models are shown the table below as of 31 December 2016.

	Cash Loans	Non-Cash Loans	Total
High Quality	33%	69%	42%
Medium Quality	23%	13%	20%
Average	15%	7%	13%
Below Average	3%	1%	3%
Unrated	26%	10%	22%

## Kuveyt Türk Katılım Bankası Anonim Şirketi and its Subsidiaries Notes to Consolidated Financial Statements for the Year Ended December 31, 2016

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

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

2016	Less than 30 days	31 to 60 days	61 to 90 days	More than 91 days	Total
<b>Due from financing activities:</b>					
Corporate lending	904,414	276,634	171,426	-	1,352,474
Consumer lending	33,502	90,083	53,342	-	176,927
Credit cards	4,416	2,743	1,478	-	8,637
<b>Total</b>	<b>942,332</b>	<b>369,460</b>	<b>226,246</b>	<b>-</b>	<b>1,538,038</b>
2015	Less than 30 days	31 to 60 days	61 to 90 days	More than 91 days	Total
Due from financing activities:					
Corporate lending	695,566	204,218	193,739	-	1,093,523
Consumer lending	26,109	69,528	38,943	-	134,510
Credit cards	4,337	1,154	476	-	5,967
Total	726,012	274,900	233,088	-	1,234,000

Collaterals obtained from customers for the past due or impaired loans as of December 31, 2016 and 2015 comprise of blocked accounts, property and machinery pledges.

### Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its payment obligations when they fall due under normal and stressed circumstances. The ability to fund existing and prospective debt requirements is managed by maintaining the availability of adequate committed funding lines from high quality lenders. In addition, the Group maintains a statutory reserve deposit with the Central Bank of Turkey.

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



# Kuveyt Türk Katılım Bankası Anonim Şirketi and its Subsidiaries

## Notes to Consolidated Financial Statements for the Year Ended December 31, 2016

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

Maturity analysis of assets and liabilities as of December 31, 2016

<b>31 December 2016</b>	<b>Less than 3 months</b>	<b>3 to 12 months</b>	<b>1 to 5 years</b>	<b>More than 5 years</b>	<b>Unallocated</b>	<b>Total</b>
Cash and balances with the Central Bank	1,875,863	-	-	-	-	<b>1,875,863</b>
Balances with other banks and financial institutions	4,667,469	1,192,814	119,142	-	-	<b>5,979,425</b>
Reserve deposits at the Central Bank	5,678,251	-	-	-	-	<b>5,678,251</b>
Financial assets - held for trading	154,572	11,800	-	390	-	<b>166,762</b>
<i>Derivative financial instruments</i>	98,249	11,800	-	-	-	<b>110,049</b>
<i>Share Certificates</i>	-	-	-	390	-	<b>390</b>
<i>Precious Metal Fund</i>	-	-	-	-	-	<b>-</b>
<i>Sukuk held for trading</i>	56,323	-	-	-	-	<b>56,323</b>
Financial assets - available-for-sale	1,836,605	43,704	1,331,415	440,199	99,757	<b>3,751,680</b>
Due from financing activities, net	8,747,141	8,341,283	9,708,931	1,673,819	162,339	<b>28,633,513</b>
Precious Metals	802,280	-	-	-	-	<b>802,280</b>
Other assets	-	-	-	-	700,487	<b>700,487</b>
Construction projects, net	-	-	-	-	77,939	<b>77,939</b>
Joint venture	-	-	-	-	15,236	<b>15,236</b>
Investment properties, net	-	-	26,129	-	-	<b>26,129</b>
Property and equipment, net	-	-	-	-	426,867	<b>426,867</b>
Intangible assets, net	-	-	-	-	140,467	<b>140,467</b>
Deferred tax assets	-	-	-	-	110,410	<b>110,410</b>
Assets and a disposal group held for sale	42,667	-	-	-	-	<b>42,667</b>
<b>Total assets</b>	<b>23,804,848</b>	<b>9,589,601</b>	<b>11,185,617</b>	<b>2,114,408</b>	<b>1,733,502</b>	<b>48,427,976</b>
Due to other financial institutions and banks	1,554,426	1,562,045	156,855	-	-	<b>3,273,326</b>
Sukuk securities issued	-	588,987	4,174,994	-	-	<b>4,763,981</b>
Subordinated Loans	-	-	-	1,981,646	-	<b>1,981,646</b>
Money market balances	1,219,873	-	-	-	-	<b>1,219,873</b>
Current and profit / loss sharing investors' accounts	30,961,329	1,035,668	15,468	-	3,588	<b>32,016,053</b>
Derivative financial instruments	115,586	4,141	137,829	-	-	<b>257,556</b>
Employee benefit obligations	-	55,927	-	-	66,581	<b>122,508</b>
Income taxes payable	-	27,851	-	-	-	<b>27,851</b>
Other liabilities and provisions	-	-	-	-	525,323	<b>525,323</b>
<b>Liabilities</b>	<b>33,851,214</b>	<b>3,274,619</b>	<b>4,485,146</b>	<b>1,981,646</b>	<b>595,492</b>	<b>44,188,117</b>
<b>Net</b>	<b>(10,046,366)</b>	<b>6,314,982</b>	<b>6,700,471</b>	<b>132,762</b>	<b>1,138,010</b>	<b>4,239,859</b>

# Kuveyt Türk Katılım Bankası Anonim Şirketi and its Subsidiaries

## Notes to Consolidated Financial Statements for the Year Ended December 31, 2016

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

Maturity analysis of assets and liabilities as of December 31, 2015.

<b>31 December 2015</b>	<b>Less than 3 months</b>	<b>3 to 12 months</b>	<b>1 to 5 years</b>	<b>More than 5 years</b>	<b>Unallocated</b>	<b>Total</b>
Cash and balances with the Central Bank	1,970,359	-	-	-	-	<b>1,970,359</b>
Balances with other banks and financial institutions	4,721,373	10,156	21,807	-	-	<b>4,753,336</b>
Reserve deposits at the Central Bank	5,141,295	-	-	-	-	<b>5,141,295</b>
Financial assets - held for trading	65,102	24,328	-	390	-	<b>89,820</b>
<i>Derivative financial instruments</i>	20,278	24,328	-	-	-	<b>44,606</b>
<i>Share Certificates</i>	-	-	-	390	-	<b>390</b>
<i>Precious Metal Fund</i>	207	-	-	-	-	<b>207</b>
<i>Sukuk held for trading</i>	44,617	-	-	-	-	<b>44,617</b>
Financial assets - available-for-sale	1,400,586	73,131	713,999	96,921	69,559	<b>2,354,196</b>
Due from financing activities, net	7,071,967	8,704,635	8,724,171	1,225,785	125,908	<b>25,852,466</b>
Precious Metals	471,703	-	-	-	-	<b>471,703</b>
Other assets	-	-	-	-	456,682	<b>456,682</b>
Construction projects, net	-	-	-	-	52,904	<b>52,904</b>
Joint venture	-	-	-	-	8,378	<b>8,378</b>
Investment properties, net	-	-	33,807	-	-	<b>33,807</b>
Property and equipment, net	-	-	-	-	430,428	<b>430,428</b>
Intangible assets, net	-	-	-	-	119,452	<b>119,452</b>
Deferred tax assets	-	-	-	-	98,469	<b>98,469</b>
Assets and a disposal group held for sale	27,332	-	-	-	-	<b>27,332</b>
<b>Total assets</b>	<b>20,869,717</b>	<b>8,812,250</b>	<b>9,493,784</b>	<b>1,323,096</b>	<b>1,361,780</b>	<b>41,860,627</b>
Due to other financial institutions and banks	982,171	2,175,171	1,114,137	-	-	<b>4,261,643</b>
Sukuk securities issued	415,511	1,230,616	2,005,929	-	-	<b>3,636,119</b>
Subordinated Loans	-	-	-	589,734	-	<b>589,734</b>
Money market balances	711,542	-	-	-	-	<b>711,542</b>
Current and profit / loss sharing investors' accounts	27,064,925	1,032,361	9,236	-	38,769	<b>28,145,291</b>
Derivative financial instruments	24,233	47,269	98,671	-	-	<b>170,173</b>
Employee benefit obligations	-	48,481	-	-	58,424	<b>106,905</b>
Income taxes payable	-	36,472	-	-	-	<b>36,472</b>
Other liabilities and provisions	-	-	-	-	476,251	<b>502,024</b>
<b>Liabilities</b>	<b>29,172,609</b>	<b>4,570,370</b>	<b>3,227,973</b>	<b>589,734</b>	<b>599,217</b>	<b>38,159,903</b>
<b>Net</b>	<b>(8,302,892)</b>	<b>4,241,880</b>	<b>6,265,811</b>	<b>733,362</b>	<b>762,563</b>	<b>3,700,724</b>

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

# Kuveyt Türk Katılım Bankası Anonim Şirketi and its Subsidiaries

## Notes to Consolidated Financial Statements for the Year Ended December 31, 2016

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

Financial liabilities	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
As at December 31, 2016						
Due to other financial institutions and banks	-	54,700	809,116	2,395,212	57,974	<b>3,317,002</b>
Subordinated loans	-	16,258	16,258	129,801	1,967,899	<b>2,130,216</b>
Sukuk issued	-	56,812	705,605	312,621	4,147,352	<b>5,222,390</b>
Money market balances	-	1,258,349	-	-	-	<b>1,258,349</b>
Derivative financial instruments (*)	-	7,885,060	1,437,230	4,929	762,972	<b>10,090,191</b>
Current accounts	11,994,480	-	-	-	-	<b>11,994,480</b>
Profit and loss sharing accounts (**)	-	16,188,142	3,418,151	414,116	1,164	<b>20,021,573</b>
<b>Total undiscounted financial liabilities</b>	<b>11,994,480</b>	<b>25,459,321</b>	<b>6,386,360</b>	<b>3,256,679</b>	<b>6,937,361</b>	<b>54,034,201</b>
As at December 31, 2015						
Due to other financial institutions and banks	-	30,680	330,059	3,952,974	688	<b>4,314,401</b>
Subordinated loans	-	16,258	16,258	129,800	613,859	<b>776,176</b>
Sukuk issued	-	100,812	696,605	302,621	2,998,124	<b>4,098,162</b>
Money market balances	-	712,538	-	-	-	<b>712,538</b>
Derivative financial instruments (*)	-	4,829,392	1,266,025	193,326	630,582	<b>6,919,324</b>
Current accounts	9,400,730	-	-	-	-	<b>9,400,730</b>
Profit and loss sharing accounts (**)	-	14,959,304	3,094,227	595,882	95,149	<b>18,744,561</b>
<b>Total undiscounted financial liabilities</b>	<b>9,430,730</b>	<b>20,648,984</b>	<b>5,403,173</b>	<b>5,174,604</b>	<b>4,338,402</b>	<b>44,965,892</b>

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

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

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

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
<b>December 31, 2016</b>						
Contingent liabilities and other guarantees(*)	<b>4,461,265</b>	<b>1,087,254</b>	<b>2,475,498</b>	<b>1,751,369</b>	<b>113,831</b>	<b>9,889,217</b>
Commitments	<b>3,281,611</b>	-	-	-	-	<b>3,281,611</b>
<b>Total</b>	<b>7,742,876</b>	<b>1,087,254</b>	<b>2,475,498</b>	<b>1,751,369</b>	<b>113,831</b>	<b>13,170,828</b>
December 31, 2015						
Contingent liabilities and other guarantees	4,755,765	659,715	1,672,231	1,743,849	125,318	8,956,878
Commitments	2,792,914	-	-	-	-	2,792,914
<b>Total</b>	<b>7,548,679</b>	<b>659,715</b>	<b>1,672,231</b>	<b>1,743,849</b>	<b>125,318</b>	<b>11,749,792</b>

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

### Market risk

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

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

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

# Kuveyt Türk Katılım Bankası Anonim Şirketi and its Subsidiaries

## Notes to Consolidated Financial Statements for the Year Ended December 31, 2016

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

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

### Market risk - Non-trading

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

Precious metal	December 31, 2016			December 31, 2015		
	Increase/ decrease in metal price in %	Effect on profit before tax	Effect on equity	Increase/ decrease in metal price in %	Effect on profit before tax	Effect on equity
Gold	-10	51,250	-	-10	53,947	-
Gold	+10	(51,250)	-	+10	(53,947)	-

### Interest risk

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

### Currency risk

Exchange rate risk indicates the possibilities of the potential losses that the Group is subject to due to the exchange rate movements in the market. This exposure is managed by using natural hedges that arise from offsetting foreign currency denominated assets and liabilities.

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

Currency	December 31, 2016			December 31, 2015		
	Increase/ decrease in metal price in %	Effect on profit before tax	Effect on equity	Increase/decrease in metal price in %	Effect on profit before tax	Effect on equity
USD	+10	14,755	11,720	+10	6,847	6,464
USD	-10	(14,755)	(11,720)	-10	(6,847)	(6,464)
EUR	+10	21,166	21,166	+10	5,852	5,852
EUR	-10	(21,166)	(21,166)	-10	(5,852)	(5,852)

# Kuveyt Türk Katılım Bankası Anonim Şirketi and its Subsidiaries

## Notes to Consolidated Financial Statements for the Year Ended December 31, 2016

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

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

December 31, 2016

	EUR	USD	Other	Precious Metals	Total
Cash and balances with the Central bank	378,584	720,778	67,561	19,657	1,186,580
Deposits with other banks and financial institutions	4,702,569	1,088,544	108,929	95,591	5,995,633
Reserve deposits at the Central Bank	370,990	3,927,014	-	1,380,247	5,678,251
Financial assets - available-for-sale	17,327	1,900,932	-	-	1,918,259
Financial assets - held for trading	-	126,015	-	-	126,015
Due from financing activities, net	3,278,547	7,081,879	5	108,137	10,468,568
Minimum finance lease payments receivable, net	504,505	683,959	-	-	1,188,464
Precious metals	-	-	-	802,280	802,280
Other assets	409,892	1,614	139	6	411,651
Construction projects, net	-	-	-	-	-
Joint venture	-	-	-	-	-
Investment properties, net	-	-	-	-	-
Assets held for sale and disposal of group, net	-	-	-	-	-
Property and equipment, net	5,469	89	-	-	5,558
Intangible assets, net	45,138	-	-	-	45,138
Deferred tax assets	-	-	-	-	-
<b>Total assets</b>	<b>9,713,021</b>	<b>15,530,824</b>	<b>176,634</b>	<b>2,405,918</b>	<b>27,826,397</b>
Due to other financial institutions and banks	95,477	3,118,503	-	-	3,213,980
Sukuk issued	-	3,536,069	638,997	-	4,175,066
Subordinated loans	-	1,981,646	-	-	1,981,646
Money market balances	-	-	-	-	-
Current and profit / loss sharing investors' accounts	2,937,259	8,545,795	123,059	2,339,522	13,945,635
Other liabilities & provisions	20,933	41,326	5,005	372	67,636
Employee benefit obligations	-	-	-	-	-
Income taxes payable	-	-	-	-	-
Derivative financial instruments	-	216,960	16	-	216,976
Equity	-	-	-	-	-
<b>Total liabilities and equity</b>	<b>3,053,669</b>	<b>17,440,299</b>	<b>767,077</b>	<b>2,339,894</b>	<b>23,600,939</b>
<b>Net balance sheet position</b>	<b>6,659,352</b>	<b>(1,909,475)</b>	<b>(590,443)</b>	<b>66,024</b>	<b>4,225,458</b>
<b>Net off-balance sheet position</b>	<b>(6,447,687)</b>	<b>1,761,924</b>	<b>86,906</b>	<b>446,475</b>	<b>(4,152,382)</b>

# Kuveyt Türk Katılım Bankası Anonim Şirketi and its Subsidiaries

## Notes to Consolidated Financial Statements for the Year Ended December 31, 2016

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

### December 31, 2015

	EUR	USD	Other	Precious Metals	Total
Cash and balances with the Central bank	737,087	507,266	50,029	18,381	1,312,763
Deposits with other banks and financial institutions	1,732,093	2,748,895	105,715	137,965	4,724,668
Reserve deposits at the Central Bank	317,760	3,801,098	-	1,022,437	5,141,295
Financial assets - available-for-sale	-	780,171	-	-	780,171
Financial assets - held for trading	-	77,693	333	-	78,026
Due from financing activities, net	2,334,643	6,515,428	-	154,034	9,004,105
Minimum finance lease payments receivable, net	390,615	447,525	-	-	838,140
Precious metals	-	-	-	471,703	471,703
Other assets	13,844	116,585	3,268	119	133,816
Construction projects, net	-	-	-	-	-
Joint venture	-	-	-	-	-
Investment properties, net	-	-	-	-	-
Assets held for sale and disposal of group, net	-	-	-	-	-
Property and equipment, net	4,173	473	-	-	4,646
Intangible assets, net	41,204	-	-	-	41,204
Deferred tax assets	-	-	-	-	-
<b>Total assets</b>	<b>5,571,419</b>	<b>14,995,135</b>	<b>159,345</b>	<b>1,804,639</b>	<b>22,530,538</b>
Due to other financial institutions and banks	165,498	4,000,516	39,175	-	4,205,189
Sukuk issued	61	2,481,897	551,720	-	3,033,678
Subordinated loans	-	589,734	-	-	589,734
Money market balances	-	-	-	-	-
Current and profit / loss sharing investors' accounts	2,691,742	9,227,971	121,746	1,345,135	13,386,594
Other liabilities & provisions	28,146	98,986	16,881	291	144,304
Employee benefit obligations	-	86	-	-	86
Income taxes payable	-	-	-	-	-
Derivative financial instruments	-	159,744	467	-	160,211
Equity	-	-	-	-	-
<b>Total liabilities and equity</b>	<b>2,885,447</b>	<b>16,558,934</b>	<b>729,989</b>	<b>1,345,426</b>	<b>21,519,796</b>
<b>Net balance sheet position</b>	<b>2,685,972</b>	<b>(1,563,799)</b>	<b>(570,644)</b>	<b>459,213</b>	<b>1,010,742</b>
<b>Net off-balance sheet position</b>	<b>(2,627,455)</b>	<b>1,632,270</b>	<b>15,622</b>	<b>80,257</b>	<b>(899,306)</b>

### Pricing risk

The Group issues loans with a pre-determined profit rate and receives deposits on the understanding that the depositors participate in the profit or loss resulting from the investment activities and funds utilized by the Group, rather than giving them a pre-determined rate of profit. In this aspect, there is no repricing structure for the financial assets and liabilities of the Group.

### Operational risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Group cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, it is managing the risks. Controls include segregation of duties, access, authorization and reconciliation procedures, staff education and assessment processes, including the use of internal audit.

# Kuveyt Türk Katılım Bankası Anonim Şirketi and its Subsidiaries

## Notes to Consolidated Financial Statements for the Year Ended December 31, 2016

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

### Capital adequacy

To monitor the adequacy of its capital, the Bank uses ratios established by the BRSA and is obliged to comply with the minimum requirements of the capital adequacy ratio. These ratios measure capital adequacy (minimum 12% as required by BRSA) by comparing the Bank's eligible capital with its balance sheet assets, off-balance sheet commitments and market and other risk positions at weighted amounts to reflect their relative risk.

As of December 31, 2016 and 2015, the Bank's statutory capital adequacy ratio exceeded the minimum requirement of BRSA.

### Capital management

The primary objectives of the Bank's capital management are to ensure that the Bank complies with externally imposed capital requirements and that the Bank maintains strong credit ratings and healthy capital ratios in order to support its business.

The Bank manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Bank may adjust the amount of dividend payments to shareholders. No changes were made in the objectives, policies and processes from the previous years. Below table is in accordance with unconsolidated financial statements prepared in accordance with BRSA accounting principles.

### Regulatory capital

	2016	2015
Tier 1 capital	3,815,622	3,162,768
Tier 2 capital	2,014,393	659,168
Deductions from capital	(100,647)	(33,236)
<b>Total capital</b>	<b>5,729,368</b>	<b>3,788,700</b>
Risk weighted assets amount subject to credit, market & operational risk	31,499,103	26,620,510

	Actual	Required	Actual	Required
Tier 1 capital ratio	12.11%		11.88%	
Total capital ratio	18.19%	12%	14.23%	12%

### 30. Fair value of financial instruments

#### Fair values

The fair value of the fixed rate financial assets and liabilities carried at amortized cost are estimated by comparing market profit rates when they were first recognized with current market rates offered for similar financial instruments. As of December 31 2016, the fair value of financing and leasing receivables has been estimated as TL 28,358,119 (December 31, 2015 - TL 26,511,156) whereas their carrying amount is TL 28,633,513 (December 31, 2015 - TL 25,852,466).

Fair value of borrowings at amortized cost is estimated as TL 11,587,174 (December 31, 2015 - TL 9,337,446), whereas their carrying amount is TL 11,238,826 (December 31, 2015 - TL 9,199,038). Fair values of profit/loss sharing accounts stated at amortized cost are considered to approximate their respective carrying values as the profit share rates applicable to those accounts are in line with the market rates and the maturities of these accounts are mainly short-term.

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

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

# Kuveyt Türk Katılım Bankası Anonim Şirketi and its Subsidiaries Notes to Consolidated Financial Statements for the Year Ended December 31, 2016

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

## 31. Subsequent events

The Board of Directors of the Bank decided to propose a capital increase from the internal sources amounting to TL 310,000 for the the approval of the ordinary general assembly on the meeting dated 25 January 2017. Banking Regulation and Supervision Agency has provided the necessary approval with the letter dated on 6 March 2017.

The Board of Directors of the Bank decided to increase its capital at KT Bank AG by 30,000,000 Euro resulting its capital to reach from 60,000,000 Euro to 90,000,000 Euro by decision numbered 1672 dated 25 January 2017.

Board of Directors of the Bank decided the early repayment of the funding obtained from Kuwait Finance House on 29 September 2011 in the form of additional capital (defined in the old legislation as "secondary subordinated loan") amounting to USD 200 million with a 10 year maturity by the decision numbered 1672, dated 25 January 2017.

The Bank's subsidiary KT Kira Sertifikaları Varlık Kiralama A.Ş. issued a rent certificate with three month maturity, TL 80,000 nominal and 10.3% borrowing rate on 11 January 2017.

In the Board of Directors Meeting dated 14 February 2017, the Bank made a proposal on the distribution of the statutory profit of TL 541,966 for the year 2016 after deducting the financial obligations by reserving TL 27,098 as first legal reserves, TL 660 as other reserves from development activities support which will be used in capital increase from the retained earnings, TL 51,007 as other reserves of profit from sale of real estates which will be used in capital increase from the retained earnings, TL 4,292 as dividend to the Board members, TL 121,801 as bonus shares to be distributed by proportioning shareholders' stake in share capital, TL 429 as secondary reserves and remaining amount of TL 336,679 as extraordinary legal reserves.



# **CONTACT INFORMATION AND BRANCH DIRECTORY**

# Contact Information and Branch Directory

## REGIONAL OFFICES

NAME	ADDRESS	TELEPHONE	FAX
Main Headquarter	Büyükdere Cad. No: 129/1 34394 Esentepe-Şişli/ İSTANBUL	+90 0212 354 11 11	354 12 12
Banking and Life Center	Cumhuriyet Mah. Özgürlük Cad. No: 11/A Çayırova/ KOCAELİ	+90 0262 723 55 55	723 56 56
Ankara Anatolia Region Directorate	Ceyhun Atıf Kansu Cad. 1271.Sk. +90 Eski 6.Sk No: 17 Bayraktar Center C Blok Balgat/ANKARA	+90 0312 473 10 02	473 10 22
Bursa Region Directorate	Anadolu Mah. Ankara Cad. No: 119/A-B Yıldırım/BURSA	+90 0224 364 49 91	364 22 76
Dersaadet Region Directorate	Mercan Mah. Uzun Çarşı Cad. No: 44/1 Fatih/İSTANBUL	+90 0212 514 15 08	514 15 28
Diyarbakır Region Directorate	Peyas Mah. Urfa Bulvarı No: 160/B Kayapınar/DİYARBAKIR	+90 0412 290 46 46	290 46 47
Gaziantep Region Directorate	İncirlişınar Mh. Gazi Muhtar Paşa Bulv. 3 Nolu Cadde Bayel İşmrk. B Blok K. 1 N: 103 Şehitkamil/GAZİANTEP	+90 0342 231 32 12	231 32 99
İstanbul Anatolia - 1 Region Directorate	İçerenköy Mah. Üsküdar İçerenköy Yolu Cad. No: 10 D: 15 Ataşehir/İSTANBUL	+90 0216 526 28 08	526 28 84
İstanbul Anatolia - 2 Region Directorate	Cumhuriyet Mah. Özgürlük Cad. No: 11/A Çayırova/ KOCAELİ	+90 0262 723 55 55	723 56 56
İstanbul Europe 1 Region Directorate	Büyükdere Cad. Bengün Han No:107 Kat: 6 Daire: 6 Gayrettepe-Şişli/İSTANBUL	+90 0212 211 11 31	211 11 73
İstanbul Europe 2 Region Directorate	Ali Rıza Gürcan Cad. Eski Çırpıcı Çıkması No: 2 Merter İşmerk. K. 6 D. 41-42 Merter/İSTANBUL	+90 0212 481 99 66	482 16 78
İstanbul Europe 3 Region Directorate	İkitelli O.S.B. Mahallesi Atatürk Bulvarı No: 58/20 Başakşehir/İSTANBUL	+90 0212 549 07 27	549 05 70
İzmir Region Directorate	Anadolu Caddesi No: 41 Megapol Tower Kat: 12 Bayraklı/ İZMİR	+90 0232 425 75 71	425 45 79
Kocaeli Region Directorate	Karabaş Mah. Hafız Selim Efendi Sk. No: 14 İzmit/KOCAELİ	+90 0262 321 92 81	321 02 71
Konya Region Directorate	Ferit Paşa Mah. Kule Cad. Kule Plaza İş Merkezi K: 10 No: 11-12 Selçuklu/KONYA	+90 0332 235 83 93	235 83 22-23
Trabzon Region Directorate	Sanayi Mah. Altın Sk. No: 3 K: 3 TRABZON	+90 0462 325 53 51	325 95 32

**OVERSEAS CONTACT POINTS**

<b>NAME</b>	<b>ADDRESS</b>	<b>TELEPHONE</b>	<b>FAX</b>	<b>FAKS</b>
KT Bank AG Frankfurt Branch	Schillerstraße 19-25 - 60313 Frankfurt am Main/GERMANY	ALMANYA	+49 69 920 39 16-0	+49 69 - 9203916-99
KT Bank AG - Berlin Branch	Leipziger Straße 26 - 10117 Berlin / GERMANY	ALMANYA	+49 30 209 15 76-0	+49 30 209 15 76-99
KT Bank AG - Mannheim Branch	U1, 9 - 68161 Mannheim / GERMANY	ALMANYA	+49 62 172 73 85-0	+49 62 172 73 85-45
KT Bank AG - Köln Branch	Venloer Straße 160 - 50823 Köln / GERMANY	ALMANYA	+49 221 1792595-0	+49 221 1792595-29
Bahreyn Branch	Dilmun Tower +90 A, 121 Government Avenue P.O.Box 1363 Manama/ KINGDOM OF BAHRAIN	BAHREYN	+973 17 20 11 11	+973 17 22 33 25

## Contact Information and Branch Directory

NO	NAME	ADDRESS	TELEPHONE	FAX
1	Adana/Adana Branch	Ali Münif Cad. No: 5 Seyhan/ADANA	+90 0322 352 22 16	352 66 80
2	Adana/Barajyolu Branch	Sümer Mah. Şehit Yüzbaşı Bülent Angın Bulvarı No: 95/C Seyhan/ADANA	+90 0322 223 04 84	223 04 83
3	Adana/Barkal Branch	Yeşiloba Mah. 46003 Sk. Adana İş Merkezi No: 1-07 Seyhan/ADANA	+90 0322 429 04 19	429 04 11
4	Adana/Çukurova Branch	Toros Mah. Turgut Özal Bulvarı No: 163/A İhsu Civan Apt. Altı Çukurova/ADANA	+90 0322 232 48 22	235 66 50
5	Adana/Yüreğir Branch	Dadalöğlü Mah. Kozan Yolu Üzeri No: 376 Yüreğir/ADANA	+90 0322 303 00 93	303 00 92
6	Adıyaman/Adıyaman Branch	Sümer Meydanı, Gölbaşı Cad. No: 13/B ADIYAMAN	+90 0416 213 05 05	213 09 09
7	Afyonkarahisar/ Afyonkarahisar Branch	Millet Cad. No: 70 AFYONKARAHİSAR	+90 0272 213 53 75	213 53 99
8	Afyonkarahisar/Ambaryolu Branch	Dumlupınar Mah. Kadınana Cad. No: 39/A AFYONKARAHİSAR	+90 0272 214 18 04	214 34 17
9	Ağrı/Ağrı Branch	Erzurum Cd. Gazi Bulv. Adliye Sarayı Karşısı 11 AĞRI	+90 0472 215 05 25	215 05 56
10	Aksaray/Aksaray Branch	Bankalar Cad. No: 25/A AKSARAY	+90 0382 213 15 00	212 64 35
11	Aksaray/Somuncu Baba Branch	Ereğlikapı Mah. 7. Bulvar No: 74/B Merkez/AKSARAY	+90 0382 222 04 22	222 04 24
12	Amasya/Amasya Branch	Gümüşlü Mah. Atatürk Cad. No: 13/A Merkez/AMASYA	+90 0358 212 11 51	212 11 57
13	Ankara/Ankara Branch	Şehit Teğmen Kalmaz Cd. 17/A Ulus/ANKARA	+90 0312 310 35 15	311 66 60
14	Ankara/Atisan Branch	OSTİM Mah. Bağdat Cad. No: 374 Yenimahalle/ANKARA	+90 0312 385 11 59	385 51 69
15	Ankara/Balgat Branch	Ziyabey Cad. No: 53 Balgat-Çankaya/ANKARA	+90 0312 287 57 74	287 58 57
16	Ankara/Başkent Kurumsal Branch	Ehlibeyt Mah. Tekstilciler Cad. Bayraktar Center C Blok Kat:5 No: 17C/10 Çankaya/ANKARA	+90 0312 287 53 04	287 55 67
17	Ankara/Cebeci Branch	Cemal Gürsel Cad. No: 81/13-14 Cebeci/ANKARA	+90 0312 320 42 22	320 42 62
18	Ankara/Çankaya Branch	Aziye Mah. Hoşdere Cad. No: 165 Çankaya/ANKARA	+90 0312 438 14 41	438 13 66
19	Ankara/Çukurambar Branch	Kızılırmak Mah. Muhsin Yazıcıoğlu Cad. No: 15/A Çankaya/ANKARA	+90 0312 210 15 65	210 15 66
20	Ankara/Demetevler Branch	Demetevler 4.Cadde 4/A Yenimahalle/ANKARA	+90 0312 336 77 97	335 99 47

NO	NAME	ADDRESS	TELEPHONE	FAX
21	Ankara/Demirtepe Branch	Kızılay Mahallesi, Gazi Mustafa Kemal Bulvarı No: 12B Çankaya/ANKARA	+90 0312 230 21 25	230 77 33
22	Ankara/Esertepe Branch	Esertepe Mah. 301. Sk. No: 10/14 A Keçiören/ANKARA	+90 0312 379 02 99	379 02 52
23	Ankara/Etimesgut Branch	Kazım Karabekir Mah. 2052. Sk. No: 8 Etimesgut/ANKARA	+90 0312 243 35 25	243 35 31
24	Ankara/Etlık Branch	Emrah Mah. Yunus Emre Cad. 8/A Etlık-Keçiören/ANKARA	+90 0312 326 77 88	326 77 64
25	Ankara/Gölbaşı Branch	Şafak Mahallesi 914 Sokak, No: 1/5 Gölbaşı/ANKARA	+90 0312 485 10 33	485 10 44
26	Ankara/İvedik Branch	İvedik O.S.B. 1368.Cadde Eminel İş Merkezi No: 18/9 Yenimahalle/ANKARA	+90 0312 395 53 12	395 54 87
27	Ankara/Kazım Karabekir Branch	Anafartalar Mh. Kazım Karabekir Cd. No: 72/12 Altındağ/ANKARA	+90 0312 311 91 69	310 29 64
28	Ankara/Keçiören Branch	Kızılarpınarı Cad. No: 55/B Keçiören/ANKARA	+90 0312 361 99 90	361 99 98
29	Ankara/Kızılay Branch	Fidanlık Mah. Mithatpaşa Cad. No: 31/A Çankaya/ANKARA	+90 0312 431 01 73	431 01 85
30	Ankara/Mamak Branch	Harman Mah. Mamak Çarşı İçi Cad. No: 37/A Mamak/ANKARA	+90 0312 368 60 00	368 50 08
31	Ankara/Ostim Branch	Ostim M.100.Yıl Bulvarı No: 51 Y.Mahalle/ANKARA	+90 0312 385 94 00	385 94 01
32	Ankara/Polatlı Branch	Cumhuriyet Mah. Eti Cad. No: 36/A Polatlı/ANKARA	+90 0312 622 00 42	622 00 88
33	Ankara/Pursaklar-Ankara Branch	Belediye Cad. No: 3/A Pursaklar/ANKARA	+90 0312 527 33 25	527 41 42
34	Ankara/Sincan Organize Sanayi Branch	ASO 1. Organize Sanayi Bölgesi Ayaş Yolu, 25.Km BC Blok Z 27 Sincan/ANKARA	+90 0312 267 32 50	267 05 74
35	Ankara/Sincan-Ankara Branch	Atatürk Mh. Meltem Sk. No: 41 Sincan/ANKARA	+90 0312 269 99 96	271 98 61
36	Ankara/Siteler Branch	Demirhenderek Cad. No: 65/A Siteler-Altındağ/ANKARA	+90 312 350 47 03	350 47 13
37	Ankara/Şaşmaz Branch	Bahçekapı Mah. 2488.Cad. No: 16/A Etimesgut/ANKARA	+90 0312 278 01 48	278 01 19
38	Ankara/Timko Branch	Macun Mah. 177. Cadde No: 19 B-8 Blok Yenimahalle/ANKARA	+90 0312 387 09 20	397 05 94
39	Ankara/Ümitköy Branch	Prof. Dr. Ahmet Taner Kışlalı Mah. 2715.Sk. No: 2/14 Çayyolu Yenimahalle/ANKARA	+90 0312 241 84 41	241 84 64
40	Ankara/Yıldız-Ankara Branch	Turan Güneş Bul. No: 58/B Yıldız-Çankaya/ANKARA	+90 0312 440 49 86	440 90 61

## Contact Information and Branch Directory

NO	NAME	ADDRESS	TELEPHONE	FAX
41	Antalya/Akdeniz Sanayi Branch	Ünsal Mah. 5036 Sk. No: 22/4 Kepez/ANTALYA	+90 0242 221 28 41	221 28 40
42	Antalya/Alanya Branch	Saray Mah. Atatürk Cad. No: 88 Alanya/ANTALYA	+90 0242 511 09 99	512 09 66
43	Antalya/Antalya Branch	Adnan Menderes Bulvarı No: 19/D-19/C Muratpaşa/ANTALYA	+90 0242 241 06 95	241 07 00
44	Antalya/Aspendos Bulvarı Branch	Mehmetçik Mh. Aspendos Bulv. No: 69/E ANTALYA	+90 0242 311 05 58	311 05 60
45	Antalya/Çallı Branch	Güvenlik Mah. Gazi Bulvarı Ziya Sarı İş Merkezi No: 66/A Muratpaşa/ANTALYA	+90 0242 334 92 25	346 68 99
46	Antalya/Güllük-Antalya Branch	Güllük Cad. Saraçoğlu İşmerkezi No: 78 ANTALYA	+90 0242 247 43 71	247 94 71
47	Antalya/Kepez Branch	Teomanpaşa Mah. Yeşilirmak Cad. No: 36/A Kepez/ANTALYA	+90 0242 339 31 01	339 31 17
48	Antalya/Konyaaltı Branch	Arapsuyu Mah. Atatürk Bul. No: 115/B Konyaaltı/ANTALYA	+90 0242 229 78 29	230 35 69
49	Antalya/Lara Branch	Şirinyalı Mah. İsmet Gökşen Cad. No: 40/D Muratpaşa/ANTALYA	+90 0242 316 20 52	316 20 72
50	Antalya/Manavgat Branch	Eski Hisar Mah. Demokrasi Bulvarı No: 73-1 Manavgat/ ANTALYA	+90 0242 746 47 76	746 47 74
51	Antalya/Serik Branch	Merkez Mah. Atatürk Cad. No: 170/A Serik/ANTALYA	+90 0242 722 20 92	722 20 97
52	Aydın/Aydın Branch	Ramazanpaşa Mah. Doğu Gazi Bulvarı No: 1 AYDIN	+90 0256 214 34 24	214 34 45
53	Aydın/Nazilli Branch	Altıntaş Mah. Kıbrıs Cad. No: 72 Nazilli/AYDIN	+90 0256 312 11 52	312 11 32
54	Aydın/Söke Branch	Konak Mah. İstasyon Cad. No: 89/11 Söke/AYDIN	+90 0256 512 22 95	518 38 93
55	Balıkesir/Balıkesir Branch	Eski Kuyumcular Mah. Atalar Cad. No: 18 BALIKESİR	+90 0266 241 70 70	241 24 54
56	Balıkesir/Bandırma Branch	Günaydın Mah. Kaşif Acar Cad. No: 29 Bandırma/BALIKESİR	+90 0266712 09 52	712 09 39
57	Balıkesir/Edremit Branch	Yılmaz Akpınar Bulvarı No: 6 Edremit/BALIKESİR	+90 0266 373 56 86	374 14 61
58	Bartın/Bartın Branch	Kırtepe Mah. Cumhuriyet Cad. No: 29/A BARTIN	+90 0378 227 80 22	227 80 06
59	Batman/Batman Branch	Atatürk Bul. Diyarbakır Cad. No: 56/ABC BATMAN	+90 0488 215 11 99	215 11 44
60	Bilecik/Bilecik Branch	Gazipaşa Mah. Tefikbey Cad. No: 28/A BİLECİK	+90 0228 212 96 68	212 68 03
61	Bingöl/Bingöl Branch	İnönü Mahallesi, Genç Caddesi No: 62 Merkez BİNGÖL	+90 0426 216 03 63	216 03 66

NO	NAME	ADDRESS	TELEPHONE	FAX
62	Bitlis/Tatvan Branch	Cumhuriyet Cad. No: 33 Tatvan/BİTLİS	+90 0434 828 04 54	828 04 55
63	Bolu/Bolu Branch	Büyük Cami Mah. İzzet Baysal Cad. Belediye Meydanı No: 116 BOLU	+90 0374 217 04 77	217 01 67
64	Burdur/Burdur Branch	Özgür Mahallesi Gazi Caddesi No: 57/A Merkez/BURDUR	+90 0248 232 14 11	234 1518
65	Bursa/Beşevler Sanayi Branch	Üçevler Mh. Nilüfer Cd. No: 6/2 Nilüfer/BURSA	+90 0224 443 51 11	443 52 62
66	Bursa/Bursa Branch	Anadolu Mah. Ankara Cad. No: 119/A-B Yıldırım/BURSA	+90 0224 360 60 44	360 77 22
67	Bursa/Cumhuriyet Caddesi Branch	Alacamescit Mh. Cumhuriyet Cd. No: 67 Osmangazi/BURSA	+90 0224 225 59 25	225 59 21
68	Bursa/Demirtaş-Bursa Branch	Panayır Mah. Yeni Yalova Yolu No: 455/G Osmangazi/BURSA	+90 0224 211 11 85	211 01 48
69	Bursa/Dikkaldırım Branch	Hüdavendigar Mh. Dikkaldırım Cd. No: 91 Osmangazi/BURSA	+90 0224 238 30 96	239 36 67
70	Bursa/Emek Branch	Turgut Özal Caddesi No: 59B Osmangazi/BURSA	+90 0224 241 37 85	242 91 17
71	Bursa/Fatih Sultan Mehmet Bulvarı Branch	Fethiye Mah. Fatih Sultan Mehmet Bulvarı Bulvar İş Merkezi No: 199/23 Nilüfer/BURSA	+90 0224 242 02 60	243 02 09
72	Bursa/Gemlik Branch	Orhangazi Cad. No: 1 Gemlik/BURSA	+90 0224 514 84 04	514 84 80
73	Bursa/Gürsu Branch	Zafer Mah. Şehit Yüzbaşı Cengiz Topel Cad. No: 26/A Gürsu/BURSA	+90 0224 371 27 66	371 81 69
74	Bursa/Hürriyet Branch	Hürriyet Mah. Osmanpaşa Cad. No: 22/A Osmangazi/BURSA	+90 0224 249 56 78	240 14 98
75	Bursa/İnegöl Branch	Nuri Doğrul Cad. No: 20 İnegöl/BURSA	+90 0224 711 10 77	711 10 74
76	Bursa/Kanalboyu Branch	Çirîşhane Mahallesi 2. Kanal Caddesi No: 48 Osmangazi/BURSA	+90 0224 250 83 26	256 21 99
77	Bursa/Kestel Branch	Kestel OSB, Bursa Cad. No: 75/B-4 Kestel/BURSA	+90 0224 372 96 11	372 60 79
78	Bursa/Mustafakemalpaşa Branch	Hamzabey Mah. Garaj Sk. No: 7 Mustafakemalpaşa/BURSA	+90 0224 613 47 07	613 47 17
79	Bursa/Nilüfer Branch	Karaman Mah. İzmir yolu Cad. 90 Dükkan: Z11, Z12, 1-06, 1-07, 1-08 Nilüfer/BURSA	+90 0224 247 40 44	247 40 11
80	Bursa/Orhangazi Branch	Camiikebir Mahallesi Cumhuriyet Meydanı No: 22/A Orhangazi/BURSA	+90 0224 572 30 14	573 77 49

## Contact Information and Branch Directory

NO	NAME	ADDRESS	TELEPHONE	FAX
81	Bursa/Osmangazi Branch	Fevzi Çakmak Cd. No: 66-69 Osmangazi/BURSA	+90 0224 223 23 50	223 62 72
82	Bursa/Özlüce Branch	Altınşehir Mah. Ahmet Taner Kışlalı Cad. No: 34 C/B Nilüfer/BURSA	+90 0224 413 13 01	413 13 05
83	Bursa/Vişne Caddesi Branch	Duaçınarı Mah. Kırkpınar Cad. No: 23 Yıldırım/BURSA	+90 0224 361 26 94	364 29 38
84	Bursa/Yeşilyayla Branch	Teyyareci Mehmet Ali Cad. No: 301 Yıldırım/BURSA	+90 0224 364 10 27	364 10 95
85	Çanakkale/Çanakkale Branch	İsmetpaşa Mah. İnönü Cad. No: 153 ÇANAKKALE	+90 0286 217 87 81	217 74 46
86	Çankırı/Çankırı Branch	Cumhuriyet Mh. Atatürk Bul. Belediye Sarayı N:13 ÇANKIRI	+90 0376 213 83 43	213 78 79
87	Çorum/Çorum Branch	Çepni Mah. İnönü Cad. No: 24/A ÇORUM	+90 0364 201 03 71	201 03 80
88	Denizli/Denizli Sanayi Branch	Akçeşme Mah. Menderes Bulvarı No: 89 Gümüşler/DENİZLİ	+90 0258 371 32 79	371 84 07
89	Denizli/Denizli Branch	İkinci Ticariyol Cd. No: 10 Bayramyeri/DENİZLİ	+90 0258 264 92 90	264 94 91
90	Denizli/Sümer Branch	Sümer Mah. 3. Sanayi Sitesi 25.Sk. No: 21/B Merkezefendi/DENİZLİ	+90 0258 251 05 20	251 05 21
91	Diyarbakır/Diclekent Branch	Peyas Mah. Diclekent Bulvarı No: 99/B Kayapınar/DİYARBAKIR	+90 0412 257 19 79	257 36 16
92	Diyarbakır/Diyarbakır Branch	Gazi Cad. No: 27/D DİYARBAKIR	+90 0412 223 53 48	223 51 00
93	Diyarbakır/Kayapınar Branch	Urfa Yolu 1.Km. Honda Plaza Karşısı Elmas Ap. Altı Kayapınar/DİYARBAKIR	+90 0412 251 02 52	251 02 28
94	Diyarbakır/Ofis Branch	Kooperatifler Mah. Kurt İsmail Paşa 3.Sk. No:25 Yenişehir/DİYARBAKIR	+90 0412 223 22 63	223 22 46
95	Düzce/Düzce Cedidiye Branch	İstanbul Cad. No: 9 Merkez/DÜZCE	+90 0380 512 17 76	514 99 26
96	Düzce/Düzce Meydan Branch	Camikebir Mah. Şen Sk. No: 1B-1C DÜZCE	+90 0380 514 58 34	514 58 57
97	Edirne/Edirne Branch	Çavuşbey Mah. Talatpaşa Cad. No: 196/8 EDİRNE	+90 0284 225 63 93	213 76 64
98	Elazığ /Elazığ Branch	İcadiye Mah. Hürriyet Cad. No: 27 Merkez/ELAZIĞ	+90 0424 238 80 81	238 80 88
99	Elazığ/Fırat Branch	Cumhuriyet Mahallesi Malatya Caddesi No: 58/10 ELAZIĞ	+90 0424 502 05 95	502 05 94



NO	NAME	ADDRESS	TELEPHONE	FAX
100	Erzincan/Erzincan Branch	Fevzipaşa Cad. No: 40 ERZİNCAN	+90 0446 212 09 09	212 33 66
101	Erzurum/Erzurum Branch	Orhan Şerifsoy Cad. No: 29/A Yakutiye/ERZURUM	+90 0442 235 76 26	235 76 32
102	Erzurum/Yakutiye Branch	Muratpaşa Mah. Saraybosna Cad. No: 20/B Yakutiye/ERZURUM	+90 0442 235 84 11	235 84 08
103	Eskişehir/Eskişehir Sanayi Branch	S.S.Eskişehir Mobilya ve Ağaç İşleri +90 EMKO Küçük Sanayi Sitesi Yapı Koop. A1 Blok No: 2/B ESKİŞEHİR	+90 0222 228 02 44	228 02 40
104	Eskişehir/Eskişehir Branch	İsmet İnönü Cad. No: 2 ESKİŞEHİR	+90 0222 220 23 50	220 20 33
105	Eskişehir/Yunus Emre Eskişehir Branch	Kurtuluş Mah. Ziya Paşa Cad. No: 2/A Odunpazarı/ ESKİŞEHİR	+90 0222 221 68 74	220 59 68
106	Gaziantep/Gatem Branch	Gatem Topt. Sit. Mavi Ada 3.Blok No: 2 Şehitkamil/GAZİANTEP	+90 0342 238 01 35	238 04 70
107	Gaziantep/Gaziantep Organize Sanayi Branch	2. Organize Sanayi Bölgesi, Celal Doğan Bulvarı No: 71 Şehitkamil/GAZİANTEP	+90 0342 337 89 57	337 91 87
108	Gaziantep/Gaziantep Branch	Prof. M. Aksoy Bulvarı Osmanlı İşmerkezi GAZİANTEP	+90 0342 215 32 72	215 29 66
109	Gaziantep/Karagöz Branch	Karagöz Mah. Karagöz Cad. No: 6 Şahinbey/GAZİANTEP	+90 0342 232 99 79	232 99 78
110	Gaziantep/Karataş Branch	Karataş Mah. 428.Cadde No: 1/F Şahinbey/GAZİANTEP	+90 0342 371 00 11	371 01 56
111	Gaziantep/Nizip Branch	Mimar Sinan Mah. Mustafa Kökmen Bulvarı No: 13/E Nizip/GAZİANTEP	+90 0342 512 05 25	518 28 04
112	Gaziantep/Şehitkamil Branch	Gazi Muhtar Paşa Bulvarı No: 44/D Şehit Kamil/GAZİANTEP	+90 0342 323 25 10	323 44 18
113	Giresun/Giresun Branch	Sultanselim Mah. Osmanağa Cad. No: 1 GİRESUN	+90 0454 202 00 52	202 00 60
114	Gümüşhane/Gümüşhane Branch	Karaer Mah. Atatürk Cad. No: 10/D GÜMÜŞHANE	+90 0456 213 58 13	213 48 93
115	Hatay/Antakya Branch	Yavuz Selim Cad. Çuhadaroğlu İş Mrk. 1 Antakya/HATAY	+90 0326 225 28 01	225 28 04
116	Hatay/Dörtöyl Branch	Numune Evler Mah. Çaylı Cad. No: 59A Dörtöyl/HATAY	+90 0326 713 35 60	713 35 96
117	Hatay/İskenderun Branch	Savaş Mh. Mareşal Çakmak Cd. Akıncı İşhanı HATAY	+90 0326 613 07 57	613 08 67
118	Hatay/Kırıkhan Branch	Barbaros Mah. General Şükrü Kanadlı Cad. No: 267/A Kırıkhan/HATAY	+90 0326 344 91 66	344 91 71
119	Hayat/Antakya Sanayi Branch	Güzelburç Mah. E5 Karayolu Cad. No: 12/A Antakya/HATAY	+90 0326 221 42 77	221 42 82

## Contact Information and Branch Directory

NO	NAME	ADDRESS	TELEPHONE	FAX
120	Isparta/Gülkent Branch	Sanayi Mah. 102.Cadde No: 52 Merkez/İSPARTA	+90 0246 201 20 51	201 20 55
121	Isparta/Isparta Branch	Yayla Mah. 118. Cad. +90 Cumhuriyet Caddesi İTKM No: 25-27B/5 Merkez/İSPARTA	+90 0246 232 46 27	232 46 78
122	İstanbul/50. Yıl Branch	50. Yıl Mahallesi B Caddesi No: 10/B Sultangazi/İSTANBUL	+90 0212 594 59 51	668 07 32
123	İstanbul/Acıbadem Branch	Acıbadem Mahallesi Acıbadem Caddesi No: 160/A Üsküdar/İSTANBUL	+90 0216 545 58 97	428 50 99
124	İstanbul/Ahmet Yesevi Branch	Zafer Mah. Ahmet Yesevi Cad. No: 67/A Bahçelievler/İSTANBUL	0212 551 89 30	654 69 53
125	İstanbul/Alibeyköy Branch	Alibeyköy Mah. Namık Kemal Cad. No: 26 Eyüp/İSTANBUL	+90 0212 625 39 61	625 39 51
126	İstanbul/Altıntepe Branch	Altıntepe Mah. Bağdat Cad. No: 77/B Maltepe/İSTANBUL	+90 0216 372 04 40	372 03 66
127	İstanbul/Altunizade Branch	Mahir İz Cad. No: 8/A Altunizade/İSTANBUL	+90 0216 474 02 55	474 02 64
128	İstanbul/Anadolu Corporate Branch	İçerenköy Mah. Çayır Cad. No3 D:5 Özce Center ATAŞEHİR/İSTANBUL	+90 0216 575 17 66	575 16 98
129	İstanbul/Arnavutköy Branch	Merkez Mah. Fatih Cad. No: 21/A Arnavutköy/İSTANBUL	+90 0212 597 46 68	597 79 93
130	İstanbul/Atışalanı Branch	Kemer Mah. Atışalanı Cad. No:220/A/Esenler/İSTANBUL	+90 0212 429 30 22	429 30 11
131	İstanbul/Avcılar Branch	Reşitpaşa Cad. Yazgan Ap. A Blok 39/1 Avcılar/İSTANBUL	+90 0212 590 98 97	509 86 12
132	İstanbul/Bağcılar Branch	İstanbul Cad. Çınar Mah. No: 31 Bağcılar/İSTANBUL	+90 0212 634 31 94	634 74 93
133	İstanbul/Bahçelievler Branch	Adnan Kahveci Bulvarı Ömür Sitesi 30 B.Evler/İSTANBUL	+90 0212 539 02 92	539 03 83
134	İstanbul/Bahçeşehir Branch	Bahçeşehir 2. Kısım Mah. Şehit Polis Gaffar Okkan Cad. A17 Blok No: 6 Bahçeşehir-Başakşehir/İSTANBUL	+90 0212 669 59 00	669 59 77
135	İstanbul/Bakırköy Branch	İstanbul Cad. No: 13 34720 Bakırköy/İSTANBUL	+90 0212 543 92 60	543 92 64
136	İstanbul/Bankalar Caddesi Branch	Okçumusa Cad. No: 31/A Karaköy-Beyoğlu/İSTANBUL	+90 0212 243 59 13	243 59 19
137	İstanbul/Basın Ekspres Branch	Yenibosna Merkez Mah. Değirmenbahçe Cad. No: 174/K Bahçelievler/İSTANBUL	+90 0212 803 23 84	803 23 97
137	İstanbul/Basın Ekspres Branch	Yenibosna Merkez Mah. Değirmenbahçe Cad. No: 174/K Bahçelievler/İSTANBUL	+90 0212 803 23 84	803 23 97

NO	NAME	ADDRESS	TELEPHONE	FAX
138	İstanbul/Başakşehir Branch	Başakşehir Ertuğrulgazi Cad. 5.Etap 2.Kısım Uğur İş Merkezi No:23/Başakşehir/İSTANBUL	+90 0212 488 41 31	488 41 30
139	İstanbul/Bayrampaşa Branch	Abdi İpekçi Cad. Parkhan Apartmanı No:8/ Bayrampaşa/İSTANBUL	+90 0212 576 45 07	576 46 04
140	İstanbul/Beşiktaş Branch	Sinanpaşa Mah. Sinanpaşa Köprüsü Sk. No: 12 A-D:1 Beşiktaş/İSTANBUL	+90 0212 260 66 19	261 21 36
141	İstanbul/Beştelsiz Branch	Beştelsiz Mahallesi 5. yol sokak No: 3/A Zeytinburnu/ İSTANBUL	+90 0212 582 46 30	664 25 58
142	İstanbul/Beşyüzevler Branch	Eski Edirne Asfaltı No: 186 Beşyüzevler/İSTANBUL	+90 0212 535 99 92	535 85 58
143	İstanbul/Beyazıt Branch	Yeniçeriler Cad. No: 7 Çemberlitaş-Eminönü/İSTANBUL	+90 0212 518 60 78	518 60 51
144	İstanbul/Beykent Branch	Pınarteppe Mahallesi Yavuz Sultan Selim Bulvarı Vista 1 Residence A2 Blok Daire:4 Beykent-Büyükçekmece/ İSTANBUL	+90 0212 873 51 59	873 58 51
145	İstanbul/Beylikdüzü E-5 Branch	Yakuplu Mah. Hürriyet Blv. No: 1/Z +90 Skyport Beylikdüzü/İSTANBUL	+90 212 876 76 13	876 76 81
146	İstanbul/Bosna Bulvarı Branch	Güzeltepe Mah. Bosna Bulvarı No: 145/C Üsküdar/ İSTANBUL	+90 0216 557 09 01	557 09 04
147	İstanbul/Bulgurlu Branch	Bulgurlu Mah. Bulgurlu Cad. No: 105 Üsküdar/İSTANBUL	+90 0216 650 80 49	650 80 59
148	İstanbul/Büyükçekmece Branch	Atatürk Cad. No: 33 Büyükçekmece/İSTANBUL	+90 0212 883 91 30	883 91 26
149	İstanbul/Camlıkahve Branch	M. Fevzi Çakmak Mah. Bağcılar Cad. No: 120/B Güngören-İSTANBUL	0212 557 46 88	507 69 15
150	İstanbul/Cennet Mahallesi Branch	Cennet Mah. Barbaros Cad. No: 65/A-1 Küçükçekmece-İSTANBUL	+90 0212 541 71 89	426 11 38
151	İstanbul/Cevizli Branch	Üsküdar Cad. No: 204/B Kartal-Cevizli/İSTANBUL	+90 0216 399 54 14	399 54 77
152	İstanbul/Cihangir Branch	Cihangir Mah. Ormanlı Cad. No: 48 Avcılar/İSTANBUL	+90 0212 695 71 28	695 12 04
153	İstanbul/Çağlayan Branch	Vatan Cad. No: 19/A Çağlayan-Kağıthane/İSTANBUL	+90 0212 233 43 10	233 30 15
154	İstanbul/Çekmeköy Branch	Mehmet Akif Mah. Şahinbey Cad. No: 65-67/C Çekmeköy/İSTANBUL	+90 0216 642 64 24	642 64 18
155	İstanbul/Çeliktepe Branch	Emniyet Evler Mah. Seyir Cad. No: 16/A Kağıthane/İSTANBUL	+90 0212 270 31 88	270 31 20
156	İstanbul/Çiftlik/Bağcılar Branch	Yavuz Selim Mah. 8/1A Sk. No: 1/1 Bağcılar/İSTANBUL	+90 0212 656 80 36	656 80 17

## Contact Information and Branch Directory

NO	NAME	ADDRESS	TELEPHONE	FAX
157	İstanbul/Çukurçeşme Branch	Hürriyet Mah. Eski Edirne Asfaltı Cad. No: 70/C G.Osmanpaşa/İSTANBUL	+90 0212 564 32 86	545 43 76
158	İstanbul/Dağyolu Branch	Fevzi Çakmak Mah. Osmangazi Cad. No: 161 Bağcılar/İSTANBUL	+90 0212 436 94 63	435 47 71
159	İstanbul/Dudulu Branch	Aşağı Dudullu Mah. Alemdağ Cad. No: 449/457F Ümraniye/İSTANBUL	+90 0216 612 32 07	610 07 83
160	İstanbul/Eminönü Branch	Hobyar Mah. Ankara Cad. No: 51 Fatih/İSTANBUL.	+90 0212 514 87 17	514 87 34
161	İstanbul/Erenköy Branch	Şemsettin Günaltay C. No: 244/A Kadıköy/İSTANBUL	+90 0216 359 41 09	359 41 08
162	İstanbul/Esenler Branch	Fevzi Çakmak Mah. Atışalanı Cad. No: 52/A Esenler/İSTANBUL	+90 0212 508 17 87	508 77 34
163	İstanbul/Esentepe Kurumsal Branch	Büyükdere Cad. TEV-Kocabaş İşhanı No: 111 Kat:5 Gayrettepe-Şişli/İSTANBUL	+90 0212 217 32 55	217 35 22
164	İstanbul/Esenyalı	Esenyalı Mah. Necmettin Erbakan Cad. No: 100/1 Pendik/İSTANBUL	+90 0216 493 63 18	493 42 40
165	İstanbul/Esenyurt - Cumhuriyet Caddesi Branch	Cumhuriyet Mah. Nazım Hikmet Bul. No: 86/5 Esenyurt/İSTANBUL	+90 0212 852 05 72	852 05 35
166	İstanbul/Esenyurt Çarşı Branch	Bağlarçeşme Mah. Doğan Araslı Bulvarı No: 14/ Esenyurt/İSTANBUL	+90 0212 620 62 40	596 05 36
167	İstanbul/Esenyurt Branch	Doğan Araslı Bulvarı Tabela Durağı No: 85/2 Esenyurt/İSTANBUL	+90 0212 699 33 55	699 33 50
168	İstanbul/Eyüp Sultan Branch	Fahri Korutürk Cad. No: 48 Eyüp/İSTANBUL	+90 0212 616 15 67	418 82 65
169	İstanbul/Fatih Akdeniz Branch	Akşemsettin Mah. Akdeniz Cad. No: 101A Fatih/İSTANBUL	+90 0212 631 68 88	631 57 81
170	İstanbul/Fatih Branch	Fevzipaşa Cad. No: 42 34240 Fatih/İSTANBUL	+90 0212 631 32 50	631 32 54
171	İstanbul/Fatih-Çarşamba Branch	Atikali Mah. Manyasızade Cad. No: 13 Çarşamba-Fatih/ İSTANBUL	+90 0212 621 51 12	621 66 53
172	İstanbul/Ferhatpaşa Branch	Ferhatpaşa Mah. Yeditepe Cad. No: 115/C Ataşehir/İSTANBUL	+90 0216 471 15 77	471 15 99
173	İstanbul/Feriköy Branch	Duatepe Mah. Ergenekon Cad. No:59/A/Şişli/İSTANBUL	+90 0212 234 17 80	234 17 85
174	İstanbul/Fındıkzade Branch	Millet Cad. No: 86/2-3-4 Fındıkzade/İSTANBUL	+90 0212 523 88 73	523 83 98

NO	NAME	ADDRESS	TELEPHONE	FAX
175	İstanbul/Fikirtepe Branch	Dumlupınar Mh. Mandıra Cd. No: 184 Fikirtepe-Kadıköy/İSTANBUL	+90 0216 551 07 00	551 07 05
176	İstanbul/Firuzköy Branch	Mustafa Kemalpaşa Mahallesi Firuzköy Bulvarı N: 131/A Fiuzköy/İSTANBUL	+90 0212 428 28 63	428 20 08
177	İstanbul/Florya Branch	Şenlikköy Cad. No:70/1 A Blok/Bakırköy/İSTANBUL	+90 0212 573 53 23	573 53 99
178	İstanbul/Gaziosmanpaşa Branch	Merkez Mh. Salihpaşa Cd. No: 54 Gaziosmanpaşa/İSTANBUL	+90 0212 615 51 35	615 52 02
179	İstanbul/Giyimkent Branch	Oruçreis Mah. Giyimkent Sitesi, Vadi Cad. No: 154 Esenler/İSTANBUL	+90 0212 438 34 28	438 34 22
180	İstanbul/Gültepe Branch	Talatpaşa Cad. No: 70 Ortabayır/İSTANBUL	+90 0212 278 73 43	284 73 88
181	İstanbul/Güneşli Çarşı Branch	Güneşli Mah. Koçman Cad. No: 12/B Bağcılar/İSTANBUL	+90 0212 550 40 99	550 40 82
182	İstanbul/Güneşli Branch	Evren Mah. Gülbahar Cad. No: 110-112 A Bağcılar/İSTANBUL	+90 0212 489 21 51	489 21 50
183	İstanbul/Güngören Sanayi Branch	Sanayi Mah. Kazım Karabekir Cad. No: 23/1 Güngören/İSTANBUL	+90 0212 677 88 09	677 88 19
184	İstanbul/Güngören Branch	Güven Mh. İnönü Cd. No: 23/1 Güngören/İSTANBUL	+90 0212 505 96 95	505 51 59
185	İstanbul/Hadımköy Branch	Sanayi 1 Bulvarı Alkent 2000 Evleri Karşısı No: 202 Çakmaklı-Büyükkçekmece/İSTANBUL	+90 0212 886 28 98	886 28 99
186	İstanbul/Hamidiye Branch	Hamidiye Mahallesi Girne Caddesi No: 2/1 Kağıthane/İSTANBUL	+90 0212 294 82 67	294 52 75
187	İstanbul/Hasanpaşa Branch	Kurbalıdere Cd. No: 43/A Hasanpaşa-Kadıköy/İSTANBUL	+90 0216 345 45 75	345 69 29
188	İstanbul/İhlamurkuyu-Ümraniye Branch	Cemil Meriç Mh. Alemdağ Cad. No: 283/A/A Ümraniye/İSTANBUL	+90 0216 611 02 11	611 04 41
189	İstanbul/İspartakule Branch	Tahtakale Mah. Açelya Sk. Bizimevler 4 Çarşısı No: 1-0/15 Avcılar/İSTANBUL	+90 0212 803 13 25	803 26 57
190	İstanbul/İçerenköy Çarşı Branch	İçerenköy Mahallesi, Prof. Dr Necmettin Erbakan Caddesi No: 28/A Ataşehir/İSTANBUL	+90 0216 577 18 30	576 69 32
191	İstanbul/İçerenköy Branch	Kayışdağı Cad. No: 29 K.Bakkalköy-Kadıköy/İSTANBUL	+90 0216 574 99 60	574 99 45
192	İstanbul/İkitelli Metro Branch	İkitelli OSB Mah. Bağcılar Güngören San. Sitesi, Metro AVM, A Blok No: 17 Bağcılar/İSTANBUL	+90 0212 549 72 33	549 72 55

## Contact Information and Branch Directory

NO	NAME	ADDRESS	TELEPHONE	FAX
193	İstanbul/İkitelli Sanayi Branch	İkitelli O.S.B. Süleyman Demirel Bulvarı HESKOP-İŞ Modern San. Sit. I Blok No: 20 Başakşehir/İSTANBUL	+90 0212 777 63 07	777 63 03
194	İstanbul/İkitelli Branch	İkitelli Organize Sanayi Bölgesi Atatürk Bulvarı Altay İş Merkezi No: 58/C Başakşehir/İSTANBUL	+90 0212 671 13 33	671 13 31
195	İstanbul/İmes Branch	İMES San. Sit. 202.S.B Blok N.2 Ümraniye/İSTANBUL	+90 0216 466 48 70	466 48 74
196	İstanbul/İmsan İkitelli Branch	İkitelli Cad. İmsan San. Sit. E Bl. 27-28 K.Çekmece/İSTANBUL	+90 0212 698 04 58	698 04 38
197	İstanbul/İstanbul Özel Bankacılık Branch	Büyükdere Caddesi No: 129/1 Kat:10 34394 Esentepe-Şişli/İSTANBUL	+90 0212 354 11 11	354 12 12
198	İstanbul/İstoç Branch	İstoç Ticaret Merkezi 17.Ada N:162-168 Mahmutbey/İSTANBUL	+90 0212 659 56 61	659 48 58
199	İstanbul/Kadıköy Branch	Söğütlüçeşme C.Başçavuş Sk.57/2 Kadıköy/İSTANBUL	+90 0216 349 77 61	349 77 65
200	İstanbul/Kağıthane Branch	Merkez Mah. Mezbaa Sk. No: 7 Kağıthane/İSTANBUL	+90 0212 295 13 43	295 13 30
201	İstanbul/Kapalıçarşı Branch	Mahmutpaşa Cad. No: 2/4 Eminönü/İSTANBUL	+90 0212 514 87 27	514 87 22
202	İstanbul/Karagümrük Branch	Karagümrük Mah. Prof. Naci Şensoy Cd. +90 Lokumcular Cad. No: 39A Fatih/İSTANBUL	+90 0212 534 24 30	621 23 79
203	İstanbul/Karaköy Branch	Necatibey Cad. No: 34 Karaköy/İSTANBUL	+90 0212 292 02 42	292 02 52
204	İstanbul/Kartal Branch	Kordonboyu Mah. Ankara Cad. No: 66 Kartal/İSTANBUL	+90 0216 488 05 13	488 05 17
205	İstanbul/Kasımpaşa Branch	CamiiKebir Mah. Bahriye Cad. No: 37 Beyoğlu/İSTANBUL	+90 0212 238 73 27	235 37 73
206	İstanbul/Kavacık Branch	Kavacık Mah. Fatih Sultan Mehmet Cad. No: 26/B Beykoz/İSTANBUL	+90 0216 331 10 40	331 10 38
207	İstanbul/Kayaşehir Branch	Kayabaşı Mah. 75.Yıl Cad. Merkez Kayaşehir AVM A Blok N:122 Başakşehir/İSTANBUL	+90 0212 687 26 81	687 45 25
208	İstanbul/Kayışdağı Branch	Kayışdağı Mah. Akyazılı Cad. No: 39/B Ataşehir/İSTANBUL	+90 0216 415 99 47	313 82 73
209	İstanbul/Kaynarca Branch	Fevzi Çakmak Mh. Cemal Gürsel C.135/1Pendik/İSTANBUL	+90 0216 397 41 41	396 04 00
210	İstanbul/Kazasker Branch	Kozyatağı Mah. Şemsettin Günaltay Cad. No: 112/A İSTANBUL	+90 0216 463 75 15	463 75 13
211	İstanbul/Kıraç Branch	Akçaburgaz Mah. Hadımköy Yolu Cad. No: 38/9 Esenyurt/İSTANBUL	+90 0212 886 65 85	886 65 46

NO	NAME	ADDRESS	TELEPHONE	FAX
212	İstanbul/Kıztaşı Branch	Sofular Mah. Macar Kardeşler Cad. No: 43 Kıztaşı-Fatih/İSTANBUL	+90 0212 523 23 03	523 23 53
213	İstanbul/Kocamustafapaşa Branch	Kuvva-i Milliye Cad. No: 4/A Kocamustafapaşa-Fatih/İSTANBUL	+90 0212 589 43 69	589 09 72
214	İstanbul/Kozyatağı Branch	Sahrayı Cedit Mah. Atatürk Cad. No: 63/D/4 Kadıköy/İSTANBUL	+90 0216 386 73 66	386 73 46
215	İstanbul/Kurtköy Branch	Ankara Cd.203/B Efe İşmerk. Şişli-Kurtköy/İSTANBUL	+90 0216 595 40 15	595 39 08
216	İstanbul/Kuyumcukent Branch	Yenibosna Mah. Köyaltı Mevkii 29 Ekim Cad. Kuyumcukent Sitesi Atölye Bloğu Zemin Kat 5.Sk. No: 22 +90 251 Bahçelievler/İSTANBUL	+90 0212 603 22 56	603 22 57
217	İstanbul/Küçükbakkalköy Branch	Küçükbakkalköy Mah. Fevzi Paşa Cad. No: 55/B Ataşehir/İSTANBUL	+90 0216 577 70 57	577 70 85
218	İstanbul/Küçükköy Branch	Cengiz Topel Cad. No: 171/D Küçükköy-Gaziosmanpaşa/İSTANBUL	+90 0212 609 09 01	609 09 41
219	İstanbul/Laleli Branch	Mimar Kemalettin Mh. Koca Ragıp Paşa Cd. No: 8/B Laleli/İSTANBUL	+90 0212 527 49 00	527 48 61-62
220	İstanbul/Laleli-Ordu Caddesi Branch	Balabanağa Mah. Ordu Cad. No: 24E Laleli/İSTANBUL	+90 0212 638 79 94	638 79 49
221	İstanbul/Mahmutbey Yolu Branch	Hürriyet Mah. Mahmutbey Cad. No:33/Bağcılar/İSTANBUL	+90 0212 657 38 18	657 37 22
222	İstanbul/Maltepe Branch	Cevizli Mah. Bağdat Cad. No: 444-446/B Maltepe/İSTANBUL	+90 0216 370 19 00	370 24 63
223	İstanbul/Maltepe Çarşısı Branch	Altay Çeşme Mah. Atatürk Cad. No: 41/D Maltepe/İSTANBUL	+90 0216 459 72 29	459 74 04
224	İstanbul/Maslak Branch	Nurol Plaza No: 257/D 21 Nolu Mağaza Maslak-Şişli/İSTANBUL	+90 0212 286 55 35	286 55 47
225	İstanbul/Mecidiyeköy Branch	Büyükdere Cad. No: 77 Mecidiyeköy/İSTANBUL	+90 0212 266 76 99	266 77 04
226	İstanbul/Megacenter-Bayrampaşa Branch	Kocatepe Mah. Yağ İskelesi Cad. Megacenter C51 Blok No: 25/C Bayrampaşa/İSTANBUL	+90 0212 640 00 60	640 63 00
227	İstanbul/Mercan Branch	Mercan Mah. Uzunçarşı Cad. No: 44 Fatih/İSTANBUL	+90 0212 514 33 04	514 33 01
228	İstanbul/Merkez Branch	Büyükdere Cad. No: 129/1A Esentepe-Şişli/İSTANBUL	+90 0212 354 28 28	354 28 15
229	İstanbul/Merter Çarşısı Branch	Mehmet Nesih Özmen Mah. Nar Sk. No: 14/A Güngören/İSTANBUL	+90 0212 641 92 11	641 92 28
230	İstanbul/Merter Branch	Fatih Cad. No: 22 Merter/İSTANBUL	+90 0212 637 00 87	637 87 23

## Contact Information and Branch Directory

NO	NAME	ADDRESS	TELEPHONE	FAX
231	İstanbul/Metrokent Branch	Yeşilvadi Cad. Metrokent Konutları D1-14 Başakşehir/İSTANBUL	+90 0212 777 63 00	777 63 20
232	İstanbul/Okmeydanı Branch	Piyalepaşa Mah. Fatih Sultan Cad. No: 6/A Beyoğlu/İSTANBUL	+90 212 238 12 55	238 25 72
233	İstanbul/Osmanbey Branch	Halaskârgazi Cad. No: 100/B Şişli/İSTANBUL	+90 0212 296 93 10	296 93 15
234	İstanbul/Örnek Mahallesi Branch	Örnek Mh. Şehit Cahar Dudayev Cad. No: 111/1 Ataşehir/İSTANBUL	+90 0216 472 60 22	315 80 79
235	İstanbul/Pendik Branch	Doğu Mah. Lokman Hekim Cad. No: 14/1 Pendik/İSTANBUL	+90 0216 390 85 45	390 85 49
236	İstanbul/Pendik E-5 Branch	Çınardere Mah. E-5 Yanyolu No:71/A-B-C-D-E/ Pendik/İSTANBUL	+90 0216 379 02 00	379 02 01
237	İstanbul/Perpa Branch	Perpa Ticaret Merkezi A Blok Kat: 4-5-6 No: 290/A Okmeydanı-Şişli/İSTANBUL	+90 0212 222 80 21	222 81 64
238	İstanbul/Samandıra Branch	Eyüp Sultan Mah. Osmangazi Cad. No: 108/A Samandıra-Sancaktepe/İSTANBUL	+90 0216 311 29 41	561 19 01
239	İstanbul/Sanayi Mahallesi Branch	Sanayi Mah. Sultan Selim Cad. No: 12 Kağıthane/İSTANBUL	+90 0212 283 86 06	279 88 34
249	İstanbul/Sancaktepe Branch	Meclis Mah. Hükümet Cad. No: 2H Sancaktepe/İSTANBUL	+90 0216 648 20 38	648 20 44
241	İstanbul/Sarıyer Branch	Şehit Mithat Yılmaz Cad. Sarıyer Merkez Mah. No: 9/A1-A2 Sarıyer/İSTANBUL	+90 0212 271 82 88	271 72 45
242	İstanbul/Sefaköy Branch	Kartaltepe Mah. Halkalı Cad. No: 78 Sefaköy- K.Çekmece/İSTANBUL	+90 0212 426 87 16	599 94 38
243	İstanbul/Seyitnizam Branch	Seyitnizam Mah. Yunus Emre Cad. Merkez Park Yel Evleri A2 Blok No: 45-46 Zeytinburnu/İSTANBUL	+90 0212 546 11 20	546 11 18
244	İstanbul/Silivri Branch	Piri Mehmet Paşa Mah. Hacı Pervane Cad. No: 49/A Silivri/İSTANBUL	+90 0212 729 05 49	729 05 43
245	İstanbul/Sirkeci Branch	Vasıfçınar Cd. No: 106 Eminönü-Fatih/İSTANBUL	+90 0212 513 36 90	513 62 20
246	İstanbul/Siyavuşpaşa Branch	Siyavuşpaşa Mah. Siyavuşpaşa Cad. No: 13/A Bahçelievler/İSTANBUL	+90 0212 442 43 85	442 68 21
247	İstanbul/Soğanlık Branch	Orta Mah. Atatürk Cad. No: 122/B Soğanlık- Kartal/İSTANBUL	+90 0216 451 11 07	451 10 76
248	İstanbul/Sultanbeyli Branch	Mehmet Akif Mh. Fatih Bulvarı No: 167 Sultanbeyli/İSTANBUL	+90 0216 496 46 79	496 69 34



NO	NAME	ADDRESS	TELEPHONE	FAX
249	İstanbul/Sultanbeyli Tem Branch	Abdurrahmangazi Mah. Bosna Bulvarı No: 5/B Sultanbeyli/İSTANBUL	+90 0216 398 50 08	398 40 01
250	İstanbul/Sultançiftliği Branch	İsmetpaşa Mh. Eski Edirne Asfaltı No: 637/A Sultangazi/İSTANBUL	+90 0212 475 18 81	475 54 51
251	İstanbul/Şerifali Branch	Altınşehir Mah. Tavukçuyolu Cad. No: 165/A Ümraniye/İSTANBUL	+90 216 527 23 78	527 71 08
252	İstanbul/Şirinevler Branch	Şirinevler Mh. Meriç Sk. No: 25 Şirinevler/İSTANBUL	+90 0212 451 51 46	639 12 21
253	İstanbul/Şişli Branch	Halaskargazi Cad. Akasya Apt. No: 202/1 Osmanbey- Şişli/İSTANBUL	+90 0212 224 99 59	224 99 50
254	İstanbul/Tahtakale Branch	Tahtakale Cad. Menekşe Han No: 21 Eminönü- Fatih/İSTANBUL	+90 0212 513 16 36	513 16 56
255	İstanbul/Taksim Branch	Tarlabası Cad. No: 22 Taksim/İSTANBUL	+90 0212 361 41 48	361 68 64
256	İstanbul/Talatpaşa Branch	İstiklal Mahallesi Talatpaşa Caddesi No: 68/B Ümraniye/İSTANBUL	+90 0216 328 76 59	412 73 64
257	İstanbul/Taşdelen Branch	Sultançiftliği Mah. Turgut Özal Bulvarı No: 89-93 D Çekmeköy/İSTANBUL	+90 0216 290 60 70	290 60 75
258	İstanbul/Tavukçuyolu Branch	Yukarı Dudullu Mh. Tavukçuyolu Cd. No: 252 Ümraniye/İSTANBUL	+90 0216 527 04 67	499 66 25
259	İstanbul/Telsiz Branch	Telsiz Mah. 85. Sk. No: 87/A Zeytinburnu/İSTANBUL	+90 0212 558 60 01	558 60 48
260	İstanbul/Terazidere Branch	Esenler Cad. No: 123 Terazidere-Bayrampaşa/İSTANBUL	+90 0212 640 08 18	640 07 71
261	İstanbul/Topçular Branch	Rami Kışla Cad. Gündoğar İş Merk.-1 No: 68/E Eyüp/İSTANBUL	+90 0212 674 60 75	674 60 94
262	İstanbul/Topkapı Branch	Maltepe Mahallesi Davutpaşa Caddesi Emintaş Davutpaşa Sitesi No: 101/294 Zeytinburnu/İSTANBUL	+90 0212 481 39 97	481 29 50
263	İstanbul/Tuzla İçmeler Branch	İçmeler Mah. Aydınli Yolu Cad. No: 10/52 Tuzla/İSTANBUL	+90 0216 494 14 54	494 14 06
264	İstanbul/Tuzla OSB Branch	Aydınlı Mahallesi Birlik OSB 1 nolu Cadde, No: 1/2 Tuzla/İSTANBUL	+90 0216 593 43 93	593 43 94
265	İstanbul/Tuzla Sanayi Branch	Birmes Sanayi Sitesi D1 Blok No: 5 Tuzla/İSTANBUL	+90 0216 394 87 00	394 87 09
266	İstanbul/Tümsan Sanayi Branch	İkitelli OSB Mah. Tümsan 2.Kısım B Blok No: 12 Başakşehir/İSTANBUL	+90 0212 485 05 13	485 05 82

## Contact Information and Branch Directory

NO	NAME	ADDRESS	TELEPHONE	FAX
267	İstanbul/ULuyol Caddesi Branch	Muratpaşa Mah. Uluyol Cad. İstanbul Tower B. Blok No: 17-19/13 Bayrampaşa/İSTANBUL	+90 0212 544 95 51	493 48 82
268	İstanbul/Üçyüzlü Branch	Çinçindere Cad. No: 157/A Esenler/İSTANBUL	+90 0212569 70 30	569 70 90
269	İstanbul/Ümraniye Çarşı Branch	Atatürk Mahallesi Muhtar Sokağı No: 9A Ümraniye-İSTANBUL	+90 0216 523 11 43	523 11 45
270	İstanbul/Ümraniye Branch	Atatürk Mah. Alemdağ Cad. No: 134/A Ümraniye/İSTANBUL	+90 0216 443 08 43	443 08 41
271	İstanbul/Ümraniye-Kazım Karabekir Branch	Elmalıkent Mah. Adem Yavuz Cad. No: 141/C Ümraniye/İSTANBUL	+90 0216 632 78 70	631 26 44
272	İstanbul/Ünalın Branch	Ünalın Mah. Ayazma Cad. No: 58/A Üsküdar/İSTANBUL	+90 0216 472 89 26	472 89 26
273	İstanbul/Üsküdar Branch	Aziz Mahmut Hüdai Mah. Hakimiyeti Milliye Cad. No: 58/A Üsküdar/İSTANBUL	+90 0216 495 48 74	495 48 87
274	İstanbul/Yenibosna Branch	Yıldırım Beyazıt Cd. No: 106 Yenibosna-Bahçelievler/İSTANBUL	+90 0212 552 58 11	552 62 48
275	İstanbul/Yenişehir Branch	Yenişehir Mah. Osmanlı Bulvarı No: 5/A Kurtköy-Pendik/İSTANBUL	+90 0216 683 93 37	684 09 23
276	İstanbul/Yeşilpınar Branch	Kazım Karabekir Mah. İmam Hatip Lisesi Bulvarı No: 76/A Gaziosmanpaşa/İSTANBUL	+90 0212 479 15 18	479 15 28
277	İstanbul/Yeşiltepe Branch	Veliefendi Mah. Ahmet Yesevi Sk. No8-10/A Zeytinburnu/İSTANBUL	+90 0212 669 89 69	679 73 97
278	İstanbul/Yıldıztabya Branch	Yıldıztabya Mah. Yıldıztabya Cad. No: 78/C Gaziosmanpaşa/İSTANBUL	+90 0212 615 89 87	614 88 50
279	İstanbul/Yıldıztepe Branch	Yenigün Mah. Bağcılar Cad. No: 169 Bağcılar/İSTANBUL	+90 0212 462 04 54	462 04 52
280	İstanbul/Yüzyıl Branch	Yüzyıl Mah. 35.Sk. No: 1/A Bağcılar/İSTANBUL	+90 0212 430 46 62	432 95 41
281	İstanbul/Zeytinburnu Çarşı Branch	Yenidoğan Mah. 58. Bulvar Caddesi No: 105 Zeytinburnu/İSTANBUL	+90 0212 546 87 20	546 87 27
282	İstanbul/Zeytinburnu Branch	Prof. Muammer Aksoy Cad. No: 21/B Zeytinburnu/İSTANBUL	+90 0212 546 70 60	546 77 07
283	İzmir/Bornova Branch	Kazımdirlik Mah. Mustafa Kemal Cad. No: 63/1A Bornova/İZMİR	+90 0232 339 60 74	339 26 54
284	İzmir/Bozyaka Branch	Eski İzmir Cad. No: 188 Bozyaka-Karabağlar/İZMİR	+90 0232 256 98 55	255 29 51

NO	NAME	ADDRESS	TELEPHONE	FAX
285	İzmir/Buca Branch	İnönü Mah. Uğur Mumcu Cad. No: 92-92-A Buca/İZMİR	+90 0232 487 47 67	487 89 07
286	İzmir/Çamdibi Branch	Fatih Cad. No: 102.D: A Konak/İZMİR	+90 0232 461 98 08	461 98 40
287	İzmir/Çiğli Branch	Maltepe Cad. No: 2/E Çiğli/İZMİR	+90 0232 376 37 30	376 13 80
288	İzmir/Gaziemir Branch	Dokuz Eylül Mh. Akçay Cd. No: 167 Gaziemir/İZMİR	+90 0232 252 24 62	252 14 59
289	İzmir/Gıda Çarşısı - İzmir Branch	1202 Sk. No: 81 Gıda Çarşısı Yenişehir/İZMİR	+90 0232 449 99 09	469 11 07
290	İzmir/İşikkent Branch	6121 Sk. No: 40 Aykusan, İşikkent-Bornova/İZMİR	+90 0232 436 17 11	436 34 41
291	İzmir/İzmir Branch	Fevzi Paşa Bulvarı N:61/A Çankaya/İZMİR	+90 0232 445 26 92	445 26 96
292	İzmir/İzmir-Karşıyaka Branch	Girne Bulvarı No: 172/A Karşıyaka/İZMİR	+90 0232 364 70 74	364 71 21
293	İzmir/Karabağlar Branch	Yeşillik Cad. No: 417/1 Karabağlar/İZMİR	+90 232 254 06 03	254 06 19
294	İzmir/Kemalpaşa Branch	Atatürk Mah. İnönü Cad. 41/1 Sk. No: 2/10 Kemalpaşa/İZMİR	+90 0232 878 14 54	878 14 58
295	İzmir/Ödemiş Branch	Akıncılar Mah. Gazi Cad. No: 36/1 Ödemiş/İZMİR	+90 0232 508 55 05	508 55 01
296	İzmir/Pınarbaşı Branch	Kemalpaşa Cad. No: 353/1A Pınarbaşı Bornova/İZMİR	+90 0232 478 49 00	478 58 50
297	İzmir/Torbalı Branch	Tepeköy Mah. 4571 Sk. No: 20/A Torbalı/İZMİR	+90 0232 856 14 20	856 98 23
298	Kahramanmaraş/Azərbaycan Bulvarı Branch	Şazibey Mah. Azərbaycan Bulvarı No: 114/A KAHRAMANMARAŞ	+90 0344 235 40 85	235 40 82
299	Kahramanmaraş/Elbistan Branch	Güneşli Mah. Hamza Akbaş Cad. No: 6/A Elbistan/KAHRAMANMARAŞ	+90 0344 413 23 95	413 27 68
300	Kahramanmaraş/Kahramanmaraş Branch	Trabzon Cad. No: 56/B KAHRAMANMARAŞ	+90 0344 225 17 00	225 20 45
301	Karabük/Karabük Branch	PTT Cad. No: 7 KARABÜK	+90 0370 412 73 74	412 43 21
302	Karaman/Karaman Branch	Mansurdede Mah. Atatürk Bulvarı No: 42/A-B KARAMAN	+90 0338 214 31 24	214 31 22
303	Kars/Kars Branch	Yusufpaşa Mah. Kazım Paşa Cad. No: 65 KARS	+90 0474 223 11 21	212 06 59
304	Kastamonu/Kastamonu Branch	Hepkebirler Mah. Cumhuriyet Cad. No: 46/C KASTAMONU	+90 0366 212 19 29	212 19 61
305	Kayseri/Düvenönü Branch	Gevhernesibe Mh. Atatürk Bulvarı 34/A Kocasinan/KAYSERİ	+90 0352 222 81 72	222 51 06

## Contact Information and Branch Directory

NO	NAME	ADDRESS	TELEPHONE	FAX
306	Kayseri/Kayseri Organize Sanayi Branch	Kayseri Organize Sanayi Bölgesi 11. Cadde No: 9/L KAYSERİ	+90 0352 290 85 22	290 98 29
307	Kayseri/Kayseri Branch	Cumhuriyet Mah. Vatan Cad. No: 25 Melikgazi/KAYSERİ	+90 0352 222 12 87	222 55 49
308	Kayseri/Sahabiye Branch	Serçeönü Mah. Ahmet Paşa Cad. No:20/A/ Kocasinan/KAYSERİ	+90 0352 231 01 31	231 01 21
309	Kayseri/Sivas Bulvarı Branch	Mimar Sinan Mh. Sivas Bulvarı 197/A Kocasinan/KAYSERİ	+90 0352 234 35 12	234 35 62
310	Kayseri/Yeni Sanayi-Kayseri Branch	Şeker Mah. 6176. Sk No: 1 Kocasinan/KAYSERİ	+90 0352 331 57 57	331 99 88
311	Kırıkkale/Kırıkkale Branch	Zafer Cad. No: 38/1 KIRIKKALE	+90 0318 220 00 10	220 00 11
312	Kırşehir/Kırşehir Branch	Medrese Mah. Atatürk Cad. No: 11 KIRŞEHİR	+90 0386212 23 13	212 22 14
313	Kocaeli/Bekirpaşa Branch	28 Haziran Mh. Turan Güneş Cd. 295 İzmit/KOCAELİ	+90 0262 324 11 21	324 70 30
314	Kocaeli/Çayırova Branch	Fatih Cad. No: 57 Yenimahalle-Çayırova/KOCAELİ	+90 0262 742 37 47	743 64 84
315	Kocaeli/Darıca Branch	Kazım Karabekir Mah. İstasyon Cad. No: 46/1 Darıca/KOCAELİ	+90 0262 655 20 85	655 20 78
316	Kocaeli/Derince Branch	Çenedağ Mah. Yüksel Sk. No: 4-A Derince/KOCAELİ	+90 0262 239 28 18	239 28 20
317	Kocaeli/Gebze Çarşı Branch	Hacı Halil Mah. Zübeyde Hanım Cad. İkizhan No:31/A/ Gebze/KOCAELİ	+90 0262 644 40 44	644 31 32
318	Kocaeli/Gebze Branch	Atatürk Cad. No: 15 Gebze/KOCAELİ	+90 0262 643 29 70	643 29 69
319	Kocaeli/Gölcük Branch	Amiral Sağlam Cad. No: 5 Gölcük/KOCAELİ	+90 0262 412 48 80	413 39 11
320	Kocaeli/İbrahimağa Caddesi Branch	Güzeller Mah. İbrahim Ağa Cad. No:42/A/Gebze/KOCAELİ	+90 0262 643 22 75	642 76 45
321	Kocaeli/İzmit E-5 Branch	Karabaş Mah. Ankara Karayolu Cad. No: 65/A İzmit/KOCAELİ	+90 0262 331 73 81	331 83 73
322	Kocaeli/İzmit Branch	Karabaş Mah. Cumhuriyet Cad. No:192/A/Merkez/KOCAELİ	+90 0262 325 55 33	324 26 17
323	Kocaeli/Körfez Branch	Kuzey Mah. Cahit Zarifoğlu Cad. No: 53/C Körfez/KOCAELİ	+90 0262 526 56 93	527 90 47
324	Kocaeli/Şekerpınar Branch	Cumhuriyet Mah. Özgürlük Cad. No: 11/B Şekerpınar Çayırova/KOCAELİ	+90 0262 658 20 88	658 20 18

NO	NAME	ADDRESS	TELEPHONE	FAX
325	Konya/Alaaddin Branch	Mevlana Cad. No: 3 Karatay/KONYA	+90 0332 350 74 94	350 74 38
326	Konya/Aziziye Branch	Aziziye Mah. Mevlana Cad. No: 44/B Karatay/KONYA	+90 0332 350 20 00	350 75 76
327	Konya/Bosna Hersek Branch	Bosna Hersek Mah. Osmanlı Cad. Atlantis Sitesi No: 10/K Selçuklu/KONYA	+90 0332 502 02 60	502 08 29
328	Konya/Büsan Branch	Büsan San. Sitesi Fevzi Çakmak Mah. KOSGEB Cad. No: 22 Karatay/KONYA	+90 0332 345 08 84	345 08 86
329	Konya/İhsaniye Branch	İhsaniye Mah. Abdülezelpaşa Cad. Bezirci İş Merkezi No: 10-A Selçuklu/KONYA	+90 0332 351 62 65	351 48 87
330	Konya/Karatay Sanayi Branch	Fatih Mah. Köprü Sk. No: 29-30/A Selçuklu/KONYA	+90 0332 234 33 61	235 11 47
331	Konya/Konya Organize Sanayi Branch	Konya Organize Sanayi Bölgesi, Büyük Kayacık Mah. Kırım Cad. No: 22 Selçuklu/KONYA	+90 0332 239 21 69	239 21 66
332	Konya/Konya Branch	Musalla Bağları Mah. Ankara Cad. No: 119 Selçuklu/KONYA	+90 0332 238 10 10	237 67 34
333	Konya/Konya Yeni Toptancılar Branch	Fevzi Çakmak Mah. Karakayış Cad. No: 287 Karatay/KONYA	+90 0332 342 56 12	342 56 83
334	Konya/Larende Branch	Şükran Mah. Furgan Dede Cad. No: 85/A Meram/KONYA	+90 0332 353 11 23	353 11 20
335	Konya/Zafer Sanayi Konya Branch	Horozluhan Mahallesi, Selçuklu Caddesi No: 33/1 Selçuklu/KONYA	+90 0332 249 80 00	249 20 10
336	Kütahya/Kütahya Branch	Balıklı Mah. İtfaiye Sk. No: 2 KÜTAHYA	+90 0274 223 44 84	223 60 63
337	Malatya/Beydağı Branch	Şifa Mah. Topal Hafız Sk. No: 64/A MALATYA	+90 0422 325 24 14	325 24 11
338	Malatya/Malatya Branch	Saray Mahallesi, Atatürk Caddesi, No: 26/A Battalgazi/MALATYA	+90 0422 323 04 48	323 03 98
339	Manisa/Akhisar Branch	Paşa Mah. Mustafa Abut Cad. 19.Sk. No: 66 Akhisar/MANİSA	+90 0236 415 01 05	415 01 08
340	Manisa/Manisa Branch	Mustafa Kemal Paşa Cad. No: 30/A MANİSA	+90 0236 231 54 77	231 37 30
341	Manisa/Turgutlu Branch	Cumhuriyet Mah. Atatürk Bulvarı No: 234/A Turgutlu/MANİSA	+90 0236 313 99 55	313 99 52
342	Manisa/Yunusemre Branch	Ayniali Mah. 8 Eylül Cad. No: 77/B Yunus Emre/MANİSA	+90 0236 232 93 96	232 96 68

## Contact Information and Branch Directory

NO	NAME	ADDRESS	TELEPHONE	FAX
343	Mardin/Kızıltepe Branch	Cumhuriyet Mah. Hastane Cad. No: 45 B Kılınç Ap. Altı Kızıltepe/MARDİN	+90 0482 313 12 63	313 12 20
344	Mardin/Mardin Branch	13 Mart Mah. Vali Ozan Cad. No: 52/C Bingöl İş Merkezi Yenişehir/MARDİN	+90 0482 212 10 92	212 11 27
345	Mersin/Mersin Hal Branch	Hal Mahallesi Turgut Özal Bulvarı No: 24/4 Akdeniz/ MERSİN	+90 0324 234 96 54	235 39 92
346	Mersin/Mersin Serbest Bölge Branch	Karaduvar Mah. Serbest Bölge 3. Cad. No:7/ Akdeniz/MERSİN	+90 0324 238 84 00	238 84 05
347	Mersin/Mersin Branch	Kuvay-i Milliye Cad. No: 8 MERSİN	+90 0324 238 76 50	238 76 54
348	Mersin/Mezitli Branch	Menderes Mah. GMK Bulvarı No: 741B Mezitli/MERSİN	+90 0324 357 49 92	357 53 87
349	Mersin/Pozcu Branch	Gazi Mah. GMK Bulvarı Çınar A Ap. No: 359/1 Yenişehir/MERSİN	+90 0324 328 19 93	328 08 46
350	Mersin/Tarsus Branch	Kızılmurat Mahallesi Adana Bulvarı No: 3/B Tarsus/MERSİN	+90 0324 622 21 82	622 21 81
351	Muğla/Bodrum Branch	Yokuşbaşı Mah. Kıbrıs Şehitleri Cad. No: 3/A-B Bodrum/ MUĞLA	+90 0252 313 54 03	313 53 92
352	Muğla/Fethiye Branch	Cumhuriyet Mah. Belediye Cad. Özyer İşhanı No: 8/B Fethiye/MUĞLA	+90 0252 612 53 02	612 53 27
353	Nevşehir/Nevşehir Branch	Kapucubaşı Mah. Atatürk Cad. No: 64/A NEVŞEHİR	+90 0384 212 57 12	212 57 07
354	Niğde/Niğde Branch	Cumhuriyet Meydanı Ahipaşa Mah. Murat Zeren Cad. Grant Niğde Hotel Altı No: 2 Merkez/NİĞDE	+90 0388 233 83 10	233 83 40
355	Ordu/Ordu Branch	Şarkıye Mah. Sırrıpaşa Cad. No: 89 Merkez/ORDU	+90 0452 222 09 52	222 09 50
356	Ordu/Ünye Branch	Liseler Mah. Hükümet Cad. No: 90/C Ünye/ORDU	+90 0452 333 66 44	333 66 46
357	Osmaniye/Osmaniye Branch	Alibeyli Mah. Cevdet Sunay Cad. No: 35 OSMANİYE	+90 0328 814 11 01	814 11 94
358	Rize/Rize Branch	Tevfik İleri Cad. No: 16/B RİZE	+90 0464 217 09 00	217 09 08
359	Sakarya/Adapazarı Branch	Atatürk Bulvarı No: 35 Adapazarı/SAKARYA	+90 0264 282 10 14	282 09 66
360	Sakarya/Erenler Branch	Erenler Mah. Sakarya Cad. No: 316/2 Erenler/SAKARYA	+90 0264 241 29 41	241 29 11
361	Sakarya/Sakarya Bosna Caddesi Branch	Semerciler Mah. Saraybosna Cad. No: 23/A Adapazarı/SAKARYA	+90 0264777 16 46	777 16 45
362	Samsun/Atakum Branch	Mimar Sinan Mah. Atatürk Bulvarı No: 299 Atakum/SAMSUN	+90 0362 437 01 27	437 01 50
363	Samsun/Samsun Çiftlik Branch	Çiftlik Mah. İstiklal Cad. No: 116 İlkadım/SAMSUN	+90 0362 233 95 43	233 85 56

NO	NAME	ADDRESS	TELEPHONE	FAX
364	Samsun/Samsun Sanayi Branch	Yeni Mah.30.Sk. No: 11 Canik/SAMSUN	+90 0362 228 06 38	228 07 73
365	Samsun/Samsun Branch	Kale Mah. Kazımpaşa Cad. No: 16/4-5-7-8 İlkadım/SAMSUN	+90 0362 431 36 61	431 36 38
366	Siirt/Siirt Branch	Bahçelievler Hz. Fakirullah Cad. No: 27/D-E SİİRT	+90 0484 223 94 04	223 94 13
367	Sivas/Kızılırmak Branch	Pulur Mah. Atatürk Cad. No: 100/E SİVAS	+90 0346 222 35 73	222 37 20
368	Sivas/Sivas Branch	Eskikale Mah. Bankalar Cad. No: 8 SİVAS	+90 0346 225 79 60	225 79 64
369	Şanlıurfa/Cumhuriyet Caddesi Branch	Şairnabi Mah. Cumhuriyet Cad. No: 90/B ŞANLIURFA	+90 0414 313 48 33	313 87 33
370	Şanlıurfa/Karaköprü Branch	Akbayır Mahallesi Yeşiloğlu Bulvarı Laçınler Apt. Altı No: 11 Karaköprü/ŞANLIURFA	+90 0414 347 85 77	347 91 94
371	Şanlıurfa/Şanlıurfa Branch	Atatürk Bulvarı No: 69 ŞANLIURFA	+90 0414 216 20 22	216 54 00
372	Tekirdağ/Çerkezköy Branch	Gazi Mustafa Kemal Paşa Mah. Nar Sk. No: 6/A Çerkezköy/TEKİRDAĞ	+90 0282 726 38 32	726 38 92
373	Tekirdağ/Çorlu Branch	Kemalettin Mah. Salih Omurtak Cd. No: 160/A Sabribey Apt. Çorlu/TEKİRDAĞ	+90 0282 654 00 20	654 00 33
374	Tekirdağ/Tekirdağ Branch	Aydoğdu Mah. Muratlı Cad. No: 7 Merkez/TEKİRDAĞ	+90 0282 260 60 34	260 60 44
375	Tokat/Tokat Branch	Gaziosmanpaşa Bulvarı No: 179 TOKAT	+90 0356 212 68 28	212 67 61
376	Trabzon/Akçaabat Branch	Dürbinar Mah. İnönü Cad. No: 103/A Akçaabat/TRABZON	+90 0462 228 86 16	228 93 16
377	Trabzon/Değirmendere Branch	Sanayi Mah. Devlet Karayolu Cad. No: 89/5 Merkez/TRABZON	+90 0462 325 38 08	325 38 15
378	Trabzon/Of Branch	Atatürk Bulvarı No: 55/A Of/TRABZON	+90 0462 771 23 43	771 23 70
379	Trabzon/Trabzon Branch	Kemerkaya Mah. Kahramanmaraş Cad. No: 17 Merkez/TRABZON	+90 0462 326 00 30	326 24 94
380	Uşak/Uşak Branch	Kurtuluş Mah. Barbaros Cad. No: 9/A Merkez/UŞAK	+90 0276 227 77 49	227 60 49
381	Van/Van Branch	Cumhuriyet Cad. No: 116 VAN	+90 0432 215 18 95	215 35 97
382	Yalova/Yalova Branch	Rüstempaşa Mah. Huzur Sk. No: 10 D:1 +90 A YALOVA	+90 0226 813 32 34	813 32 35
383	Yozgat/Yozgat Branch	Aşağı Nohutlu Mah. Sakarya Cad. No: 6/A YOZGAT	+90 0354 217 36 50	217 11 38
384	Zonguldak/Zonguldak Branch	Gazipaşa Cad. No: 35/A ZONGULDAK	+90 0372 222 09 09	222 09 02













**KUVEYTÜRK**

**Head Office**

Büyükdere Cad. No: 129/1  
Esentepe 34394 Şişli/İstanbul  
Tel: +90 212 354 11 11 (pbx)

[www.kuveytturk.com.tr](http://www.kuveytturk.com.tr)  
Call Center: 444 0 123